



## **SINOPEC KANTONS HOLDINGS LIMITED**

(Incorporated in Bermuda with Limited Liability)

(Stock Code: 934)



# 2012

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## 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

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

KPMG  
Certified Public Accountants  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

### LEGAL ADVISOR

Lister Lo Lui & Choy  
(solicitors in association with Edwards  
Wildman Palmer)  
27/F, The Center  
99 Queen's Road Central  
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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1 Harbour Road, Wanchai, Hong Kong  
Tel: +852 - 2824 2638  
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

### BUSINESS REVIEW AND PROSPECTS

During the first half of 2012, the persisting and extended European debt crisis and the upsurge of inflation in the emerging markets plunged the global economy into a more severe situation. The average spot price of Brent crude oil was approximately US\$113.61/barrel for the first half of 2012, representing an increase of approximately 2.1% as compared with the same period last year. Faced with ever-changing market complexities, the Board, whilst staying alert to market fluctuations, adhered to its strategy of pursuing scientific development, internal improvement and external expansion. It adopted dedicated and effective measures to overcome difficulties in respect of its operations and project development and to optimize and strengthen operating process and management, in order to continue the Company's development into a world-class petrochemical storage and logistics company. As a result, the Group recorded a turnover amounting to approximately HK\$11,702,020,000 for the first half of 2012, which represented an increase of approximately 18.4% as compared with the same period last year. Benefiting from profit contributed by Zhan Jiang Port Petrochemical Terminal Co., Ltd., a newly acquired joint venture of the Company, profit attributable to shareholders for the first half of 2012 amounted to approximately HK\$177,573,000, representing an increase of approximately 35.77% as compared with the same period's development last year.

Following the approvals given by the shareholders at the special general meeting of the Company at the end of last year on the acquisition of equity interests in five joint ventures of crude oil terminals owned by China Petroleum & Chemical Corporation ("Sinopec") and on the rights issue proposal, the Company, with the general support of its shareholders, executed the rights issue in due course. Due to its benefits for the long term development and interests of the Company and its shareholders, the rights issue was a great success and was over-subscribed by approximately 500%. Through the rights issue, not only did the Company raise approximately HK\$3.5 billion to finance the above-mentioned acquisition and for its future development, the liquidity of the shares of the Company was significantly improved as well.

During the first half of 2012, all staff of the Company committed to further expanding its core businesses by adhering to the development strategy determined by the Board. Utmost efforts have been made to push forward all the storage and logistics projects and satisfactory results have been obtained. At the same time, the Company has, through its wholly-owned subsidiary Sinomart KTS Development Limited, entered into an agreement to acquire 50% equity interest in Fujairah Oil Terminal FZC in the United Arab Emirates. With its unique strategic location, Fujairah is one of the most significant distributing centers in the world for oil products. Fujairah Oil Terminal FZC has plans to invest in the construction of a local storage facility with a capacity of approximately 1.12 million m<sup>3</sup> for crude oil and oil products, and is expecting a highly profitable return. This equity acquisition is the Company's first milestone in developing its overseas storage and logistics business and is of great significance for further strengthening and expanding such businesses. Furthermore, following the establishment of a joint venture between the Group and China Shipping Group Gas Investment Co. Ltd. for the transportation of approximately 4.3 million tonnes of Liquefied Natural Gas ("LNG") under the Australia Pacific LNG project, the Company re-adjusted the related feasibility study and its future operations plan to cater for an increased transportation volume under such project from approximately 4.3 million tonnes to approximately 7.6 million tonnes. According to the latest plan, the number of LNG vessels to be built under this project will increase from 5 to 8. In addition, with regard to the Group's joint venture project to build crude oil storage facilities of approximately 2.6 million m<sup>3</sup> in Indonesia, the parties are still in the course of discussion and have made progress in negotiations during the first half of this year.

During the first half of 2012, in addition to the delightful results in developing petrochemical storage and logistics projects, the Group also witnessed remarkable performance in its daily operations. For example, Huade Petrochemical unloaded a total of 42 oil tankers amounting to approximately 6.37 million tonnes of crude oil, reflecting an increase of approximately 10.8% as compared with the same period last year. It also transported approximately 6.32 million tonnes of crude oil, reflecting an increase of approximately 10.30% over the same period last year, and realized a segment profit of approximately HK\$153,481,000, an increase of approximately 5.95% as compared with the same period last year. During the first half of 2012, revenue of Sinomart KTS Development Limited amounted to approximately HK\$11,384,117,000, of which approximately HK\$11,111,536,000 was derived from trading approximately 1.63 million tonnes of crude oil and approximately HK\$272,581,000 was derived from 7 chartered voyages.

