



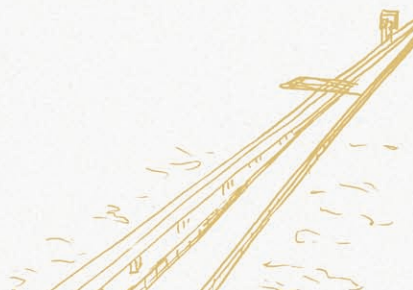
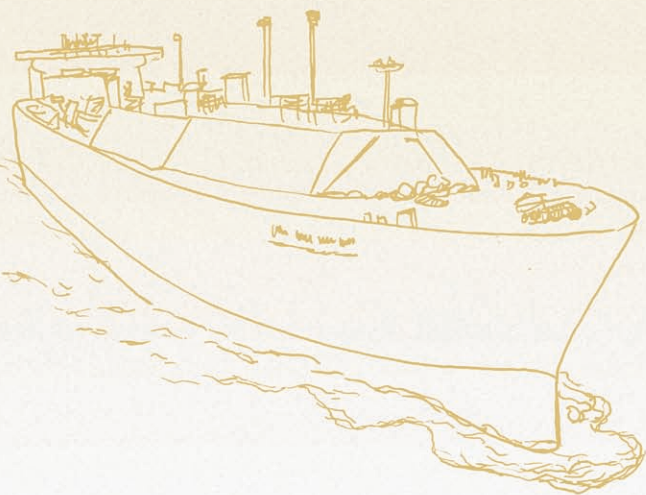
SINOPEC KANTONS HOLDINGS LIMITED

(Incorporated in Bermuda with Limited Liability)

Stock Code: 934

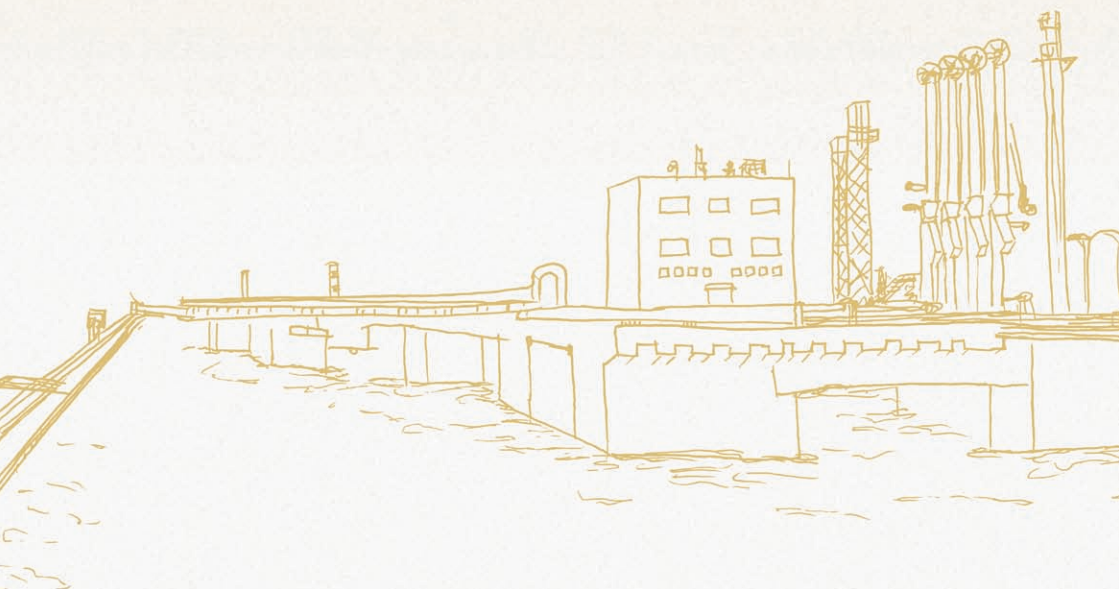
Interim Report 2018

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  
Ms. Wong Pui Sze, Priscilla  
(appointed on 22 March 2018)

## AUDIT COMMITTEE MEMBERS

Mr. Fong Chung, Mark (Chairperson)  
Ms. Tam Wai Chu, Maria  
Dr. Wong Yau Kar, David  
Ms. Wong Pui Sze, Priscilla  
(appointed on 22 March 2018)

