SINOPEC KANTONS HOLDINGS LIMITED

(Incorporated in Bermuda with Limited Liability)
(Stock Code: 934)

INTERIM REPORT 2010

Contents

Corporation Information

EXECUTIVE DIRECTORS

Mr. Dai Zhaoming *(Chairman)*
Mr. Zhu Zengqing *(Deputy Chairman)*
Mr. Zhu Jianmin
Mr. Tan Kefei
Mr. Zhou Feng
Mr. Ye Zhijun *(Managing Director)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE MEMBERS

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

REMUNERATION COMMITTEE MEMBERS

Ms. Tam Wai Chu, Maria
Mr. Wong Po Yan
Mr. Fong Chung, Mark
Mr. Dai Zhaoming
Mr. Ye Zhijun

COMPANY SECRETARY

Mr. Li Wenping
Mr. Lai Yang Chau, Eugene

AUDITORS

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

LEGAL ADVISER

Li & Partners
22nd Floor, World-Wide House
Central, Hong Kong

STATUTORY ADDRESS

Clarendon House
2 Church Street Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

20/F., Office Tower, Convention Plaza
1 Harbour Road, Wanchai, Hong Kong
Tel: +852 - 2824 2638
Fax: +852 - 2508 6075
Website: www.sinopec.com.hk

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 0934

REVIEW OF RESULTS AND PROSPECTS

During the first half of 2010, recovery of the global economic had been adversely affected by the outbreak of the European sovereign debt crisis. The average platts Brent crude oil price was US$77.27/barrel for the first half of the year, representing an increase of 49.7% as compared with the same period last year. In the light of such unpredictable global economic conditions, the board of directors responded pro-actively and scientifically by reformulating the Group's development direction, and in the meantime expanding its petrochemical storage and logistic businesses continuously based on a "rolling-forward development" model, with a view to developing the Group into a first class international oil and petrochemical storage and logistic company. To facilitate the changing business focus of the Group and for the purpose of concentrating on the development of the oil and petrochemical storage business, the Group had ceased its crude oil processing operations during the first half of the year and took its first move in the construction of storage and logistic facilities by entering into a heads of joint venture agreement for the setting up of a joint venture, pursuant to which a approximately 2,600,000 cubic metres oil storage complex and ancillary facilities will be constructed in Indonesia. At present, the terms of the formal agreement are being actively negotiated. Definitive agreements were originally anticipated to be executed around 31 August 2010. However, the parties concerned have not yet reached a final agreement on certain salient terms. A separate announcement will be made when the negotiations are finalised. During the first half of the year, turnover of the Group amounted to HK$10.38 billion, representing an increase of 21.5% as compared with the same period last year, with earnings attributable to equity shareholders of HK$95.75 million, representing an increase of 5.0% as compared with the same period last year, maintaining the stable growth of business performance.

During the first half of 2010, the Group had overcome various difficulties and had succeeded in maintaining a stable growth in its crude oil storage and pipeline transmission businesses. During the first half of the year, 5.86 million tonnes of crude oil were discharged and 5.76 million tonnes of crude oil were transmitted, representing an increase of 7.52% and 10.77% respectively as compared with the same period last year, whilst revenue generated from jetty and storage operations and segment profit were HK$276 million and HK$115 million respectively, representing an increase of 15.0% and 4.5% respectively as compared with the same period last year.

During the first half of 2010, in order to focus on its oil and petrochemical storage operations, the Group ceased its crude oil processing business, which affected the operating results of its trading business. During the first half of the year, the Group's crude oil trading volume was 1.82 million tonnes, a decrease of 20.9% as compared with the same period last year; the trading volume of refined oil products was 400,000 tonnes, which decreased by 18.4% from the same period last year; the trading business recorded revenue of HK$10.11 billion, representing an increase of 21.8% as compared with the same period last year; and the segment profit declined 51.4% to HK$7.90 million as compared with the same period last year.

Looking ahead to the second half of the year, other than the continuous effort of strengthening its existing crude oil storage and pipeline transmission businesses and the trading of petrochemical products, the Group will endeavour to consummate the oil storage project in Indonesia in order to achieve breakthroughs in the petrochemical storage business. Meanwhile, the Group will actively make efforts in cost reduction in order to maintain stable performance in its operations in the course of the said transitional change of its focal business, with a view to developing the Group into a first class international oil and petrochemical storage company in the near future.