In the second half of this year, the Company will continue to strengthen its meticulous management to secure stable business operations. While making strenuous efforts to reach its annual targets, the Company will aggressively and innovatively strive for new achievements in its continued endeavor to develop storage and logistics projects so as to further improve performance and enhance the Company's comprehensive capability, profitability and sustainability.

### LIQUIDITY AND SOURCES OF FINANCE

As at 30 June 2012, cash on hand and bank balances of the Group totalled approximately HK\$3,651,842,000 (31 December 2011: HK\$771,753,000) and interest-bearing borrowings were HK\$Nil (31 December 2011: HK\$267,228,000). The significant increase in cash on hand and bank balances and the decrease in interest-bearing borrowings were both due to a considerable amount of capital raised by the rights issue in the first half of 2012.

### INTEREST IN ASSOCIATES

As at 30 June 2012, the Group's interest in associates amounted to approximately HK\$465,886,000 (31 December 2011: HK\$419,030,000), consisting of 50% equity in Zhan Jiang Port Petrochemical Terminal Co., Ltd. and 30% equity in East China LNG Shipping Investment Co., Ltd..

### GEARING RATIO

As at 30 June 2012, the Group's current ratio (current assets to current liabilities) was approximately 18.9 (31 December 2011: 1.37) and gearing ratio (total liabilities to total assets) was approximately 3.5% (31 December 2011: 33.0%). The substantial improvement in current ratio and gearing ratio were due to the considerable amount of capital raised by the rights issue in the first half of 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

### TRADE AND OTHER RECEIVABLES

As at 30 June 2012, the Group's trade and other receivables were approximately HK\$613,215,000 (31 December 2011: HK\$1,083,095,000). The decrease in trade and other receivables was mainly due to the efforts of the Group in demanding repayment of trade payment in its crude oil trading business.

### TRADE AND OTHER PAYABLES

As at 30 June 2012, the Group's trade and other payables were approximately HK\$208,589,000 (31 December 2011: HK\$1,112,785,000).

### SHARE CAPITAL

As at 30 June 2012, the Company's share capital amounted to approximately HK\$207,366,000 (31 December 2011: HK\$103,683,000). The increase was due to the execution of the rights issue in ratio of 1:1 in the first half of 2012.

### RESERVES

As at 30 June 2012, the Company's reserves amounted to approximately HK\$6,206,883,000 (31 December 2011: HK\$2,721,899,000). The significant increase was mainly due to the issue of 1,036,830,000 new shares with nominal value of HK\$0.1 each at an issue price of HK\$3.37 per share by the Company in the first half of 2012, where all premium of the issue price over the nominal value, less the share issuance costs, was included in reserves.

### TURNOVER

As at 30 June 2012, the Group's turnover was approximately HK\$11,702,020,000 (30 June 2011: HK\$9,882,456,000). The significant increase in turnover was mainly due to increases in both average crude oil price and trading volume in crude oil trading business in the first half of 2012 as compared with the same period last year.

### OTHER REVENUE

As at 30 June 2012, the Group's other revenue amounted to approximately HK\$16,816,000 (30 June 2011: HK\$6,983,000), most of which was attributable to interest income. The significant increase was mainly due to bank deposit arising from a considerable amount of capital raised by the rights issue executed in the first half of 2012.

### SHARE OF PROFIT OF AN ASSOCIATE

As at 30 June 2012, the Group's share of profit of an associate amounted to approximately HK\$47,113,000 (30 June 2011: HK\$Nil), all of which represented return on 50% equity held in Zhan Jiang Port Petrochemical Terminal Co., Ltd..

### PROFIT FOR THE PERIOD

As at 30 June 2012, the Group recorded a profit amounting to approximately HK\$177,573,000 (as at 30 June 2011: HK\$130,785,000), representing an increase of approximately 35.8% as compared to the same period last year. The substantial increase in profit was due to the fact that the Group acquired 50% equity interest in Zhan Jiang Port Petrochemical Terminal Co., Ltd. Pursuant to the acquisition agreement the Group was entitled to the profit generated from Zhan Jiang Port Petrochemical Terminal Co., Ltd. since 1 January 2012.

