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SINOPEC KANTONS HOLDINGS LIMITED

(中石化冠德控股有限公司) *

(incorporated in Bermuda with limited liability)

(Stock Code: 934)

ANNOUNCEMENT OF INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Sinopec Kantons Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019 (the “**Period**”). Financial data in this announcement, together with the comparative figures for the corresponding period in 2018, were extracted from the 2019 unaudited condensed consolidated interim financial information, which have been reviewed by PricewaterhouseCoopers and the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED INCOME STATEMENT*For the six months ended 30 June*

	<i>Note</i>	Six months ended 30 June	
		2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	747,974	840,420
Cost of providing services		(377,620)	(387,927)
Gross profit		370,354	452,493
Other income and other gains, net		38,398	62,802
Distribution costs	6	(4,783)	(5,208)
Administrative expenses	6	(64,456)	(93,194)
Operating profit		339,513	416,893
Finance income		1,538	1,539
Finance costs		(64,635)	(78,467)
Share of results of:			
– Joint ventures		468,385	460,278
– Associates		115,240	77,517
Profit before income tax		860,041	877,760
Income tax expenses	7	(133,294)	(122,229)
Profit for the period		726,747	755,531
Profit attributable to:			
Equity holders of the Company		727,112	755,850
Non-controlling interests		(365)	(319)
		726,747	755,531
Basic and diluted earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)	9	29.25	30.40

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>726,747</u>	<u>755,531</u>
Other comprehensive income for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on currency translation		
– Subsidiaries	(15,784)	(39,417)
– Associates	(4,977)	(9,768)
– Joint ventures	<u>(35,683)</u>	<u>(79,346)</u>
	<u>(56,444)</u>	<u>(128,531)</u>
Cash flow hedges		
– An associate	961	(3,252)
– Joint ventures	<u>(82,959)</u>	<u>(6,468)</u>
	<u>(81,998)</u>	<u>(9,720)</u>
Other comprehensive income for the period, net of tax	<u>(138,442)</u>	<u>(138,251)</u>
Total comprehensive income for the period	<u><u>588,305</u></u>	<u><u>617,280</u></u>
Total comprehensive income attributable to:		
Equity holders of the Company	588,670	617,599
Non-controlling interests	<u>(365)</u>	<u>(319)</u>
Total comprehensive income for the period	<u><u>588,305</u></u>	<u><u>617,280</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June

	<i>Note</i>	As at 30 June 2019 <i>HK\$'000</i> (Unaudited)	As at 31 December 2018 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		5,991,781	6,212,395
Right-of-use assets		663,059	–
Prepaid land lease payments		–	651,206
Investment properties		55,670	57,299
Prepayment		13,554	25,932
Interests in joint ventures		7,008,929	6,902,973
Interests in associates		909,487	866,711
		<hr/>	<hr/>
Total non-current assets		14,642,480	14,716,516
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		15,571	17,110
Trade and other receivables	10	842,580	1,042,302
Cash and bank balances		467,486	320,685
		<hr/>	<hr/>
Total current assets		1,325,637	1,380,097
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		15,968,117	16,096,613
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EQUITY			
Equity attributable to equity holders of the Company			
Share capital		248,616	248,616
Reserves		11,744,871	11,413,711
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		11,993,487	11,662,327
Non-controlling interests		36,092	36,457
		<hr/>	<hr/>
Total equity		12,029,579	11,698,784
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June

	<i>Note</i>	As at 30 June 2019 <i>HK\$'000</i> (Unaudited)	As at 31 December 2018 <i>HK\$'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		140,796	130,299
Government grants		19,922	20,136
Lease liabilities		14,251	–
Total non-current liabilities		<u>174,969</u>	<u>150,435</u>
Current liabilities			
Trade and other payables	11	640,483	509,596
Borrowings		3,063,240	3,673,325
Income tax payable		52,811	64,473
Lease liabilities		7,035	–
Total current liabilities		<u>3,763,569</u>	<u>4,247,394</u>
Total liabilities		<u>3,938,538</u>	<u>4,397,829</u>
Total equity and liabilities		<u><u>15,968,117</u></u>	<u><u>16,096,613</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Sinopec Kantons Holdings Limited (the “**Company**”) is a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The addresses of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 34/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong respectively.

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

The condensed consolidated interim financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. This condensed consolidated interim financial information was approved by the board of directors on 29 August 2019.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2019 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 (“**HKICPA**”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

2.1 Going concern

As at 30 June 2019, the Group had net current liabilities of approximately HK\$2,438 million, which was attributable to short-term borrowings of approximately HK\$1,017 million from Sinopec Century Bright Capital Investment Limited (“**Century Bright**”), and approximately HK\$2,046 million of entrusted loan from China International United Petroleum & Chemicals Co., Ltd (“**Unipecc**”).

The directors of the Company have reviewed the Group’s cash flow projections, which cover a period of twelve months from the reporting period. The board of directors have considered, among others, internally generated funds and financial resources available to the Group in the adoption of going concern basis in the preparation of the condensed consolidated financial statements. In December 2018, the Group successfully renewed the short-term revolving facility of US\$500 million (equivalent to approximately HK\$3,907 million) provided by Century Bright, for a period of 12 months, due to expire on 31 December 2019. Century Bright has confirmed their intention that without unforeseen situation, subject to fulfillment of certain conditions, to approve renewal of the short-term facility upon its expiry. Moreover, the Group has renewed the entrusted term loan from Unipecc on 26 June 2019 and the maturity date is on 26 June 2020.

The directors of the Company are of the opinion that, taking into account the anticipated cash flows generated from the Group’s operation, successful renewal of the short-term revolving loan facility from Century Bright, and its financial capacity to make the funding available as and when needed, the Group will have adequate resources to continue its operations for the foreseeable future and to meet with its financial obligations as and when they fall due for a period that is not less than 12 months from the end of the reporting period. Accordingly, the directors of the Company has adopted the going concern basis in preparing the condensed consolidated financial statements.

