

SINOPEC KANTONS HOLDINGS LIMITED
(Incorporated in Bermuda with Limited Liability)
Stock Code: 934



2017

Interim Report



*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 MEMBERS

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

REMUNERATION COMMITTEE MEMBERS

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

NOMINATION COMMITTEE MEMBERS

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

COMPANY SECRETARY

Mr. Li Wenping
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

BUSINESS REVIEW AND PROSPECTS

In the first half of 2017, the Chinese economy in general remained stable with a positive outlook. Specifically, the Chinese government actively promoted the use of clean energy, which accelerated domestic market demand for natural gas and created a relatively better market environment for the natural gas pipeline transmission business of Sinopec Kantons Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”). In addition, the decrease in the production of crude oil in China together with the continuous growth of crude oil imports provided conditions for the Group to further develop the oil terminal business. Under such favorable market environment, the Company, under the guidance of the board (the “**Board**”) of directors (the “**Directors**”), actively took advantage of the momentum to expand its market share with full efforts and got in touch with customers enthusiastically so as to actively increase our total business volume. Meanwhile, we paid more attention to and strengthened production safety and risk control to ensure the stable operation of the production facilities and achieved better operating results. In the first half of 2017, the consolidated revenue of the Group was approximately HK\$945 million, representing an increase of approximately 9.49% as compared with the same period of last year; profit for the period was approximately HK\$703 million, representing an increase of approximately 37.23% as compared with the same period of last year. The Board proposes the payment of an interim dividend of HK5.0 cents per share in cash for the year 2017, representing an increase of approximately 42.86% as compared with the same period of last year.



Management Discussion and Analysis

In the first half of 2017, although the overall demand for natural gas in the Chinese market was growing, market demand and supply were very different in various seasons, provinces and regions. Sinopec Yu Ji Pipeline Company Limited (“**Yu Ji Pipeline Company**”), a wholly-owned subsidiary of the Company, strived to expand into new markets and find new customers through market segmentation, and

was committed to accelerating the upgrade of transmission stations to enhance the transmission capacity of pipelines, thus an obvious increase in the transmission volume of natural gas was achieved which led to a substantial growth of the operating results for the six months ended 30 June 2017. In the first half of 2017, natural gas transmission volume of Yu Ji Pipeline Company was approximately 2.063 billion m³, representing a significant increase of approximately 52.36% as compared with the same period of last year. Segment results of approximately HK\$353 million were realized, representing a substantial increase of approximately 888.25% as compared with the same period of last year. In the first half of 2017, Huizhou Daya Bay Huade Petrochemical Company Ltd. (“**Huade Petrochemical**”), a wholly-owned subsidiary of the Company, fully utilized the favorable opportunity brought about by the completion of maintenance and resumption of normal operation of the refinery equipment of China Petroleum & Chemical Corporation (“**Sinopec Corp.**”) Guangzhou Branch (“**Guangzhou Petrochemical**”), the largest customer for its downstream operations, so as to actively increase its total business volume. In the first half of 2017, Huade Petrochemical unloaded approximately 6.39 million tonnes of crude oil from 48 oil tankers and transmitted approximately 6.27 million tonnes of crude oil, representing an increase of approximately 14.11% and 10.19%, respectively, as compared with the same period of last year. In the first half of 2017, as affected by factors including movement in the exchange rate of RMB, the segment results realized by Huade Petrochemical were approximately HK\$125 million, representing a decrease of approximately 1.52% as compared with the same period of last year.



Management Discussion and Analysis

In the first half of 2017, as the Chinese government continued to increase the quota of imported crude oil for local teapot refineries and China's crude oil imports continued to maintain a stable growth, the crude oil terminal associate and joint ventures of the Group actively adopted a multi-pronged operating strategy, which was obtaining more business volume by strengthening the expansion of markets, enhancing the operation efficiency by strengthening vessel scheduling, improving the turnover rate by strengthening evacuation organization, and improving the construction of ancillary facilities of infrastructure at the same time for increasing the terminal throughput volume. In the first half of 2017, the aggregate throughput volume of 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 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**"), all of which are joint ventures or associate of the Group, amounted to approximately 112 million tonnes, representing an increase of approximately 12.00% as compared with the same period of last year. Although the aggregate terminal throughput volume for the first half of 2017 continued to maintain a stable growth, the aggregate investment return of the Six Domestic Terminal Companies decreased by approximately 3.12% as compared with the same period of last year to approximately HK\$373 million, as affected by factors including movement in the exchange rate of RMB and expiry of the preferential income tax treatment for some of the terminal joint ventures.

In the first half of 2017, the focus of work of the Group's two liquefied natural gas ("**LNG**") vessel transportation projects was gradually shifted from the construction of LNG vessels to operation of vessels. In the first half of 2017, two LNG vessels under the Papua New Guinea LNG Project ("**PNGLNG**") in operation completed 13 voyages. The investment return from East China LNG Shipping Investment Co., Limited ("**East China**") was approximately HK\$4.03 million, representing an increase of approximately 4.55% as compared with the same period of last year. Currently, three LNG vessels under the Australia Pacific LNG Project ("**APLNG**") have been put into operation and completed a total of 12 voyages in the first half of 2017. The investment return from China Energy Shipping Investment Company Limited ("**CESI**") was approximately HK\$20.34 million. It is expected that within a year's time, three more LNG vessels under APLNG will be put

Management Discussion and Analysis

into operation. With all the eight LNG vessels under APLNG and PNLNG being put into operation, the LNG vessel transportation business will create more investment return and become another new growth driver for the Group.