LIQUIDITY AND SOURCES OF FINANCE

As at 30 June 2010, cash on hand and bank balances totalled approximately HK$11.03 million (31 December 2009: HK$28.18 million); interest-bearing borrowings were approximately HK$580 million (31 December 2009: HK$1.67 billion), of which all were short-term borrowings. The significant decrease in interest-bearing borrowings was due to the material decline in the demand for funding as a result of the termination of the processed oil trading business during the first half of 2010.

GEARING RATIO

As at 30 June 2010, the Group's current ratio (current assets to current liabilities) was 1.64 (31 December 2009: 1.12) and gearing ratio (total liabilities to total assets) was 26% (31 December 2009: 56%).

TRADE AND OTHER RECEIVABLES

As at 30 June 2010, the Group's trade and other receivables totalled HK$1.29 billion (31 December 2009: HK$2.42 billion). The significant decrease in trade and other receivables was due to the termination of the processed oil trading business during the first half of 2010.

INVENTORIES

As at 30 June 2010, the Group had inventories of HK$4.34 million (31 December 2009: HK$736 million). The significant decrease in inventories as compared to the end of 2009 was due to the termination of the processed oil trading business during the first half of 2010.

TRADE AND OTHER PAYABLES

As at 30 June 2010, the Group's trade and other payables totalled HK$244 million (31 December 2009: HK$1.21 billion). The decrease in trade and other payables was due to the decline in trading volume following the termination of the processed oil trading business during the first half of 2010.

EXCHANGE RISK

As of 30 June 2010, each entity within the Group was not exposed to significant foreign exchange risk.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2010, the Group had a total of 183 employees, 4 employees fewer as compared to the beginning of the year. Remuneration packages including basic salaries, bonuses and benefits-in-kind, are structured by reference to market terms, trends of human resources costs in various regions and employees' contributions based on performance appraisals.

KPMG

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

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 8 to 40 which comprises the consolidated balance sheet of Sinopec Kantons Holdings Limited (the "company") as of 30 June 2010, the related consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do no assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2010 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

30 August 2010

Consolidated Income Statement (Unaudited)

for the six months ended 30 June 2010
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June **2010** **$'000**	2009 $'000
Turnover	4	**10,384,913**	8,536,755
Direct costs		**(10,239,189)**	(8,387,497)
Gross profit		**145,724**	149,258
Other revenue		**789**	976
Other net gain/(loss)		**6,981**	(6)
Selling and administrative expenses		**(17,155)**	(18,458)
Profit from operations		**136,339**	131,770
Finance costs		**(10,697)**	(14,983)
Profit before taxation	5	**125,642**	116,787
Income tax	6	**(29,894)**	(25,585)
Profit for the period		**95,748**	91,202
Basic and diluted earnings per share	8	**9.23 cents**	8.80 cents

The notes on pages 14 to 40 form part of this interim financial report. Details of dividends payable to equity shareholders of the company are set out in note 7.

Consolidated Statement of Comprehensive Income (Unaudited)

for the six months ended 30 June 2010
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Profit for the period	**95,748**	91,202
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of nil tax	**23,528**	971
Total comprehensive income for the period	**119,276**	92,173

The notes on pages 14 to 40 form part of this interim financial report.

Consolidated Balance Sheet (Unaudited)

at 30 June 2010
(Expressed in Hong Kong dollars)

	Note	At 30 June 2010 $'000	At 31 December 2009 $'000
Non-current assets			
Fixed assets			
– Investment properties		**33,918**	34,438
– Other property, plant and equipment	9(a)	**1,773,781**	1,850,264
– Interest in leasehold land held for own use under operating leases		**64,969**	66,099
		1,872,668	1,950,801
Current assets			
Inventories	11	**4,335**	736,334
Non-current assets held for sale	9(b)	**66,206**	65,597
Trade and other receivables	12	**1,294,064**	2,416,188
Cash and cash equivalents		**11,033**	28,175
		1,375,638	3,246,294
Current liabilities			
Trade and other payables	13	**244,328**	1,208,840
Interest-bearing borrowings	14	**580,354**	1,665,992
Current taxation		**14,550**	11,728
		839,232	2,886,560
Net current assets		**536,406**	359,734
NET ASSETS		**2,409,074**	2,310,535

Consolidated Balance Sheet (Unaudited)

at 30 June 2010
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2010 $'000**	At 31 December 2009 $'000
CAPITAL AND RESERVES			
Share capital		**103,683**	103,683
Reserves		**2,305,391**	2,206,852
TOTAL EQUITY		**2,409,074**	2,310,535

Approved and authorised for issue by the board of directors on 30 August 2010.