3 ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as described below. In 2019, the Group adopted HKFRS 16 Leases, which is effective for accounting periods beginning on or after 1 January 2019.

The impact of the adoption of HKFRS 16 is disclosed in note 4 below. The other standards and amendments did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

4 EFFECT ON ADOPTION OF HKFRS 16

Following the adoption of the above new standards, the Group has elected to use a simplified transition approach and has not restated comparative amounts for the year prior to first adoption. Further details of the nature and impact of the changes are set out below:

(i) Adjustments recognised on adoption of HKFRS 16

Nature of change

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 ranged from 4.35% to 4.90%.

Impact

The financial impact of the adoption of HKFRS 16 to the Group's financial is summarised below.

	2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	33,442
Discounted using the lessee's incremental borrowing rate of at the date of initial application	<u>(7,516)</u>
Lease liability recognised as at 1 January 2019	<u><u>25,926</u></u>
Of which are:	
Current liabilities	6,418
Non-current liabilities	<u>19,508</u>
	<u><u>25,926</u></u>

4 EFFECT ON ADOPTION OF HKFRS 16 (continued)

(i) Adjustments recognised on adoption of HKFRS 16 (continued)

Impact (continued)

The recognised right-of-use assets relate to the following types of assets:

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 1 January 2019 HK\$'000 (Unaudited)
Properties	22,249	25,926
Prepaid land lease payments		
– The People's Republic of China (the "PRC")	49,374	51,813
– Indonesia	591,436	599,393
	<hr/>	<hr/>
Total right-of-use assets	663,059	677,132
	<hr/> <hr/>	<hr/> <hr/>

The change in accounting policy affected the following items in the condensed consolidated statement of financial position on 1 January 2019:

- Prepaid land lease payments – decrease by HK\$651,206,000
- Right-of-use assets – increase by HK\$677,132,000
- Lease liabilities – increase by HK\$25,926,000.

There is no impact on retained earnings on 1 January 2019.

(a) Impact on segment disclosures

As a result of the change in accounting policy, segment results for the six months ended 30 June 2019 decreased. Segment assets and segment liabilities as at 30 June 2019 increased. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities. The following segments were affected by the change in policy.

	Segment results HK\$'000	Segment assets HK\$'000	Segment liabilities HK\$'000
Crude oil jetty and storage services	(87)	14,176	13,368
Natural gas pipeline transmission services	–	200	245

4 EFFECT ON ADOPTION OF HKFRS 16 (continued)

(ii) The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 1 to 32 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Before the adoption of HKFRS16, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Prepaid land lease payments represent the consideration paid to lease the state-owned land in the PRC and land in Indonesia. Before and after the adoption of HKFRS 16, prepaid land lease payments are carried at cost less the accumulated amortisation. The cost of prepaid land lease payments is charged to profit or loss on a straight-line basis over the respective periods of the rights, which are 50 years.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The Group has no short-term leases and low value leases which will be recognised on a straight-line basis as expense in profit or loss.

5 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by its business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's chief operating decision-maker for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments, namely, rendering of crude oil jetty and storage services, rendering of vessel chartering and logistics services and rendering of natural gas pipeline transmission services. All operating segments which fulfil the aggregation criteria under HKFRS 8 Operating Segments have been identified by the Group's chief operating decision-maker and aggregated in arriving at the reportable segments of the Group.

- Crude oil jetty and storage services: this segment provides crude oil transportation, unloading, storage and other jetty services for oil tankers. Currently, the Group's activities in this regard are carried out in the PRC, Europe and the Middle East.
- Vessel chartering and logistics services: this segment provides vessel chartering services for liquefied natural gas transportation. Currently, the Group's activities are mainly carried out in the PRC, Australia and Papua New Guinea.
- Natural gas pipeline transmission services: this segment provides transmission services through its natural gas pipelines located in the PRC.

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

Segment assets include all assets, except for cash and bank balances, investment properties, dividend receivables from joint ventures, right-of-use assets – properties in Hong Kong and prepaid land lease payments in Indonesia, unallocated trade and other receivables, property, plant and equipment. Segment liabilities exclude unallocated trade and other payables, lease liabilities, borrowings and deferred income tax liabilities. The Group's chief operating decision-maker has determined to present segment assets, liabilities and results of associates and joint ventures under respective 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.

The measure used for reporting segment profit is "segment results". Segment results include the operating profit generated by the segment and finance costs directly attributable to the segment. Items that are not specifically attributed to individual segments, such as unallocated other income, unallocated other finance income, unallocated depreciation and amortisation and other corporate costs or income are excluded from segment results.

In addition to receiving segment information concerning segment results, management is also provided with segment information concerning bank interest income, depreciation and amortisation and capital expenditures used by the segments in their operations.

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

5 SEGMENT REPORTING (continued)

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

(i) As at and for the six months ended 30 June 2019:

	Crude oil jetty and storage services <i>HK\$'000</i> (Unaudited)	Vessel chartering and logistics services <i>HK\$'000</i> (Unaudited)	Natural gas pipeline transmission services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue				
– Recognised at a point in time	257,641	–	429,479	687,120
– Recognised over time	60,854	–	–	60,854
	<u>318,495</u>	<u>–</u>	<u>429,479</u>	<u>747,974</u>
Segment results				
– Company and subsidiaries	155,302	–	166,143	321,445
– Associates	113,483	1,757	–	115,240
– Joint ventures	420,827	47,558	–	468,385
	<u>689,612</u>	<u>49,315</u>	<u>166,143</u>	<u>905,070</u>
Unallocated other corporate expenses				<u>(45,029)</u>
Profit before income tax				860,041
Income tax expenses				<u>(133,294)</u>
Profit for the period				<u><u>726,747</u></u>
Other segment items				
Bank interest income	188	–	1,344	1,532
Depreciation and amortisation	(69,279)	–	(133,847)	(203,126)
Capital expenditures	(3,480)	–	(41)	(3,521)
	<u><u>(3,480)</u></u>	<u><u>–</u></u>	<u><u>(41)</u></u>	<u><u>(3,521)</u></u>

