

CORPORATE INFORMATION

Executive Directors

Mr. Yang Shu Shan (Chairman)
Mr. Pan Xin Rong (Deputy Chairman)
Mr. Zhu Jian Min
Mr. Zhou Feng
Mr. Ye Zhi Jun (Managing Director)
Mr. Ge Han Hua

Non-executive Directors

Mr. Yang Mo Fei

Independent Non-executive Directors

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

Audit Committee Members

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

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

Coudert Brothers
39th Floor, 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 2004, together with the comparative figures for the corresponding period last year, as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the six months ended 30 June 2004

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2004 \$'000	2003 \$'000
Turnover	2	3,091,030	4,059,967
Cost of sales		(2,893,296)	(3,895,287)
		197,734	164,680
Other revenue		6,769	7,045
Selling and administrative expenses		(76,692)	(61,182)
Profit from operations		127,811	110,543
Finance costs		(7,955)	(8,579)
Profit from ordinary activities before taxation	3	119,856	101,964
Income tax	4	(14,842)	(10,889)
Profit from ordinary activities after taxation		105,014	91,075
Minority interests		(31,690)	(30,599)
Profit attributable to shareholders		73,324	60,476
Dividends	5	(15,552)	(15,552)
Retained profit for the period		57,772	44,924
Earnings per share – basic	6	7.07 cents	5.83 cents

The notes on pages 6 to 16 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

at 30 June 2004

(Expressed in Hong Kong dollars)

	Note	At 30 June 2004 \$'000	At 31 December 2003 \$'000
Non-current assets			
Fixed assets		1,508,584	1,456,359
Intangible assets		68,792	68,263
		1,577,376	1,524,622
Current assets			
Inventories	7	475,528	161,978
Trade and other receivables	8	352,876	81,672
Amounts due from holding companies and fellow subsidiaries	10	228,328	347,266
Cash and cash equivalents		289,112	221,104
		1,345,844	812,020
Current liabilities			
Trade and other payables	9	207,264	174,444
Amount due to holding companies and fellow subsidiaries	10	29,657	15,149
Unsecured bank loans		727,283	226,367
Current taxation		10,210	6,324
		974,414	422,284
Net current assets		371,430	389,736
Total assets less current liabilities		1,948,806	1,914,358
Non-current liabilities			
Loans from holding company and fellow subsidiary	11	113,298	169,854
Minority interests		390,026	356,409
NET ASSETS		1,445,482	1,388,095

CONSOLIDATED BALANCE SHEET (UNAUDITED)

at 30 June 2004 (continued)

(Expressed in Hong Kong dollars)

	Note	At 30 June 2004 \$'000	At 31 December 2003 \$'000
CAPITAL AND RESERVES			
Share capital	12	103,683	103,683
Reserves	13	1,341,799	1,284,412
		1,445,482	1,388,095

The notes on pages 6 to 16 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30 June 2004

(Expressed in Hong Kong dollars)

	2004 \$'000	2003 \$'000
Shareholders' equity at 1 January	1,388,095	1,280,401
Exchange differences on translation of the financial statements of entities outside Hong Kong not recognised in the income statement	(385)	–
Net profit for the period	73,324	60,476
Dividend paid during the period	(15,552)	(15,552)
Shareholders' equity at 30 June	1,445,482	1,325,325

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

for the six months ended 30 June 2004

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2004 \$'000	2003 \$'000
Net cash outflow from operating activities	(267,954)	(220,801)
Net cash used in investing activities	(84,216)	(92,153)
Net cash generated from financing activities	420,563	321,818
Net increase in cash and cash equivalents	68,393	8,864
Effect of foreign exchange rate changes	(385)	–
Cash and cash equivalents at 1 January	221,104	268,279
Cash and cash equivalents at 30 June	289,112	277,143
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	289,112	277,143

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 pages 23 to 24.

The interim financial report has been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on 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 2003 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 2003 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2004.

The same accounting policies adopted in the 2003 annual financial statements have been applied to the interim financial report.

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 2003 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 segments

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	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue												
Revenue from external customers	2,275,063	3,324,215	648,823	583,527	167,144	152,225	—	—	—	—	3,091,030	4,059,967
Inter-segment revenue	—	—	—	—	2,771	2,349	(2,771)	(2,349)	—	—	—	—
Other revenue from external customers	626	468	3,746	4,866	195	152	—	—	2,202	1,559	6,769	7,045
Total	2,275,689	3,324,683	652,569	588,393	170,110	154,726	(2,771)	(2,349)	2,202	1,559	3,097,799	4,067,012

	Consolidated	
	2004 \$'000	2003 \$'000
Segment result	22,912	213
Unallocated interest income	7,140	13,325
Unallocated corporate expenses	112,731	99,331
Profit from operations	(1,718)	—
Finance costs	—	—
Income tax	—	—
Minority interests	—	—
Profit attributable to shareholders	141,065	112,869
	2,202	1,559
	(15,456)	(3,885)
	127,811	110,543
	(7,955)	(8,579)
	(14,842)	(10,889)
	(31,690)	(30,599)
	73,324	60,476

Geographical segments

Substantially all the Group's activities are based in the People's Republic of China (the "PRC") 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	
	2004	2003
	\$'000	\$'000
Cost of inventories	2,837,568	3,844,532
Interest on bank advances	7,251	8,768
Depreciation	40,864	40,301
Operating lease charges	6,934	8,120

The operating lease charges include contingent rental charges for the use of certain petrol station facilities amounting to \$1,939,948 (2003: \$3,370,600).

