



SINOPEC KANTONS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 0934

2006
INTERIM REPORT

Executive Directors

Ms. Wang Li Sheng (*Chairlady*)
Mr. Pan Xin Rong (*Deputy Chairman*)
Mr. Yang Dong (*Deputy Chairman*)
Mr. Zhu Jian Min
Mr. Zhou Feng
Mr. Ye Zhi Jun (*Managing Director*)
Mr. Han Kun

Non-executive Director

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

Qualified Accountant

Mr. Chan Kim Fai, Ivan

Auditors

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
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
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Listing Information

The Stock Exchange of Hong Kong Limited
Stock Code: 0934

Consolidated Income Statement (Unaudited)

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2006 \$'000	2005 \$'000
Turnover	2	7,956,699	6,467,437
Cost of sales		(7,768,705)	(6,302,474)
Gross profit		187,994	164,963
Other revenue	2	2,948	14,969
Selling and administrative expenses		(68,483)	(73,021)
Profit from operations		122,459	106,911
Finance costs		(13,445)	(9,182)
Profit before taxation	3	109,014	97,729
Income tax	4	(12,390)	(11,421)
Profit after taxation		96,624	86,308
Attributable to:			
– Equity holders of the Company	14	69,909	64,003
– Minority interests	14	26,715	22,305
Profit after taxation	14	96,624	86,308
Earnings per share – basic	6	6.74 cents	6.17 cents

The notes on pages 7 to 23 form part of this interim financial report.

Consolidated balance sheet (Unaudited)

at 30 June 2006
(Expressed in Hong Kong dollars)

		At 30 June 2006 \$'000	At 31 December 2005 \$'000
	Note		
Non-current assets			
Fixed assets			
– Property, plant and equipment		1,399,699	1,432,018
– Construction in progress	7	280,733	67,596
– Interest in leasehold land held for own use under operating lease		88,766	94,646
Intangible assets	8	76,090	80,077
		1,845,288	1,674,337
Current assets			
Inventories	9	760,517	664,546
Trade and other receivables	10	519,110	120,177
Amounts due from holding companies and fellow subsidiaries	12	256,362	232,944
Cash and cash equivalents		89,825	152,385
		1,625,814	1,170,052
Current liabilities			
Trade and other payables	11	374,053	260,597
Amount due to holding companies and fellow subsidiaries	12	362,434	266,618
Bank loans	13	493,929	161,526
Current taxation		22,748	19,810
		1,253,164	708,551
Net current assets		372,650	461,501

Consolidated balance sheet (Unaudited)

at 30 June 2006

(Expressed in Hong Kong dollars)

		At 30 June 2006 \$'000	At 31 December 2005 \$'000
	Note		
Total assets less current liabilities		2,217,938	2,135,838
Non-current liabilities			
Bank loans	13	–	11,361
NET ASSETS		2,217,938	2,124,477
CAPITAL AND RESERVES	14		
Share capital		103,683	103,683
Reserves		1,618,265	1,551,519
Total equity attributable to equity holders of the Company		1,721,948	1,655,202
Minority interests	14	495,990	469,275
TOTAL EQUITY	14	2,217,938	2,124,477

The notes on pages 7 to 23 form part of this interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2006	2005
Note		\$'000	\$'000
Total equity at 1 January:			
	Attributable to equity holders of the Company	1,655,202	1,512,401
14			
	Minority interests	469,275	422,793
14			
	At 1 January	2,124,477	1,935,194
14			
Net income for the period recognised directly in equity:			
	Exchange difference on translation of financial statements of entities outside Hong Kong	12,389	–
14			
Net profit for the period:			
Total recognised income and expense for the period			
	Attributable to:		
	– Equity holders of the Company	69,909	64,003
14			
	– Minority interests	26,715	22,305
14			
		96,624	86,308
14			
	Dividends declared	(15,552)	(15,552)
5			
Movements in shareholders' equity arising from capital transactions			
	– Minority interests arising from acquisition of subsidiary during the period	–	2,641
	Total equity at 30 June	2,217,938	2,008,591