5 SEGMENT REPORTING (continued)

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

(i) As at and for the six months ended 30 June 2019: (continued)

	Crude oil jetty and storage services <i>HK\$'000</i> (Unaudited)	Vessel chartering and logistics services <i>HK\$'000</i> (Unaudited)	Natural gas pipeline transmission services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets				
– Company and subsidiaries	1,966,490	–	4,645,778	6,612,268
– Associates	835,787	73,700	–	909,487
– Joint ventures	6,210,878	798,051	–	7,008,929
	<u>9,013,155</u>	<u>871,751</u>	<u>4,645,778</u>	<u>14,530,684</u>
Unallocated assets				
– Cash and bank balances				467,486
– Trade and other receivables				17,827
– Investment properties				55,670
– Right-of-use assets				
• properties in Hong Kong				7,873
• prepaid land lease payments in Indonesia				591,436
– Dividend receivable from joint ventures				211,342
– Property, plant and equipment				85,799
				<u>1,437,433</u>
Total assets				<u><u>15,968,117</u></u>
Segment liabilities				
	<u>86,733</u>	<u>–</u>	<u>2,133,212</u>	<u>2,219,945</u>
Unallocated liabilities				
– Trade and other payables				553,124
– Borrowings				1,017,000
– Lease liabilities				7,673
– Deferred income tax liabilities				140,796
				<u>1,718,593</u>
Total liabilities				<u><u>3,938,538</u></u>

5 SEGMENT REPORTING (continued)

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

(ii) As at 31 December 2018 and for the six months ended 30 June 2018:

	Crude oil jetty and storage services <i>HK\$ '000</i> (Unaudited)	Vessel chartering and logistics services <i>HK\$ '000</i> (Unaudited)	Natural gas pipeline transmission services <i>HK\$ '000</i> (Unaudited)	Total <i>HK\$ '000</i> (Unaudited)
Segment revenue				
– Recognised at a point in time	276,992	–	498,496	775,488
– Recognised over time	64,932	–	–	64,932
	<u>341,924</u>	<u>–</u>	<u>498,496</u>	<u>840,420</u>
Segment results				
– Company and subsidiaries	175,018	–	210,420	385,438
– Associates	73,467	4,050	–	77,517
– Joint ventures	421,149	39,129	–	460,278
	<u>669,634</u>	<u>43,179</u>	<u>210,420</u>	<u>923,233</u>
Unallocated other corporate expenses				<u>(45,473)</u>
Profit before income tax				877,760
Income tax expenses				<u>(122,229)</u>
Profit for the period				<u><u>755,531</u></u>
Other segment items				
Bank interest income	301	–	1,226	1,527
Depreciation and amortisation	(77,770)	–	(140,361)	(218,131)
Capital expenditures	–	–	(79)	(79)
	<u>–</u>	<u>–</u>	<u>(79)</u>	<u>(79)</u>

5 SEGMENT REPORTING (continued)

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

(ii) As at 31 December 2018 and for the six months ended 30 June 2018: (continued)

	Crude oil jetty and storage services <i>HK\$ '000</i> (Audited)	Vessel chartering and logistics services <i>HK\$ '000</i> (Audited)	Natural gas pipeline transmission services <i>HK\$ '000</i> (Audited)	Total <i>HK\$ '000</i> (Audited)
Segment assets				
– Company and subsidiaries	2,388,763	–	4,805,784	7,194,547
– Associates	796,069	70,642	–	866,711
– Joint ventures	6,072,477	830,496	–	6,902,973
	<u>9,257,309</u>	<u>901,138</u>	<u>4,805,784</u>	<u>14,964,231</u>
Unallocated assets				
– Cash and bank balances				320,685
– Trade and other receivables				17,532
– Investment properties				57,299
– Property, plant and equipment				86,113
– Dividend receivable from joint ventures				51,360
– Prepaid land lease payments				599,393
				<u>1,132,382</u>
Total assets				<u><u>16,096,613</u></u>
Segment liabilities				
	<u>74,827</u>	<u>–</u>	<u>2,232,083</u>	<u>2,306,910</u>
Unallocated liabilities				
– Trade and other payables				341,620
– Borrowings				1,619,000
– Deferred income tax liabilities				130,299
				<u>2,090,919</u>
Total liabilities				<u><u>4,397,829</u></u>

5 SEGMENT REPORTING (continued)

(b) Analysis of information by geographical regions

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue		
– The PRC	747,974	840,420
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditures		
– The PRC	3,521	79
	<hr/> <hr/>	<hr/> <hr/>
	As at	As at
	30 June	31 December
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current assets		
– The PRC	11,184,190	11,188,093
– Europe	1,360,660	1,371,309
– Indonesia	677,878	686,020
– Hong Kong	902,578	924,871
– United Arab Emirates	516,461	545,485
– Other regions	713	738
	<hr/>	<hr/>
	14,642,480	14,716,516
	<hr/> <hr/>	<hr/> <hr/>
Total assets		
– The PRC	12,166,377	12,399,061
– Europe	1,360,660	1,371,309
– Indonesia	784,280	792,775
– Hong Kong	1,139,626	987,245
– United Arab Emirates	516,461	545,485
– Other regions	713	738
	<hr/>	<hr/>
	15,968,117	16,096,613
	<hr/> <hr/>	<hr/> <hr/>

(c) Major customers

For the purpose of disclosure under segment reporting for the six months ended 30 June 2019, one customer (including China Petroleum & Chemical Corporation Guangzhou Branch and Sinopec Gas Company) from crude oil jetty services and natural gas pipeline transmission services has transactions that exceeded 94% (2018: 94%) of the Group's revenue, amounting to HK\$700,681,000 (2018: HK\$792,657,000). This customer mainly operates in the PRC.