Dai Zhaoming	**Ye Zhijun**
Chairman	*Director*

The notes on pages 14 to 40 form part of this interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

for the six months ended 30 June 2010
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the company						
	Note	Share capital $'000	Share premium $'000	Merger reserve $'000	General reserve $'000	Exchange reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 January 2009		103,683	333,857	23,444	113,341	343,002	1,228,791	2,146,118
Changes in equity for the six months ended 30 June 2009:								
Dividends approved in respect of the previous year	7	–	–	–	–	–	(20,737)	(20,737)
Total comprehensive income for the period		–	–	–	–	971	91,202	92,173
Balances at 30 June 2009 and 1 July 2009		103,683	333,857	23,444	113,341	343,973	1,299,256	2,217,554
Changes in equity for the six months ended 31 December 2009:								
Appropriation of reserve		–	–	–	18,594	–	(18,594)	–
Total comprehensive income for the period		–	–	–	–	2,908	105,625	108,533
Dividends declared in respect of the current year	7	–	–	–	–	–	(15,552)	(15,552)
Balances at 31 December 2009 and 1 January 2010		103,683	333,857	23,444	131,935	346,881	1,370,735	2,310,535
Changes in equity for the six months ended 30 June 2010:								
Dividends approved in respect of the previous year	7	–	–	–	–	–	(20,737)	(20,737)
Total comprehensive income for the period		–	–	–	–	23,528	95,748	119,276
Balance at 30 June 2010		103,683	333,857	23,444	131,935	370,409	1,445,746	2,409,074

The notes on pages 14 to 40 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement (Unaudited)

for the six months ended 30 June 2010
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Cash generated from operations	**1,137,823**	29,139
Tax paid	**(27,072)**	(15,270)
Net cash generated from operating activities	**1,110,751**	13,869
Net cash used in investing activities	**(4,005)**	(10,200)
Net cash (used in)/generated from financing activities	**(1,124,185)**	156,153
Net (decrease)/increase in cash and cash equivalents	**(17,439)**	159,822
Cash and cash equivalents at 1 January	**28,175**	50,813
Effect of foreign exchange rate changes	**297**	86
Cash and cash equivalents at 30 June	**11,033**	210,721

Note: Cash and cash equivalents represent cash at bank and in hand.

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 30 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). HKFRSs include all applicable HKFRS, HKAS and related interpretations.

1 BASIS OF PREPARATION (continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 6 and 7.

The financial information relating to the financial year ended 31 December 2009 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 statutory financial statements for the year ended 31 December 2009 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 19 March 2010.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group's financial statements:

– HKFRS 3 (revised 2008), *Business combinations*
– Amendments to HKAS 27, *Consolidated and separate financial statements*
– Improvements to HKFRSs (2009)

2 CHANGES IN ACCOUNTING POLICIES (continued)

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

These developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

– The impact of the majority of the revisions to HKFRS 3 and HKAS 27 have not yet had a material effect on the group's financial statements as these changes will first be effective as and when the group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

– The amendments to HKFRS 3 (in respect of recognition of an acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have no impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

– The amendment introduced by the Improvements to HKFRSs (2009) omnibus standard in respect of HKAS 17, *Leases*, had no material impact on the amounts recognised in respect of these leases as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

(Expressed in Hong Kong dollars)

3 CHANGES OF ACCOUNTING ESTIMATES

Effective 1 January 2010, the group revised its estimate of the useful lives of property, plant and equipment as follows:

	Six months ended 30 June 2010	Six months ended 30 June 2009
Buildings	**Shorter of their useful lives of 8 – 30 years and the unexpired terms of leases**	Shorter of their useful lives of 15 – 35 years and the unexpired terms of leases
Jetty structures	**20 – 25 years**	5 – 30 years
Jetty facilities	**12 – 20 years**	10 – 30 years
Plant and machinery	**5 – 20 years**	8 – 20 years
Furniture, fixtures and equipment	**5 – 30 years**	5 – 8 years
Motor vehicles	**5 – 10 years**	5 – 18 years
Residual values of all types of fixed assets	**3%**	10%

3 CHANGES OF ACCOUNTING ESTIMATES (continued)

These changes were made, after taking into account commercial and technological obsolescence as well as normal wear and tear, to better reflect the estimated periods during which such assets will remain in service. Such changes had the effect of increasing the depreciation expense by approximately $11,606,000 and decreasing profit after taxation by approximately $9,053,000 for the six months ended 30 June 2010. The changes will have the effect of increasing the depreciation expense by approximately $23,212,000 and decreasing profit after taxation by approximately $18,106,000 for the financial year ending 31 December 2010 and each of the subsequent years until the assets are fully depreciated or disposed of.