The notes on pages 7 to 23 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement (Unaudited)

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2006 \$'000	2005 \$'000
Cash (used in)/generated from operations	(133,057)	235,026
Tax paid	(9,531)	(7,574)
Net cash (used in)/generated from operating activities	(142,588)	227,452
Net cash (used in)/generated from investing activities	(207,077)	2,598
Net cash generated from/(used in) financing activities	292,045	(145,856)
Net (decrease)/increase in cash and cash equivalents	(57,620)	84,194
Cash and cash equivalents at 1 January	152,385	118,909
Effect of foreign exchange rate changes	(4,940)	–
Cash and cash equivalents at 30 June	89,825	203,103

The notes on pages 7 to 23 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

*for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)*

1 BASIS OF PREPARATION

This interim financial report have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 21 September 2006.

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

In preparing this interim financial report, the significant judgements made by management in applying the Group’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2005.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2005 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). HKFRSs include all applicable HKFRS, HKAS and related interpretations.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION (Continued)

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2006. The Board of Directors has determined the accounting policies expected to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2006, on the basis of HKFRSs currently in issue.

HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2006 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The interim financial report has been prepared in accordance with the same accounting policies as those adopted in the 2005 annual financial statements.

The 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 HKICPA. KPMG's independent review report to the Board of Directors is included on page 31 to 32.

The financial information relating to the financial year ended 31 December 2005 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2005 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2006.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

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 and wholesale 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 and wholesale of petroleum products		Crude oil jetty services		Inter-segment elimination		Unallocated		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Revenue												
Revenue from external customers	6,769,843	5,400,742	1,022,801	916,513	164,055	150,182	-	-	-	-	7,956,699	6,467,437
Inter-segment revenue	-	-	-	-	6,380	1,249	(6,380)	(1,249)	-	-	-	-
Other revenue from external customers	-	-	1,490	13,572	363	62	-	-	1,095	1,335	2,948	14,969
Total	6,769,843	5,400,742	1,024,291	930,085	170,798	151,493	(6,380)	(1,249)	1,095	1,335	7,959,647	6,482,406
Segment result	27,561	29,334	3,990	5,265	101,279	79,168	(3,956)	(474)			128,874	113,293
Unallocated interest income											1,095	1,335
Unallocated corporate expenses											(7,510)	(7,717)
Profit from operations											122,459	106,911

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

2 SEGMENT REPORTING (Continued)

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 BEFORE TAXATION

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

	Six months ended 30 June	
	2006	2005
	\$'000	\$'000
Interest on borrowings	14,894	9,182
Amortisation		
– intangible assets	4,811	4,269
– assets held for use under operating leases	1,423	1,670
Depreciation	46,304	45,169
Operating lease charges in respect of properties	3,092	6,940
Interest income	(1,709)	(1,335)

The operating lease charges include contingent rental charges for the use of certain petrol station facilities amounting to \$1,896,000 (2005: \$2,458,000).

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

4 INCOME TAX

	Six months ended 30 June	
	2006	2005
	\$'000	\$'000
Current tax – Provision for Hong Kong Profits Tax		
Tax for the period	3,500	4,800
Current tax – Outside Hong Kong		
Tax for the period	8,890	6,621
Total income tax expense	12,390	11,421

The provision for Hong Kong Profits Tax for 2006 is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the period. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

One of the Company's subsidiaries established in the PRC, which commenced operations in March 1997, enjoys full tax exemption for its first five profit making years and a tax reduction of 50% for the next five years in respect of its jetty operations. The income tax rate applicable to this PRC subsidiary is 15%. The year 2006 is the tenth year that the subsidiary started to have a taxable profit. Accordingly, the subsidiary is subject to a 50% reduction in applicable income tax rate, which is 7.5%.