In the first half of 2017, the oil storage market in the Middle East region underwent certain changes and the market competition was increasingly fierce. Affected by such situation, the leasing rate of oil tanks of Fujairah Oil Terminal FZC ("FOT"), a joint venture of the Group, had once decreased. Under such circumstances, FOT closely followed and analyzed the market trend, promptly adopted responsive measures to expand the market share in full efforts and find new customers for making up the decrease in the leasing rate of oil tanks on one hand, and strived to optimize the operation structure and strengthen the cost control to improve the profitability of the enterprise on the other hand. In the first half of 2017, FOT realized an investment return of approximately HK\$12.97 million, representing an increase of approximately 37.25% as compared with the same period of last year. In the first half of 2017, Vesta Terminals B.V. ("Vesta"), a joint venture of the Group in Europe, continued to react positively to the challenges of enterprise operation brought by the changes in the geopolitical situation through cost control and market expansion. In the first half of 2017, Vesta realized an investment return of approximately HK\$9.28 million, representing a decrease of approximately 38.46% as compared with the same period of last year.

In the first half of 2017, the overall performance of the operation of the Company was satisfactory and operating results had improved. Looking forward to the second half of 2017, we will strive to cope with various changes and challenges which may arise from the operation. By fully utilizing our strengths and overcoming the weaknesses, tackling the difficulties and promoting our expansion and innovation, we will continue to make efforts so as to increase the total business volume and strive to surpass the annual production and operation targets to attain satisfactory operating results to reward our shareholders, staff and the society.

REVENUE

In the first half of 2017, the Group's revenue was approximately HK\$944,607,000 (first half of 2016: HK\$862,716,000), representing an increase of approximately 9.49% as compared with the same period of last year, which was mainly attributable to the substantial increase in transmission volume and revenue of Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, in the first half of 2017.

*Management Discussion and Analysis***COST OF SALES**

In the first half of 2017, the Group's cost of sales was approximately HK\$396,628,000 (first half of 2016: HK\$566,090,000), representing a decrease of approximately 29.94% as compared with the same period of last year. The decrease in the cost of sales was mainly due to the following three reasons: firstly, with reference to the "Measures for the Supervision and Review of Natural Gas Pipeline Transportation Pricing Costs (for Trial Implementation)" (《天然氣管道運輸定價成本監審辦法(試行)》) (the "Cost Supervision and Review Measures") issued by the PRC National Development and Reform Commission on 9 October 2016, Yu Ji Pipeline Company adjusted the depreciation durations for fixed assets accordingly since 1 January 2017. The useful life of natural gas pipeline was adjusted from 20 years to 30 years, which led to a substantial decrease in the depreciation charges of Yu Ji Pipeline Company for the first half of 2017; secondly, following the spirit of the Cost Supervision and Review Measures, the useful life of gas storage facilities leased by Yu Ji Pipeline Company from Natural Gas Branch Company of Sinopec Corp. ("Sinopec Natural Gas Branch Company") was adjusted from 14 years to 30 years since 1 January 2017, which led to a substantial drop in the rental of gas storage facilities paid in accordance with the actual incurred cost of gas storage facilities for the first half of 2017; and thirdly, in the first half of 2017, as the Group had no chartered vessel business, no costs relating to such business were incurred.

GROSS PROFIT, OPERATING PROFIT, PROFIT BEFORE INCOME TAX AND PROFIT FOR THE PERIOD

In the first half of 2017, the Group's gross profit was approximately HK\$547,979,000 (first half of 2016: HK\$296,626,000), representing an increase of approximately 84.74% as compared with the same period of last year; operating profit was approximately HK\$516,831,000 (first half of 2016: HK\$254,410,000), representing an increase of approximately 103.15% as compared with the same period of last year; profit before income tax was approximately HK\$850,651,000 (first half of 2016: HK\$566,535,000), representing an increase of approximately 50.15% as compared with the same period of last year; profit for the period was approximately HK\$703,259,000 (first half of 2016: HK\$512,452,000), representing an increase of approximately 37.23% as compared with the same period of last year. The substantial increases in the gross profit, operating profit, profit before income tax and profit for the period were due to the substantial increase in the operating results of Yu Ji Pipeline Company brought by the sharp growth of its natural gas transmission volume in the first half of 2017, and the substantial drops

Management Discussion and Analysis

in the depreciation charges and the rental of gas storage facilities of Yu Ji Pipeline Company as compared with the same period of last year due to the adjustment of depreciation durations of natural gas pipelines and gas storage facilities.

Currently, the relevant authorities of the Chinese government are conducting supervision and review of pipeline transportation pricing costs on Yu Ji Pipeline Company in accordance with the Cost Supervision and Review Measures. The Group will implement new natural gas pipeline transportation prices after new pricing standards for natural gas pipeline transportation are issued by the relevant authorities of the Chinese government.

DISTRIBUTION COSTS

In the first half of 2017, the Group's distribution costs were approximately HK\$5,468,000 (first half of 2016: HK\$9,345,000), representing a decrease of approximately 41.49% as compared with the same period of last year. The decrease in distribution costs was mainly due to the changes in the personnel structure and the decrease in number of staff of the Group, which led to the decrease in staff remuneration expenses for the first half of 2017.

ADMINISTRATIVE EXPENSES

In the first half of 2017, the Group's administrative expenses were approximately HK\$63,204,000 (first half of 2016: HK\$69,695,000), representing a decrease of approximately 9.31% as compared with the same period of last year, which was mainly due to the increase in the efforts on cost control by the Group, which led to the decrease in administrative expenses, followed by the decrease in the maintenance expenses of Huade Petrochemical, a wholly-owned subsidiary of the Company, in the first half of 2017.

FINANCE INCOME

In the first half of 2017, the Group's finance income was approximately HK\$2,795,000 (first half of 2016: HK\$7,167,000), representing a decrease of approximately 61.00% as compared with the same period of last year. This was mainly due to the reduction of the amount of fixed deposits which led to a decrease in interest income of the Group in the first half of 2017.

Management Discussion and Analysis

FINANCE COSTS

In the first half of 2017, the Group's finance costs were approximately HK\$88,110,000 (first half of 2016: HK\$110,760,000), representing a decrease of approximately 20.45% as compared with the same period of last year. This was mainly due to the efforts on loan repayment which led to a decrease in interest costs of the Group in the first half of 2017.