## REMUNERATION COMMITTEE MEMBERS

Ms. Tam Wai Chu, Maria (Chairperson)  
Mr. Chen Bo  
Mr. Fong Chung, Mark  
Dr. Wong Yau Kar, David  
Ms. Wong Pui Sze, Priscilla  
(appointed on 22 March 2018)  
Mr. Ye Zhijun

## NOMINATION COMMITTEE MEMBERS

Dr. Wong Yau Kar, David (Chairperson)  
Mr. Chen Bo  
Ms. Tam Wai Chu, Maria  
Mr. Fong Chung, Mark  
Ms. Wong Pui Sze, Priscilla  
(appointed on 22 March 2018)  
Mr. Ye Zhijun

## COMPANY SECRETARY

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

## AUDITOR

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## STATUTORY ADDRESS

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Hong Kong

## 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 2018, international trade disputes intensified while global economic uncertainty increased significantly. Although the Chinese economy also faced certain challenges, its overall economic situation during the first half of the year was stable. In particular, the demand for energy in China continued to steadily increase, creating a more favorable market environment for Sinopec Kantons Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”). The board (the “**Board**”) of directors (the “**Directors**”) of the Company led all the staff to firmly establish a sense of precaution, strengthen pre-judgment of the market situation and strive to enhance the ability of resilience and withstand risks to the corporate while seizing on favorable market conditions, actively expanding the scale of operations and increasing economic efficiency. Due to a decrease in the long distance transmission volume of natural gas pipeline transmission business, the Group’s consolidated revenue in the first half of the year was approximately HK\$840 million, representing a year-on-year decrease of approximately 11.03%. However, having benefited from a significant growth of the oil terminal and liquefied natural gas (“**LNG**”) shipping businesses of the Group, profit for the period was approximately HK\$756 million, representing a year-on-year increase of approximately 7.43%. The Board proposes the payment of an interim dividend of HK5 cents per share in cash for the year 2018, which was the same as the same period of last year.

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## MANAGEMENT DISCUSSION AND ANALYSIS

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During the first half of 2018, Huizhou Daya Bay Huade Petrochemical Company Ltd. (“**Huade Petrochemical**”), a wholly-owned subsidiary of the Company, actively strengthened organization and coordination with the largest customer of its downstream operations, China Petroleum & Chemical Corporation (“**Sinopec Corp.**”) Guangzhou Branch (“**Guangzhou Petrochemical**”). Huade Petrochemical maximized its economic efficiency by optimizing human resources allocation, promoting the commencement of formal commercial operations of the newly-built fuel oil storage actively while providing crude oil terminal unloading, crude oil storage and pipeline transmission services. In the first half of the year, Huade Petrochemical unloaded approximately 6.49 million tonnes of crude oil from 46 oil tankers and transmitted approximately 6.35 million tonnes of crude oil, representing year-on-year increases of approximately 1.56% and 1.28% respectively; Huade Petrochemical unloaded and loaded approximately 0.10 million tonnes and 0.14 million tonnes of fuel oil respectively. The segment results were approximately HK\$175 million, representing a year-on-year increase of approximately 40.52%. In the first half of 2018, the demand for natural gas in China continued to grow. But in short term, due to the restraint of the supply resources bottleneck of upstream natural gas, the long distance transmission volume decreased as compared to the corresponding period of last year. The natural gas transmission volume of Sinopec Yu Ji Pipeline Company Limited (“**Yu Ji Pipeline Company**”), a wholly-owned subsidiary of the Company, amounted to approximately 2.145 billion m<sup>3</sup>, representing a year-on-year increase of approximately 3.97%, the segment results were approximately HK\$210 million, representing a year-on-year decrease of approximately 40.39%.

