

CORPORATE INFORMATION

Executive Directors

Mr. Hong Zhi Ming (Chairman)
Mr. Yang Shu Shan (Deputy Chairman)
Mr. Dai Zhao Ming
Mr. Ye Zhi Jun (Managing Director)
Mr. Lai Yong Fu

Non-executive Directors

Mr. Guan Qing Jie
Mr. Li Yue Ling

Independent Non-executive Directors

Mr. Wong Po Yan
Ms. Tam Wai Chu, Maria

Audit Committee Members

Mr. Wong Po Yan
Ms. Tam Wai Chu, Maria

Company Secretary

Mr. Lai Yang Chau, Eugene

Auditors

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

Legal Advisers in Hong Kong

Boughton Peterson Yang Anderson
4009 Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

Statutory Address

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business in Hong Kong

1608 Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Secretaries Limited
G/F Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Listing Information

The Stock Exchange of Hong Kong Limited
Stock Code: 0934

The board of directors (the "Directors") of Sinopec Kantons Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2003, together with the comparative figures for the corresponding period last year, as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2003

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2003	2002
	Note	\$'000	\$'000
Turnover	2	4,059,967	2,449,681
Cost of sales		(3,895,287)	(2,268,669)
		164,680	181,012
Other revenue		7,045	3,084
Selling and administrative expenses		(61,182)	(49,364)
Profit from operations		110,543	134,732
Finance cost, net		(8,579)	(4,069)
Profit from ordinary activities before taxation	3	101,964	130,663
Taxation	4	(10,889)	(9,841)
Profit from ordinary activities after taxation		91,075	120,822
Minority interests		(30,599)	(28,463)
Profit attributable to shareholders		60,476	92,359
Dividends	5	(15,552)	(15,552)
Retained profit for the period		44,924	76,807
Earnings per share	6	5.83 cents	8.91 cents

The notes on pages 7 to 15 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 30 June 2003

(Expressed in Hong Kong dollars)

		At 30 June 2003 \$'000	At 31 December 2002 \$'000
	Note		
Non-current assets			
Property, plant and equipment		1,436,479	1,408,894
Intangible assets		69,449	54,311
		1,505,928	1,463,205
Current assets			
Inventories	7	439,624	217,271
Investment in a security		-	485
Trade and other receivables	8	186,335	130,307
Amount due from holding companies and fellow subsidiaries	10	425,365	244,685
Cash and cash equivalents		277,143	268,279
		1,328,467	861,027
Current liabilities			
Unsecured bank loans		635,579	258,600
Trade and other payables	9	214,932	279,195
Amount due to holding companies and fellow subsidiaries	10	159,661	6,845
Taxation payable		5,526	5,577
		1,015,698	550,217
Net current assets		312,769	310,810

CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 30 June 2003 (continued)
 (Expressed in Hong Kong dollars)

	Note	At 30 June 2003 \$'000	At 31 December 2002 \$'000
Total assets less current liabilities		1,818,697	1,774,015
Non-current liabilities			
Loans from holding company and fellow subsidiary	11	169,854	169,854
Minority interests		323,518	323,760
NET ASSETS		1,325,325	1,280,401
CAPITAL AND RESERVES			
Share capital	12	103,683	103,683
Reserves	13	1,221,642	1,176,718
		1,325,325	1,280,401

The notes on pages 7 to 15 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2003

(Expressed in Hong Kong dollars)

	2003 \$'000	2002 \$'000
Balance as at 1 January	\$1,280,401	\$1,161,569
Net profit for the period	60,476	\$92,359
Dividend paid during the period	(15,552)	\$(15,552)
Balance as at 30 June	<u>\$1,325,325</u>	<u>\$1,238,376</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2003

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2003	2002
	\$'000	\$'000
Net cash (outflow)/inflow from operating activities	(220,801)	148,468
Net cash used in investing activities	(92,153)	(45,677)
Net cash provided by/(used in) financing activities	321,818	(73,216)
Increase in cash and cash equivalents	8,864	29,575
Cash and cash equivalents at 1 January	268,279	254,405
Cash and cash equivalents at 30 June	277,143	283,980
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	277,143	210,365
Deposits with banks and other financial institutions maturing within three months	-	73,615
	277,143	283,980

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants (“HKSA”). KPMG’s independent review report to the board of directors is included on page 20.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice (“SSAP”) 25 (revised) “Interim financial reporting” issued by the HKSA.