4 SEGMENT REPORTING

The group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the group's most senior executive management for the purposes of resource allocation and performance assessment, the group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Trading of crude oil, petroleum and petrochemical products: this segment trades crude oil, processes and trades crude oil products and chemical and petrochemical products. Currently, the majority of the trading activities are carried out in Hong Kong.

– Crude oil jetty services: this segment provides crude oil transportation, unloading, storage and other jetty services for oil tankers. Currently the group's activities in this regard are carried out in the People's Republic of China ("PRC").

4 SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities

Information regarding the group's reportable segments as provided to the group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the periods ended 30 June 2010 and 2009 is set out below:

For the six months ended 30 June	Trading of crude oil, petroleum and petrochemical products 2010 $'000	2009 $'000	Crude oil jetty services 2010 $'000	2009 $'000	Total 2010 $'000	2009 $'000
Revenue						
Revenue from external customers	**10,110,041**	8,298,238	**274,872**	238,517	**10,384,913**	8,536,755
Inter-segment revenue	**–**	–	**803**	1,742	**803**	1,742
Reportable segment revenue	**10,110,041**	8,298,238	**275,675**	240,259	**10,385,716**	8,538,497
Reportable segment profit (segment operating profit) (note)	**7,898**	16,253	**114,910**	110,296	**122,808**	126,549
Interest income	**1**	14	**180**	76	**181**	90
Finance costs	**(6,816)**	(4,858)	**–**	–	**(6,816)**	(4,858)
Depreciation and amortisation for the period	**(649)**	(685)	**(86,225)**	(74,095)	**(86,874)**	(74,780)
Additions to non-current segment assets during the period	**128**	46	**4,059**	10,244	**4,187**	10,290

4 SEGMENT REPORTING (continued)

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

	Trading of crude oil, petroleum and petrochemical products		Crude oil jetty services		Total	
	As at 30 June 2010 $'000	As at 31 December 2009 $'000	**As at 30 June 2010 $'000**	As at 31 December 2009 $'000	**As at 30 June 2010 $'000**	As at 31 December 2009 $'000
Reportable segment assets	**561,776**	2,572,923	**2,645,708**	2,564,735	**3,207,484**	5,137,658
Reportable segment liabilities	**209,345**	2,146,733	**39,112**	53,423	**248,457**	2,200,156

4 SEGMENT REPORTING (continued)

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

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Revenue		
Reportable segment revenue	**10,385,716**	8,538,497
Elimination of inter-segment revenue	**(803)**	(1,742)
Consolidated turnover	**10,384,913**	8,536,755
Profit		
Reportable segment profit (note)	**122,808**	126,549
Elimination of inter-segment profits	**(385)**	(836)
Reportable segment profit derived from the group's external customers	**122,423**	125,713
Unallocated other revenue and net income/(loss)	**7,770**	970
Unallocated depreciation and amortisation	**(104)**	-
Unallocated finance costs	**(3,881)**	(10,125)
Unallocated other corporate (expense)/income	**(566)**	229
Consolidated profit before taxation	**125,642**	116,787

4 SEGMENT REPORTING (continued)

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

Assets	As at 30 June 2010 $'000	As at 31 December 2009 $'000
Reportable segment assets	**3,207,484**	5,137,658
Elimination of inter-segment receivables	**(4,129)**	(3,178)
	3,203,355	5,134,480
Unallocated corporate assets	**44,951**	62,615
Consolidated total assets	**3,248,306**	5,197,095
Liabilities		
Reportable segment liabilities	**248,457**	2,200,156
Elimination of inter-segment payables	**(4,129)**	(3,178)
	244,328	2,196,978
Unallocated corporate liabilities	**594,904**	689,582
Consolidated total liabilities	**839,232**	2,886,560

Note:

In the group's 2009 annual financial statements, management defined reportable segment profit as "segment operating profit". Segment operating profit includes the operating profit generated by the segment and finance costs directly attributable to the segment. Items that were not specifically attributed to individual segments, such as unallocated other revenue, unallocated other net income or loss, unallocated depreciation and amortisation, unallocated finance costs and other corporate administrative costs were excluded from segment operating profit. In the group's interim financial report for the six months ended 30 June 2009, reportable segment profit was defined as "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", and further adjusted for items not specifically attributed to individual segments, such as auditors' remuneration and corporate administration costs. Accordingly, the comparative figures in this interim financial report have been adjusted to conform to the current period's presentation.