### FOREIGN CURRENCY RISK

As at 30 June 2012, the Group held approximately RMB1,822 million in cash which was intended to be used to settle the consideration for the acquisition of the equity of the five crude oil terminal joint ventures from Sinopec. Prior to the due payment of the abovementioned cash amount denominated in RMB as the consideration for the acquisition, the Group may incur a certain amount of foreign exchange losses along with the changes in exchange rate of RMB against Hong Kong dollars. Save for the above, each entity within the Group was not exposed to significant foreign exchange risk.



## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2012, the Group had a total of 204 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 TO THE BOARD OF DIRECTORS OF SINOPEC KANTONS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

### **INTRODUCTION**

We have reviewed the interim financial report set out on pages 11 to 40 which comprises the consolidated statement of financial position of Sinopec Kantons Holdings Limited as of 30 June 2012 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report 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 are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 the interim financial report consists of making enquiries, 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 report as at 30 June 2012 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

### KPMG

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

17 August 2012

## CONSOLIDATED INCOME STATEMENT – UNAUDITED

*For the six months ended 30 June 2012*

*(Expressed in Hong Kong dollars)*

	Note	Six months ended 30 June	
		2012	2011
		\$'000	\$'000
<b>Turnover</b>	3	<b>11,702,020</b>	9,882,456
Cost of sales		<b>(11,523,937)</b>	(9,713,278)
<b>Gross profit</b>		<b>178,083</b>	169,178
Other revenue		<b>16,816</b>	6,983
Other net (loss)/income		<b>(3,106)</b>	16,954
Distribution costs		<b>(5,001)</b>	(2,901)
Administrative expenses		<b>(14,185)</b>	(21,424)
<b>Profit from operations</b>		<b>172,607</b>	168,790
Finance costs	4(a)	<b>(1,221)</b>	(1,382)
Share of profit of an associate	9	<b>47,113</b>	–
<b>Profit before taxation</b>	4	<b>218,499</b>	167,408
Income tax	5	<b>(40,926)</b>	(36,623)
<b>Profit for the period</b>		<b>177,573</b>	130,785
<b>Basic and diluted earnings per share</b>	7	<b>10.50 cents</b>	10.68 cents

The notes on pages 18 to 40 form part of this interim financial report. Details of dividends payable to equity shareholders of the company are set out in note 6.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 30 June 2012

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
<b>Profit for the period</b>	<b>177,573</b>	130,785
<b>Other comprehensive income for the period (Note):</b>		
Exchange differences on translation of financial statements of the subsidiary in the People's Republic of China (the "PRC")	(10,119)	46,835
Exchange differences on translation of associate's share of net assets	(257)	–
<b>Total comprehensive income for the period</b>	<b>167,197</b>	177,620

Note: The component of other comprehensive income does not have any tax effect for the six months ended 30 June 2012 and 2011.

The notes on pages 18 to 40 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

At 30 June 2012

(Expressed in Hong Kong dollars)

	Note	At 30 June 2012 \$'000	At 31 December 2011 \$'000
<b>Non-current assets</b>			
Fixed assets	8		
– Property, plant and equipment		1,772,493	1,783,062
– Investment properties		15,896	32,356
– Interest in leasehold land held for own use under operating leases		76,732	79,209
Interest in associates	9	465,886	419,030
		<b>2,331,007</b>	2,313,657
<b>Current assets</b>			
Inventories	10	43,306	41,588
Trade and other receivables	11	613,215	1,083,095
Tax recoverable		4,955	4,955
Cash and cash equivalents	12	3,651,842	771,753
		<b>4,313,318</b>	1,901,391
<b>Current liabilities</b>			
Trade and other payables	13	208,589	1,112,785
Interest-bearing borrowings	14	–	267,228
Current taxation		19,131	9,453
		<b>227,720</b>	1,389,466
<b>Net current assets</b>		<b>4,085,598</b>	511,925
Total assets less current liabilities		<b>6,416,605</b>	2,825,582
<b>Non-current liabilities</b>			
Deferred tax liabilities		2,356	–
<b>NET ASSETS</b>		<b>6,414,249</b>	2,825,582

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

At 30 June 2012

(Expressed in Hong Kong dollars)