6 EXPENSES BY NATURE

	Six months ended 30 June	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Net foreign exchange loss/(gain)	1,857	(14,894)
Depreciation and amortisation		
– Property, plant and equipment	203,255	218,371
– Investment properties	1,512	1,566
– Prepaid land lease payments	–	9,110
– Right-of-use assets	12,560	–
	<u>12,560</u>	<u>–</u>

7 INCOME TAX EXPENSES

	Note	Six months ended 30 June	
		2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Current income tax:			
– PRC current income tax	(c)	76,819	95,265
– Hong Kong profits tax	(b)	1,286	3,870
		<u>78,105</u>	<u>99,135</u>
Deferred income tax charged	(d)	55,189	23,094
		<u>133,294</u>	<u>122,229</u>

- (a) The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Law of the Bermuda and, accordingly, is exempted from payment of the Bermuda income tax.
- (b) Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the six months ended 30 June 2019 and 2018.
- (c) The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC (2018: 25%).
- (d) Dividend distribution out of profit of foreign-invested enterprises earned in the PRC subsequent to 1 January 2008 is subject to withholding tax at a tax rate of 5% or 10%. During the six months ended 30 June 2019 withholding tax was provided for the portion of the relevant undistributed profits of the Group's subsidiaries, joint ventures and associates established in the PRC at a tax rate of 5% (2018: 5%).

8 DIVIDENDS

(a)

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividend, declared	<u>198,893</u>	<u>124,308</u>

On 29 August 2019, the board of directors has resolved to declare an interim dividend of HK8.0 cents per ordinary share (2018: HK5.0 cents per ordinary share). This interim dividend has not been recognised as a liability in this condensed consolidated interim financial information.

- (b) The final dividend of approximately HK\$248,616,000 that relates to the year ended 31 December 2018 was paid on 22 July 2019 (2018: HK\$174,031,000).

9 EARNINGS PER SHARE

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	727,112	755,850
Weighted average number of ordinary shares in issue (shares'000)	2,486,160	2,486,160
Basic earnings per share (HK cents per share)	<u>29.25</u>	<u>30.40</u>

Diluted earnings per share are the same as the basic earnings per share as there are no dilutive potential ordinary shares in issue in the current and prior periods.

10 TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 <i>HK\$'000</i> (Unaudited)	As at 31 December 2018 <i>HK\$'000</i> (Audited)
Trade receivables		
– An intermediate holding company and fellow subsidiaries	526,193	923,937
– Bills receivables	36,378	18,261
– Others	4,210	2,543
	<u>566,781</u>	<u>944,741</u>
Other receivables		
– Dividend receivables from joint ventures	211,342	51,360
– Others	64,457	46,201
	<u>275,799</u>	<u>97,561</u>
	<u>842,580</u>	<u>1,042,302</u>

The Group grants credit periods of 30 to 90 days to its customers.

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

Ageing analysis of trade receivables based on the invoice date was as follows:

	As at 30 June 2019 <i>HK\$'000</i> (Unaudited)	As at 31 December 2018 <i>HK\$'000</i> (Audited)
Within 1 month	87,809	143,720
1 to 3 months	124,841	81,924
More than 3 months but less than 12 months	354,131	334,037
Over 12 months	–	385,060
	<u>566,781</u>	<u>944,741</u>

11 TRADE AND OTHER PAYABLES

	As at 30 June 2019 <i>HK\$'000</i> (Unaudited)	As at 31 December 2018 <i>HK\$'000</i> (Audited)
Trade payables		
– Fellow subsidiaries	15,495	37,686
– Others	30,289	81,999
	<u>45,784</u>	<u>119,685</u>
Other payables		
– Amounts due to the immediate holding company, intermediate holding companies and fellow subsidiaries	247,375	248,218
– Creditors and accrued charges	98,708	141,693
– Dividend payables	248,616	–
	<u>594,699</u>	<u>389,911</u>
	<u>640,483</u>	<u>509,596</u>

Trade payable balances are repayable within one year.

The amounts due to the immediate holding company, intermediate holding companies and fellow subsidiaries are unsecured, interest free and repayable on demand.

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

	As at 30 June 2019 <i>HK\$'000</i> (Unaudited)	As at 31 December 2018 <i>HK\$'000</i> (Audited)
Due within 1 month or on demand	12,039	91,145
Due after 1 month but within 3 months	33,745	28,540
	<u>45,784</u>	<u>119,685</u>

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK8 cents per share in cash for the year 2019 to shareholders whose names appear on the register of members of the Company on 20 September 2019 (Friday).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to the interim dividend, from 16 September 2019 (Monday) to 20 September 2019 (Friday) (both days inclusive) during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all share transfers, accompanied by relevant share certificates, must be lodged with Tricor Secretaries Limited, the branch share registrar of the Company, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 13 September 2019 (Friday). The cheques for dividend payment will be sent on or around 18 October 2019 (Friday).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

In the first half of 2019, the world economic growth rate has slowed down due to the global trade disputes. Although the Chinese economy has also faced certain challenges, the overall economic situation has been stable with steady growth in imports of crude oil. However, since the construction of Erdos-Anping-Cangzhou Gas Pipeline (the “**E’ancang Natural Gas Pipeline**”) has completed and been put into operation, changes occurred to the market structure of natural gas pipeline transmission in the region. Together with the fluctuation of the RMB exchange rate, challenges were brought to the production and operation of the Group. The Board led all the staff to overcome the challenges by taking all kinds of effective measures, striving to improve management and risk control capabilities, exploring the market actively and ensuring stable production, operation and profitability. Due to the decrease in the volume of natural gas pipeline transmission of the Group coupled with the impact of RMB depreciation against HK\$, the Group's revenue in the first half of the year was approximately HK\$748 million, representing a year-on-year decrease of approximately 11.00%. Profit for the Period was approximately HK\$727 million, representing a year-on-year decrease of approximately 3.81%, translating into earnings per share of approximately HK29.25 cents. In appreciation of the long-term support of our shareholders and in view of the Company's overall cash flow condition, the Board declared the payment of interim cash dividend of HK8 cents per share for 2019, representing a year-on-year increase of 60.00%.