SHARE OF RESULTS OF ASSOCIATES

In the first half of 2017, the Group's share of results of associates was approximately HK\$79,270,000 (first half of 2016: HK\$69,278,000), representing an increase of approximately 14.42% as compared with the same period of last year, which was mainly due to better operating results achieved by Zhan Jiang Port Terminal, an associate of the Group, in the first half of 2017.

INCOME TAX EXPENSES

In the first half of 2017, the Group's income tax expenses were approximately HK\$147,392,000 (first half of 2016: HK\$54,083,000), representing a substantial increase of approximately 172.53% as compared with the same period of last year, which was mainly due to the substantial increase in taxable profit of Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, in the first half of 2017.

GEARING RATIO

As at 30 June 2017, the Group's current ratio (current assets to current liabilities) was approximately 0.43 (as at 31 December 2016: 0.47), and gearing ratio (total liabilities to total assets) was approximately 36.19% (as at 31 December 2016: 41.10%).

TRADE AND OTHER RECEIVABLES

As at 30 June 2017, the Group's trade and other receivables were approximately HK\$1,039,411,000 (as at 31 December 2016: HK\$1,173,286,000), representing a decrease of approximately 11.41% as compared with the end of last year, which was mainly due to enhanced management of trade receivables and increased efforts in call up by the Group in the first half of 2017.

LIQUIDITY AND SOURCE OF FINANCE

As at 30 June 2017, the Group's cash and cash equivalents amounted to approximately HK\$247,756,000 (as at 31 December 2016: HK\$323,206,000), representing a decrease of approximately 23.34% as compared with the end of last year, which was mainly due to

Management Discussion and Analysis

the decrease in cash resulted from the increased loan repayments by the Group in the first half of 2017.

TRADE AND OTHER PAYABLES

As at 30 June 2017, the Group's trade and other payables were approximately HK\$829,158,000 (as at 31 December 2016: HK\$943,577,000), representing a decrease of approximately 12.13% as compared with the end of last year. This was mainly because an equity transfer agreement was entered into between Sinomart KTS Development Limited ("**Sinomart Development**"), a wholly-owned subsidiary of the Company, and Sinopec Corp. on 30 December 2014, for the acquisition of the entire equity interest of Yu Ji Pipeline Company. Pursuant to the agreement, profit or loss incurred during the period from the valuation date to the completion date of the equity transfer (the "**Profit or Loss for the Period**") would be attributed to Sinopec Corp.. The acquisition was completed on 31 December 2015. Therefore, the trade and other payables decreased after the repayment of the Profit or Loss for the Period to Sinopec Corp. by Yu Ji Pipeline Company in the first half of 2017. For details of trade and other payables, please refer to note 17 of the unaudited interim financial information in this report.

BORROWINGS

As at 30 June 2017, the Group's borrowings were approximately HK\$4,951,222,000 (as at 31 December 2016: HK\$5,627,603,000), representing a decrease of approximately 12.02% as compared with the end of last year, which was mainly due to the increased loan repayments by the Group in the first half of 2017. For details of borrowings, please refer to note 16 of the unaudited interim financial information in this report.

RESERVES

As at 30 June 2017, the Group's reserves were approximately HK\$10,308,219,000 (as at 31 December 2016: HK\$9,313,764,000), representing an increase of approximately 10.68% as compared with the end of last year, which was mainly due to the substantial increase in the operating results of the Group for the first half of 2017.

OTHER INFORMATION

On 18 May 2017, Yu Ji Pipeline Company (as lessor), a wholly-owned subsidiary of the Company, and Shandong Natural Gas Pipeline Company Limited (as lessee), a non-wholly owned subsidiary of Sinopec Corp., entered into a lease framework agreement (the "**Lease Framework Agreement**") in relation to the lease of a property in Shandong

Management Discussion and Analysis

Province for a period of three years up to 31 December 2019. The Lease Framework Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), details of which please refer to the Company’s announcement dated 18 May 2017.

MATERIAL INVESTMENT, ACQUISITION AND DISPOSAL

Save as disclosed in this report, the Group did not have any other material investment, acquisition and disposal for the six months ended 30 June 2017.

RISKS ASSOCIATED WITH EXCHANGE RATE FLUCTUATION

The Company is engaged in petrochemical storage, terminal and logistics businesses in the PRC, Europe and Fujairah, United Arab Emirates through its wholly-owned subsidiaries, joint ventures and associates, and generates operating income in RMB, Euro and US\$ respectively. As the exchange rates of RMB, Euro and US\$ against HK\$ fluctuate, the Group faces exchange risk to a certain extent.

In addition, the Group signed a number of agreements in respect of the expansion of petrochemical storage and logistics businesses. On 9 October 2012, the Group acquired 95% equity interest in PT. West Point Terminal (“**PT. West Point**”) and entered into the shareholders’ agreement for the construction of 2.60 million m³ oil storage and terminal facilities in Indonesia. In accordance with the shareholders’ agreement, as at 30 June 2017, the Group committed to a contribution obligation not exceeding the balance of US\$144,685,000. 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 2017, the Group undertook a contribution obligation not exceeding the balance of US\$45,209,290 in relation to the necessary shareholder’s loan and cost overrun for vessel construction. Along with the progress of projects and schedule, the Group shall fulfill the corresponding contribution obligations in accordance with the above agreements. As the exchange rate of such currency fluctuates from time to time, there may be difference between the amount in HK\$ to be paid and the amount based on the corresponding exchange rate as at the date of the agreements.

Save for the above, the Group was not exposed to any other significant foreign exchange risks.

