



SINOPEC KANTONS HOLDINGS LIMITED

(Incorporated in Bermuda with Limited Liability)

Stock Code: 934

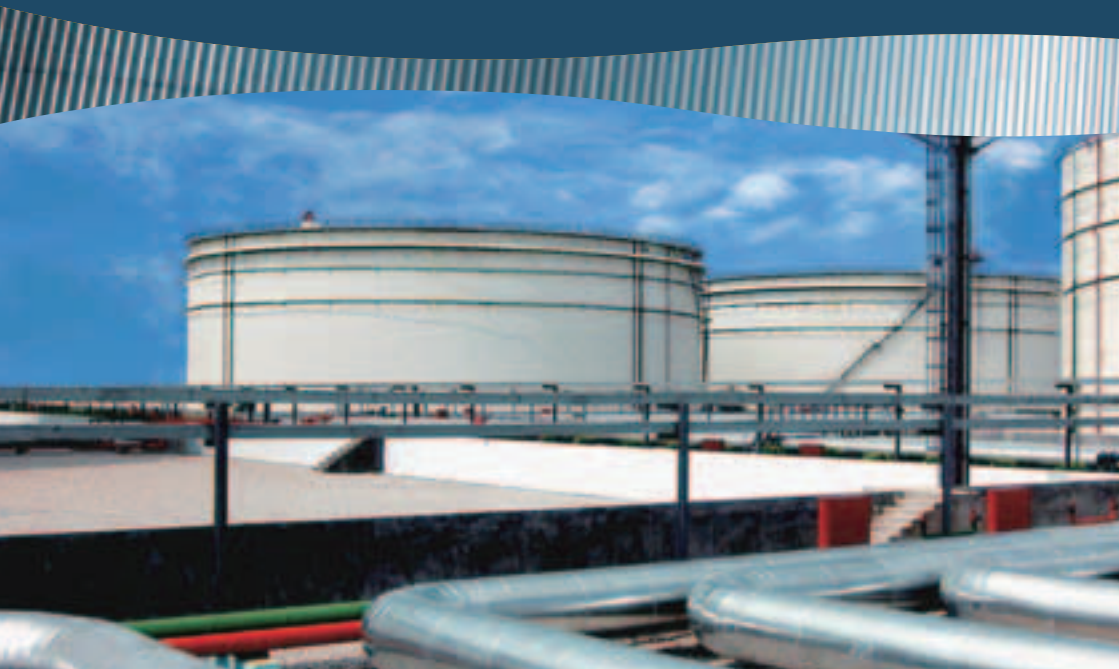


Growth on Solid Foundation

Interim Report 2016



To become a world-class international petrochemical storage and logistics company.





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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

Mr. Fong Chung, Mark (Chairman)
Ms. Tam Wai Chu, Maria
Dr. Wong Yau Kar, David

REMUNERATION COMMITTEE

Ms. Tam Wai Chu, Maria (Chairman)
Mr. Chen Bo
Mr. Fong Chung, Mark
Dr. Wong Yau Kar, David
Mr. Ye Zhijun

NOMINATION COMMITTEE

Dr. Wong Yau Kar, David (Chairman)
Mr. Chen Bo
Ms. Tam Wai Chu, Maria
Mr. Fong Chung, Mark
Mr. Ye Zhijun

COMPANY SECRETARY

Mr. Li Wen Ping
Mr. Lai Yang Chau, Eugene (Practising Solicitor)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
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LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 934

MANAGEMENT DISCUSSION AND ANALYSIS

On 31 December 2015, Sinopec Kantons Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) completed the acquisition of 100% equity interest in Sinopec Yu Ji Pipeline Company Limited (“**Yu Ji Pipeline Company**”). Since then, Yu Ji Pipeline Company has become a wholly-owned subsidiary indirectly held by the Company. In addition, given that the Group suspended the crude oil trading business, the management of the Company reclassified the business segments, of which the natural gas pipeline transmission services segment was added and the crude oil trading segment was removed. In order to reflect the effect of the change in the Group’s business and the reclassification of the Group’s business segments, the comparative financial statements of the 2016 Interim Financial Information have been restated.

BUSINESS REVIEW AND PROSPECTS

During the first half of 2016, amidst the staggering global economy, the Brexit proposal added uncertainty to the future global economic situation. There were obvious signs of recovery in the Chinese economy, but pressure of over-capacity and weakened market demand persisted. As especially in light of the slowdown in China’s economic growth and the increment in import volume of liquefied natural gas, the competition in domestic natural gas market intensified, which imposed challenges to the production and operation of the Company. The Board (the “**Board**”) of directors (the “**Directors**”) of the Company continued to adhere to the existing development strategies, further strengthened the delicacy management and risk control, took full advantages of the



MANAGEMENT DISCUSSION AND ANALYSIS

gradual liberalization of crude oil import rights of the Chinese domestic refinery enterprises, actively expanded the market and endeavored to enhance the operation scale and economic benefits of the oil terminal companies, so as to mitigate the negative impact on the Group's overall operation due to the decline in economic benefits of the natural gas pipeline transmission business. For the first half of 2016, revenue of the Group was approximately HK\$863 million,

representing a decrease of approximately 11.47% as compared with the same period of last year; profit for the period was approximately HK\$512 million, representing a decrease of approximately 3.15% as compared with the same period of last year.



2016 was the first full year of commercial operation for Fujairah Oil Terminal FZC ("FOT"), a joint venture of the Company. In the first half of this year, since FOT was active in exploring new markets and endeavored to increase the utilization rate of storage facilities, the leasing rate of oil tanks reached 100%. While assuring that the storage facilities reached the full capacity utilization and were in safe and stable operation, the Company proactively regulated and standardized the enterprise management system, obtained certifications of ISO 9001, ISO 14001 and OHSAS 18001, which were significantly important in increasing the enterprise's awareness of environmental protection, reducing the risks of occupational safety and health issues of the enterprise, building reputation and market image, enhancing the storage service standard and strengthening the market competitiveness. In the first half of this year, FOT became profitable and generated an aggregate investment return of approximately HK\$9.45 million. In the first half of 2016, the two construction projects of liquefied natural gas ("LNG") vessels participated by the Group continued to make steady progress. Since the first vessel under the Papua New Guinea LNG Project ("PNG LNG") has been put into operation in January 2015 upon the completion of construction, the second LNG vessel has also been put into commercial operation upon the completion of construction in April this year. This marks the full commercial operation of the two vessels under