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Interest income	**(181)**	(90)
Interest on borrowings	**10,697**	14,983
Net foreign exchange (gain)/loss	**(41)**	6
Depreciation and amortisation	**86,978**	74,780
Operating lease charges for property rentals	**1,637**	1,633
Reversal of impairment loss on other receivable	**6,854**	–

6 INCOME TAX

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	**1,410**	2,937
Current tax – Outside Hong Kong		
Provision for the period	**28,092**	22,648
Under-provision in respect of prior years	**392**	–
	28,484	22,648
	29,894	25,585

The provision for Hong Kong Profits Tax for the six months ended 30 June 2010 is calculated at 16.5% (six months ended 30 June 2009: 16.5%) 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.

6 INCOME TAX (continued)

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

Pursuant to the new tax law passed on 16 March 2007, a 10% withholding tax will be levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. Further to the issuance of Guofa (2007) No.39, the Ministry of Finance and State Administration of Taxation released notice Caishui (2008) No.1 on 22 February 2008, stating that the distributions of the pre-2008 earnings of a foreign-invested enterprise to a foreign investor in 2008 or later will be exempted from withholding tax. At 30 June 2010, temporary differences relating to the post-2007 undistributed profits of the group's PRC subsidiary amounted to $386,221,000 (31 December 2009: $337,571,000). Deferred tax liabilities of $38,622,000 (31 December 2009: $33,757,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the company controls the dividend policy of this PRC subsidiary and the company's directors have determined that the PRC subsidiary will not declare dividends out of its post-2007 profits in the foreseeable future.

No provision for deferred taxation has been made as the effect of all temporary differences is not material except for the temporary differences relating to the post-2007 undistributed profits of the group's PRC subsidiary as stated above.

7 DIVIDENDS

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

Pursuant to the Board meeting held on 30 August 2010, 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 2010 (six months ended 30 June 2009: 1.5 cents per share, totalling $15,552,000). This dividend has not been recognised as a liability at 30 June 2010.

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

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Final dividend in respect of the financial year ended 31 December 2009, approved and paid during the interim period, of 2 cents per ordinary share (2009: 2 cents per ordinary share)	**20,737**	20,737

Pursuant to the shareholders' approval at the Annual General Meeting of the company held on 18 May 2010, a final dividend of 2 cents per ordinary share totalling $20,737,000 in respect of the year ended 31 December 2009 was paid on 18 June 2010.

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the company of $95,748,000 (six months ended 30 June 2009: $91,202,000) and 1,036,830,000 (six months ended 30 June 2009: 1,036,830,000) ordinary shares in issue throughout the period. Diluted earnings per share is the same as basic earnings per share because there were no dilutive potential ordinary shares in issue in current and prior periods.

9 PROPERTY, PLANT AND EQUIPMENT

(a) During the six months ended 30 June 2010, the group acquired items of plant and equipment with a cost of $442,000 (six months ended 30 June 2009: $1,472,000). There were no disposal of property, plant and equipment during the six months ended 30 June 2010 and 2009.

(b) Non-current assets held for sale

On 22 October 2008, the group's subsidiary in the PRC, Huade Petrochemical Company Limited ("Huade"), conditionally entered into a Sale Agreement with Sinopec Group Company Crude Oil Commercial Storage Company Limited ("SGCCS") for the transfer of a land use right and the structures associated with the land (the "sales transaction").

Under the Sale Agreement, the group will transfer the land use right in relation to a parcel of land in the PRC and the structures associated with it to SGCCS for a cash consideration of RMB152,000,000 (equivalent to approximately HK$174,232,000 as at 30 June 2010). The consideration for the land was determined based on a valuation performed by an independent professional valuer. Accordingly, the carrying amount of the land use right and the structures associated with the land totalling RMB57,720,000 (equivalent to approximately HK$66,206,000) as at 30 June 2010 are classified as a non-current assets held for sale.

9 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Non-current assets held for sale (continued)

The group obtained approval for the transaction from the independent shareholders in the Special General Meeting on 2 December 2008. The completion of the above mentioned transaction is conditional upon the approval by the relevant local PRC governmental authority, which was outstanding as at 30 June 2010.

On 30 August 2010, Huade and SGCCS terminated the Sale Agreement. Accordingly, the group's related non-current assets ceased to be classified as held for sale and were reclassified to fixed assets on 30 August 2010. The carrying amount of the non-current assets at that date was approximately $60,894,000, which represents the carrying amount before the assets were classified as held for sale, adjusted for depreciation and amortisation that would have been recognised had the assets not been classified as held for sale.