During the first half of 2019, Huizhou Daya Bay Huade Petrochemical Company Ltd. (“**Huade Petrochemical**”), a wholly-owned subsidiary of the Company, actively strengthened communication and coordination with customers and focused on enhancing cooperation to lay a solid foundation for further improvement of the utilization rate of the crude oil jetty. At the same time, the reconstruction and expansion of fuel oil jetty were actively promoted to enhance profitability of fuel oil jetty unloading business. In the first half of the year, Huade Petrochemical unloaded approximately 6.52 million tonnes of crude oil from 44 oil tankers, representing a year-on-year increase of approximately 0.46%, while it transmitted approximately 6.25 million tonnes of crude oil, representing a year-on-year decrease of approximately 1.57%. The segment revenue for the first half of 2019 was approximately HK\$318 million, representing a year-on-year decrease of approximately 6.85%; while the segment results from Huade Petrochemical were approximately HK\$155 million, representing a year-on-year decrease of approximately 11.27%.

In the first half of 2019, China’s crude oil imports increased by approximately 8.80% as compared with the same period last year. The Group’s oil terminal associate and joint ventures took full advantage of the favorable conditions of steady growth in crude oil imports to actively adopt various effective marketing strategies, increased operational efficiency by strengthening vessel berthing and increased turnover rate by enhancing discharge arrangement, striving to increase terminal throughput and scale of operation. The oil terminal companies adopted different business strategies in light of their own business and operational characteristics to further boost their profitabilities. In the first half of the year, the aggregate throughput of Zhan Jiang Port Petrochemical Jetty Co., Ltd. (“**Zhan Jiang Port Terminal**”), Qingdao Shihua Crude Oil Terminal Co., Ltd. (“**Qingdao Shihua**”), Ningbo Shihua Crude Oil Terminal Co., Ltd. (“**Ningbo Shihua**”), Rizhao Shihua Crude Oil Terminal Co., Ltd. (“**Rizhao Shihua**”), Tianjin Port Shihua Crude Oil Terminal Co., Ltd. (“**Tianjin Shihua**”) and Tangshan Caofeidian Shihua Crude Oil Terminal Co., Ltd. (“**Caofeidian Shihua**”), being the associate and joint ventures of the Company (collectively, the “**Six Domestic Terminal Companies**”) reached approximately 128 million tonnes, representing a year-on-year growth of approximately 7.56%. The aggregate investment return for the first half of 2019 was approximately HK\$527 million, representing a year-on-year growth of approximately 9.11%.

In the first half of 2019, the Chinese government continued to promote the use of clean energy vigorously while the construction of domestic natural gas pipeline transmission facilities progressed rapidly. With the completion of construction and commencement of commercial operation of the E’ancang Natural Gas Pipeline, the Yu Ji Natural Gas Pipeline of the Group could then be connected with the E’ancang Natural Gas Pipeline, and such interconnection increased the flexibility of natural gas supply. However, with the changes occurred in the market structure of natural gas pipeline transmission in the region, certain short-term negative impacts were brought to the natural gas pipeline transmission business of Sinopec Yu Ji Pipeline Company Limited (“**Yu Ji Pipeline Company**”), a wholly-owned subsidiary of the Company, which led to the decrease in the natural gas transmission volume in the first half of 2019. Tackling with operational changes, Yu Ji Pipeline Company actively carried out coordination with the E’ancang Natural Gas Pipeline, strived to strengthen cost control and ensured the safe and stable operation of the natural gas pipeline. In the first half of the year, the natural gas transmission volume of Yu Ji Pipeline Company amounted to approximately 1.924 billion m³, representing a year-on-year decrease of approximately 10.30%, the segment revenue was approximately HK\$429 million, representing a year-on-year decrease of approximately 13.85%, and the segment results were approximately HK\$166 million, representing a year-on-year decrease of approximately 21.04%.

The construction for all of the eight liquefied natural gas (“LNG”) vessels invested by the Group was completed and 2019 is the first year that all vessels were put into a full-year commercial operation. In the first half of the year, the Group actively strengthened the operation management and regular maintenance of the LNG vessels, and strived to overcome the difficulties of frequent equipment failures during the initial operation stage of the newly constructed LNG vessels. In the first half of the year, the eight LNG vessels completed a total of 46 voyages and generated investment return of approximately HK\$49.32 million, representing a year-on-year growth of approximately 14.21%.

In the first half of 2019, despite the rising tensions in the Strait of Hormuz in the Middle East neighbored by Fujairah Oil Terminal FZC (“FOT”), a joint venture of the Company, no corresponding negative impacts were in fact imposed on the oil storage business of FOT. The Group, on one hand, paid close attention to the situation and took timely measures to mitigate potential risks; on the other hand, explored market actively and increased efforts in leasing market to ensure safe, stable and high-load operation of storage facilities. The investment return from FOT in the first half of the year was approximately HK\$6.99 million, representing a year-on-year growth of approximately 20.93%. In the first half of 2019, production and operation of Vesta Terminals B.V. (“Vesta”) in Europe, a joint venture of the Company, was still affected by the geopolitical impact to a certain extent. Through active exploration of the storage business of different types of oil and enhancement of cost control, the actual operating conditions and profitability of Vesta were both improved. However, due to the adjustment of local statutory tax rate, the investment return from Vesta in the first half of the year was approximately HK\$230,000, representing a year-on-year decline of approximately 95.95%.