PNG LNG. In addition, construction works of each of the six vessels under Phase I of the Australia Pacific LNG Project (“**APLNG**”) were in smooth progress. In the first half of this year, four of them were undergoing vessel outfitting works and the other two vessels have entered the dock to start assembling. It is expected that two vessels will complete construction works and commence commercial operation in the second half of this year. In the first half of 2016, Vesta Terminals B.V. (“**Vesta**”), a joint venture of the Group in Europe, continued to adhere to the client diversification strategy, overcoming challenges of the decrease in leasing rate of storage tanks upon the expiry of the guarantee contract, further increasing the tank leasing proportion of third party clients, and achieved 100% utilization rate of the storage tanks. In addition, Vesta strived to enhance the efficiency and relieve the pressure on operation from the changing market environment through continuous efforts in reducing the operating costs. In the first half of this year, Vesta generated an aggregate investment return of approximately HK\$15.08 million, representing a decrease of approximately 4.14% as compared with the same period of last year. In the first half of 2016, due to the significant difference between shareholders on the management philosophy in the construction of 2.60 million m³ oil storage and terminal facility project in Indonesia (“**Batam Project**”), which was invested via PT. West Point Terminal (“**PT. West Point**”) by the Group, progress of the project was still very slow. The Group will actively prepare different plans for various possibilities on future development of the project and give our best efforts to safeguard the interest of shareholders.

In the first half of 2016, the Chinese domestic terminal companies of the Company continued to focus on efficiency with safety and market as their main concerns. They took full advantages of the gradual liberalization of crude oil import rights of the domestic refinery enterprises and the stable increase in demand on import of crude oil to actively launch marketing campaigns and meticulously organize the operation of the terminals, striving to increase the operation scale and further enhance profitability. These domestic terminal companies continued to get better operating results and played an important role as core quality assets which enabled the Group to enjoy stable profits. In the first half of this year, the aggregate throughput volume of the joint ventures and associate of the Company, Zhan Jiang Port Petrochemical Jetty Co. Ltd. (“**Zhan Jiang Port Terminal**”), Qingdao Shihua Crude Oil Terminal Co. Ltd. (“**Qingdao Shihua**”), Ningbo Shihua Crude Oil Terminal Co. Ltd. (“**Ningbo Shihua**”), Rizhao Shihua

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Crude Oil Terminal Co. Ltd. ("**Rizhao Shihua**"), Tianjin Port Shihua Crude Oil Terminal Co. Ltd. ("**Tianjin Shihua**") and Tangshan Caofeidian Shihua Crude Oil Terminal Co. Ltd. ("**Caofeidian Shihua**") (collectively, the "**Six Domestic Terminal Companies**") amounted to approximately 100 million tonnes, representing an increase of approximately 11.79% as compared with the same period of last year, and generated an aggregate investment return of approximately HK\$385 million, representing an increase of approximately 16.67% as compared with the same period of last year.

Yu Ji Pipeline Company has become an indirect wholly-owned subsidiary of the Company since 31 December 2015. In the first half of this year, with increasing import of LNG, the Chinese domestic market was unable to absorb the significant volume of imported LNG within a short period of time. This led to more intense competition in the domestic natural gas market, especially in Shandong Province, where the Yu Ji pipeline ends, which brought unprecedented challenges to Yu Ji Pipeline Company. Despite the Company adopted corresponding measures by increasing market supply in Henan and other provinces along the pipeline to relieve the pressure caused by the decreasing gas transmission volume in Shandong Province, the differences in transmission tariffs between these provinces ultimately affected the economic performance of Yu Ji Pipeline Company. In the first half of this year, gas transmission volume of Yu Ji Pipeline Company was approximately 1.354 billion m³, representing an increase of approximately 1.50% as compared with the same period of last year. Segment results of approximately HK\$35.72 million was realized, representing a decrease of approximately 71.52%. In the first half of 2016, the business volume of Huizhou Daya Bay Huade Petrochemical Company Ltd. ("**Huade Petrochemical**"), a wholly-owned subsidiary of the Company, declined as a result of continued refinery equipment maintenance of China Petroleum & Chemical Corporation ("**Sinopec Corp**") Guangzhou Branch, its only downstream client. Faced with such difficult situation, Huade Petrochemical tightened the cost control measures and made budget management refinement to minimize the adverse impact arising from the decline in business volume. In the first half of this year, Huade Petrochemical unloaded 44 oil tankers berthed with 5.60 million tonnes of crude oil and transmitted 5.69 million tonnes of crude oil, representing decreases of approximately 11.25% and 8.67% respectively as compared with the same period of last year. Segment results of approximately HK\$126 million was realized, representing a decrease of approximately 18.09%. In the first half of 2016, the international oil

tanker futures market experienced huge fluctuations and brought challenges to the chartered vessel business of Sinomart KTS Development Limited (“**Sinomart KTS**”), a wholly-owned subsidiary of the Company. The Group kept pace with the market changes and seized opportunity from the trend of chartered vessel market by enhancing the communication and cooperation with customers and reasonably adjusting the schedule of chartered vessel, in order to secure better prices of charter contracts which led to better operating results. We made 3 voyages in the first half of this year, which generated segment revenue of approximately HK\$95.64 million for charter business. Approximately HK\$12.54 million of segment results was realized, representing an increase of approximately 383.83% as compared with the same period of last year.

Looking forward to the second half of this year, it is expected that China’s crude oil import volume will continue to maintain stable growth. However, the competition in the Chinese domestic natural gas market will still exist, which creates both opportunities and challenges to the Group. The Company will closely monitor the market, actively adopt effective contingency measures to overcome the obstacles and difficulties in pursuit of improvement, strive for achieving or even surpassing the annual operation targets to attain better economic results so as to reward our shareholders, staff and the society.

REVENUE

In the first half of 2016, the Group’s revenue was approximately HK\$862,716,000, representing a decrease of approximately 11.47% as compared with the restated figure of the same period of last year (representing an increase of approximately 101.24% as compared with the un-restated figure of the same period of last year). The decrease in revenue as compared with the restated figure of the same period of last year was mainly due to the decline in business revenues of Huade Petrochemical and Yu Ji Pipeline Company, the wholly-owned subsidiaries of the Company, for the first half of 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT AND OPERATING PROFIT

In the first half of 2016, the Group's gross profit was approximately HK\$296,626,000, representing a decrease of approximately 26.84% as compared with the restated figure of the same period of last year (representing an increase of approximately 51.40% as compared with the un-restated figure of the same period of last year); operating profit was approximately HK\$254,410,000, representing a decrease of approximately 33.68% as compared with the restated figure of the same period of last year (representing an increase of approximately 64.60% as compared with the un-restated figure of the same period of last year). Both of the gross profit and operating profit of the Group for the first half of 2016 decreased as compared with the restated figures of the same period of last year were mainly due to the decline in the operating results of Huade Petrochemical and Yu Ji Pipeline Company.