In the first half of 2018, with related policies of crude oil imports for China’s local refineries continuing to improve and the domestic crude oil production continuing to decline, China’s crude oil imports were driven to further steady growth. The Company’s oil terminal associate and joint ventures made full use of favorable market conditions to actively contact customers, expand markets and increase the source of supply; further optimized the tanker berthing, overcame the restraint of equipment bottlenecks and improved terminal throughput. They endeavoured to improve market competitiveness through the introduction of full-process logistics services. Consequently, oil terminal throughput and operating results hit record highs and yielded satisfactory outcomes. In the first half of the year, the aggregate throughput 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**”), being the associate and joint ventures of the Company, (collectively, the “**Six Domestic Terminal Companies**”) reached approximately 119 million tonnes, representing a year-on-year growth of approximately 6.25%. The aggregate investment return was approximately HK\$483 million, representing a year-on-year leap of approximately 29.49%.

In the first half of 2018, the Group continued to strengthen the quality supervision and management of vessel construction under the two LNG vessel transportation projects, overcame various technical difficulties and uncertainties arising from the vessel construction process and continued to implement project construction in accordance with the scheduled timeline. The last two LNG vessels under construction were officially completed and put into operation in January and May 2018 respectively through efforts, marking that the vessel construction phase of the two LNG vessel transportation projects of the Group has all successfully ended.

Going forward, with all eight LNG vessels officially put into commercial operation, the investment return from LNG vessel transportation business is expected to further increase. In the first half of the year, the two LNG vessels under the Papua New Guinea LNG Project (“**PNGLNG**”) completed a total of 10 voyages and the investment return generated from East China LNG Shipping Investment Co., Limited (“**East China**”) was approximately



HK\$4.05 million, representing a year-on-year increase of approximately 0.50%. The six LNG vessels under the Australia Pacific LNG Project (“**APLNG**”) completed a total of 32 voyages and the investment return generated from China Energy Shipping Investment Company Limited (“**CESI**”) was approximately HK\$39.13 million, representing a year-on-year leap of approximately 92.38%.

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## MANAGEMENT DISCUSSION AND ANALYSIS

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With the first half of 2018 being affected by the geopolitical situation and expected changes in oil product market, the production and operation of Fujairah Oil Terminal FZC (“FOT”) and Vesta Terminals B.V. (“Vesta”) in Europe, being the joint ventures of the Company, faced different levels of challenge. Nevertheless, FOT actively explored the market opportunities and strove to increase the leasing rate of oil tanks. After these efforts, FOT’s average leasing rate of oil tanks in the first half of the year was close to 100%, which was far higher than the regional average. However, the investment return was approximately HK\$5.78 million, representing a year-on-year decrease of approximately 55.44%, due to the significant drop in market rentals of oil tanks. In the first half of the year, under difficult operating circumstances, Vesta went to great lengths to thoroughly improve profitability by reducing operating costs on the one hand, and actively studying solutions to get rid of the difficulties on the other hand. In the first half of the year, the investment return from Vesta was approximately HK\$5.68 million, representing a year-on-year decrease of approximately 38.79%.

Looking forward to the second half of the year, the market situation will become more complicated as international trade disputes continue to fester. The Board will pay close attention to the market changes, review the situation, actively adopt various effective countermeasures and strive to overcome various operational challenges that may arise. While maintaining an excellent performance in daily business operations seriously, we must also closely monitor the arbitration of the construction project of the oil storage and terminal facilities in Batam, Indonesia (the “Batam Project”). Moreover, we will make great efforts to improve the profitability of Vesta to avoid the potential asset impairment risk caused by the continuous decline of Vesta’s profitability. We must fully accomplish the Group’s annual production and operation objectives and continue to generate better operating results so as to reward the shareholders, staff and the society.

### Revenue, Gross Profit and Operating Profit

In the first half of 2018, the Group’s revenue was approximately HK\$840,420,000 (first half of 2017: HK\$944,607,000), representing a decrease of approximately 11.03% as compared with the same period of last year; gross profit was approximately HK\$452,493,000 (first half of 2017: HK\$547,979,000), representing a decrease of approximately 17.43% as compared with the same period of last year; operating profit was approximately HK\$416,893,000 (first half of 2017: HK\$516,831,000), representing



a decrease of approximately 19.34% as compared with the same period of last year. The decreases in revenue, gross profit and operating profit were due to the decreased revenue and the level of profit of the Group's natural gas transmission business in the first half of 2018. This was caused, specifically, by the increased short distance gas transmission volume and relatively low proportion of long distance gas transmission volume of the natural gas transmission business of Yu Ji Pipeline Company, a subsidiary of the Company, as compared with the same period of last year.