*Management Discussion and Analysis***CONTINGENT LIABILITIES AND ASSETS PLEDGED OF THE GROUP**

As at 30 June 2017, the contingent liabilities and assets pledged of the Group were as follows:

Guarantor	Guaranteed entity	Name of agreement	Content of guarantee clause	Date of agreement	Guarantee period	Guarantee balance as at 30 June 2017
The Company	Sinomart Development	Sponsor Support Agreement of Vesta	Sinomart Development shall make sponsor support loan to Vesta subject to the terms set out in this agreement. Sinomart Development's obligation shall be guaranteed by the Company.	24 May 2016	Until the full loan repayment in respect of the project	Not more than EUR19 million
The Company	Sinomart Development ^{Note}	Sponsor Support Agreement of FOT	Sinomart Development shall make sponsor support loan to FOT subject to the terms set out in this agreement. Sinomart Development's obligation shall be guaranteed by the Company.	14 June 2015	Until the full loan repayment in respect of the project	US\$30 million

Management Discussion and Analysis

Guarantor	Guaranteed entity	Name of agreement	Content of guarantee clause	Date of agreement	Guarantee period	Guarantee balance as at 30 June 2017
Sinomart Development	PT. West Point	Land Lease Agreement of Batam, Indonesia	In the event that PT. West Point fails to pay to lessor any amount of the land lease fee when due under the Land Lease Agreement, Sinomart Development shall pay, on demand, an amount obtained by multiplying such unpaid amount by the percentage representing its shareholding interest in PT. West Point.	9 October 2012	Effective for 30 years after the date of execution	SGD5.09 million
The Company	Six companies with LNG vessel assets	Vessel sponsors' undertakings in relation to the investment and construction of six LNG vessels under APLNG	The Company provided shareholder's loan and guarantee for the potential cost overrun in respect of the LNG vessel construction in proportion to Kantons International Investment Limited's shareholdings.	28 April 2013	Effective until 18 June 2032	US\$45.21 million

Management Discussion and Analysis

Note: To support the project financing of FOT, Sinomart Development signed the Sponsor Support Agreement to make sponsor support loan to FOT under certain conditions according to the terms set out in this agreement. The sponsor support loan is guaranteed by the Company. Sinomart Development also entered into an equity pledge agreement on 6 August 2015, pursuant to which Sinomart Development pledged its 50% equity interest in FOT to the bank which offered loan in respect of the project of FOT until the full repayment of the loan.

Save for the above, the Group did not provide any financial assistance or guarantee and pledge of shares for other companies as at 30 June 2017.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2017, the Group had a total of 245 employees. 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. Subject to the profit of the Group and the performance of the employees, the Group also provides discretionary bonuses to 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 17 to 52, 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 2017 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.

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.

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)

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 2017

Condensed Consolidated Income Statement

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	6	944,607	862,716
Cost of sales		(396,628)	(566,090)
Gross profit		547,979	296,626
Other income and other gains, net		37,524	36,824
Distribution costs		(5,468)	(9,345)
Administrative expenses		(63,204)	(69,695)
Operating profit	7	516,831	254,410
Finance income		2,795	7,167
Finance costs		(88,110)	(110,760)
Share of results of:			
– Associates		79,270	69,278
– Joint ventures		339,865	346,440
Profit before income tax		850,651	566,535
Income tax expenses	8	(147,392)	(54,083)
Profit for the period		703,259	512,452
Profit attributable to:			
Equity holders of the Company		704,121	512,953
Non-controlling interests		(862)	(501)
		703,259	512,452
Basic and diluted earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)	10	28.32	20.63

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit for the period	703,259	512,452
Other comprehensive income for the period: <i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on currency translation		
– Subsidiaries	140,430	(79,734)
– Associates	20,435	(13,206)
– Joint ventures	240,558	(46,837)
	401,423	(139,777)
Cash flow hedges		
– Associates	(3,657)	(5,186)
– Joint ventures	(20,416)	(21,740)
	(24,073)	(26,926)
Other comprehensive income for the period, net of tax	377,350	(166,703)
Total comprehensive income for the period	1,080,609	345,749
Total comprehensive income attributable to:		
Equity holders of the Company	1,081,471	346,250
Non-controlling interests	(862)	(501)
Total comprehensive income for the period	1,080,609	345,749

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Note	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	6,910,335	6,872,274
Investment properties		62,144	62,555
Prepaid land lease payments		678,286	681,920
Interests in associates	12	746,293	710,784
Interests in joint ventures	13	6,904,139	6,460,197
Total non-current assets		15,301,197	14,787,730
Current assets			
Inventories	14	14,958	15,584
Trade and other receivables	15	1,039,411	1,173,286
Cash and cash equivalents		247,756	323,206
Total current assets		1,302,125	1,512,076
Total assets		16,603,322	16,299,806
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		248,616	248,616
Reserves		10,308,219	9,313,764
Equity attributable to equity holders of the Company		10,556,835	9,562,380
Non-controlling interests		37,530	38,392
Total equity		10,594,365	9,600,772

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Note	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		117,377	99,800
Borrowings	16	2,822,808	3,353,791
Government grants		20,697	13,178
Total non-current liabilities		2,960,882	3,466,769
Current liabilities			
Trade and other payables	17	829,158	943,577
Borrowings	16	2,128,414	2,273,812
Income tax payable		90,503	14,876
Total current liabilities		3,048,075	3,232,265
Total liabilities		6,008,957	6,699,034
Total equity and liabilities		16,603,322	16,299,806

The condensed consolidated interim financial information on pages 17 to 52 were approved by the board of directors on 25 August 2017 and were signed on its behalf

Chen Bo
Chairman

Ye Zhijun
Managing Director

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

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
	HK\$'000	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)	(Unaudited)
Balance at 1 January 2017	248,616	6,300,684	805	(962,326)	320,371	(577,668)	(30,420)	4,262,318	9,562,380	38,392	9,600,772
Comprehensive income:											
Profit for the period	-	-	-	-	-	-	-	704,121	704,121	(862)	703,259
Other comprehensive income											
Exchange differences on currency translation:											
– Subsidiaries	-	-	-	-	-	140,430	-	-	140,430	-	140,430
– Associates	-	-	-	-	-	20,435	-	-	20,435	-	20,435
– Joint ventures	-	-	-	-	-	240,558	-	-	240,558	-	240,558
	-	-	-	-	-	401,423	-	-	401,423	-	401,423
Net loss on cash flow hedges											
– Associates	-	-	-	-	-	-	(3,657)	-	(3,657)	-	(3,657)
– Joint ventures	-	-	-	-	-	-	(20,416)	-	(20,416)	-	(20,416)
Other comprehensive income for the period, net of tax	-	-	-	-	-	401,423	(24,073)	-	377,350	-	377,350
Total comprehensive income for the period	-	-	-	-	-	401,423	(24,073)	704,121	1,081,471	(862)	1,080,609
Transaction with owners											
Appropriation of reserves	-	-	11,215	-	-	-	-	(11,215)	-	-	-
Utilisation of specific reserve for the period	-	-	(4,158)	-	-	-	-	4,158	-	-	-
Dividends	9(b)	-	-	-	-	-	-	(87,016)	(87,016)	-	(87,016)
Total transaction with owners	-	-	7,057	-	-	-	-	(94,073)	(87,016)	-	(87,016)
Balance at 30 June 2017	248,616	6,300,684	7,862	(962,326)	320,371	(176,245)	(54,493)	4,872,366	10,556,835	37,530	10,594,365