DISTRIBUTION COSTS

In the first half of 2016, the Group's distribution costs was approximately HK\$9,345,000, representing a decrease of approximately 31.61% as compared with the restated figure of the same period of last year (the restated figure and the un-restated figure of the same period of last year were the same). The decrease in distribution costs was mainly due to the decreases in the number of staff of the Group and the expenses of staff remuneration for the first half of 2016.

ADMINISTRATIVE EXPENSES

In the first half of 2016, the Group's administrative expenses was approximately HK\$69,695,000, representing an increase of approximately 43.89% as compared with the restated figure of the same period of last year (representing an increase of approximately 69.98% as compared with the un-restated figure of the same period of last year). Administrative expenses increased as compared with the restated figure of the same period of last year which was mainly due to, on one hand, PT. West Point, a subsidiary of the Company, booked amortization according to lease prepayments and lease term since October 2015 because of the slow construction progress of the Batam Project of the Group in Indonesia; on the other hand, the service fees paid in relation to the engagement of relevant professional institutions regarding the Batam Project in the first half of 2016.

SHARE OF RESULTS OF JOINT VENTURES

In the first half of 2016, the Group's share of results of joint ventures was approximately HK\$346,440,000, representing an increase of approximately 37.34% as compared with the restated figure of the same period of last year (the restated figure and the un-restated figure of the same period of last year were the same). Share of results of joint ventures significantly increased mainly due to the significant increase in operating results of the oil terminal joint ventures of the Company driven by the increase in volume of crude oil imports in China and the fact that FOT, a joint venture of the Company, became profitable in the first half of 2016.

INCOME TAX EXPENSES

In the first half of 2016, the Group's income tax expenses was approximately HK\$54,083,000, representing a decrease of approximately 31.41% as compared with the restated figure of the same period of last year (representing an increase of approximately 13.88% as compared with the un-restated figure of last year). Income tax expenses decreased as compared with the restated figure of the same period of last year mainly due to the decrease in taxable profit of Huade Petrochemical and Yu Ji Pipeline Company, the wholly-owned subsidiaries of the Company, in the first half of 2016.

PROFIT FOR THE PERIOD

In the first half of 2016, the Group's profit for the period was approximately HK\$512,452,000, representing a decrease of approximately 3.15% as compared with the restated figure of the same period of last year (representing an increase of approximately 17.78% as compared with the un-restated figure of the same period of last year). Profit for the period decreased slightly as compared with the restated figure of the same period of last year mainly due to the combined effects of the investment return from oil terminal companies of the Company experiencing significant growth and FOT becoming profitable as well as the decrease in operating results of Huade Petrochemical and Yu Ji Pipeline Company.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

As at 30 June 2016, the Group's current ratio (current assets to current liabilities) was approximately 0.48 (as at 31 December 2015: 0.50); and gearing ratio (total liabilities to total assets) was approximately 42.38% (as at 31 December 2015: 46.57%).

LIQUIDITY AND SOURCE OF FINANCE

As at 30 June 2016, the Group's cash and cash equivalents amounted to approximately HK\$509,639,000 (as at 31 December 2015: HK\$1,057,732,000). Cash and cash equivalents decreased mainly due to the fact that the Group used cash in paying the consideration of the acquisition of Yu Ji Pipeline Company.

TRADE AND OTHER RECEIVABLES

As at 30 June 2016, the Group's trade and other receivables was approximately HK\$1,145,610,000 (as at 31 December 2015: HK\$988,236,000). Trade and other receivables increased mainly due to the increase in dividend payment receivables of the joint ventures and associate of the Company, namely, Zhan Jiang Port Terminal, Qingdao Shihua, Rizhao Shihua, Ningbo Shihua and Caofeidian Shihua. Please refer to Note 15 to the unaudited interim financial information for details.

BANK LOANS AND OTHER BORROWINGS

As at 30 June 2016, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, borrowed long-term interest-bearing loans from China International United Petroleum & Chemicals Co., Ltd. ("**Unipec**") through Bank of Communications Co., Ltd. for a total amount of RMB3,000,000,000 (equivalent to approximately HK\$3,510,127,000), which were unsecured with a 10% discount on the benchmark lending rate issued by The People's Bank of China. Yu Ji Pipeline Company used such loans together with its cash of RMB300,000,000 to repay all interest-bearing loans which were borrowed from Sinopec Corp originally. As at 31 December 2015, Yu Ji Pipeline Company borrowed interest-bearing loans from Sinopec Corp for a total amount of RMB3,300,000,000 (equivalent to approximately HK\$3,938,982,000).

In addition, as at 30 June 2016, the Group's short-term interest bearing loans amounted to HK\$2,277,000,000 (as at 31 December 2015: nil). Such interest-bearing loans were borrowed from Sinopec Century Bright Capital Investment Limited by Sinomart KTS, a wholly-owned subsidiary of the Company, and fully used in paying the consideration of the acquisition of Yu Ji Pipeline Company.

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 31 December 2015, the Group completed the acquisition of Yu Ji Pipeline Company. Since then, Yu Ji Pipeline Company has become an indirect wholly-owned subsidiary of the Company.

RISKS ASSOCIATED WITH EXCHANGE RATE FLUCTUATION

The Company operates oil storage, terminal and pipeline transportation businesses through its wholly-owned subsidiaries, joint ventures and associated companies in China, Europe and United Arab Emirates. Operating incomes from such companies are in RMB, Euro and USD, and may create exchange rate risks to the Group if RMB, Euro and USD fluctuate against Hong Kong dollars.

In addition, in order to develop the storage and logistics businesses for achieving the strategic position of development set by the Board of the Company as soon as possible, the Group signed a number of agreements in respect of the expansion of storage and logistics businesses. On 9 October 2012, the Group acquired 95% equity interest in PT. West Point and entered into the Shareholders' Agreement regarding the Batam Project. In accordance with the Shareholders' Agreement, as at 30 June 2016, the Group should bear a capital injection obligation not exceeding the balance of USD144,685,000. In addition, in order to satisfy the demand of LNG vessel construction, on 28 April 2013, the Group entered into the Vessel Sponsors' Undertakings in relation to the construction of six LNG vessels under Phase I of APLNG. Pursuant to the Vessel Sponsors' Undertakings, as at 30 June 2016, the Group undertook a capital injection obligation not exceeding the balance of USD99,502,016 in relation to the necessary shareholder's loan and cost overruns for vessel construction. Along with the progress of the projects and schedule, the Group will fulfill the corresponding capital injection obligation in accordance with the above agreements. As there are fluctuations in the exchange rates

MANAGEMENT DISCUSSION AND ANALYSIS

of such currencies, there may be differences between the amount in Hong Kong dollars to be paid accordingly and the amount based on the corresponding exchange rate as at the date of signing the agreements.