10 CONSTRUCTION IN PROGRESS

Construction in progress, classified under other property, plant and equipment, mainly relates to the group's jetty operations in the PRC. During the six months ended 30 June 2010, jetty structures and plant and machinery with a cost of approximately $349,000 (six months ended 30 June 2009: $16,502,000) were completed and transferred to fixed assets. Additions to construction in progress during the period amounted to $3,745,000 (six months ended 30 June 2009: $8,818,000).

11 INVENTORIES

	At 30 June 2010 $'000	At 31 December 2009 $'000
Crude oil	**–**	662,878
Petroleum and petrochemical products	**1,089**	70,546
Spare parts	**3,246**	2,910
	4,335	736,334

12 TRADE AND OTHER RECEIVABLES

	At 30 June 2010 $'000	At 31 December 2009 $'000
Trade receivables	**4,252**	32,504
Amounts due from holding companies and fellow subsidiaries		
– trade-related	**1,160,703**	2,267,177
– non-trade	**119,997**	114,283
Other receivables	**9,112**	2,224
	1,294,064	2,416,188

Debts are due within 30 to 90 days from the date of billing. Generally, debtors with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted.

12 TRADE AND OTHER RECEIVABLES (continued)

All of the trade and other receivables are expected to be recovered or recognized as expense within one year. The amounts due from holding companies and fellow subsidiaries are unsecured, interest free and are repayable on demand or with a credit term of 30 to 90 days.

Ageing analysis

Included in trade and other receivables are trade debtors and amounts due from holding companies and fellow subsidiaries arising from trading transactions with the following ageing analysis as of the balance sheet date:

	At 30 June 2010 $'000	At 31 December 2009 $'000
Current	**610,967**	1,898,085
Less than 1 month past due	**52,355**	44,657
1 to 3 months past due	**125,140**	135,824
More than 3 months past due but less than 12 months past due	**376,493**	221,115
Amounts past due	**553,988**	401,596
	1,164,955	2,299,681

Receivables that are current relate to a wide range of customers for whom there is no recent history of default.

12 TRADE AND OTHER RECEIVABLES (continued)

Ageing analysis (continued)

Receivables that were past due but not impaired mainly relate to trade receivables due from China Petroleum and Chemical Corporation, the company's intermediate holding company ("the intermediate holding company"). The group's PRC subsidiary derived the majority of its jetty service income from its intermediate holding company. The intermediate holding company has been undertaking an expansion of its refining facilities since last year and has delayed settlement. The intermediate holding company is a state-owned enterprise listed in both Hong Kong and the PRC. Based on the intermediate holding company's sound financial position, the group considers there is no collection problem due to the ongoing collections and repayment history. Therefore, management believes that no impairment allowance is necessary in respect of the outstanding receivable balance due from the intermediate holding company as at 30 June 2010.

The group does not hold any collateral over these balances.

13 TRADE AND OTHER PAYABLES

	At 30 June 2010 $'000	At 31 December 2009 $'000
Amounts due to holding companies and fellow subsidiaries		
– trade-related	**129,250**	1,066,415
– non-trade	**57,762**	65,921
Creditors and accrued charges	**57,316**	76,504
	244,328	1,208,840

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

Amounts due to holding companies and fellow subsidiaries are unsecured, interest free and are repayable on demand or with a credit term of 30 days.

Included in trade and other payables are amounts due to holding companies and fellow subsidiaries arising from trading transactions with the following maturity analysis as of the balance sheet date:

	At 30 June 2010 $'000	At 31 December 2009 $'000
Due within 1 month or on demand	**129,250**	1,064,391
Due after 1 month but within 3 months	**–**	2,024
	129,250	1,066,415

14 INTEREST-BEARING BORROWINGS

	At 30 June 2010 $'000	At 31 December 2009 $'000
Loans from a fellow subsidiary		
– non-trade	**580,354**	677,854
– trade related	**–**	988,138
	580,354	1,665,992

The above loans were obtained from Sinopec Century Bright Capital Investment Limited ("Century Bright"), a fellow subsidiary of the company.