	At <b>30 June</b> <b>2012</b> <b>\$'000</b>	At 31 December 2011 \$'000
Note		
<hr/>		
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>207,366</b>	103,683
Reserves	<b>6,206,883</b>	2,721,899
<hr/>		
<b>TOTAL EQUITY</b>	<b>6,414,249</b>	2,825,582
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Approved and authorised for issue by the board of directors on 17 August 2012

**Dai Zhao Ming**  
*Chairman*

**Ye Zhi Jun**  
*Director*

The notes on pages 18 to 40 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2012

(Expressed in Hong Kong dollars)

Note	Attributable to equity shareholders of the company						
	Share capital	Share premium	Merger reserve	General reserves	Exchange reserve	Retained profits	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2011</b>	103,683	333,857	23,444	168,179	420,544	1,493,889	2,543,596
<b>Changes in equity for the six months ended 30 June 2011:</b>							
Profit for the period	-	-	-	-	-	130,785	130,785
Other comprehensive income							
– Exchange differences on translation of financial statements of the subsidiary in the PRC	-	-	-	-	46,835	-	46,835
Total comprehensive income for the period	-	-	-	-	46,835	130,785	177,620
Dividends approved in respect of the previous year	6(b)	-	-	-	-	(20,737)	(20,737)
<b>Balance at 30 June 2011 and 1 July 2011</b>		103,683	333,857	23,444	168,179	467,379	1,603,937
<b>Changes in equity for the six months ended 31 December 2011:</b>							
Profit for the period	-	-	-	-	-	82,727	82,727
Other comprehensive income							
– Exchange differences on translation of financial statements of the subsidiary in the PRC	-	-	-	-	57,928	-	57,928
Total comprehensive income for the period	-	-	-	-	57,928	82,727	140,655
Appropriation of reserves	-	-	-	21,729	-	(21,729)	-
Interim dividends declared in respect of the current year	6(a)	-	-	-	-	(15,552)	(15,552)
Balance at 31 December 2011		103,683	333,857	23,444	189,908	525,307	1,649,383
							2,825,582



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2012

(Expressed in Hong Kong dollars)

Note	Attributable to equity shareholders of the company						
	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	General reserves \$'000	Exchange reserve \$'000	Retained profits \$'000	Total equity \$'000
<b>Balance at 31 December 2011 and 1 January 2012</b>	103,683	333,857	23,444	189,908	525,307	1,649,383	2,825,582
<b>Changes in equity for the six months ended 30 June 2012:</b>							
Profit for the period	-	-	-	-	-	177,573	177,573
Other comprehensive income							
– Exchange differences on translation of financial statements of the subsidiary in the PRC	-	-	-	-	(10,119)	-	(10,119)
– Exchange differences on translation of associate's share of net assets	-	-	-	-	(257)	-	(257)
Total comprehensive income for the period	-	-	-	-	(10,376)	177,573	167,197
Shares issued under rights issue	6(c) 103,683	3,359,260	-	-	-	-	3,462,943
Appropriation of reserves	-	-	-	61,478	-	(61,478)	-
Dividends approved in respect of the previous year	6(b) -	-	-	-	-	(41,473)	(41,473)
<b>Balance at 30 June 2012</b>	<b>207,366</b>	<b>3,693,117</b>	<b>23,444</b>	<b>251,386</b>	<b>514,931</b>	<b>1,724,005</b>	<b>6,414,249</b>

The notes on pages 18 to 40 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the six months ended 30 June 2012

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Cash generated from operations	224,444	13,482
Tax paid	(28,892)	(29,685)
Net cash generated from/(used in) operating activities	195,552	(16,203)
Net cash used in investing activities	(506,449)	(61,331)
Net cash generated from financing activities	3,194,295	86,351
Net increase in cash and cash equivalents	2,883,398	8,817
Cash and cash equivalents at 1 January	771,753	724,711
Effect of foreign exchange rate changes	(3,309)	18,638
Cash and cash equivalents at 30 June	3,651,842	752,166

The notes on pages 18 to 40 form part of this interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 17 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the board of directors is included on pages 9 and 10.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### 1 BASIS OF PREPARATION (continued)

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 21 February 2012.