### **Other Income and Other Gains, Net**

In the first half of 2018, the Group's other income and other gains, net was approximately HK\$62,802,000 (first half of 2017: HK\$37,524,000), representing an increase of approximately 67.36% as compared with the same period of last year. The increase was mainly due to three reasons: (i) foreign exchange gain of the Group in the first half of 2018 increased as compared with the same period of last year; (ii) interest income of the Company from the shareholder's loans granted to its joint venture and associate in the first half of 2018 increased as compared with the same period of last year; and (iii) the corresponding tax rebate for Huade Petrochemical in the first half of 2018 increased after the implementation of value-added tax in lieu of business tax and the supporting with tax rebate policy in China.

### **Administrative Expenses**

In the first half of 2018, the Group's administrative expenses were approximately HK\$93,194,000 (first half of 2017: HK\$63,204,000), representing an increase of approximately 47.45% as compared with the same period of last year, which was mainly due to an increase in the legal fee arising from the arbitration for the Batam Project in the first half of 2018 as compared with the same period of last year, and an increase in maintenance expenses as compared with the same period of last year in connection with the Yu Ji Pipeline Company's intensified maintenance efforts in the first half of the year.

### **Finance Costs**

In the first half of 2018, the Group's finance costs were approximately HK\$78,467,000 (first half of 2017: HK\$88,110,000), representing a decrease of approximately 10.94% as compared with the same period of last year. This was mainly due to increased loan repayment efforts which led to a drop in the Group's interest costs as total borrowings decreased in the first half of 2018.

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## MANAGEMENT DISCUSSION AND ANALYSIS

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### Share of Results of Joint Ventures

In the first half of 2018, the Group's share of results of joint ventures was approximately HK\$460,278,000 (first half of 2017: HK\$339,865,000), representing a significant leap of approximately 35.43% as compared with the same period of last year, which was caused mainly by the significant boost in operating results that followed the increase of terminal throughput led by an active market expansion of Qingdao Shihua, Tianjin Shihua, Rizhao Shihua, Ningbo Shihua and Caofeidian Shihua, all being the joint ventures of the Company, in the first half of 2018.

### Income Tax Expenses

In the first half of 2018, the Group's income tax expenses were approximately HK\$122,229,000 (first half of 2017: HK\$147,392,000), representing a decrease of approximately 17.07% as compared with the same period of last year. This was mainly due to the decrease in taxable amount of Yu Ji Pipeline Company, a subsidiary of the Company, in the first half of 2018 as compared with the same period of last year, stemming from a drop in its operating results.

### Gearing Ratio

As at 30 June 2018, the Group's current ratio (current assets to current liabilities) was approximately 0.29 (as at 31 December 2017: 0.51), and gearing ratio (total liabilities to total assets) was approximately 30.26% (as at 31 December 2017: 33.47%).

### Borrowings

As at 30 June 2018, the Group's total borrowings were approximately HK\$4,468,665,000, all of which were short-term borrowings (as at 31 December 2017: HK\$5,163,110,000, of which HK\$2,387,658,000 were short-term borrowings and HK\$2,775,452,000 were long-term borrowings), representing a decrease of approximately 13.45% as compared with the end of last year. This was mainly due to loan repayments by the Group in the first half of 2018 which led to decreased total borrowings. Moreover, the interest-bearing borrowings of Yu Ji Pipeline Company, a subsidiary of the Company, from China International United Petroleum & Chemicals Co., Ltd. ("**UNIPEC**"), through Bank of Communications Co., Ltd., will be matured within one year. All long-term borrowings therefore became short-term borrowings during the period. The Group is applying for a renewal of the borrowings.

## Prepayment

As at 30 June 2018, the Group's prepayment was approximately HK\$36,923,000 (as at 31 December 2017: HK\$50,082,000), representing a decrease of approximately 26.27% as compared with the end of last year, which was mainly because the Group classified dredging expenses for navigation channel maintenance of Huade Petrochemical in 2017 as long-term prepayment assets which was amortized as scheduled.