4 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June	
	2004	2003
	\$'000	\$'000
Current tax – Provision for Hong Kong Profits Tax		
Tax for the period	3,300	–
Under-provision in respect of prior years	99	–
	3,399	–
Current tax – Outside Hong Kong		
Tax for the period	11,443	10,889
Total income tax expense	14,842	10,889

Notes:

- (a) The provision for Hong Kong profits tax for 2004 is calculated at 17.5% of the estimated assessable profits for the period. No provision for Hong Kong profits tax has been made in 2003 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 2004 as the effect of all temporary differences is not material.

5 DIVIDEND PAID

Dividends attributable to the previous financial year, approved and paid during the period

	Six months ended 30 June	
	2004	2003
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the period, of 1.5 cents per share (2003: 1.5 cents per share)	15,552	15,552

Pursuant to the shareholders' approval at the Annual General Meeting of the company held on 28 May 2004, a final dividend of \$1.5 cents per share totalling \$15,552,000 in respect of the year ended 31 December 2003 was paid on 28 June 2004.

Pursuant to the board meeting held on 3 September 2004, 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 2004 (2003: 1.5 cents per share, totalling \$15,552,000). This dividend has not been recognised as a liability at 30 June 2004.

6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of \$73,324,000 (2003: \$60,476,000) and the number of 1,036,830,000 ordinary shares (2003: 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 2004 \$'000	At 31 December 2003 \$'000
Crude oil and spare parts	250,850	94,680
Petroleum and petrochemical products	224,678	67,298
	475,528	161,978

8 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2004 \$'000	At 31 December 2003 \$'000
Trade receivables:		
– current	302,770	37,882
– 1 to 3 months overdue	633	2,402
– more than 3 months overdue but less than 12 months overdue	216	3,128
Total trade receivables	303,619	43,412
Deposits, prepayments and other receivables	49,257	38,260
	352,876	81,672

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 2004 \$'000	At 31 December 2003 \$'000
Trade payables:		
– due within 1 month or on demand	35,729	63,462
– due after 1 month but within 3 months	67,832	41,058
– due after 3 months but within 6 months	8,032	128
Total trade payables	111,593	104,648
Other payables and accrued charges	95,671	69,796
	207,264	174,444

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. During the period, an amount of \$56,556,000 was repaid.

12 SHARE CAPITAL

	No. of shares	
	('000)	\$'000
Issued and fully paid:		
At 1 January and 30 June 2004	1,036,830	103,683

13 RESERVES

	Share premium	Merger reserve	General reserves	Exchange reserve	Retained profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2004	333,857	23,444	144,437	(792)	783,466	1,284,412
Profit for the period	-	-	-	-	73,324	73,324
Final dividends approved in respect of the previous year	-	-	-	-	(15,552)	(15,552)
Exchange differences on translation of financial statements of the overseas subsidiaries	-	-	-	(385)	-	(385)
At 30 June 2004	333,857	23,444	144,437	(1,177)	841,238	1,341,799

14 COMMITMENTS

(a) Commitments under operating leases

At 30 June 2004, the total future minimum lease payment under non-cancellable operating leases are payable as follows:

	At 30 June 2004 \$'000	At 31 December 2003 \$'000
Within 1 year	4,725	5,840
After 1 year but within 5 years	15,439	15,826
After 5 years	40,646	43,804
	60,810	65,470

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. Lease payments of certain petrol station facilities to be determined by reference to the revenue of the relevant petrol stations have not been included in the above future minimum lease payment disclosures.

(b) Capital commitments outstanding at 30 June 2004 not provided for in the financial statements were as follows:

	At 30 June 2004 \$'000	At 31 December 2003 \$'000
Contracted for	23,559	51,233
Authorised but not contracted for	191,905	219,580
	215,464	270,813

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	
	2004	2003
	\$'000	\$'000
Crude oil sold by the Group	(949,613)	(1,118,412)
Crude oil purchased by the Group and related charges	923,217	1,273,674
Petroleum products purchased by the Group	503,428	362,483
Petroleum products sold by the Group	(445,480)	(73,747)
Crude oil refining and processing fees charged to the Group	23,010	34,807
Jetty service fees, charged by the Group	(171,271)	(154,946)
Cost of construction and acquisition of plant and equipment and other attributable overheads charged to the Group	12,397	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.