Condensed Consolidated Statement of Changes in Equity

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
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (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 specific 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

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		1,002,511	823,385
Income tax paid		(70,614)	(49,893)
Net cash generated from operating activities		931,897	773,492
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(90,505)	(11,039)
Loans granted to an associate	12	(1,021)	(6,485)
Repayment of loans from an associate	12	237	–
Loans granted to a joint venture	13	(57,667)	(55,523)
Repayment of loans from a joint venture	13	32,111	–
Payment for consideration payable to acquire equity interests in a subsidiary under common control		–	(3,064,723)
Interest income received		2,795	7,167
Government grants received		7,581	–
Dividend received from associates and joint ventures		237,998	–
Net cash generated from/(used in) investing activities		131,529	(3,130,603)
Cash flows from financing activities			
Proceeds from borrowings	16	375,278	5,825,127
Repayment of borrowings	16	(1,143,701)	(3,904,920)
Finance costs paid		(88,110)	(110,760)
Dividend paid to former owners of a subsidiary under common control		(292,944)	–
Net cash (used in)/generated from financing activities		(1,149,477)	1,809,447
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		323,206	1,057,732
Effect of foreign exchange rate changes		10,601	(429)
Cash and cash equivalents at end of the period		247,756	509,639

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim 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 crude oil jetty services and natural gas pipeline transmission services. The principal activities of the associates and joint ventures of the Group are principally engaged in operation of crude oil and oil product terminals and ancillary facilities, provision of logistics services including storage, transportation and terminal services.

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 2017.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2017 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

Notes to the Unaudited Interim Financial Information

2 BASIS OF PREPARATION (continued)

2.1 Going concern

As at 30 June 2017, the Group had net current liabilities of approximately HK\$1,746 million, which was primarily due to the drawn down of approximately HK\$2,128 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 a financing arrangement 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 2016, 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 29 December 2017 of which US\$227 million (equivalent to approximately HK\$1,772 million) was unutilised at 30 June 2017. 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.

*Notes to the Unaudited Interim Financial Information***2 BASIS OF PREPARATION (continued)****2.2 Change in accounting estimates of the useful life of natural gas pipeline**

Starting from 1 January 2017, the useful life of natural gas pipeline of the Group has been changed from 20 years to 30 years, so as to reflect the physical conditions of the pipeline and to provide more reliable and relevant information of the Group. The change has been applied prospectively from 1 January 2017.

Accordingly, the adoption of the change in the estimated useful life of the natural gas pipeline has no effect on prior years. The effects of the above change are summarised below:

**Condensed consolidated statement of comprehensive income
for the six-month period ended 30 June 2017**

	HK\$'000 <i>(Unaudited)</i>
Decrease in depreciation	53,629
Increase in income tax expenses	13,407
Increase in profit for the period and profit attributable to owners of the Company	40,222

Notes to the Unaudited 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 2016, 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 2017.

- a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.
- b) Impact of standards issued not yet applied by the Group

HKFRS 15, 'Revenue from contracts with customers', establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. HKFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The Group will make more detailed assessments of the impact over the next 6 months.

HKFRS 16, 'Leases', provides updated guidance on the definition of leases, and the guidance on the combination and separation of contracts. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. HKFRS 16 requires lessees to recognise lease liability reflecting future lease payments and a 'right-of-use-asset' for almost all lease contracts, with an exemption for certain short-term leases and leases of low-value assets. The lessors accounting stays almost the same as under HKAS 17 'Leases'. The standard is mandatory for first interim period within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

*Notes to the Unaudited Interim Financial Information***4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of this condensed consolidated 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 2016.

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 condensed consolidated interim 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 2016.

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 chief operating decision-maker for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments, namely, rendering of crude oil jetty and storage services, rendering of vessel chartering and logistics services and rendering of natural gas pipeline transmission services. All operating segments which fulfil the aggregation criteria under HKFRS 8, 'Operating segments', are identified by the Group's chief operating decision-maker have been aggregated in arriving at the reportable segments of the Group.

- Crude oil jetty and storage 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 PRC, Europe and the Middle East.
- Vessel chartering and logistics services: this segment provides vessel chartering services for liquefied natural gas and crude oil transportation. Currently, the Group's activities are mainly carried out in the PRC, Australia and Papua New Guinea.

Notes to the Unaudited Interim Financial Information

6 SEGMENT REPORTING (continued)

- Natural gas pipeline transmission services: this segment provides transmission services through its natural gas pipelines located in the PRC.

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision-maker monitors the results, assets and liabilities attributable to each reporting segment on the following basis:

Segment assets included all assets, except for cash and cash equivalents, investment properties, dividend receivable from joint ventures and an associate, prepaid land lease payments, property, plant and equipment and unallocated trade and other receivables. Segment liabilities exclude unallocated trade and other payables, borrowings and deferred income tax liabilities. The Group's chief operating decision-maker has determined to present segment assets, liabilities and results of associates and joint ventures under respective segments. Comparative information has been reclassified to conform with current year's presentation.

(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.