In July 2008, the group obtained from Century Bright a loan of US$87,000,000, equivalent to $677,854,000 (31 December 2009: $677,854,000), to repay the consideration for the acquisition of the 30% equity interest in Huade in 2006. Pursuant to the loan agreement, the loan has a maturity of six months from the date of the loan agreement and it has been renewed semi-annually since July 2008. The loan is unsecured and bears interest at LIBOR plus an interest rate spread which is agreed upon renewal of the loan. The effective interest rate for the six months ended 30 June 2010 was 1.23% per annum (year ended 31 December 2009: 2.70%). During the six months ended 30 June 2010, the group partially repaid the outstanding loan with a repayment of US$12,500,000, equivalent to $97,500,000.

The group also obtained short term loans from Century Bright for daily operation purposes. The loans were unsecured and bore interest at LIBOR plus an interest rate spread which was agreed upon when each loan contract was signed. The effective interest rate for the six months ended 30 June 2010 was 0.69% per annum (year ended 31 December 2009: 0.66%). During the six months ended 30 June 2010, the group repaid Century Bright all the short term loans. The short term loans balance as at 31 December 2009 was US$127,000,000, equivalent to $988,138,000.

15 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2010 and not provided for in the interim financial report were as follows:

	At 30 June 2010 $'000	At 31 December 2009 $'000
Contracted for	**7,653**	6,805
Authorised but not contracted for	**–**	–
	7,653	6,805

On 25 April 2010, the group entered into the Heads of Joint Venture Agreement ("HJVA") with PT. Mas Capital Trust ("MCT"), an independent third party, for the setting up of a joint venture in Indonesia pursuant to which a 2,600,000 cubic metres oil storage complex and ancillary facilities will be constructed ("Proposed Project"). The HJVA intends to form an initial basis for further negotiation and conclusion of definitive agreements in respect of the Proposed Project. The initial aggregate investment is anticipated to be approximately US$815 million (equivalent to approximately HK$6,324 million) which is subject to the agreement of the group and MCT. The initial registered capital of the joint venture is anticipated to be approximately US$204 million (equivalent to approximately HK$1,581 million) or 25% of the aggregate investment of the Proposed Project. The group and MCT will contribute at the ratio of 95% and 5% respectively. Accordingly, the group anticipates contributing registered capital in the amount of approximately US$194 million (approximately HK$1,502 million).

The terms of the joint venture agreement are still under negotiation and the group had no capital commitment in respect of the Proposed Project as at 30 June 2010.

15 COMMITMENTS (continued)

(b) Commitments under operating leases

At 30 June 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2010 $'000	At 31 December 2009 $'000
Within 1 year	**2,628**	2,622
After 1 year but within 5 years	**2,768**	3,733
After 5 years	**9,546**	9,136
	14,942	15,491

The group leases land and buildings with a lease term of three to thirty-two years. None of the leases includes contingent rentals.

16 MATERIAL RELATED PARTY TRANSACTIONS

(a) During the period, the group had the following significant transactions with its holding companies and fellow subsidiaries which were carried out in the ordinary course of business. Details of the nature and amounts are as follows:

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Crude oil sold to fellow subsidiaries (note (i))	**8,007,152**	6,490,306
Crude oil purchased from a fellow subsidiary and related charges (note (i))	**2,338,167**	3,746,759
Petroleum products and petrochemical products sold to fellow subsidiaries (note (i))	**1,831,331**	1,577,358
Petroleum and petrochemical products purchased from a fellow subsidiary (note (i))	**60,283**	-
Insurance premium charged by a fellow subsidiary (note (ii))	**1,002**	2,564
Crude oil refining and processing fees charged by a fellow subsidiary (note (iii))	**75,827**	104,051
Jetty service fees charged to a fellow subsidiary (note (iv))	**265,327**	234,424
Interest expense charged by a fellow subsidiary (note (v))	**10,697**	12,268
Rental expenses charged by a fellow subsidiary (note (vi))	**1,637**	1,633

16 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

The above transactions were concluded in accordance with the following terms:

(i) The crude oil and petroleum products trading transactions were carried out in accordance with the terms of the relevant sales and purchase agreements and on terms agreed between the parties having regard to commercial practice of the crude oil industry and international market conditions during the period the transactions were entered into.

(ii) The insurance premium was calculated by reference to the provisions of a document jointly issued by its ultimate holding company and the Ministry of Finance in the PRC in 1998 and at a predetermined percentage as revised by its ultimate holding company from time to time.

(iii) The group engaged a fellow subsidiary to refine and process crude oil into various types of petroleum products on behalf of the group. The crude oil refining and processing fees were charged in accordance with the terms of the relevant refining and processing agreements.