Save for the above, please refer to Note 5 to the unaudited interim financial information for the details of other risks relating to the exchange rate.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2016, the Group had a total of 251 employees. Remuneration packages, including basic salaries, bonuses and benefits-in-kind, are structured with reference to market terms, trends of human resources costs in various regions, and employees' contributions based on performance appraisals. Subject to the profit of the Group and the performance of the employees, the Group also provides discretionary bonuses to the employees as an incentive for their greater contributions.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SINOPEC KANTONS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 15 to 50, which comprises the interim condensed consolidated statement of financial position of Sinopec Kantons Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related interim condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information 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 of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review 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.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF
SINOPEC KANTONS HOLDINGS LIMITED *(continued)***
(incorporated in Bermuda with limited liability)

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 interim financial information consists of making inquiries, 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 information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2016

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

	Note	Unaudited	
		Six months ended 30 June 2016 HK\$'000	2015 HK\$'000 (Restated)
Revenue	6	862,716	974,494
Cost of sales		(566,090)	(569,062)
Gross profit		296,626	405,432
Other income and other gains, net		36,824	40,285
Distribution costs		(9,345)	(13,665)
Administrative expenses		(69,695)	(48,435)
Operating profit	7	254,410	383,617
Finance income		7,167	6,871
Finance costs		(110,760)	(103,685)
Share of results of:			
– Associates		69,278	68,919
– Joint ventures		346,440	252,258
Profit before income tax		566,535	607,980
Income tax expenses	8	(54,083)	(78,855)
Profit for the period		512,452	529,125
Profit attributable to:			
Equity holders of the Company		512,953	529,090
Non-controlling interests		(501)	35
		512,452	529,125
Basic earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)	10	20.63	21.28

The notes on pages 22 to 50 form an integral part of this interim condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Unaudited	
	Six months ended 30 June 2016 HK\$'000	2015 HK\$'000 (Restated)
Profit for the period	512,452	529,125
Other comprehensive income for the period: <i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on currency translation		
– Subsidiaries	(79,734)	2,080
– Associates	(13,206)	113
– Joint ventures	(46,837)	(105,857)
	(139,777)	(103,664)
Cash flow hedges		
– Associates	(5,186)	–
– Joint ventures	(21,740)	–
	(26,926)	–
Other comprehensive income for the period, net of tax	(166,703)	(103,664)
Total comprehensive income for the period	345,749	425,461
Total comprehensive income attributable to:		
Equity holders of the Company	346,250	425,426
Non-controlling interests	(501)	35
Total comprehensive income for the period	345,749	425,461

The notes on pages 22 to 50 form an integral part of this interim condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	7,182,984	7,575,508
Investment properties		65,749	68,062
Prepaid land lease payments		691,692	708,797
Prepayment and other receivables		126,365	137,356
Interests in associates	12	684,558	678,586
Interests in joint ventures	13	6,393,730	6,378,616
Total non-current assets		15,145,078	15,546,925
Current assets			
Inventories	14	26,688	21,261
Trade and other receivables	15	1,145,610	988,236
Cash and cash equivalents		509,639	1,057,732
Total current assets		1,681,937	2,067,229
Total assets		16,827,015	17,614,154
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		248,616	248,616
Reserves		9,408,909	9,124,813
Equity attributable to equity holders of the Company		9,657,525	9,373,429
Non-controlling interests		38,164	38,665
Total equity		9,695,689	9,412,094

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		91,818	95,695
Borrowings	16	3,510,127	3,938,982
Government grant		–	4,667
Total non-current liabilities		3,601,945	4,039,344
Current liabilities			
Trade and other payables	17	1,218,750	4,139,948
Borrowings	16	2,277,000	–
Government grant		4,575	–
Income tax payable		29,056	22,768
Total current liabilities		3,529,381	4,162,716
Total liabilities		7,131,326	8,202,060
Total equity and liabilities		16,827,015	17,614,154

The interim condensed consolidated financial information on pages 15 to 50 were approved by the board of directors on 25 August 2016 and were signed on its behalf

Chen Bo
Chairman

Ye Zhijun
Managing Director

The notes on pages 22 to 50 form an integral part of this interim condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

Note	Attributable to equity holders of the Company										
	Share capital	Share premium	Specific reserve	Merger reserve	General reserves	Exchange reserve	Hedging reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Balance at 1 January 2016	248,616	6,300,684	110	(962,326)	287,508	59,050	-	3,439,787	9,373,429	38,665	9,412,094
Comprehensive income:											
Profit for the period	-	-	-	-	-	-	-	512,953	512,953	(501)	512,452
Other comprehensive income											
Exchange differences on currency translation:											
- Subsidiaries	-	-	-	-	-	(79,734)	-	-	(79,734)	-	(79,734)
- Associates	-	-	-	-	-	(13,206)	-	-	(13,206)	-	(13,206)
- Joint ventures	-	-	-	-	-	(46,837)	-	-	(46,837)	-	(46,837)
Net loss on cash flow hedges	-	-	-	-	-	(139,777)	-	-	(139,777)	-	(139,777)
- Associates	-	-	-	-	-	-	(5,186)	-	(5,186)	-	(5,186)
- Joint ventures	-	-	-	-	-	-	(21,740)	-	(21,740)	-	(21,740)
Other comprehensive income for the period, net of tax	-	-	-	-	-	(139,777)	(26,926)	-	(166,703)	-	(166,703)
Total comprehensive income for the period	-	-	-	-	-	(139,777)	(26,926)	512,953	346,250	(501)	345,749
Transaction with owners											
Appropriation of reserves	-	-	12,425	-	11,902	-	-	(24,327)	-	-	-
Utilisation of special reserve for the period	-	-	(4,611)	-	-	-	-	4,611	-	-	-
Dividends 9(b)	-	-	-	-	-	-	-	(62,154)	(62,154)	-	(62,154)
Total transaction with owners	-	-	7,814	-	11,902	-	-	(81,870)	(62,154)	-	(62,154)
Balance at 30 June 2016	248,616	6,300,684	7,924	(962,326)	299,410	(80,727)	(26,926)	3,870,870	9,657,525	38,164	9,695,689