No provision for deferred taxation has been made for the period ended 30 June 2006 as the effect of all temporary difference is not material.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

5 DIVIDENDS

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

	Six months ended 30 June	
	2006	2005
	\$'000	\$'000
Final dividend in respect of the financial year ended 31 December 2005, approved and paid during the interim period, of 1.5 cents per share (2005: 1.5 cents per share)	15,552	15,552

Pursuant to the shareholders' approval at the Annual General Meeting of the Company held on 18 May 2006, a final dividend of 1.5 cents per share totalling \$15,552,000 in respect of the year ended 31 December 2005 was paid on 5 June 2006.

Pursuant to the board meeting held on 21 September 2006, the Directors declared an interim dividend of 1.5 cents per share totalling \$15,552,000 in respect of the six months ended 30 June 2006 (2005: 1.5 cents per share, totalling \$15,552,000). This dividend has not been recognised as a liability at 30 June 2006.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent of \$69,909,000 (six months ended 30 June 2005: \$64,003,000) and 1,036,830,000 (2005: 1,036,830,000) ordinary shares 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 CONSTRUCTION IN PROGRESS

Construction in progress mainly related to pier expansion project carried out by one of the Group's subsidiary for the expansion of the Group's jetty operation in the PRC. Construction in progress as at 30 June 2006 mainly comprises the construction of a 300,000 tonnes level berth, as well as dredging channels in Huizhou Crude Oil Jetty.

8 INTANGIBLE ASSETS

Intangible assets represent operating rights of petrol stations.

9 INVENTORIES

	At 30 June 2006 \$'000	At 31 December 2005 \$'000
Crude oil and spare parts	524,390	442,818
Petroleum and petrochemical products	236,127	221,728
	760,517	664,546

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

10 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are debtors (net of impairment losses) with the following ageing analysis:

	At 30 June 2006 \$'000	At 31 December 2005 \$'000
Trade receivables:		
– current	413,999	70,088
– 1 to 3 months overdue	1,611	999
– more than 3 months overdue but less than 12 months overdue	489	592
Total trade receivables	416,099	71,679
Deposits, prepayments and other receivables	103,011	48,498
	519,110	120,177

Debts are due within 30 days from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

11 TRADE AND OTHER PAYABLES

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

	At 30 June 2006 \$'000	At 31 December 2005 \$'000
Trade payables:		
– due within 1 month or on demand	88,291	8,154
– due after 1 month but within 3 months	137,139	122,351
– due after 3 months but within 6 months	40,255	6
Total creditors and bills payables	265,685	130,511
Other payables and accrued charges	108,368	130,086
	374,053	260,597

12 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.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

13 BANK LOANS

As at 30 June 2006, the bank loans were repayable as follows:

	At 30 June 2006 \$'000	At 31 December 2005 \$'000
Within 1 year or on demand	493,929	161,526
After 1 year but within 2 years	–	11,361
	493,929	172,887

As at 30 June 2006, the unsecured bank loans were as follows:

	At 30 June 2006 \$'000	At 31 December 2005 \$'000
Secured	5,825	5,768
Unsecured	488,104	167,119
	493,929	172,887

At 30 June 2006, the banking facilities of a subsidiary were secured by its land use rights with carrying value of \$13,402,000.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

14 CAPITAL AND RESERVES

	Attributable to equity holders of the parent						Total	Minority interest	Total equity
	Share capital	Share premium	Merger reserve	General reserve	Exchange reserves	Retained profits			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
At 1 January 2006	103,683	333,857	23,444	200,565	37,148	956,505	1,655,202	469,275	2,124,477
Final dividends approved in respect of the previous year	-	-	-	-	-	(15,552)	(15,552)	-	(15,552)
Profit for the period	-	-	-	-	-	69,909	69,909	26,715	96,624
Exchange differences on translation of financial statements of the subsidiaries outside Hong Kong	-	-	-	-	12,389	-	12,389	-	12,389
At 30 June 2006	103,683	333,857	23,444	200,565	49,537	1,010,862	1,721,948	495,990	2,217,938

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

15 COMMITMENTS

- (a) **Capital commitments outstanding at 30 June 2006 not provided for in the interim financial report were as follows:**

	At 30 June 2006 \$'000	At 31 December 2005 \$'000
Contracted for	312,090	491,413

These capital commitments mainly relate to construction of jetty platform and dredging channels in Huizhou Crude Oil Jetty.