### 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of Sinopec Kantons Holdings Limited (the "Company") and its subsidiaries (together referred to as the group). These developments have had no material impact on this interim financial report for current and prior periods.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 3 TURNOVER AND SEGMENT REPORTING

The group manages its businesses by divisions, which are organised by 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.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### 3 TURNOVER AND SEGMENT REPORTING (continued)

- Trading of crude oil: this segment trades crude oil. Currently, the majority of the trading activities are carried out in Hong Kong and 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.
- 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 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, interest in associates, deferred tax assets, tax recoverable and other corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segments and interest-bearing borrowings managed directly by the segments.

#### **(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.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### 3 TURNOVER AND SEGMENT REPORTING (continued)

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

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 revenue, unallocated other net income, unallocated depreciation and amortisation, unallocated finance costs and other corporate expenses 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 3(b) to this interim financial report.

In addition to receiving segment information concerning segment operating profit, management is also provided with segment information concerning revenue, interest 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.

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:

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 3 TURNOVER AND SEGMENT REPORTING (continued)

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

For the six months ended 30 June	Trading of crude oil		Crude oil jetty services		Vessel charter services		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Revenue</b>								
Revenue from external customers	11,111,536	9,529,185	317,903	292,193	272,581	61,078	11,702,020	9,882,456
Inter-segment revenue	-	-	2,190	685	-	-	2,190	685
<b>Reportable segment revenue</b>	<b>11,111,536</b>	<b>9,529,185</b>	<b>320,093</b>	<b>292,878</b>	<b>272,581</b>	<b>61,078</b>	<b>11,704,210</b>	<b>9,883,141</b>
<b>Reportable segment (loss)/profit</b>	<b>(3,559)</b>	<b>493</b>	<b>153,481</b>	<b>144,855</b>	<b>3,726</b>	<b>3,316</b>	<b>153,648</b>	<b>148,664</b>
Interest income	-	-	457	117	-	-	457	117
Finance costs	(265)	(27)	-	-	(265)	(198)	(530)	(225)
Depreciation and amortisation for the period	(346)	(74)	(90,406)	(89,029)	(345)	(538)	(91,097)	(89,641)
Additions to non-current segment assets during the period	47	3	67,994	54,070	47	22	68,088	54,095
	At 30 June 2012 \$'000	At 31 December 2011 \$'000	At 30 June 2012 \$'000	At 31 December 2011 \$'000	At 30 June 2012 \$'000	At 31 December 2011 \$'000	At 30 June 2012 \$'000	At 31 December 2011 \$'000
<b>Reportable segment assets</b>	<b>10,500</b>	<b>517,464</b>	<b>2,337,796</b>	<b>2,786,333</b>	<b>160,586</b>	<b>92,094</b>	<b>2,508,882</b>	<b>3,395,891</b>
<b>Reportable segment liabilities</b>	<b>87,204</b>	<b>542,467</b>	<b>34,088</b>	<b>450,685</b>	<b>90,440</b>	<b>121,245</b>	<b>211,732</b>	<b>1,114,397</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### 3 TURNOVER AND SEGMENT REPORTING (continued)

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

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
<hr/>		
<b>Revenue</b>		
Reportable segment revenue	<b>11,704,210</b>	9,883,141
Elimination of inter-segment revenue	<b>(2,190)</b>	(685)
<hr/>		
Consolidated turnover	<b>11,702,020</b>	9,882,456
<hr/>		
<b>Profit</b>		
Reportable segment profit	<b>153,648</b>	148,664
Elimination of inter-segment profits	<b>(1,113)</b>	(356)
<hr/>		
Reportable segment profit derived from the group's external customers	<b>152,535</b>	148,308
Unallocated other revenue and net income	<b>11,388</b>	23,820
Unallocated depreciation and amortisation	<b>(57)</b>	(104)
Unallocated finance costs	<b>(691)</b>	(1,157)
Unallocated other corporate income/(costs)	<b>8,211</b>	(3,459)
Share of profit from an associate	<b>47,113</b>	–
<hr/>		
Consolidated profit before taxation	<b>218,499</b>	167,408
<hr/>		



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 3 TURNOVER AND SEGMENT REPORTING (continued)

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

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
<b>Assets</b>		
Reportable segment assets	2,508,882	3,395,891
Elimination of inter-segment receivables	(1,422)	–
	2,507,460	3,395,891
Unallocated corporate assets	4,136,865	819,157
Consolidated total assets	6,644,325	4,215,048
<b>Liabilities</b>		
Reportable segment liabilities	211,732	1,114,397
Elimination of inter-segment payables	(1,422)	–
	210,310	1,114,397
Unallocated corporate liabilities	19,766	275,069
Consolidated total liabilities	230,076	1,389,466