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

Note	Attributable to equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Specific reserve	Merger reserve	General reserves	Exchange reserve	Retained earnings	Subtotal		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2015, as previously reported	248,616	6,300,684	151	23,444	244,124	614,831	2,806,733	10,238,583	38,599	10,277,182
Business combinations under common control	-	-	-	2,128,853	2,387	95,512	-	2,226,752	-	2,226,752
Balance at 1 January 2015, as restated	248,616	6,300,684	151	2,152,297	246,511	710,343	2,806,733	12,465,335	38,599	12,503,934
Comprehensive income:										
Profit for the period	-	-	-	-	-	-	529,090	529,090	35	529,125
Other comprehensive income										
Exchange differences on currency translation:										
- Subsidiaries	-	-	-	-	-	2,080	-	2,080	-	2,080
- Associates	-	-	-	-	-	113	-	113	-	113
- Joint ventures	-	-	-	-	-	(105,857)	-	(105,857)	-	(105,857)
Other comprehensive income for the period, net of tax	-	-	-	-	-	(103,664)	-	(103,664)	-	(103,664)
Total comprehensive income for the period	-	-	-	-	-	(103,664)	529,090	425,426	35	425,461
Transaction with owners										
Appropriation of reserves	-	-	12,283	-	15,858	-	(28,141)	-	-	-
Utilisation of special reserve for the period	-	-	(4,480)	-	-	-	4,480	-	-	-
Dividends	9(b)	-	-	-	-	-	(62,154)	(62,154)	-	(62,154)
Total transaction with owners	-	-	7,803	-	15,858	-	(85,815)	(62,154)	-	(62,154)
Balance at 30 June 2015	248,616	6,300,684	7,954	2,152,297	262,369	606,679	3,250,008	12,828,607	38,634	12,867,241

The notes on pages 22 to 50 form an integral part of this interim condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
		(Restated)
Cash flows generated from operations	823,385	733,736
Tax paid	(49,893)	(70,886)
Net cash generated from operating activities	773,492	662,850
Net cash used in investing activities	(3,130,603)	(531,069)
Net cash generated from/(used in) financing activities	1,809,447	(103,685)
Net (decrease)/increase in cash and cash equivalents	(547,664)	28,096
Cash and cash equivalents at 1 January	1,057,732	798,867
Effect of foreign exchange rate changes	(429)	(409)
Cash and cash equivalents at 30 June	509,639	826,554

The notes on pages 22 to 50 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the provision of natural gas pipeline transmission services, operation of crude oil and oil products terminals and ancillary facilities, provision of logistics services including storage, logistics, transportation and terminal services and the distribution of oil and oil products and international logistics agency services on global basis.

The condensed consolidated interim financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. This condensed consolidated interim financial information was approved by the board of directors for issue on 25 August 2016.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

2 BASIS OF PREPARATION *(continued)*

In December 2015, the Group completed its acquisition of the entire equity interest in Sinopec Yu Ji Pipeline Company Limited ("**Yu Ji Pipeline Company**"), which is under common control of China Petrochemical Corporation ("**Sinopec Group**"). The acquisition of Yu Ji Pipeline Company which is a business combination under common control is accounted for in a manner similar to a uniting of interests whereby the assets and liabilities acquired are accounted for at carryover predecessor values to the other party to the business combination with all periods presented as if the operations of the Group and the business acquired have always been combined. The difference between the consideration paid by the Group and the net assets or liabilities of the business acquired is adjusted against equity.

The Group has applied merger accounting to account for the purchase of the equity interests in the Yu Ji Pipeline Company, as if the business combinations had been occurred from the beginning of the earliest financial periods presented. The adoption of merger accounting has resulted in changes to the presentation of certain items and comparative figures have been restated accordingly.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

2.1 GOING CONCERN

As at 30 June 2016, the Group had net current liabilities of approximately HK\$1,847 million, which was primarily due to the drawn down of approximately HK\$2,277 million of the relatively lower interest rate short-term revolving facility, from Sinopec Century Bright Capital Investment Limited (“**Century Bright**”), for the settlement of consideration payable for the acquisition of the entire equity interest in Yu Ji Pipeline Company completed in December 2015. This short-term revolving facility is funding within Sinopec Group companies.

The board of directors of the Company has considered, among others, internally generated funds and financial resources available to the Group in the adoption of going concern basis in the preparation of the condensed consolidated interim information. In December 2015, the Group has renewed the short-term revolving facility of US\$500 million (equivalent to approximately HK\$3,900 million) provided by Century Bright, expiring on 24 December 2016. Subject to fulfillment of certain conditions, Century Bright has confirmed their intention that without unforeseen situation, approval of renewal of the short-term facility is expected.

Based on the above, the directors of the Company believe that the Group will have adequate resources to continue its operations for the foreseeable future for a period that is not less than 12 months from the end of the reporting period. Accordingly, the directors of the Company continue adopting the going concern basis in preparing condensed consolidated interim financial information.

3 ACCOUNTING POLICIES

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

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements, except for the adoption of amendments to standards which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2016.

Amendments to HKFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in the risk management policies since year end.

6 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by its business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments, namely, rendering of crude oil jetty services, rendering of vessel chartering services and rendering of natural gas pipeline transmission services. No operating segments have been aggregated to form the following reportable segments.

- Crude oil jetty services: this segment provides crude oil transportation, unloading, storage and other jetty services for oil tankers. Currently, these Group's activities in this regard are carried out in the People's Republic of China (the "PRC").
- Vessel chartering services: this segment provides vessel chartering for crude oil transportation and floating oil storage facilities for oil traders. Currently, the Group's activities are mainly carried out in the Middle East and the PRC.
- Natural gas pipeline transmission services: The Group provides transmission services through its natural gas pipelines located in the PRC.

6 SEGMENT REPORTING *(continued)*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reporting segment on the following basis:

Segment assets consist primarily of property, plant and equipment, certain prepaid land lease payment, inventories and certain trade and other receivables. Segment liabilities consist primarily of trade and other payables, government grant and borrowings.

(a) Segment results, assets and liabilities

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment crude oil jetty services, assistance provided by one segment to another, including the share of assets are included as unallocated income/costs.

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

In addition to receiving segment information concerning segment results, management is also provided with segment information concerning revenue, bank interest income, depreciation and amortisation and capital expenditures used by the segments in their operations. Inter-segment revenue is priced with reference to prices charged to external parties for similar orders.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

6 SEGMENT REPORTING *(continued)*

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

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 period is set out as follows:

(i) As at and for the six months ended 30 June 2016:

	Crude oil jetty services <i>HK\$'000</i> (Unaudited)	Vessel chartering services <i>HK\$'000</i> (Unaudited)	Natural gas pipeline transmission services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue and results				
Segment revenue	282,543	95,642	484,531	862,716
Segment results	126,469	12,541	35,719	174,729
Share of results of associates				69,278
Share of results of joint ventures				346,440
Unallocated other corporate expenses				(23,912)
Profit before income tax				566,535
Income tax expenses				(54,083)
Profit for the period				512,452
Other segment items				
Bank interest income	62	3,978	3,097	7,137
Depreciation and amortisation	(76,359)	(708)	(189,310)	(266,377)
Capital expenditures	(9,347)	(25)	(1,667)	(11,039)

6 SEGMENT REPORTING (continued)

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

(i) As at and for the six months ended 30 June 2016: (Continued)