The financial information relating to the financial year ended 31 December 2002 included in the interim financial report 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 2002 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 April 2003.

The same accounting policies adopted in the 2002 annual financial statements have been applied to the interim financial report, with the exception of changes in accounting policy to comply with revised Statements of Standard Accounting Practice issued by the HKSA, which are mandatory for accounting periods beginning on or after 1 January 2003, as set out below:

- In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonably probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1 January 2003, in order to comply with Statement of Standard Accounting Practice 12 (revised) issued by the HKSA, the Group has adopted a new policy for deferred tax for the preparation of the Group’s financial statements for the six months ended 30 June 2003.

- The revised SSAP 12 requires deferred tax assets and liabilities to be provided in full using the liability method, on temporary differences arising between the tax base of an asset or a liability and its carrying value in the financial statements at the balance sheet date. Deferred tax assets or liabilities arising from temporary differences need to be measured at the tax rates enacted or substantially enacted by the balance sheet date.
- Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. The adoption of the revised SSAP 12 represents a change in accounting policy. Nevertheless, the adoption of SSAP 12 (revised) has no material impact on the prior period net assets and results of the Group and accordingly, no prior period adjustment has been made.

The notes on the interim financial report 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 issuance of the 2002 annual financial statements.

2 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segment

For management purposes, the Group is currently organised into three operating divisions, namely trading of crude oil, petroleum and petrochemical products, retail sales of petroleum products, and the rendering of crude oil jetty services.

An analysis of the Group's turnover and operating profit by business segments for the period is as follows:

	Trading of crude oil, petroleum and petrochemical products		Retail sales of petroleum products		Crude oil jetty services		Inter-segment elimination		Unallocated		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue												
Revenue from external customers	3,324,215	1,859,714	583,527	448,546	154,574	141,421	2,349	-	-	-	4,059,967	2,449,681
Other revenue from external Customers	468	395	4,866	1,343	152	-	-	-	1,559	1,346	7,045	3,084
Total	<u>3,324,683</u>	<u>1,860,109</u>	<u>588,393</u>	<u>449,889</u>	<u>154,726</u>	<u>141,421</u>	<u>2,349</u>	<u>-</u>	<u>1,559</u>	<u>1,346</u>	<u>4,067,012</u>	<u>2,452,765</u>
Segment result			213	35,965	13,325	12,765	99,331	87,401			112,869	136,131
Unallocated interest income											1,559	1,346
Unallocated corporate expenses											(3,885)	(2,745)
Profit from operations											110,543	134,732
Finance costs, net											(8,579)	(4,069)
Taxation											(10,889)	(9,841)
Minority interests											(30,599)	(28,463)
Profit attributable to shareholders											<u>60,476</u>	<u>92,359</u>

Geographical segments

Substantially all the Group's activities are based in the People's Republic of China (the "PRC"), including Hong Kong and Macau, and more than 90% of the Group's turnover and contribution to profit from ordinary activities before taxation are derived from the PRC for both periods.

3 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging:

	Six months ended 30 June	
	2003	2002
	\$'000	\$'000
Cost of inventories	3,844,532	2,221,055
Interest on borrowings	8,768	4,069
Depreciation	40,301	38,125
Operating lease charges	8,120	7,587
	<u> </u>	<u> </u>

The operating lease charges include contingent rental charges for the use of certain petrol stations facilities amounting to \$3,370,600 (2002: \$3,578,700).

4 TAXATION

	Six months ended 30 June	
	2003	2002
	\$'000	\$'000
Hong Kong taxation		
– Provision for Hong Kong Profits Tax for the period	–	1,545
– Over-provision in respect of prior year	–	(700)
	<u>–</u>	<u>845</u>
PRC income tax		
– Current period	10,889	8,996
Total income tax expense	10,889	9,841
	<u> </u>	<u> </u>

Notes:

- (a) No provision for Hong Kong profits tax has been made in the consolidated income statement, as the Group did not have assessable profits for the period ended 30 June 2003.
- (b) PRC income tax is calculated at the applicable rates prevailing.
- (c) No provision for deferred taxation has been made for the period ended 30 June 2003 and the Group did not have material unprovided deferred taxation at the balance sheet date.