25 June 2019 was the 20th anniversary of the successful listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange of Hong Kong**”). Throughout the past two decades, the Company has achieved an extraordinary growth in terms of operating scale, profitability and market competitiveness. In the future, the Board of the Company will continuously strive to take advantage of macroeconomic changes, timely review the situation and seize various opportunities, proactively formulate the corporate development strategy and promote corporate development. The Company will endeavour to further enhance its market competitiveness and profitability in order to create values for the shareholders, employees and the society with better operating results. The Company aims to achieve sustainable development and to build a long-lasting enterprise with robust foundation.

REVENUE, GROSS PROFIT AND OPERATING PROFIT

In the first half of 2019, the Group’s revenue was approximately HK\$747,974,000 (first half of 2018: HK\$840,420,000), representing a decrease of approximately 11.00% as compared with the same period last year; gross profit was approximately HK\$370,354,000 (first half of 2018: HK\$452,493,000), representing a decrease of approximately 18.15% as compared with the same period last year; operating profit was approximately HK\$339,513,000 (first half of 2018: HK\$416,893,000), representing a decrease of approximately 18.56% as compared with the same period last year. The decreases in revenue, gross profit and operating profit were mainly due to the following reasons: (i) the average exchange rate of RMB against HK\$ in the first half of 2019 dropped as compared with the same period last year which led to the decreases in revenue, gross profit and operating profit after translation into HK\$; and (ii) the business volume of natural gas pipeline transmission of the Group decreased as compared with the same period last year.

SEGMENTAL INFORMATION

In the first half of 2019, the segment revenue and segment results of the Group's crude oil jetty and storage business were approximately HK\$318,495,000 (first half of 2018: HK\$341,924,000) and HK\$689,612,000 (first half of 2018: HK\$669,634,000) respectively, representing a decrease of approximately 6.85% and an increase of approximately 2.98% respectively as compared with the same period last year. The decrease in segment revenue of crude oil jetty and storage business was due to the fact that the average exchange rate of RMB against HK\$ in the first half of 2019 dropped as compared with the same period last year, leading to the corresponding decrease in the segment revenue of crude oil jetty and storage business from Huade Petrochemical after translation into HK\$. The increase in segment results of crude oil jetty and storage business was due to the significant increase in operating results of the Company's crude oil terminal associate and joint ventures in the first half of the year.

In the first half of 2019, the segment revenue and segment results of the Group's natural gas pipeline transmission business were approximately HK\$429,479,000 (first half of 2018: HK\$498,496,000) and HK\$166,143,000 (first half of 2018: HK\$210,420,000) respectively, representing decreases of approximately 13.85% and 21.04% respectively as compared with the same period last year, which were mainly due to the changes occurred in the market structure of natural gas pipeline transmission in the region after the completion of construction and the commencement of commercial operation of the E'ancang Natural Gas Pipeline which posed certain short-term negative impacts on the natural gas pipeline transmission business of Yu Ji Pipeline Company.

In the first half of 2019, the segment results of the Group's vessel chartering and logistics business were approximately HK\$49,315,000 (first half of 2018: HK\$43,179,000), representing an increase of approximately 14.21% as compared with the same period last year, which was mainly due to the increase in the number of vessels put into vessel chartering and logistics business in the first half of 2019.

OTHER INCOME AND OTHER GAINS, NET

In the first half of 2019, the Group's other income and other gains, net were approximately HK\$38,398,000 (first half of 2018: HK\$62,802,000), representing a decrease of approximately 38.86% as compared with the same period last year. The decrease was mainly due to the following two reasons: (i) the Group incurred corresponding foreign exchange loss on trade receivables due to depreciation of RMB against HK\$ in the first half of 2019; and (ii) the corresponding decrease in tax rebate received by Huade Petrochemical, a wholly-owned subsidiary of the Company, due to the implementation of value-added tax in lieu of business tax policy of the Chinese government in the first half of 2019.

ADMINISTRATIVE EXPENSES

In the first half of 2019, the Group's administrative expenses were approximately HK\$64,456,000 (first half of 2018: HK\$93,194,000), representing a decrease of approximately 30.84% as compared with the same period last year, which was mainly due to the significant decrease in the legal fees arising from the arbitration for the project in respect of the Group's construction of 2.60 million m³ oil storage and terminal facilities in Batam, Indonesia (the "**Batam Project**") in the first half of 2019 as compared with the same period last year. Furthermore the Group's implementation of various measures in cost reduction and efficiency enhancement in the first half of the year enhanced the efforts in cost monitoring, resulted in a decrease in the administrative expenses year-on-year.

FINANCE COSTS

In the first half of 2019, the Group's finance costs were approximately HK\$64,635,000 (first half of 2018: HK\$78,467,000), representing a decrease of approximately 17.63% as compared with the same period last year. This was mainly due to increased loan repayment efforts which led to a corresponding drop in the Group's interest costs as total borrowings decreased in the first half of 2019.

SHARE OF RESULTS OF ASSOCIATES

In the first half of 2019, the Group's share of results of associates was approximately HK\$115,240,000 (first half of 2018: HK\$77,517,000), representing a significant leap of approximately 48.66% as compared with the same period last year, which was caused mainly by the better operating results attained by Zhan Jiang Port Terminal, an associate of the Group, in the first half of 2019 which successfully passed the certification of National High-tech Enterprise and hence was entitled to the corresponding preferential income tax rate during the Period.