	Crude oil jetty services HK\$'000 (Unaudited)	Vessel chartering services HK\$'000 (Unaudited)	Natural gas pipeline transmission services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Assets				
Segment assets	2,163,179	43,148	5,864,120	8,070,447
Unallocated assets				
– Cash and cash equivalents				509,639
– Investment properties				65,749
– Interests in associates				684,558
– Interests in joint ventures				6,393,730
– Dividend receivable from an associate				53,114
– Dividend receivables from joint ventures				335,790
– Tax recoverable				310
– Construction in progress				86,824
– Prepaid land lease payments				626,854
Total assets				16,827,015
Liabilities				
Segment liabilities	59,945	2,336,105	3,916,390	6,312,440
Unallocated liabilities				
– Trade and other payables				664,914
– Dividend payable				62,154
– Deferred tax liabilities				91,818
Total liabilities				7,131,326

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

6 SEGMENT REPORTING (continued)

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

(ii) As at 31 December 2015 and for the six months ended 30 June 2015:

	Crude oil jetty services HK\$'000 (Unaudited)	Vessel chartering services HK\$'000 (Unaudited) (Note)	Natural gas pipeline transmission services HK\$'000 (Unaudited) (Restated)	Total HK\$'000 (Unaudited) (Restated)
Segment revenue and results				
Segment revenue	323,477	105,220	545,797	974,494
Segment results	154,409	2,592	125,396	282,397
Share of results of associates				68,919
Share of results of joint ventures				252,258
Unallocated other corporate income				4,406
Profit before income tax				607,980
Income tax expenses				(78,855)
Profit for the period				529,125
Other segment items				
Bank interest income	141	6,522	179	6,842
Depreciation and amortisation	(88,007)	(714)	(187,942)	(276,663)
Capital expenditures	(10,257)	–	(28,814)	(39,071)

Note: During 2015, the Group completed the acquisition of 100% equity interest in Yu Ji Pipeline Company. In addition, the Group suspended the trading of crude oil activities. Operating segments were adjusted from 31 December 2015, to reflect the business changes of the Group and to be consistent with the internal reporting provided to the chief operating decision-maker. The comparative financial information of each segment during the period is also reclassified accordingly.

6 SEGMENT REPORTING (continued)

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

(ii) As at 31 December 2015 and for the six months ended 30 June 2015:
(continued)

	Crude oil jetty services <i>HK\$'000</i> (Audited)	Vessel chartering services <i>HK\$'000</i> (Audited)	Natural gas pipeline transmission services <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Assets				
Segment assets	2,161,261	40,625	6,504,148	8,706,034
Unallocated assets				
– Cash and cash equivalents				1,057,732
– Trade and other receivables				1,151
– Investment properties				68,062
– Interests in associates				678,586
– Interests in joint ventures				6,378,616
– Construction in progress				86,824
– Prepaid land lease payments				637,149
Total assets				17,614,154
Liabilities				
Segment liabilities	112,693	3,144,082	4,206,716	7,463,491
Unallocated liabilities				
– Trade and other payables				642,874
– Deferred tax liabilities				95,695
Total liabilities				8,202,060

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

6 SEGMENT REPORTING *(continued)*

(b) Analysis of information by geographical regions

	Unaudited Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000 (Restated)
Revenue		
– The PRC	862,716	974,494
	Unaudited Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000 (Restated)
Capital expenditures		
– Hong Kong	25	–
– The PRC	11,014	39,071
	11,039	39,071

6 SEGMENT REPORTING (continued)

(b) Analysis of information by geographical regions (continued)

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Non-current assets		
– The PRC	11,755,053	12,258,775
– Europe	1,323,531	1,271,854
– Indonesia	713,679	724,116
– Hong Kong	737,926	686,716
– United Arab Emirates	614,027	604,577
– Other countries	862	887
	15,145,078	15,546,925

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Total assets		
– The PRC	12,896,420	13,282,227
– Europe	1,323,531	1,271,854
– Indonesia	821,746	833,071
– Hong Kong	1,170,429	1,621,538
– United Arab Emirates	614,027	604,577
– Other countries	862	887
	16,827,015	17,614,154

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

6 SEGMENT REPORTING *(continued)*

(c) Major customers

For the purpose of disclosure under segment reporting, one (six months ended 30 June 2015: one customer (including Sinopec Gas Company, UNIPEC ASIA COMPANY LIMITED and China Petroleum & Chemical Corporation Guangzhou Branch) customer (including Sinopec Gas Company, UNIPEC ASIA COMPANY LIMITED and China Petroleum & Chemical Corporation Guangzhou Branch) from crude oil jetty services, vessel chartering services and natural gas pipeline transmission services has transactions and natural gas pipeline transmission services has transactions that exceeded 10% of the Group's revenue, amounting to HK\$799,323,000 (six months ended 30 June 2015: HK\$922,880,000). This customer mainly operates in the PRC.

7 EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
		(Restated)
Net foreign exchange (loss)/gain	(429)	870
Depreciation and amortisation	(276,909)	(276,900)
Operating lease charges: minimum lease payments		
– hire of other assets (including property rentals)	(65,425)	(57,533)
– hire of vessels	(38,520)	(37,642)

8 INCOME TAX EXPENSES

	Note	Unaudited	
		Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
			(Restated)
Current income tax:			
– PRC enterprise income tax	(c)	36,870	66,716
– Hong Kong profits tax	(b)	(455)	–
– Withholding tax	(d)	19,766	18,720
		56,181	85,436
Deferred income tax credit		(2,098)	(6,581)
		54,083	78,855

- (a) The Company is incorporated in the Bermuda as an exempted company with limited liability under the Companies Law of the Bermuda and, accordingly, is exempted from payment of the Bermuda income tax.
- (b) Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the assessable profit for the six months ended 30 June 2016 and 2015.
- (c) Enterprise income tax for PRC and overseas subsidiaries are calculated as the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.
- (d) Dividend distribution out of profit of foreign-invested enterprises established in the PRC earned after 1 January 2008 in the PRC is subject to withholding income tax at a tax rate of 5% or 10%. During the six months ended 30 June 2016 and 2015, withholding income tax was provided for undistributed profits of the Group's subsidiary, joint ventures and associates established the PRC at tax rates of 5% or 10%.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

9 Dividends

(a) Dividends payable to equity holders of the Company attributable to the interim period

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interim dividend, declared	87,016	62,154

On 25 August 2016, the board of directors has resolved to declare an interim dividend of HK3.5 cents per ordinary share (2015: HK2.5 cents per ordinary share). This interim dividend has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2016.

(b) A dividend of HK\$62,154,000 that relates to the period to 31 December 2015 was paid in July 2016 (2015: HK\$62,154,000).