5 DIVIDENDS

	Six months ended 30 June	
	2003	2002
	\$'000	\$'000
Final dividend paid in respect of 2002 of 1.5 cents per share (2001: 1.5 cents per share)	<u>15,552</u>	<u>15,552</u>

Pursuant to the shareholders' approval at the annual general meeting of the Company held on 30 May 2003, a final dividend of \$1.5 cents per share totalling \$15,552,000 in respect of the year ended 31 December 2002 was paid on 30 June 2003.

The board of Directors declared an interim dividend of 1.5 cents per share totalling \$15,552,000 in respect of the six months ended 30 June 2003 (2002: 1.5 cents per share, totalling \$15,552,000). This dividend has not been recognised as a liability at 30 June 2003.

6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholder of 60,476,000 (2002: \$92,359,000) and the number of 1,036,830,000 ordinary shares (2002: 1,036,830,000) in issue during the period.

Diluted earnings per share has not been presented because there were no dilutive potential ordinary shares in issue for both periods.

7 INVENTORIES

	At 30 June 2003 \$'000	At 31 December 2002 \$'000
Crude oil	205,605	35,447
Petroleum and petrochemical products	234,019	181,824
	439,624	217,271

8 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are debtors with the following ageing analysis:

	At 30 June 2003 \$'000	At 31 December 2002 \$'000
Trade receivables:		
– current	130,217	95,141
– 1 to 3 months	11,352	10,392
– more than 3 months but less than 12 months	6,796	1,338
Total trade receivables	148,365	106,871
Deposits, prepayments and other receivables	37,970	23,436
	186,335	130,307

The Group generally allows an average of 30 days to its crude oil trading customers and petrol station customers who satisfy credit evaluation.

9 TRADE AND OTHER PAYABLES

Included in trade and other payables are creditors with the following ageing analysis:

	At 30 June 2003 \$'000	At 31 December 2002 \$'000
Trade payables:		
– due within 1 month or on demand	105,116	162,627
– due after 1 month but within 3 months	3,764	300
– due after 3 months but within 6 months	1,050	1,081
	<hr/>	<hr/>
Total trade payables	109,930	164,008
Other payables and accrued charges	105,002	115,187
	<hr/>	<hr/>
	214,932	279,195
	<hr/> <hr/>	<hr/> <hr/>

10 AMOUNTS DUE FROM/TO HOLDING COMPANIES AND FELLOW SUBSIDIARIES

The amounts due from/to holding companies and fellow subsidiaries mainly represent balances arising from trading transactions and are unsecured, interest free and are repayable on demand.

11 LOANS FROM HOLDING COMPANY AND FELLOW SUBSIDIARY

The loans are unsecured and interest-free. The holding company and fellow subsidiary have indicated that, without prejudice to the Group's rights to repay the advance at any time, they do not intend to demand repayment of the advance within twelve months from the balance sheet date and accordingly the amount is shown as a non-current liability.

12 SHARE CAPITAL

	No. of shares ('000)	\$'000
<i>Issued and fully paid:</i>		
At 1 January and 30 June 2003	1,036,830	103,683
	<hr/>	<hr/>

13 RESERVES

	Share premium \$'000	Merger reserve \$'000	General reserves \$'000	Exchange reserve \$'000	Retained profits \$'000	Total \$'000
At 1 January 2003	333,857	23,444	114,404	(999)	706,012	1,176,718
Profit for the period	-	-	-	-	60,476	60,476
Dividends	-	-	-	-	(15,552)	(15,552)
At 30 June 2003	<u>333,857</u>	<u>23,444</u>	<u>114,404</u>	<u>(999)</u>	<u>750,936</u>	<u>1,221,642</u>

14 COMMITMENTS

(a) Commitments under operating leases

At 30 June 2003, the total future minimum lease payment under non-cancellable operating leases are payable as follows:

	At 30 June 2003 \$'000	At 31 December 2002 \$'000
Within 1 year	12,341	12,331
After 1 year but within 5 years	13,722	20,711
After 5 years	37,100	86,744

The Group leases a number of petrol station facilities, plant and machinery and land and buildings. Leases for petrol station facilities are generally run for a period of 20 years and rentals are mostly fixed during the lease period. Certain rentals for the use of the petrol station facilities to be determined by reference to the revenue of the relevant petrol stations are not included in the above future minimum lease payment disclosures.