INCOME TAX EXPENSES

In the first half of 2019, the Group's income tax expenses were approximately HK\$133,294,000 (first half of 2018: HK\$122,229,000), representing an increase of approximately 9.05% as compared with the same period last year. The increase was mainly due to the increase in dividend payout ratio used by the Company for provision of withholding tax of certain operating entities in the People's Republic of China (the "**PRC**") which led to the increase in the amount of withholding tax during the Period.

RIGHT-OF-USE ASSETS AND PREPAID LAND LEASE PAYMENTS

As at 30 June 2019, the right-of-use assets and prepaid land lease payments of the Group were approximately HK\$663,059,000 (as at 31 December 2018: HK\$0) and HK\$0 (as at 31 December 2018: HK\$651,206,000) respectively, which were mainly due to the categorization of the original prepaid land lease payments item as the right-of-use assets item in accordance with the new lease accounting rules in Hong Kong Financial Reporting Standards ("**HKFRS**") 16 which became effective from 1 January 2019.

PREPAYMENT

As at 30 June 2019, the Group's prepayment was approximately HK\$13,554,000 (as at 31 December 2018: HK\$25,932,000), representing a decrease of approximately 47.73% as compared with the end of last year, which was mainly because the Group had increased the efforts on prepayment management.

TRADE AND OTHER RECEIVABLES

As at 30 June 2019, the Group's trade and other receivables were approximately HK\$842,580,000 (as at 31 December 2018: HK\$1,042,302,000), representing a decrease of approximately 19.16% as compared with the end of last year. This was mainly attributable to the increased efforts in the collection of trade receivables of Huade Petrochemical, a wholly-owned subsidiary of the Company.

LIQUIDITY AND SOURCE OF FINANCE

As at 30 June 2019, the Group's cash and bank balances amounted to approximately HK\$467,486,000 (as at 31 December 2018: HK\$320,685,000), representing an increase of approximately 45.78% as compared with the end of last year, which was mainly due to the increased efforts in collection and settlement of trade receivables of the Group and the increased dividend distribution to the Company by its joint ventures and associates.

GEARING RATIO

As at 30 June 2019, the Group's current ratio (current assets to current liabilities) was approximately 0.35 (as at 31 December 2018: 0.32), and gearing ratio (total liabilities to total assets) was approximately 24.67% (as at 31 December 2018: 27.32%).

LEASE LIABILITIES

As at 30 June 2019, the Group's total lease liabilities were approximately HK\$21,286,000 (as at 31 December 2018: HK\$0), in which approximately HK\$14,251,000 was non-current lease liabilities and approximately HK\$7,035,000 was current lease liabilities, which was due to the implementation of the new lease accounting rules in HKFRS 16 which became effective from 1 January 2019.

TRADE AND OTHER PAYABLES

As at 30 June 2019, the Group's trade and other payables were approximately HK\$640,483,000 (as at 31 December 2018: HK\$509,596,000), representing an increase of approximately 25.68% as compared with the end of last year, which was mainly due to the increase in the dividends payable of the Company to Sinopec Kantons International Limited ("**Kantons International**"), the direct controlling shareholder of the Company.

BORROWINGS

As at 30 June 2019, the Group's borrowings were approximately HK\$3,063,240,000 (as at 31 December 2018: HK\$3,673,325,000), all of which were current borrowings, representing a decrease of approximately 16.61% as compared with the end of last year. This was mainly due to increased efforts in loan repayment of the Group in the first half of 2019.

INCOME TAX PAYABLE

As at 30 June 2019, the income tax payable of the Group was approximately HK\$52,811,000 (as at 31 December 2018: HK\$64,473,000), representing a decrease of approximately 18.09% as compared with the end of last year, which was mainly due to the taxable profit of Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, decreased as compared with the same period last year.

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

Save as disclosed in this announcement, the Group did not have any other significant investment, acquisition and disposal for the six months ended 30 June 2019.

EXCHANGE RISK

The Company is engaged in petrochemical storage, terminal and logistics businesses in places including the PRC, Europe and United Arab Emirates (“UAE”) through its wholly-owned subsidiaries, associates and joint ventures, and generates operating income in RMB, Euro and US\$ respectively. As the exchange rates of RMB, Euro and US\$ against HK\$ fluctuate, the Group faces exchange risk to a certain extent.

On 9 October 2012, the Group entered into the shareholders' agreement for the Batam Project. In accordance with the shareholders' agreement, as at 30 June 2019, the Group committed to a contribution obligation not exceeding the balance of US\$144,685,000. Along with the progress of the project and schedule, the Group shall fulfill the corresponding contribution obligation in accordance with the above agreement. As the exchange rate of such currency fluctuates from time to time, there may be difference between the amount in HK\$ to be paid and the amount based on the corresponding exchange rate as at the date of the agreement.

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

CONTINGENT LIABILITIES AND ASSETS PLEDGED BY THE GROUP

As at 30 June 2019, the contingent liabilities and assets pledged by the Group were as follows:

Guarantor	Guaranteed entity	Name of agreement	Content of guarantee clause	Date of agreement	Guarantee period	Guarantee balance as at 30 June 2019
The Company	Sinomart KTS Development Limited (“Sinomart Development”) ^{Note}	Sponsor Support Agreement of FOT	Sinomart Development shall make sponsor support loan to FOT subject to the terms set out in this agreement. Sinomart Development’s obligation shall be guaranteed by the Company.	14 June 2015	Until full repayment of the loan in respect of the project	US\$30 million
Sinomart Development	PT. West Point Terminal (“PT. West Point”)	Land Lease Agreement of Batam, Indonesia	In the event that PT. West Point fails to pay to lessor any amount of the land lease fee when due under the Land Lease Agreement, Sinomart Development shall pay, on demand, an amount obtained by multiplying such unpaid amount by the percentage representing its shareholding interest in PT. West Point.	9 October 2012	Effective for 30 years after the date of execution	SGD5.09 million

Note: To support the project financing of FOT, Sinomart Development signed the Sponsor Support Agreement to make sponsor support loan to FOT under certain conditions according to the terms set out in this agreement. The sponsor support loan is guaranteed by the Company. Sinomart Development also entered into an equity pledge agreement on 6 August 2015, pursuant to which Sinomart Development pledged its 50% equity interest in FOT to the bank which offered loan in respect of the project of FOT until the full repayment of the loan.