- (b) **Commitments under operating leases**

At 30 June 2006, the total future minimum lease payment under non-cancellable operating leases are payable as follows:

	At 30 June 2006 \$'000	At 31 December 2005 \$'000
Within 1 year	3,195	3,200
After 1 year but within 5 years	12,700	12,696
After 5 years	31,846	32,457
	47,741	48,353

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

15 COMMITMENTS *(Continued)*

(b) Commitments under operating leases *(Continued)*

The Group leases a number of petrol station facilities, plant and machinery, and land and buildings with lease term generally run from five to twenty years and rentals are 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 payments disclosures.

16 CONTINGENT LIABILITIES

At 30 June 2006, there were contingent liabilities in respect of banking facilities utilised by certain subsidiaries and guaranteed by the Company amounting to approximately \$165,192,000 (31 December 2005: \$135,381,000).

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

17 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 charged/ (credited) to the consolidated income statement are as follows:

	Six months ended 30 June	
	2006	2005
	\$'000	\$'000
Crude oil sold by the Group	(2,949,565)	(2,999,741)
Crude oil purchased by the Group and related charges	1,986,458	2,257,847
Petroleum products sold by the Group	(771,155)	(887,602)
Petrochemical products sold by the Group	(48,666)	(68,059)
Petroleum products purchased by the Group for petrol stations	895,474	666,940
Petroleum products purchased by the Group for general trade	–	111,507
Crude oil refining and processing fees charged to the Group	18,924	21,447
Jetty service fees, charged by the Group	(160,312)	(151,023)
Insurance premium charged to the Group	2,138	2,570
Rentals charged to the Group in respect of land and buildings and motor vehicle	150	265
Operating lease payment in respect of petrol station facilities charged to the Group	–	617
Petroleum unloading service fee charged by the Group	(649)	(1,174)

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

- (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) The Group operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred to as “state-controlled entities”).

Apart from transactions with the Group’s holding companies and fellow subsidiaries the Group has transactions with other state-controlled entities including but not limited to the following:

- sales and purchased of crude oil, petroleum and petrochemical products;
- construction work;
- rendering and receiving services; and
- use of public utilities.

These transactions are conducted in the ordinary course of the Group’s business on terms comparable to those with other entities that are not state-controlled. The Group has established its procurement policies, pricing strategy and approval process for purchases and sales of products and services which do not depend on whether the counterparties are state-controlled entities or not.

Notes to the Unaudited Interim Financial Report

for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)

17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) (Continued)

Having considered the transactions potentially affected by related party relationships, the entity's pricing strategy, procurement policies and approval processes, and the information that would be necessary for an understanding of potential effect of the related party relationship on the financial statements, the directors are of the opinion that the following related party transactions charged/(credited) to the Group and balances require disclosure of numeric details:

	Six months ended 30 June	
	2006	2005
	\$'000	\$'000
Crude oil, petroleum and petrochemical products purchased by the Group	1,777,459	1,224,244
Crude oil, petroleum and petrochemical products sold by the Group	(2,755,131)	1,649,722
Construction work performed	176,346	–
	At	At
	30 June	31 December
	2006	2005
	\$'000	\$'000
Amount due from other state-controlled entities	321,038	88,331

Notes to the Unaudited Interim Financial Report

*for the six months ended 30 June 2006
(Expressed in Hong Kong dollars)*

18 POST BALANCE SHEET EVENT

On 10 July 2006, one of the subsidiaries of the Company, Kantons International Investment Limited (“KII”), entered into a sale and purchase agreement with Sinopec Guangzhou Petrochemical Complex (“GPC”), an affiliate to the Company, to acquire from GPC 30% equity interests in Huade Petrochemical Co., Limited (“Huade”) for a consideration of RMB594 million. Prior to the acquisition, the Company held 70% equity interests in Huade through KII. Huade operates in the business segment of crude oil jetty services.