INTERIM DIVIDENDS

The board of Directors recommends an interim dividend of HK1.5 cents per share payable to the shareholders of the Company whose names appear on the Register of Members of the Company on 24 September 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 21 September 2004 (Tuesday) to 24 September 2004 (Friday) (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 13 September 2004. Dividend will be despatched to shareholders on or about 28 September 2004 in the form of cheques.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND PROSPECTS

For the six months ended 30 June 2004, the Group's turnover amounted to HK\$3,090,000,000, representing a decrease of 23.9% over the corresponding period in the preceding year. Profit attributable to shareholders increased by 21.24% to HK\$73,000,000. The fall in turnover was mainly attributable to the adoption of prudent principles in operation as we took into account the trading risks arising from the continuous increase in crude oil price in the first half year. The growth in profit was mainly attributable to the full utilization of the favourable opportunities in the international oil product market which increased the profit of its processing business, as well as such positive factors as the high consumption of oil products in China and the increase in oil refining and processing capacity.

In the first half of 2004, owing to the increase in oil refining and processing volume of Sinopec Guangzhou Branch, the operation load of Huizhou Crude Oil Jetty was enlarged significantly. Despite the intention of the oil refinery to lower its cost that resulted in a decrease in the average daily storage volume by 11.6% over the corresponding period in the preceding year due to the optimization in operation, volume of crude oil transmitted amounted to 3,820,000 tonnes, representing a growth of 21.4% as compared to the corresponding period in the preceding year. Volume of crude oil received and unloaded amounted to 3,750,000 tonnes, representing an increase of 20.6%. In the first half year, jetty operation recorded a turnover of approximately HK\$170,000,000 and net profit after tax of approximately HK\$104,000,000, representing a growth of 9.7% and 13.0% respectively over the corresponding period in the previous year.

For the six months ended 30 June 2004, the petrol stations of the Group sold about 200,000 tonnes of petroleum products, which was about the same level as compared to the corresponding period in the preceding year, and realizing a turnover of approximately HK\$650,000,000, representing a rise of approximately 11% over the corresponding period of last year. However, as affected by the keen market competition, the growth of the petrol station business has lagged behind.

In the first half of 2004, the Group sold 823,000 tonnes of crude oil, contributing HK\$1,599,000,000 in sales revenue, representing a decrease of approximately 51.5% and 39.5% over the corresponding period in the previous year respectively. Sales volume of petrochemical products amounted to 274,000 tonnes, contributing HK\$676,000,000 in sales revenue, representing a decrease of approximately 41.1% and 0.9% over the corresponding period in the previous year respectively. While the trade volume dropped compared with the corresponding period in the previous year, the Group had seized the market opportunities and the gross sales profit from international trade rose by approximately HK\$25,000,000, which offered Shareholders with better return.

Looking ahead, the Chinese economy will still maintain a relatively strong growth in the second half year, a strong consumption demand for oil products, and a satisfactory processing rate of the oil refining enterprises. The Group will take advantage of the favourable business environment and seize the market opportunities. In the second half year, the Group will manage its business focusing on effectiveness and long-term

development. Among other things, the two on-shore oil storage tanks (storage capacity: 200,000 cubic metres) at Huizhou Jetty will soon be completed, which will increase the storage capacity and provide the downstream oil refinery users with more room for storage, which would, in the long term, enhance the profitability of the Company; the improvement of the supporting facilities of the crude oil bonded storage tanks whilst investing in the construction of oil transportation system, which will increase the operational flexibility of the bonded storage tanks, which will become another source of profit for the Group in future; to grasp the opportunities in the market and take reasonable measures in operating its processing business and sell more processed products at higher price to increase profit. The Group will focus on developing the international trade of chemical products on its existing base, opening-up the vast product market in the country, utilizing the strengths and favourable conditions of the Company, so as to increase the scale of trading of chemical industrial products, and to become the stable and the relatively major profit source of the Company; and through scientific evaluation, screen carefully the various investment opportunities and projects in accordance with the strategic positioning of the Group. We believe that with the gradual implementation of the development strategy, the return for shareholders is expected to increase further.

LIQUIDITY AND SOURCE OF FINANCE

The Group continued to maintain a healthy financial position. As at 30 June 2004, cash and bank balances amounted to \$289,000,000 (at 31 December 2003: \$221,000,000). As at 30 June 2004, the Group had bank borrowings of \$727,000,000 (at 31 December 2003: \$226,000,000), all of which were short term.

GEARING RATIO

As at 30 June 2004, the current ratio of the Group (current assets to current liabilities) was 1.38 (at 31 December 2003: 1.92) and the gearing ratio (total liabilities to total assets) was 37.2% (at 31 December 2003: 25.3%).

CONTINGENT LIABILITIES AND PLEDGED ASSETS

As at 30 June 2004, 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 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 2004, the Group had a total of 1,411 employees, which was slightly higher than the beginning of the year. The Group's emolument policies are formulated on the basis of the performance of individual employee, the salary trend's in various regions and employees' contribution to the Group. 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 2004, 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 2004, 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 2004.

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

Yang Shu Shan

Chairman

Hong Kong, 3 September 2004

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 16.

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 2004.

Certified Public Accountants

Hong Kong, 3 September 2004