Save for the above, the Group did not provide any other financial assistance or guarantee and pledge of shares for other companies as at 30 June 2019.

ABOUT THE BATAM PROJECT

On 9 October 2012, the Company, through its wholly-owned subsidiary, Sinomart Development, acquired 95% equity interest in PT. West Point, and proposed to invest and construct the Batam Project in Indonesia via PT. West Point. Due to the minority shareholder from Indonesia, the project was still pending during the Period.

On 11 November 2016, Sinomart Development and PT. West Point received two requests for arbitration notices from the International Court of Arbitration of the International Chamber of Commerce (“**ICC**”) in respect of the submission of arbitration applications. The parties are conducting the said arbitration in accordance with the ICC arbitration proceedings. As at the date of this announcement, the written and verbal procedures in accordance with the schedule stipulated by the tribunal have been completed and the arbitral tribunal is deliberating on the outcome of the case. The award is expected to be issued before the end of 2019. It is hard to precisely predict the results of the arbitration at the current stage; therefore, investors are reminded to pay attention to the corresponding risk that may be arising from such uncertainties.

For details please refer to the announcements dated 25 April 2010, 9 October 2012, 15 November 2016 and 21 March 2017 published by the Company on the website of the Stock Exchange of Hong Kong (www.hkexnews.hk) and the website of the Company (www.sinopec.com.hk). The Company will take all appropriate measures in the above arbitration to protect the rights and interest of the Company.

EVENTS AFTER THE END OF THE REPORTING PERIOD

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

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2019, the Group had a total of 235 employees (as at 30 June 2018: 238 employees). Remuneration packages, including basic salaries, bonuses and benefits-in-kind, are structured by reference to market terms, trends of human resources costs in various regions and employees’ contributions based on performance appraisals. Subject to the profit of the Group and the performance of the employees, the Group also provides discretionary bonuses to employees as an incentive for their greater contributions.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”)), which is required to be notified to the Company and the Stock Exchange of Hong Kong pursuant to Divisions 7 and 8 of Part XV of the SFO or which is required to be entered in the register kept under section 352 of the SFO or otherwise required to be notified by the Directors and the chief executive of the Company to the Company and the Stock Exchange of Hong Kong pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set forth in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the “Listing Rules”).

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

Save as disclosed below, the Directors are not aware of any person (other than the Directors and chief executive of the Company) who, as at 30 June 2019, had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange of Hong Kong under Divisions 2 and 3 of Part XV of the SFO or which were entered in the register required to be kept by the Company under section 336 of the SFO:

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

Note: The entire issued share capital of Kantons International is held by China International United Petroleum & Chemicals Co., Ltd. (“UNIPPEC”). The controlling interest in the registered capital of UNIPPEC is ultimately held by China Petrochemical Corporation.

CORPORATE GOVERNANCE

The Group had complied with the applicable provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

SHARE OPTION SCHEME

For the six months ended 30 June 2019, the Company had not established and implemented any share option scheme.

AUDIT COMMITTEE

As at 30 June 2019 and the date of this announcement, the Audit Committee comprises four independent non-executive Directors, of which one of the independent non-executive Directors, Mr. Fong Chung, Mark, is the chairperson of the Audit Committee. The Audit Committee is responsible for reviewing the accounting principles and practices, auditing, the internal control and risk management systems, internal audit and legal and regulatory compliance of the Group. The Audit Committee also reviews the interim and annual results of the Group prior to recommending them to the Board for approval. In addition, the Audit Committee meets to review financial reporting and risk management and internal control matters and has unrestricted access to the Company's auditor to this end. The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2019.

REMUNERATION COMMITTEE

As at 30 June 2019 and the date of this announcement, the remuneration committee of the Company (the "**Remuneration Committee**") comprises four independent non-executive Directors and two executive Directors, of which one of the independent non-executive Directors, Ms. Tam Wai Chu, Maria, is the chairlady of the Remuneration Committee.

NOMINATION COMMITTEE

As at 30 June 2019 and the date of this announcement, the nomination committee of the Company (the "**Nomination Committee**") comprises four independent non-executive Directors and two executive Directors, of which one of the independent non-executive Directors, Dr. Wong Yau Kar, David, is the chairperson of the Nomination Committee.

CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding the Directors' securities transactions. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 June 2019.

SUFFICIENCY OF PUBLIC FLOAT

According to the information publicly available to the Company and to the best knowledge of the Directors, the Company had maintained sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2019 and as at the date of this announcement.

PUBLICATION OF THE INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG AND THE COMPANY

The financial and other data as required by Paragraph 46 set out in Appendix 16 to the Listing Rules will be published on the websites of the Stock Exchange of Hong Kong (www.hkexnews.hk) and the Company (www.sinopec.com.hk). The interim report will be despatched to the shareholders and made available on the same websites in due course.

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

Hong Kong, 29 August 2019

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

Executive Directors

Mr. Chen Bo (*Chairman*)
Mr. Xiang Xiwen (*Deputy Chairman*)
Mr. Dai Liqi
Mr. Li Jianxin
Mr. Wang Guotao
Mr. Ye Zhijun (*Managing Director*)

Independent Non-executive Directors

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

* *For identification purposes only*