(b) Capital commitments outstanding at 30 June 2003 not provided for in the financial statements were as follows:

	At 30 June 2003 \$'000	At 31 December 2002 \$'000
Contracted for	87,756	43,895
Authorised but not contracted for	237,949	-

These capital commitments mainly relate to construction of oil storage tanks.

15 MATERIAL RELATED PARTY TRANSACTIONS

- (a) During the period, the Group had transactions with its holding companies and fellow subsidiaries which were carried out in the ordinary course of business. Details of the material related party transactions have been charged/(credited) to the consolidated income statement are as follows:

	Six months ended 30 June	
	2003	2002
	\$'000	\$'000
Crude oil sold by the Group	(1,118,412)	(670,103)
Crude oil purchased by the Group and related charges	1,273,674	-
Petrochemical products sold by the Group	(15,680)	(55,211)
Petroleum products purchased by the Group	362,483	291,655
Petroleum products sold by the Group	(58,067)	(16,398)
Crude oil refining and processing fees charged to the Group	34,807	7,140
Jetty service fees charged by the Group	(154,946)	(141,420)
Cost of construction and acquisition of plant and equipment and other attributable overheads charged to the Group	11,432	-

- (b) Certain banking facilities of the Group have been supported by guarantees and/or other financial undertakings provided by the holding companies, at no cost to the Group.
- (c) A subsidiary of the Group acquired certain petrol stations from a fellow subsidiary, which effectively own 37% equity interest in this subsidiary, for a total consideration of \$42,423,000 during the period ended 30 June 2003. These petrol stations were previously leased and operated by the Group before the acquisition. The total future minimum lease payments under the operating lease at 31 December 2002 were \$30,275,000.

INTERIM DIVIDENDS

The board of Directors declared an interim dividend of 1.5 cents per share (2002: 1.5 cents) payable to the shareholders of the Company whose names appear on the Register of Members of the Company on 26 September 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 23 September 2003 to 26 September 2003 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement of the interim dividend recommended, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office Secretaries Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 22 September 2003. Dividend will be despatched to shareholders on or about 8 October 2003 in the form of cheques.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND PROSPECTS

For the six months ended 30 June 2003, the Group achieved a turnover of HK\$4,060,000,000 and profit attributable to shareholders of HK\$60,476,000, representing an increase of 65.7% and a decrease of 34.5% over the corresponding period in the preceding year respectively. The difference was mainly attributable to a write back of provision for PRC business tax and inventory devaluation amounting to approximately HK\$26 million in the corresponding period of the preceding year. Overall, the operation condition of the Group was normal and the results has been relatively stable. In addition, the Company's share was accepted to be a constituent of the Hang Seng Composite Index on 4 August 2003.

In the first half of 2003, Huizhou Crude Oil Jetty transmitted 3,150,000 tonnes of crude oil, which was at approximately the same level as compared to the corresponding period in the preceding year. Volume of crude oil being received and unloaded amounted to 3,110,000 tonnes, representing a decrease of approximately 8.8%. Nevertheless, the average daily storage volume increased by 41.1% over the corresponding period in the preceding year. In the first half year, jetty operation recorded a turnover of approximately HK\$155,000,000 and a net profit after tax of approximately HK\$92,000,000, representing a growth of 9.9% and 12.2% respectively over the corresponding period in the previous year.

For the six months ended 30 June 2003, petrol station operation of the Group achieved a turnover of approximately HK\$584,000,000, representing an increase of 30.1% over the corresponding period in the preceding year, and recorded a net profit after tax of approximately HK\$7,900,000, representing a decrease of 28.2% over the corresponding period in the previous year.