#### (c) Geographic information

In view of the fact that substantially all the group's revenue was generated from the customers operated in the PRC and substantially all segment assets and capital expenditure are in the PRC, no geographic segment information is presented.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### 4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
<b>(a) Finance costs</b>		
Interest expenses on bank and other borrowings wholly repayable within five years	<b>1,221</b>	1,382
<b>(b) Other items</b>		
Interest income	<b>(16,283)</b>	(4,510)
Net foreign exchange loss/(gain)	<b>3,004</b>	(17,067)
Depreciation and amortisation	<b>91,154</b>	89,745
Operating lease charges		
– property rentals	<b>1,686</b>	1,672
– hire of vessels	<b>114,917</b>	20,589
	<b>114,917</b>	20,589

### 5 INCOME TAX

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
<b>Current tax – PRC Corporate Income Tax</b>		
Provision for the period	<b>38,154</b>	37,804
Under-provision in respect of prior years	<b>416</b>	524
	<b>38,570</b>	38,328
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	<b>2,356</b>	(1,705)
	<b>40,926</b>	36,623

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### 5 INCOME TAX (continued)

No Hong Kong Profits Tax provision has been made as the group's subsidiaries in Hong Kong sustained adjusted losses during the six months ended 30 June 2011 and 2012. Taxation for the PRC and overseas subsidiaries are charged at the appropriate current rates of taxation ruling in the relevant countries.

Pursuant to the notice on the Implementation Rules of the Grandfather Relief under the PRC Corporate Income Tax Law, Guofa (2007) No. 39, issued on 26 December 2007 by the State Council, the applicable income tax rate for the group's foreign-invested enterprise in the PRC (the "PRC subsidiary") is 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively.

At 30 June 2012, temporary differences relating to the undistributed earnings of the PRC subsidiary amounted to \$805,958,000 (31 December 2011: \$692,160,000). Deferred tax liabilities of \$80,596,000 (31 December 2011: \$69,216,000) 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 these retained earnings as the company controls the dividend policy of the subsidiary and the directors have determined that its post-2007 profits are not likely to be distributed in the foreseeable future.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 6 DIVIDENDS AND RESERVES

- (a) Dividends payable to equity shareholders of the company attributable to the interim period

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Interim dividend declared after the interim period, of 1.5 cents (2011: 1.5 cents) per ordinary share	<b>31,105</b>	15,552

The interim dividend has not been recognised as a liability at the end of the reporting period.

- (b) Dividends payable to equity shareholders of the company attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of 2.0 cents (six months ended 30 June 2011: 2.0 cents) per ordinary share	<b>41,473</b>	20,737

- (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 \$3.37 each. Total consideration amounted to \$3,494,117,000 of which \$103,683,000 was credited to share capital and the remaining proceeds of \$3,390,434,000, less the share issuance costs of \$31,174,000, were credited to the share premium account.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholder of the company of \$177,573,000 (six months ended 30 June 2011: \$130,785,000) and the weighted average of 1,691,091,000 ordinary shares (six months ended 30 June 2011: 1,224,543,000 shares after adjusting for rights issue on 22 March 2012) in issue throughout the period, calculated as follows:

#### Weighted average number of ordinary shares

	2012	2011
	\$'000	\$'000
Issued ordinary shares at 1 January	1,036,830	1,036,830
Effect of rights issue (note 6(c))	654,261	187,713
Weighted average number of ordinary shares at 30 June	1,691,091	1,224,543

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.

### 8 FIXED ASSETS

During the six months ended 30 June 2012, the group acquired items of plant and equipment, including construction in progress, with a cost \$69,608,000 (six months ended 30 June 2011: \$54,095,000). There were no disposals of fixed assets during the six months ended 30 June 2012 and 2011.

During the six months ended 30 June 2012, the group transfers investment property at net book value of \$16,131,000 to property, plant and equipment when the group commenced to occupy the property for own use.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 9 INTEREST IN ASSOCIATES

In February 2011, the group set up an associate, East China LNG in Hong Kong, together with a PRC state-owned entity. The group invested capital of \$11,700,000, representing 30% equity interest in the associate. The associate is engaged in the transportation of liquefied natural gas and is yet to report its first trade.