## Inventories

As at 30 June 2018, the Group's inventories were approximately HK\$16,893,000 (as at 31 December 2017: HK\$15,300,000), representing an increase of approximately 10.41% as compared with the end of last year, which was mainly caused by an increase in raw material spare parts held by the Group in the first half of 2018 as compared with the end of last year.

## Trade and Other Receivables

As at 30 June 2018, the Group's trade and other receivables were approximately HK\$1,127,788,000 (as at 31 December 2017: HK\$1,005,725,000), representing an increase of approximately 12.14% as compared with the end of last year. This was mainly due to fuel oil storage at Huade Petrochemical, a subsidiary of the Company, officially going into commercial operation in the first half of 2018. Huade Petrochemical's amount of receivables due from subsidiaries of Sinopec Corp. correspondingly increased with growth in operating scale and revenue.

## Liquidity and Source of Finance

As at 30 June 2018, the Group's cash and cash equivalents amounted to approximately HK\$322,774,000 (as at 31 December 2017: HK\$409,855,000), representing a decrease of approximately 21.25% as compared with the end of last year, which was mainly due to the decrease in cash resulting from loan repayments by the Group in the first half of 2018.

## Trade and Other Payables

As at 30 June 2018, the Group's trade and other payables were approximately HK\$450,859,000 (as at 31 December 2017: HK\$363,399,000), representing an increase of approximately 24.07% as compared with the end of last year, which was mainly due to the Company's final dividend payable for the year 2017 during the period.

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## MANAGEMENT DISCUSSION AND ANALYSIS

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### Government Grants

As at 30 June 2018, the Group had government grants of approximately HK\$19,112,000 (as at 31 December 2017: HK\$21,491,000), representing a decrease of approximately 11.07% as compared with the end of last year, which was mainly caused by the utilization of a portion of local government grants for safety risk rectification works in pipelines of Huade Petrochemical in the first half of 2018.

### Income Tax Payable

As at 30 June 2018, the income tax payable of the Group was approximately HK\$69,655,000 (as at 31 December 2017: HK\$60,852,000), representing an increase of approximately 14.47% as compared with the end of last year, which was mainly due to an increase in corporate income tax payable by Yu Ji Pipeline Company, a subsidiary of the Company, in the second quarter of 2018 as compared to that of the fourth quarter of the previous year, as the Group's corporate income tax in China is paid quarterly.

### Significant Investment, Acquisition and Disposal

Save as disclosed in this report, the Group did not have any other significant investment, acquisition and disposal for the six months ended 30 June 2018.

### Risks Associated with Exchange Rate Fluctuation

The Company is engaged in petrochemical storage, terminal and logistics businesses in the PRC, Europe and 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.

On 9 October 2012, the Group entered into the shareholders' agreement for the Batam Project. In accordance with the shareholders' agreement, as at 30 June 2018, the Group committed to a contribution obligation not exceeding the balance of US\$144,685,000. Along with the progress of projects and schedule, the Group shall fulfill the corresponding contribution obligation in accordance with the above agreement. 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 agreement.

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 2018, 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 2018
The Company	Sinomart KTS Development Limited (“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 <sup>Note</sup>	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

Guarantor	Guaranteed entity	Name of agreement	Content of guarantee clause	Date of agreement	Guarantee period	Guarantee balance as at 30 June 2018
Sinmart Development	PT. West Point Terminal ('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, Sinmart 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

*Note:* To support the project financing of FOT, Sinmart 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. Sinmart Development also entered into an equity pledge agreement on 6 August 2015, pursuant to which Sinmart 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 2018.

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## MANAGEMENT DISCUSSION AND ANALYSIS

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### About the Batam Project

On 9 October 2012, the Company, through its wholly-owned subsidiary, Sinomart Development, acquired 95% equity interest in PT. West Point, and proposed to invest and construct the Batam Project in Indonesia via PT. West Point. Due to the minority shareholder from Indonesia, the project was still pending during the reporting period.