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 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 bank interest income, depreciation and amortisation and capital expenditures used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's chief operating decision-maker for the purposes of resource allocation and assessment of segment performance for the year ended is set out as follow:

*Notes to the Unaudited Interim Financial Information***6 SEGMENT REPORTING (continued)****(a) Segment results, assets and liabilities (continued)**

(i) As at and for the six months ended 30 June 2017:

	Crude oil jetty and storage services HK\$'000 (Unaudited)	Vessel chartering and logistics services HK\$'000 (Unaudited)	Natural gas pipeline transmission services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue	280,079	–	664,528	944,607
Segment results				
– Company and subsidiaries	124,551	–	352,993	477,544
– Associates	75,245	4,025	–	79,270
– Joint ventures	319,524	20,341	–	339,865
	519,320	24,366	352,993	896,679
Unallocated other corporate expenses				(46,028)
Profit before income tax				850,651
Income tax expenses				(147,392)
Profit for the period				703,259
Other segment items				
Bank interest income	223	–	2,565	2,788
Depreciation and amortisation	(74,684)	–	(128,242)	202,926
Capital expenditures	(64,287)	–	(110)	(64,397)

*Notes to the Unaudited Interim Financial Information***6 SEGMENT REPORTING (continued)****(a) Segment results, assets and liabilities (continued)**

(i) As at and for the six months ended 30 June 2017: (Continued)

	Crude oil jetty and storage services HK\$'000 (Unaudited)	Vessel chartering and logistics services HK\$'000 (Unaudited)	Natural gas pipeline transmission services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets				
– Company and subsidiaries	2,417,347	–	5,261,097	7,678,444
– Associates	672,608	73,685	–	746,293
– Joint ventures	6,101,761	802,378	–	6,904,139
	9,191,716	876,063	5,261,097	15,328,876
Unallocated assets				
– Cash and cash equivalents				247,756
– Trade and other receivables				30,171
– Investment properties				62,144
– Dividend receivable from joint ventures				230,132
– Prepaid land lease payments				617,573
– Property, plant and equipment				86,670
				1,274,446
Total assets				16,603,322
Segment liabilities	161,640	–	2,945,489	3,107,129
Unallocated liabilities				
– Trade and other payables				656,037
– Borrowings				2,128,414
– Deferred income tax liabilities				117,377
				2,901,828
Total liabilities				6,008,957

*Notes to the Unaudited Interim Financial Information***6 SEGMENT REPORTING (continued)****(a) Segment results, assets and liabilities (continued)**

(ii) As at 31 December 2016 and for the six months ended 30 June 2016:

	Crude oil jetty and storage services HK\$'000 (Unaudited)	Vessel chartering and logistics services HK\$'000 (Unaudited)	Natural gas pipeline transmission services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue	282,543	95,642	484,531	862,716
Segment results				
– Company and subsidiaries	126,469	12,541	35,719	174,729
– Associates	65,428	3,850	–	69,278
– Joint ventures	343,811	2,629	–	346,440
	535,708	19,020	35,719	590,447
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)

*Notes to the Unaudited Interim Financial Information***6 SEGMENT REPORTING (continued)****(a) Segment results, assets and liabilities (continued)**(ii) As at 31 December 2016 and for the six months ended 30 June 2016:
(Continued)

	Crude oil jetty and storage services <i>HK\$'000</i> (Audited)	Vessel chartering and logistics services <i>HK\$'000</i> (Audited)	Natural gas pipeline transmission services <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets				
– Company and subsidiaries	2,244,228	–	5,512,290	7,756,518
– Associates	640,463	70,321	–	710,784
– Joint ventures	5,735,727	724,470	–	6,460,197
	8,620,418	794,791	5,512,290	14,927,499
Unallocated assets				
– Cash and cash equivalents				323,206
– Trade and other receivables				44,286
– Investment properties				62,555
– Dividend receivable from joint ventures				236,053
– Prepaid land lease payments				620,279
– Property, plant and equipment				85,928
				1,372,307
Total assets				16,299,806
Segment liabilities	122,304	–	3,429,529	3,551,833
Unallocated liabilities				
– Trade and other payables				773,589
– Borrowings				2,273,812
– Deferred income tax liabilities				99,800
				3,147,201
Total liabilities				6,699,034

*Notes to the Unaudited Interim Financial Information***6 SEGMENT REPORTING (continued)****(b) Analysis of information by geographical regions**

	Six months ended 30 June	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Revenue		
– The PRC	944,607	862,716
Capital expenditures		
– Hong Kong	–	25
– The PRC	64,397	11,014
	64,397	11,039

Notes to the Unaudited Interim Financial Information

6 SEGMENT REPORTING (continued)

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

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Non-current assets		
– The PRC	11,753,607	11,426,023
– Europe	1,375,994	1,250,990
– Indonesia	704,184	706,480
– Hong Kong	901,753	821,368
– United Arab Emirates	564,822	582,032
– Other	837	837
	15,301,197	14,787,730
Total assets		
– The PRC	12,694,627	12,557,960
– Europe	1,375,994	1,250,990
– Indonesia	811,617	813,589
– Hong Kong	1,155,425	1,094,398
– United Arab Emirates	564,822	582,032
– Other	837	837
	16,603,322	16,299,806

*Notes to the Unaudited Interim Financial Information***6 SEGMENT REPORTING (continued)****(c) Major customers**

For the purpose of disclosure under segment reporting, one customer (including Sinopec Gas Company and China Petroleum & Chemical Corporation Guangzhou Branch) (six months ended 30 June 2016: one customer, including Sinopec Gas Company and China Petroleum & Chemical Corporation Guangzhou Branch) from crude oil jetty services, vessel chartering services and natural gas pipeline transmission services has transactions that exceeded 10% of the Group's revenue, amounting to HK\$905,087,000 (six months ended 30 June 2016: HK\$799,323,000). This customer mainly operates in the PRC.