In May 2011, the group entered into an acquisition agreement to acquire 50% of equity interest in Zhan Jiang Port Petrochemical Jetty Co., Ltd. ("Zhan Jiang Port"). The consideration for the acquisition amounted to RMB331,990,000 (equivalent to approximately \$407,330,000). The acquisition was completed in October 2011, upon approval having been obtained from the relevant government authorities in the PRC. The consideration was settled in full on 9 January 2012. No significant goodwill was recognised upon the completion of the acquisition.

In accordance with the acquisition agreement, the group is not entitled to share any profit or loss from Zhan Jiang Port for the period from completion of the acquisition to 31 December 2011. From 1 January 2012 onwards, the profit or loss in Zhan Jiang Port shall be borne by its equity holders, in accordance with their respective equity interest in Zhan Jiang Port. During the six months ended 30 June 2012, the share of profit of Zhan Jiang Port amounted to \$47,113,000.

### 10 INVENTORIES

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Fuel oil for vessels	36,954	37,322
Spare parts	6,352	4,266
	<b>43,306</b>	41,588

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 11 TRADE AND OTHER RECEIVABLES

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Trade receivables		
– Amounts due from intermediate holding company and fellow subsidiaries	582,846	561,107
– Third parties	–	1,864
	<b>582,846</b>	562,971
Other receivables and prepayments		
– Amounts due from intermediate holding company and fellow subsidiaries	289	314
– Third parties	30,080	519,810
	<b>30,369</b>	520,124
	<b>613,215</b>	1,083,095

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

The amounts due from intermediate holding company and fellow subsidiaries are unsecured and interest free. The amounts due from intermediate holding company and fellow subsidiaries arising from trade-related transactions and non-trade related transactions are repayable with a credit term of 30 to 90 days and repayable on demand respectively.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 11 TRADE AND OTHER RECEIVABLES (continued)

#### Ageing analysis

Included in trade and other receivables are trade debtors and amounts due from intermediate holding company and fellow subsidiaries arising from trade-related transactions with the following ageing analysis as of the end of the reporting period:

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Current	168,628	106,465
Less than 1 month past due	104,034	51,588
1 to 3 months past due	153,091	51,040
More than 3 months past due but less than 12 months past due	157,093	353,878
Amounts past due	414,218	456,506
	<b>582,846</b>	562,971

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.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 12 CASH AND CASH EQUIVALENTS

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Time deposits with banks with original maturity less than 3 months	2,234,449	761,323
Cash at bank and in hand	1,417,393	10,430
	<b>3,651,842</b>	<b>771,753</b>

### 13 TRADE AND OTHER PAYABLES

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Trade payables		
– Amount due to a fellow subsidiary	66	66
– Third parties	4,725	20,005
	<b>4,791</b>	<b>20,071</b>
Amounts due to immediate and intermediate holding companies and fellow subsidiaries	92,698	613,884
Creditors and accrued charges	69,627	71,500
Consideration payable to acquire equity interest in an associate (Note 9)	–	407,330
Dividend payable	41,473	–
	<b>208,589</b>	<b>1,112,785</b>

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13 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:

	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Due within 1 month or on demand	<b>4,791</b>	20,005
Due after 1 month but within 3 months	–	66
	<b>4,791</b>	20,071

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 14 INTEREST-BEARING BORROWINGS

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Loans from a fellow subsidiary	–	267,228

The group obtained a loan in July 2008 from Sinopec Century Bright Capital Investment Limited (“Century Bright”), a fellow subsidiary of the Company, amounting to US\$87,000,000 (equivalent to \$677,854,000), to repay the consideration for the acquisition of the 30% equity interest in Huade in 2006. Pursuant to the loan agreement, the loan has a maturity of six months from the date of the loan agreement and it had been renewed semi-annually since July 2008. As at 30 June 2012, the group has fully repaid the outstanding loan.

In addition, the group also obtained short-term loans amounting to US\$14,878,000 for its short-term liquidity requirements from Century Bright during the year ended 31 December 2011. As at 30 June 2012, the group has fully repaid the outstanding loan.