10 EARNINGS PER SHARE

	Unaudited	
	Six months ended 30 June	
	2016	2015 (Restated)
Profit attributable to equity holders of the Company (HK\$'000)	512,953	529,090
Weighted average number of ordinary shares in issue (shares'000)	2,486,160	2,486,160
Basic earnings per share (HK cents per share)	20.63	21.28

10 EARNINGS PER SHARE *(continued)*

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

11 PROPERTY, PLANT AND EQUIPMENT

	Unaudited	
	Six months ended 30 June 2016	2015
	HK\$'000	HK\$'000
		(Restated)
Additions	11,039	45,934

There were no disposals of fixed assets during the six months ended 30 June 2016 and 2015.

12 INTERESTS IN ASSOCIATES

	As at 30 June 2016	As at 31 December 2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Cost of unlisted investments	419,030	419,030
Share of post-acquisition results	486,250	422,158
Dividend received	(248,522)	(195,408)
Exchange differences	(35,544)	(22,338)
Share of net assets	621,214	623,442
Amounts due from an associate	63,344	55,144
	684,558	678,586

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

13 INTERESTS IN JOINT VENTURES

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Cost of unlisted investments	4,468,763	4,479,043
Share of post-acquisition results	1,904,384	1,560,574
Dividend received	(599,336)	(263,546)
Exchange differences	(435,037)	(388,200)
Share of net assets	5,338,774	5,387,871
Amounts due from joint ventures	1,054,956	990,745
	6,393,730	6,378,616

14 INVENTORIES

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Fuel oil for vessels	9,080	6,861
Spare parts	17,608	14,400
	26,688	21,261

15 TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Trade receivables		
– An intermediate holding company and fellow subsidiaries	348,327	298,071
– Bills receivables	63,163	32,705
– Others	1,973	1,335
	413,463	332,111
Other receivables		
– Amounts due from an intermediate holding company and fellow subsidiaries	267,336	620,881
– Management fee receivable from a joint venture	–	841
– Dividend receivables:		
– Joint ventures	335,790	–
– An associate	53,114	–
– Tax recoverable	44,287	310
– Others	31,620	34,093
	732,147	656,125
	1,145,610	988,236

All of the trade and other receivables are expected to be recovered within one year.

Trade receivables are due within 30 to 90 days from the date of billing. Other receivables are unsecured, interest free and repayment on demand.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

15 TRADE AND OTHER RECEIVABLES *(continued)*

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

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Current	79,011	95,985
Less than 1 month past due	81,184	61,912
1 to 3 months past due	85,137	20,231
More than 3 months but less than 12 months past due	168,131	153,983
Amounts past due	334,452	236,126
	413,463	332,111

As at 30 June 2016 and 31 December 2015, trade receivables of approximately HK\$334,452,000 (2015: HK\$236,126,000) were past due but not impaired as there is no history of default.

16 BORROWINGS

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Non-current – entrusted loan	3,510,127	3,938,982
Current – a related financial institution	2,277,000	–
	5,787,127	3,938,982

Movements in borrowings is analysed as follows:

Six months ended 30 June 2016	<i>HK\$'000</i>
Opening amount as at 1 January 2016	3,938,982
Borrowings from entrusted loan (Note)	3,510,127
Borrowings from a related financial institution	2,315,000
Repayments of borrowings	(3,976,982)
Closing amount as at 30 June 2016	5,787,127

Note:

This entrusted loan is borrowed from China International United Petroleum & Chemicals Co., Ltd. through Bank of Communication. This loan is unsecured, mature until 28 June 2019 and bear interest at 4.3% per annum.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

17 TRADE AND OTHER PAYABLES

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Trade payables		
– Fellow subsidiaries	13,436	12,299
– Others	28,066	64,925
	41,502	77,224
Other payables		
– Amounts due to immediate, intermediate holding companies and fellow subsidiaries	911,591	810,566
– Creditors and accrued charges	155,420	146,796
– Land lease payable	28,317	29,517
– Consideration payable to acquire equity interests in a subsidiary under common control	–	3,075,845
– Dividend payable	62,154	–
– Others	19,766	–
	1,177,248	4,062,724
	1,218,750	4,139,948

Trade payable balances are repayable within one year.

The amounts due to the immediate company, an intermediate holding company and fellow subsidiaries are unsecured, interest free and repayable with a credit term of 30 days or repayable on demand.

17 TRADE AND OTHER PAYABLES *(continued)*

Land lease payable represents the consideration payable for the land on development of oil storage business in Indonesia.

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

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Due within 1 month or on demand	41,436	77,158
Due after 1 month but within 3 months	66	66
	41,502	77,224

18 COMMITMENTS

(a) At 30 June 2016, the outstanding capital commitments not provided for in the condensed consolidated interim financial information were as follows:

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Contracted for but not provided for	455,591	476,119
Authorised but not contracted for	310,008	332,961
	765,599	809,080

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

18 COMMITMENTS (continued)

- (b) At 30 June 2016, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Within 1 year	98,576	131,837
After 1 year but within 5 years	33,471	65,207
After 5 years	16,502	17,798
	148,549	214,842

19 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with an intermediate holding company and fellow subsidiaries

The Group is part of a larger group of companies under Sinopec Group, which is owned by the PRC government, and has significant transactions and relationship with Sinopec Group and fellow subsidiaries.

19 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(a) Transactions with an intermediate holding company and fellow subsidiaries *(continued)*

During the six months ended 30 June 2016 and 2015, the Group had the following significant transactions with its intermediate holding company, fellow subsidiaries, an associate, a joint venture and a director:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
		(Restated)
Fuel oil purchased from a fellow subsidiary and related charges (note (i))	(18,030)	(24,371)
Insurance premium paid a fellow subsidiary (note (ii))	(2,462)	(1,959)
Jetty service fees from a fellow subsidiary (note (iii))	265,420	302,348
Vessel chartering service fees from a fellow subsidiary (note (iv))	95,642	105,220
Interest income from:		
– Fellow subsidiaries (note (v))	3,891	6,340
– An associate (note (vi))	1,714	1,283
– A joint venture (note (vii))	8,688	5,557
Interest expenses to fellow subsidiaries (note (viii))	(110,759)	(103,673)
Rental income from a director (note (ix))	29	29
Construction costs by fellow subsidiaries (note (x))	(6,422)	(19,085)
Natural gas transmission income from a fellow subsidiary (note (xi))	438,261	521,652
Natural gas storage fees to a fellow subsidiary (note (xii))	(61,216)	(51,627)
Manning costs paid to a fellow subsidiary (note (xiii))	(51,700)	(20,701)
Rental income from a fellow subsidiary (note (xiv))	2,977	1,055

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

19 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(a) Transactions with an intermediate holding company and fellow subsidiaries *(continued)*

The balances with related parties are disclosed in Notes 15 and 16 to this condensed consolidated interim financial information.