(iv) The jetty service fees were charged in accordance with the relevant service agreement and at rates based on the state-prescribed price regulated and standardised by the Ministry of Communications and government-approved prices approved by Guangdong Price Bureau in the PRC.

(v) Interest expenses were charged by a fellow subsidiary for (i) short term loans obtained for crude oil trading activities and (ii) other interest-bearing borrowings. The interest was charged at LIBOR plus a spread ranging from 0.48% to 1.55% per annum.

(vi) Rental expenses were charged by fellow subsidiaries for the leasing of office premises and a factory. The leases run for three to thirty-two years and the monthly rent was determined as the market rate on the dates when the lease agreements were entered into.

16 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) As disclosed in note 9(b) to the interim financial report, Huade had conditionally entered into a Sale Agreement with SGCCS for the transfer of a land use right and the structure associated with the land. More details relating to the sales transaction are disclosed in note 9(b) to the interim financial report.

(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 purchases 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 processes for purchases and sales of products and services which do not depend on whether the counterparties are state-controlled entities or not.

16 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) (continued)

Having considered the transactions potentially affected by related party relationships, the group'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 interim financial report, the directors are of the opinion that the following related party transactions charged/(credited) to the group and balances require disclosure of numeric details:

(i) Transactions with other state-controlled entities

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Crude oil, petroleum and petrochemical products purchased by the group	**6,877,680**	5,544,575
Crude oil, petroleum and petrochemical products sold by the group	**(121,478)**	(192,074)
Jetty services fees charged by the group	**(8,704)**	(4,128)

	At 30 June 2010	At 31 December 2009
	$'000	$'000
Amounts due from other state-controlled entities	**2,806**	30,736
Amounts due to other state-controlled entities	**(6,574)**	(4,461)

16 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) (continued)

(ii) Transactions with state-controlled banks

The group deposits its cash with several state-controlled banks in the PRC. The group also obtains short-term loans from these banks in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the People's Bank of China. The group's interest income from and interest expenses paid to these state-controlled banks in the PRC are as follows:

	Six months ended 30 June	
	2010	2009
	$'000	$'000
Interest income	**(178)**	(77)
Interest expenses	**–**	1,729

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

	At 30 June 2010 $'000	At 31 December 2009 $'000
Cash and cash equivalents	**4,096**	13,526

17 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current period's presentation, details of which are set out in note 4.

18 EVENT AFTER THE REPORTING PERIOD

On 30 August 2010, Huade and SCGGS terminated the Sale Agreement in respect of the land use right in relation to a parcel of land in the PRC and the structures associated with it, details of which are disclosed in note 9(b) to the interim financial report.

INTERIM DIVIDEND

The Directors recommend the payment of an interim dividend of HK1.5 cents per share to shareholders whose names appear in the register of members of the Company on 24 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 September 2010 (Monday) to 24 September 2010 (Friday) (both days inclusive) during which period no transfer of shares can be registered. In order to qualify for the proposed interim dividend, all share transfers, accompanied by relevant share certificates, must be lodged with Tricor Secretaries Limited, the branch share registrar of the Company, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 17 September 2010 (Friday). The cheques for dividend payment will be sent by post on 18 October 2010 (Monday).

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2010, none of the Directors or chief executive of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) ("SFO")), which is required to be recorded in the register kept under section 352 of the SFO or the otherwise required to be notified by Directors and the chief executive of the Company to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers set forth in Appendix 10 of the 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 (other than Directors and chief executive of the Company) who, as at 30 June 2010, had interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Note: As at 30 June 2010, the entire issued share capital of Sinopec Kantons International Limited is held by China Petroleum & Chemical Corporation. The controlling interest in the registered capital of China Petroleum & Chemical Corporation is held by China Petrochemical Corporation.

CORPORATE GOVERNANCE

The Group has complied throughout the six months ended 30 June 2010 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.

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 six months ended 30 June 2010.

REMUNERATION COMMITTEE

A Remuneration Committee has been established in accordance with the requirements of the Code. The Remuneration Committee comprises three independent non-executive Directors and two executive Directors, with one of the independent non-executive Directors being appointed as 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 control and the financial reporting matters including the review of financial report. The Audit Committee has reviewed the unaudited interim financial report for the six months ended 30 June 2010.

CODE FOR SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules.

During the six months ended 30 June 2010, all the Directors of the Company confirmed that they had complied with the standards of the Model Code as set out in Appendix 10 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the minimum amount of public float as required under the Listing Rules throughout the six months ended 30 June 2010.

By order of the Board
Dai Zhaoming
Chairman

Hong Kong, 30 August 2010