In the first half of 2003, the Group sold 1,690,000 tonnes of crude oil, contributing HK\$2,641,000,000 in sales revenue, representing an increase of approximately 47.0% and 73.4% over the corresponding period in the previous year respectively. Sales volume of petrochemical products amounted to 465,000 tonnes, contributing HK\$682,000,000 in sales revenue, representing an increase of approximately 176.8% and 103.0% over the corresponding period in the previous year respectively. Price rise of international crude oil and strengthened business development efforts were the main reasons for substantial growth of the Group's turnover. While there was an increase in the sales volume of the Group's crude oil and petrochemical products, the Group recorded a decrease in its operating profit. The difference was mainly attributable to a write back of provision for PRC business tax and inventory devaluation amounting to approximately HK\$26 million in the corresponding period of the preceding year.

Looking ahead, the Group will keep to its prudent financial policy and implement its development strategies systematically stage by stage in order to ensure a steady growth of the Group's business and gradual improvement in shareholders' return. The Group will focus on finalising the development and expansion of the business of jetty and related services. In addition, the Group will expedite the planning and construction of an on-shore oil storage tank area, and plans to construct six storage tanks of 100,000 cubic metres to be put into use within 3 years. The Group will continue to adopt various flexible operating strategies and fully capitalize its unique cutting edge in bonded zone crude oil tanks to increase channels for generating profit of the Group. The Group also intends to strengthen its market competitiveness by further consolidating petrol stations resources and rationalizing ownership and management chains. Along with the gradual implementation of the development strategies of the Group, the management of the Group is confident of the continuous enhancement of the Company's business performance, further business expansion and stable improvement in shareholders' return.

LIQUIDITY AND SOURCE OF FINANCE

As at 30 June 2003, cash and bank balances amounted to \$277,000,000 (at 31 December 2002: \$268,000,000). As at 30 June 2003, the Group had bank borrowings of \$636,000,000 (at 31 December 2002: \$259,000,000), all of which were short term bank borrowings.

As at 30 June 2003, the current ratio of the Group (current assets to current liabilities) was 1.31 (at 31 December 2002: 1.56) and the gearing ratio (total liabilities to total assets) was 41.8% (at 31 December 2002: 31.0%).

CONTINGENT LIABILITIES AND PLEDGED ASSETS

As at 30 June 2002, the Group did not have any contingent liabilities and pledged assets.

EXCHANGE RISK

As the Group's operations are principally in the PRC, including Hong Kong and Macau, and all assets and liabilities are denominated either in Renminbi, Hong Kong dollars and US dollars, the Directors believe that the operations of the Group are not subject to significant foreign exchange risk.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2003, the Group had a total of 1,306 employees. The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in various regions. Subject to the profit of the Group and the performance of the employees, the Group may also provide discretionary bonus to its employees as an incentive for their further contribution.

SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27th May 1999 and will expire on 26th May 2009. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The number of shares in respect of which options may be granted to any individual in aggregate is not permitted to exceed 25% of the shares of the Company in issue and which may fall to be issued under the Scheme at any point in time.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK\$1.00 per option. Options may be exercised at any time from the date of acceptance of the grant of the share option to the earlier of the date on which such options lapse under early termination and the 10th anniversary of the date of grant. The exercise price is determined by the Directors and will not be less than the higher of the nominal value of the shares and 80% of the average closing price of the shares for the five business days immediately preceding the date of grant.

No options were granted under the Scheme since its inception.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2003, 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")) as recorded in the register required

to be kept under section 352 of SFO or as 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 Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set forth in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

INTEREST 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 2003, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of SFO:

Name of Shareholder	Nature of interests	Number of ordinary shares	Capacity	Percentage to the issued share capital of the Company
Sinopec Kantons International Limited	Corporate	750,000,000	Beneficial	72.34%

Note: The entire issued share capital of Sinopec Kantons International Limited was held by China Petrochemical International Company Limited. The entire registered capital of China Petrochemical International Company Limited was held by China Petroleum & Chemical Corporation. The controlling interest in the registered capital of China Petroleum & Chemical Corporation was held by China Petrochemical Corporation.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim report for the six months ended 30 June 2003.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice set forth in Appendix 14 of the Listing Rules during the period under review.

By Order of the Board
Hong Zhi Ming
Chairman

Hong Kong, 2 September 2003

INDEPENDENT REVIEW REPORT

To the Board of Directors of
Sinopec Kantons Holdings Limited

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 2 to 15.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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 Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent 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 WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2003.

Certified Public Accountants

Hong Kong, 2 September 2003