Notes:

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

- (i) The fuel oil trading transactions were carried out in accordance with the terms of the relevant sale and purchases agreement and on terms agreed between the parties having regard to commercial practise of the international market conditions during the period the transactions were carried out.
- (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 jetty service fees were charged in accordance with the relevant service agreements and at rates based on the state-prescribed price regulated and standardised by the Ministry of Transport and government-approved prices approved by the Guangdong Provincial Price Supervision and Inspection and Anti-Trust Bureau in the PRC.
- (iv) The vessel chartering fees were charged in accordance with the relevant vessel chartering agreements and were determined by reference to the prevailing market rate on a transaction-by-transaction basis.
- (v) Interest income represents interest received from deposits placed with Sinopec Finance Company Limited and Sinopec Century Bright Capital Investment Limited. The applicable interest rate is determined in accordance with the prevailing saving deposit rate at the respective locations.

19 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(a) Transactions with an intermediate holding company and fellow subsidiaries *(continued)*

- (vi) Interest income represents interest received from a borrowing to an associate with the interest rate of approximately 2.2% over 3 months LIBOR per annum.
- (vii) Interest income represents interest received from a borrowing to a joint venture with the interest rate of approximately 3.7% over 3 months LIBOR per annum.
- (viii) Interest expenses were charged by fellow subsidiaries for borrowing. The interest was determined at the market rate at the date when the loan agreement were entered.
- (ix) Rental income was received from a director for a leasing apartment. The leases run for a period till the resignation of the position.
- (x) The construction costs included the commission fees charged to the Group for the purchase of construction materials and the design fee charged to the Group for the construction of oil depots in the PRC. The largest amount of construction costs paid to individual fellow subsidiary during the six months ended 30 June 2016 was HK\$2,915,000 (six months ended 30 June 2015: HK\$14,756,000).
- (xi) The price for provision of natural gas transmission services will be charged by Yu Ji Pipeline Company in accordance with the State-prescribed prices without deduction of costs or charges under the Natural Gas Transmission Services Framework Master Agreement.
- (xii) The natural gas storage fees were charged on arm's length negotiation on normal commercial terms with reference to the costs and taxes, and will be adjusted subject to the State policy in accordance with the Gas Storage Framework Master Lease Agreement.
- (xiii) The manning costs were charged on arm's length negotiation on normal commercial terms with reference to costs of provision of services and products, and taxes in accordance with the Service Outsourcing Framework Mater Agreement.
- (xiv) Rental income was received from a fellow subsidiary for leasing an office.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

19 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with other state-controlled entities in the PRC

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 intermediate holding company and fellow subsidiaries as set out in Note 19(a), the Group has entered into transactions with other state-controlled entities including but not limited to the following:

- construction work;
- rendering and receiving services; and
- use of public utilities

(i) Transactions with other state-controlled entities

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Jetty services fees by the Group	12,474	10,961

	As at	As at
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Prepayment to/amounts due from other state-controlled entities	283,689	671,860
Amounts due to other state-controlled entities	277,635	214,666

19 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with other state-controlled entities in the PRC (continued)

(ii) Transactions with state-controlled banks

The Group deposits its cash with several state-controlled banks in the PRC. The interest rates of the bank deposits in the PRC are regulated by the People's Bank of China. The Group's interest income received from these state-controlled banks in the PRC is as follows:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
		(Restated)
Interest income	3,275	481

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

	As at	As at
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Cash and cash equivalents	112,981	509,925

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

19 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) Transactions with fellow subsidiaries

The amounts of current deposit placed at fellow subsidiaries in the PRC and Hong Kong of the reporting period are summarised as follows:

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Cash and cash equivalents	641,998	1,156,258

INTERIM DIVIDEND

The Board proposes the payment of an interim dividend of HK3.5 cents per share to shareholders whose names appear on the register of members of the Company on 15 September 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 September 2016 (Monday) to 15 September 2016 (Thursday) (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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 9 September 2016 (Friday). The cheques for dividend payment will be sent on or around 18 October 2016 (Tuesday).

OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2016, 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) (the “SFO”)), which is required to be recorded in the register kept under section 352 of the SFO or otherwise required to be notified by the Directors and the chief executive of the Company to the Company and The Stock Exchange of Hong Kong 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 the Directors and chief executive of the Company) who, as at 30 June 2016, 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	Capacity and nature of interest	Number of ordinary shares held	Approximate % of the issued share capital
Sinopec Kantons International Limited ^{Note 1}	Beneficial owner	1,500,000,000 ⁽¹⁾	60.33% ⁽¹⁾
National Council For Social Security Fund ^{Note 2}	Beneficial owner	149,012,000 ⁽¹⁾	5.99% ⁽¹⁾
ICBC Credit Suisse Asset Management (International) Company Limited ^{Note 2}	Investment manager	146,690,000 ⁽¹⁾	5.90% ⁽¹⁾
	Beneficial owner	1,600,000 ⁽¹⁾	0.06% ⁽¹⁾

Note 1: The entire issued share capital of Sinopec Kantons International Limited is held by Unipec. The controlling interest in the registered capital of Unipec is held by Sinopec Corp, a subsidiary of China Petrochemical Corporation.

Note 2: The shareholdings in the Company disclosed above are extracted from the Disclosure of Interests notices of the Stock Exchange filed by the relevant shareholders.

CORPORATE GOVERNANCE

The Group has complied with the applicable provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2016.

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 2016.

SHARE OPTION SCHEME

Currently, the Company has not established and implemented any share option scheme.

AUDIT COMMITTEE

The Audit Committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, of which one of the independent non-executive Directors was appointed as the chairperson of the Audit Committee. The Audit Committee has reviewed the accounting principles and practices of the Group with the management and external auditors; and discussed the internal control and financial reporting matters including the review of financial reports. The Audit Committee reviewed the Group's unaudited interim financial report for the six months ended 30 June 2016.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company (the "**Remuneration Committee**") comprises three independent non-executive Directors and two executive Directors, of which one of the independent non-executive Directors was appointed as the chairperson of the Remuneration Committee.

NOMINATION COMMITTEE

The Nomination Committee of the Company (the "**Nomination Committee**") comprises three independent non-executive Directors and two executive Directors, of which one of the independent non-executive Directors was appointed as the chairperson of the Nomination Committee.

OTHER INFORMATION

CODE FOR SECURITIES TRANSACTIONS

In respect of the securities transactions conducted by the Directors, the Group has adopted a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 of the Listing Rules. For the six months ended 30 June 2016, all the Directors confirmed that they have complied with the standards of the Model Code as set out in Appendix 10 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to the information publicly available to the Company and to the best 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 2016.

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

Hong Kong, 25 August 2016