### 15 COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2012 not provided for in the interim financial report were as follows:

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Contracted for	2,451,721	2,658,558
Authorised but not contracted for	954,376	999,153
	<b>3,406,097</b>	<b>3,657,711</b>

These capital commitments mainly included capital commitments for the acquisition of jointly controlled entities and associates and construction of oil depots.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 15 COMMITMENTS (continued)

- (b) At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>At 30 June 2012 \$'000</b>	At 31 December 2011 \$'000
Within 1 year	<b>244,556</b>	180,298
After 1 year but within 5 years	<b>354,112</b>	162,281
After 5 years	<b>8,136</b>	8,118
	<b>606,804</b>	350,697

The group leases a number of properties and vessels with an initial lease term of three to thirty-two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 16 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:

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Crude oil sold to an intermediate holding company and a fellow subsidiary (note (i))	<b>11,111,536</b>	9,529,185
Crude oil purchased from a fellow subsidiary and related charges (note (i))	<b>761,262</b>	171,564
Fuel oil purchased from a fellow subsidiary (note (i))	<b>441</b>	24,749
Insurance premium charged by a fellow subsidiary (note (ii))	<b>2,450</b>	2,740
Jetty service fees charged to an intermediate holding company and a fellow subsidiary (note (iii))	<b>306,185</b>	280,337
Vessel charter service fee charged to a fellow subsidiary (note (iv))	<b>221,424</b>	61,078
Interest expense charged by a fellow subsidiary	<b>1,221</b>	1,382
Rental expense charged by a fellow subsidiary (note (v))	<b>1,687</b>	1,671
Cash and cash equivalents placed in fellow subsidiaries (note (vi))	<b>3,551</b>	–
Construction costs charged by a fellow subsidiary (note (vii))	<b>35,516</b>	–

### 16 MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

The balances with related companies are disclosed in notes 11 and 13 to this interim financial report.

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 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.
- (iii) 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.
- (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 REPORT

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### 16 MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

Notes: (continued)

The above transactions were conducted in accordance with the following terms: (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 included the construction materials sold to the group and the design fee charged to the group for the construction of oil depots in the PRC.

#### (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 16(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.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 16 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	
	2012	2011
	\$'000	\$'000
Crude oil purchased by the group	9,952,467	7,771,433
Jetty services charged by the group	11,718	11,759
	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Amounts due from other state-controlled entities	3,169	518,676
Amounts due to other state-controlled entities	1,735	3,590



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 16 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	
	2012	2011
	\$'000	\$'000
Interest income	14,834	4,508

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

	At	At
	30 June	31 December
	2012	2011
	\$'000	\$'000
Cash and cash equivalents	3,647,756	763,346

### 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 21 September 2012.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 September 2012 (Monday) to 21 September 2012 (Friday) (both days inclusive) during which period no transfer of shares can be registered. In order to qualify for the proposed interim dividend, all share transfers, accompanied by relevant share certificates, must be lodged with Tricor Secretaries Limited, the 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 14 September 2012 (Friday). The cheques for dividend payment will be sent on 18 October 2012 (Thursday).

## OTHER INFORMATION

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2012, 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 Listing Rules.

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors are not aware of any person (other than Directors and chief executive of the Company) who, as at 30 June 2012, 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:

<b>Name of shareholder</b>	<b>Nature of interest</b>	<b>Number of ordinary shares</b>	<b>Capacity</b>	<b>Percentage of the issued share capital of the Company</b>
Sinopec Kantons International Limited	Corporate	1,500,000,000	Beneficial	72.34%

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

**CORPORATE GOVERNANCE**

The Group has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “Code”) in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2012.

**RIGHTS ISSUE**

According to the rights issue scheme approved at the special general meeting of the Company convened on 31 December 2011, the Company completed the rights issue in a ratio of 1:1 on 22 March 2012 and 1,036,830,000 new shares were issued in the rights issue and listed on the Stock Exchange for dealing on 26 March 2012.

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

Save 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 2012.

**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 the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of financial reports. The Audit Committee has reviewed the unaudited interim financial report for the six months ended 30 June 2012.

**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.

## OTHER INFORMATION

### 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 Company has adopted its own Code for Securities Transactions by Directors on terms no less exacting than the required standards set out in the Model Code on Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules.

For the six months ended 30 June 2012, 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.

### 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 2012.

By order of the Board  
**Sinopec Kantons Holdings Limited**  
**Dai Zhao Ming**  
*Chairman*

Hong Kong, 17 August 2012