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net foreign exchange gain/(loss)	2,066	(429)
Depreciation and amortisation	(211,000)	(276,909)
Operating lease charges: minimum lease payments		
– hire of vessels	–	(38,520)
– hire of natural gas storage facilities (Note 20(a))	(27,542)	(61,216)
– hire of a property	(6,528)	(4,209)

*Notes to the Unaudited Interim Financial Information***8 INCOME TAX EXPENSES**

	Note	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current income tax:			
– PRC current income tax	(c)	118,236	36,870
– Hong Kong profits tax	(b)	2,767	(455)
– Withholding tax	(d)	11,300	19,766
		132,303	56,181
Deferred income tax charged/(credited)		15,089	(2,098)
		147,392	54,083

- (a) The Company was 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% (2016: 16.5%) on the estimated assessable profit for the six months ended 30 June 2017 and 2016.
- (c) The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC (2016: 25%).
- (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 2017 and 2016, withholding income tax was provided for undistributed profits of the Group's subsidiaries, joint ventures and associates established the PRC at tax rates of 5% or 10%.

*Notes to the Unaudited Interim Financial Information***9 DIVIDENDS**

(a)

	Six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interim dividend, declared	124,308	87,016

On 25 August 2017, the board of directors has resolved to declare an interim dividend of HK5.0 cents per ordinary share (2016: HK3.5 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 2017.

- (b) A dividend of HK\$87,016,000 that relates to the year ended 31 December 2016 was paid in July 2017 (2016: HK\$62,154,000).

10 EARNINGS PER SHARE

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	704,121	512,953
Weighted average number of ordinary shares in issue ('000)	2,486,160	2,486,160
Basic earnings per share (HK cents per share)	28.32	20.63

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

*Notes to the Unaudited Interim Financial Information***11 PROPERTY, PLANT AND EQUIPMENT, NET**

	For the six months ended 30 June 2017 HK\$'000 (Unaudited)	For the six months ended 30 June 2016 HK\$'000 (Unaudited)
Balance, beginning of period	6,872,274	7,575,508
Currency translation differences	175,098	(143,969)
Additions	64,397	11,039
Depreciation charge	(201,434)	(259,594)
Balance, end of period	6,910,335	7,182,984

There were no disposals of fixed assets during the six months ended 30 June 2017 and 2016.

12 INTERESTS IN ASSOCIATES

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Cost of unlisted investments	419,030	419,030
Share of:		
– post-acquisition results	636,976	557,706
– other comprehensive income	(57,895)	(74,673)
Dividend declared	(311,808)	(248,522)
Share of net assets	686,303	653,541
Loan granted to an associate	59,990	57,243
	746,293	710,784

*Notes to the Unaudited Interim Financial Information***13 INTERESTS IN JOINT VENTURES**

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Cost of unlisted investments	4,468,763	4,468,763
Share of:		
– post-acquisition results	2,544,569	2,204,704
– other comprehensive income	(480,008)	(700,150)
Dividend declared	(769,321)	(605,823)
Share of net assets	5,764,003	5,367,494
Loan granted to joint ventures	1,140,136	1,092,703
	6,904,139	6,460,197

14 INVENTORIES

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Spare parts	14,958	15,584

*Notes to the Unaudited Interim Financial Information***15 TRADE AND OTHER RECEIVABLES**

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Trade receivables		
– An intermediate holding company and a fellow subsidiary	616,549	576,634
– Bills receivables	69,064	55,998
– Others	701	1,704
	686,314	634,336
Other receivables		
– Amounts due from an intermediate holding company and fellow subsidiaries	71,515	250,423
– Management fee receivable from joint ventures	–	3,420
– Dividend receivables from joint ventures and an associate	230,132	236,053
– Others	51,450	49,054
	353,097	538,950
	1,039,411	1,173,286

The Group grants credit periods of 30 to 90 days or one year from the date of billing to its customers.

The amount due from an intermediate holding company is unsecured, interest free and repayable on demand.

*Notes to the Unaudited Interim Financial Information***15 TRADE AND OTHER RECEIVABLES (continued)**

Ageing analysis of trade receivables past due but not impaired are set out below:

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Current	237,168	294,233
Less than 1 month past due	68,903	70,176
1 to 3 months past due	162,429	147,729
More than 3 months but less than 12 months past due	217,814	122,198
Amounts past due	449,146	340,103
	686,314	634,336

As at 30 June 2017 and 31 December 2016, trade receivables of approximately HK\$449,146,000 (2016: HK\$340,103,000) were past due but not impaired as there is no history of default.

*Notes to the Unaudited Interim Financial Information***16 BORROWINGS**

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Non-current – entrusted loan (Note)	2,822,808	3,353,791
Current – a related financial institution	2,128,414	2,273,812
	4,951,222	5,627,603

Movements in borrowings is analysed as follows:

Six months ended 30 June 2017	HK\$'000
Opening amount as at 1 January 2017	5,627,603
Borrowings from a related financial institution	375,278
Repayments of borrowings	(1,143,701)
Exchange differences	92,042
Closing amount as at 30 June 2017	4,951,222

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 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Trade payables		
– Fellow subsidiaries	11,710	14,873
– Others	19,386	36,452
	31,096	51,325
Other payables		
– Amounts due to the immediate company, an intermediate holding company and fellow subsidiaries	517,845	743,536
– Creditors and accrued charges	193,177	148,716
– Dividend payable	87,040	–
	798,062	892,252
	829,158	943,577

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 on demand.

*Notes to the Unaudited Interim Financial Information***17 TRADE AND OTHER PAYABLES (continued)**

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

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Due within 1 month or on demand	31,096	51,259
Due after 1 month but within 3 months	–	66
	31,096	51,325

18 CONTINGENCIES

On 11 November 2016, the Group received two requests for arbitration from the International Court of Arbitration of the International Chamber of Commerce in respect of the submission of arbitration applications by PT. MAS Capital Trust ("**PT. MAS**"), the 5% shareholder of PT. West Point and PT. Batam Sentralindo ("**PT. BS**"), a shareholder of PT. MAS and the owner of the land leased to PT. West Point, respectively on disputes regarding shareholders' agreement dated 9 October 2012 entered into between Sinomart Development and PT. MAS for the establishment of PT. West Point and land lease agreement dated 9 October 2012 entered into between PT. West Point and PT. BS.