On 10 July 2006, Huade entered into a sale and purchase agreement with China Petroleum and Chemical Corporation (“Sinopec Corp.”), an intermediate holding company of the Company, to sell its 90% equity interests in Kantons Gas Station Investment and Management Co. Ltd. (“KGSIM”) to Sinopec Corp. for a consideration of RMB153 million. Prior to the disposal, the Company held 90% equity interests in KGSIM through Huade, KGSIM operates in the business segment of retail and wholesale of petroleum products.

These transactions were approved by the independent shareholders of the Company in a Special General Meeting held on 18 August 2006 and are subject to fulfilment of the other conditions precedent including the approval from the relevant PRC government and regulatory bodies. The gain or loss arising from the disposal of KGSIM will be reflected in the financial statements upon completion of the transaction.

The Directors recommend the payment of an interim dividend of HK1.5 cents per share to shareholders whose names appear on the register of members of the Company on 20 October 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 October, 2006, (Monday) to 20 October, 2006 (Friday) (both days inclusive) during which period no transfer of shares can be registered. In order to qualify for the proposed interim dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with Secretaries Limited, the branch share registrars of the Company at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 13 October, 2006 (Friday). The cheques for dividend payment will be sent on about 27 October, 2006 (Friday).

REVIEW OF RESULT AND PROSPECTS

For the six month period ended 30 June 2006, the Group's turnover totaled HK\$7.957 billion, representing an increase of 23% over the corresponding period last year. Profit attributable to shareholders was HK\$70 million, an increase of 9.23% compared to the same period in the previous year. The increase in profit was mainly due to suspension of operation by a major customer for inspection and overhaul that resulted in lower profit from jetty business in the same period of the previous year. Capital expenditure was approximately 216 million, mainly used in construction works of jetty and dredging of sea channel.

During the first half of 2006, the jetty services operation had a better performance when compared with last period. Among these, transmitted crude oil increased by 5.8% from last year to 3.48 million tonnes; crude oil loading was 3.54 million tonnes, representing an increase of 7.3% over the same period last year; daily average crude oil storage also recorded growth of 27% over the corresponding period in the previous year to 299,800 tonnes. The jetty segment recorded turnover of HK\$171 million and net profit after tax of HK\$89 million for the first half year, representing growth of 12.5% and 23.2% respectively compared to the corresponding period last year.

For the period ended 30 June 2006, the Group's petrol stations product sales totalled approximately 202,000 tonnes, representing a decrease of 18% over the same period last year. Turnover was approximately HK\$1.023 billion, representing a growth of 11.60% from the same period last year, as a result of an adjustment in the guidance price of petroleum products in the PRC under the control of the State, despite a slight upward adjustment in the first half year, petrol stations recorded loss after taxation of HK\$580,000.

The Group sold 1.41 million tonnes of crude oil during the first half of 2006, realizing sales revenue of HK\$4.91 billion, representing a decrease of 7.23% and an increase of 24% respectively over the same period last year. Petrochemicals sales was 350,000 tonnes, realizing sales revenue of HK\$1.86 billion, representing a decrease of 6.67% and an increase of 28.80% respectively over the same period last year. The significant growth in sales revenue of the international trade segment was largely a result of

continually higher crude oil prices. Gross profit and net profit of international trade decreased by HK\$3.58 million and HK\$4.42 million respectively over the same period last year.