As at the date of this report, the arbitral tribunal has been established and the claimants have yet to file their statement of claims. As the arbitration was in preliminary phase, after taking into consideration of the advice by the Group's legal counsel, the Directors are of the view that no provision is presently required with respect to the arbitrations.

*Notes to the Unaudited Interim Financial Information***19 COMMITMENTS**

- (a) As at 30 June 2017, the outstanding capital commitments not provided for in the condensed consolidated interim financial information were as follows:

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Contracted for but not provided for	258,646	340,448

- (b) As at 30 June 2017, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Within 1 year	19,883	71,943
After 1 year but within 5 years	7,429	7,208
After 5 years	14,393	13,214
	41,705	92,365

*Notes to the Unaudited Interim Financial Information***20 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 its subsidiaries.

During the period, the Group had the following significant transactions with Sinopec Group companies, joint ventures and associates:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sinomart Development		
Vessel chartering service fee from a fellow subsidiary (Note (i)(a))	–	95,642
Fuel oil purchased from a fellow subsidiary and related charges (Note (i)(b))	–	(18,030)
Interest expenses to a fellow subsidiary	(15,411)	(9,884)
Interest income from a fellow subsidiary	7	747
Kantons International Investment		
Interest expenses to a fellow subsidiary	(1,138)	–
Huade Petrochemical		
Jetty service fees from an intermediate holding company (Note (ii)(a))	270,076	265,420
Insurance premium paid to a fellow subsidiary (Note (ii)(b))	(3,428)	(2,462)
Interest income from a fellow subsidiary	192	21

*Notes to the Unaudited Interim Financial Information***20 MATERIAL RELATED PARTY TRANSACTIONS (continued)****(a) Transactions with an intermediate holding company and fellow subsidiaries (continued)**

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Yu Ji Pipeline Company		
Natural gas transmission income from an intermediate holding company (Note (iii)(a))	635,011	438,261
Natural gas storage facilities leasing fees to an intermediate holding company (Note (iii)(b))	(27,542)	(61,216)
Outsourcing fees to an intermediate holding company (Note (iii)(c))	(17,325)	(51,700)
Rental income from leasing of land and building to an intermediate holding company (Note (iii)(d))	2,263	2,977
Interest expenses paid to an intermediate holding company	(71,550)	(100,875)
Interest income from a fellow subsidiary	2,561	3,093
Technical service fees to fellow subsidiaries (Note (iii)(e))	(4,454)	–
Joint ventures and associates		
Interest income from:		
– An associate	2,013	1,714
– A joint venture	16,566	8,688

Notes to the Unaudited Interim Financial Information

20 MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

The balances with related parties are disclosed from Notes 15 to 17 in this condensed consolidated interim financial information.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and on normal commercial terms or in accordance with the agreements governing such transactions, and this has been confirmed by the independent non-executive directors.

Notes:

(i) Sinomart Development

- (a) 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.
- (b) 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) Huade Petrochemical

- (a) 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.
- (b) 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.

*Notes to the Unaudited Interim Financial Information***20 MATERIAL RELATED PARTY TRANSACTIONS (continued)****(a) Transactions with an intermediate holding company and fellow subsidiaries (continued)****(iii) Yu Ji Pipeline Company**

- (a) 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.
- (b) The natural gas storage facilities leasing 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.
- (c) Outsourcing fees were charged on arm's length negotiation on normal commercial terms with reference to the costs of provision of services and products, and taxes in accordance with the Services Outsourcing Framework Master Agreement.
- (d) Rental income was received from a fellow subsidiary for leasing an office.
- (e) Technical services fees were charged on arm's length negotiation on normal commercial terms with reference to the costs of provision of services and products, and taxes in accordance with the Technical Services Framework Master Agreement.

(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 20(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

*Notes to the Unaudited Interim Financial Information***20 MATERIAL RELATED PARTY TRANSACTIONS (continued)****(b) Transactions with other state-controlled entities in the PRC (continued)****(i) Transactions with other state-controlled entities**

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Jetty services fees received by the Group	7,316	12,474
	As at	As at
	30 June	31 December
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Prepayment to/amounts due from other state-controlled entities	14,943	399,202
Amounts due to other state-controlled entities	86,876	283,288

(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:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	30	3,275

*Notes to the Unaudited Interim Financial Information***20 MATERIAL RELATED PARTY TRANSACTIONS (continued)****(b) Transactions with other state-controlled entities in the PRC (continued)****(ii) Transactions with state-controlled banks (continued)**

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

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Cash and cash equivalents	96,694	14,347

(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 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Cash and cash equivalents	150,685	227,059

Interim Dividend

The Board proposes the payment of an interim dividend of HK5.0 cents per share in cash for the year 2017 to shareholders whose names appear on the register of members of the Company on 15 September 2017 (Friday).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 September 2017 (Monday) to 15 September 2017 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 8 September 2017 (Friday). The cheques for dividend payment will be sent on or around 18 October 2017 (Wednesday).

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, 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 its associated corporations (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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set forth in Appendix 10 of the Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

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 2017, 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}	Beneficial owner	1,500,000,000 ^(L)	60.33% ^(L)

Note: The entire issued share capital of Sinopec Kantons International Limited is held by China International United Petroleum & Chemicals Co., Ltd. ("UNIPEC"). The controlling interest in the registered capital of UNIPEC is ultimately held by China Petrochemical Corporation ("Sinopec Group Company").

Other Information

CORPORATE GOVERNANCE

The Group had complied with the applicable provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

SHARE OPTION SCHEME

For the six months ended 30 June 2017, the Company had 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 with the management and external auditors the accounting principles and practices adopted by the Company and discussed, among other things, the auditing, internal control, risk management, internal auditing and financial reporting matters including the review of financial reports. The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2017.

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 the six months ended 30 June 2017, all the Directors confirmed that they had complied with the Model Code.

SUFFICIENCY OF PUBLIC FLOAT

According to the information publicly available to the Company and to the best knowledge of the Directors, the Company had maintained sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2017 and as at the date of this report.

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

Hong Kong, 25 August 2017