Looking forward into the second half of the year, there may be an increase in volatility in the price of crude oil, petroleum and petrochemical products as well as more uncertainty arising from the market. The Group will continue to control its risk exposure. Under the premises of steady operation, the Group will pursue for better efficiencies by capturing market opportunities. The Group will also continue to focus on its future long term development and improve its profitability in the long run. Among these, the Group will invest in the construction of a 300,000 tonnes-level berth, sea channel will be dredged deeper so as to raise loading capacity and meet the need of its downstream customers in increasing productivity. At the same time the profitability of the Company will be enhanced through reducing lightering and related costs. In addition, the Group will explore new ways of generating profit by enhancing the flexibility in the operation of the bonded oil depot and expanding the customer base of its jetty services. The Group will pay adequate attention to changes and risks in the crude oil market, petroleum and petrochemical products market, analyze market environment and pursue for further raise in the profitability of its international trade. The equity acquisition with respect to the Huizhou crude oil jetty and the equity disposal with respect to the petrol stations were approved in the Special General Meeting. The Group will concentrate in businesses with higher profitability. In future, the Group will remain prudent in its selection and conduct scientific assessment on different investment opportunities and projects.

The Group will strive for further improvement and realize higher returns for its shareholders.

LIQUIDITY AND SOURCE OF FINANCE

As at 30 June 2006, cash on hand and bank balances totaled approximately HK\$90 million (31 December 2005: HK\$152 million); bank borrowings was HK\$494 million (31 December 2005: HK\$ 162 million) of which all was short-term bank borrowings.

GEARING RATIO

As at 30 June 2006, the Group's current ratio (current assets to current liabilities) was 1.30 (31 December 2005: 1.65) and gearing ratio (total liabilities to total assets) was 36.1% (31 December, 2005: 25.3%).

CONTINGENT LIABILITIES AND PLEDGED ASSETS

At 30 June 2006, there were contingent liabilities in respect of banking facilities utilised by certain subsidiaries and guaranteed by the Company amounting to approximately \$165,192,000 (31 December 2005: \$135,381,000).

EXCHANGE RISK

As the Group's operations are in the PRC, including Hong Kong and Macau, and all its assets and liabilities are denominated either in Renminbi, Hong Kong dollars or 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 2006, the Group had a total of 1,308 employees, basically the same as at the beginning of the year. Remuneration packages including basic salary, bonus and benefit in kind are structured by reference to market terms, trend of human resources costs in various regions and employee's contribution based on performance appraisal. Subject to the profit for 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 27 May 1999 and will expire on 26 May 2009. Under the Scheme, the 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 prior to the date of grant.

No options were granted under the Scheme since its inception.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2006, 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 Issuers set forth in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors are not aware of any person who, as at 30 June 2006, 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	Number of ordinary shares	Capacity	Percentage to the issued share capital of the Company
Sinopec Kantons International Limited (Note)	750,000,000	Beneficial owner	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.

Prime Capital Management (Cayman) Limited	52,526,000	Beneficial owner	5.06%
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CORPORATE GOVERNANCE

The Group has complied throughout the six months to 30 June 2006 with the applicable provisions of the Code on Corporate Governance Practices (the “Code”) in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which came into effect on 1 January 2005.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

REMUNERATION COMMITTEE

A Remuneration Committee was established in accordance with the requirements of the Code. Remuneration Committee comprises three independent non-executive directors and two executive directors, of which one of the independent non-executive directors being the chairperson of the committee.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors of the Company. The Audit Committee has reviewed with the management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2006.

CODE FOR SECURITIES TRANSACTIONS

During the period of six months ended 30 June 2006, all the directors of the Company confirmed that they have met with the standards of the "Code on Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules.

By Order of the Board

Wang Li Sheng

Chairlady

Hong Kong, 21 September 2006

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF SINOPEC KANTONS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 2 to 23.

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 Hong Kong Accounting Standard 34, *Interim financial reporting* issued by the Hong Kong Institute of Certified Public 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 Institute of Certified Public 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 2006.

Certified Public Accountants

Hong Kong, 21 September 2006