On 11 November 2016, Sinomart Development and PT. West Point received two requests for arbitration notices from the International Court of Arbitration of the International Chamber of Commerce (“**ICC**”) in respect of the submission of arbitration applications. Currently, the parties are conducting the said arbitration in accordance with the ICC arbitration proceedings. As at the date of this report, the arbitral tribunal has been established and the relevant parties are undergoing arbitration according to the schedule stipulated by the tribunal. It is hard to precisely predict the results of the arbitration at the current stage; therefore, investors are reminded to pay attention to the corresponding risk that may be arising from such uncertainties.

For details please refer to the announcements dated 25 April 2010, 9 October 2012, 15 November 2016 and 21 March 2017 published by the Company on the website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.sinopec.com.hk](http://www.sinopec.com.hk)). The Company will take all appropriate measures in the above arbitration and protect the rights and interest of the Company.

### Employees and Emolument Policies

As at 30 June 2018, the Group had a total of 238 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 2018 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim 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 of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 30 August 2018

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018

	Note	Six months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Revenue</b>	7	<b>840,420</b>	944,607
Cost of sales		<b>(387,927)</b>	(396,628)
<b>Gross profit</b>		<b>452,493</b>	547,979
Other income and other gains, net		<b>62,802</b>	37,524
Distribution costs		<b>(5,208)</b>	(5,468)
Administrative expenses		<b>(93,194)</b>	(63,204)
<b>Operating profit</b>	8	<b>416,893</b>	516,831
Finance income		<b>1,539</b>	2,795
Finance costs		<b>(78,467)</b>	(88,110)
Share of results of:			
– Associates		<b>77,517</b>	79,270
– Joint ventures		<b>460,278</b>	339,865
<b>Profit before income tax</b>		<b>877,760</b>	850,651
Income tax expenses	9	<b>(122,229)</b>	(147,392)
<b>Profit for the period</b>		<b>755,531</b>	703,259
<b>Profit attributable to:</b>			
Equity holders of the Company		<b>755,850</b>	704,121
Non-controlling interests		<b>(319)</b>	(862)
		<b>755,531</b>	703,259
<b>Basic and diluted earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)</b>	11	<b>30.40</b>	28.32

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

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>755,531</b>	703,259
<b>Other comprehensive income for the period:</b> <i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on currency translation		
– Subsidiaries	(39,417)	140,430
– Associates	(9,768)	20,435
– Joint ventures	(79,346)	240,558
	<b>(128,531)</b>	401,423
Cash flow hedges		
– An associate	(3,252)	(3,657)
– Joint ventures	(6,468)	(20,416)
	<b>(9,720)</b>	(24,073)
Other comprehensive income for the period, net of tax	<b>(138,251)</b>	377,350
<b>Total comprehensive income for the period</b>	<b>617,280</b>	1,080,609
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b>617,599</b>	1,081,471
Non-controlling interests	<b>(319)</b>	(862)
<b>Total comprehensive income for the period</b>	<b>617,280</b>	1,080,609

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	6,646,620	6,915,064
Investment properties		60,141	61,988
Prepaid land lease payments		666,253	673,759
Prepayment		36,923	50,082
Interests in associates	13	823,435	838,256
Interests in joint ventures	14	7,237,483	7,118,721
<b>Total non-current assets</b>		<b>15,470,855</b>	15,657,870
<b>Current assets</b>			
Inventories		16,893	15,300
Trade and other receivables	15	1,127,788	1,005,725
Cash and cash equivalents		322,774	409,855
<b>Total current assets</b>		<b>1,467,455</b>	1,430,880
<b>Total assets</b>		<b>16,938,310</b>	17,088,750
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		248,616	248,616
Reserves		11,527,737	11,084,169
Equity attributable to equity holders of the Company		11,776,353	11,332,785
Non-controlling interests		36,801	37,120
<b>Total equity</b>		<b>11,813,154</b>	11,369,905

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		116,865	109,993
Borrowings	16	–	2,775,452
Government grants		19,112	21,491
<b>Total non-current liabilities</b>		<b>135,977</b>	2,906,936
<b>Current liabilities</b>			
Trade and other payables	17	450,859	363,399
Borrowings	16	4,468,665	2,387,658
Income tax payable		69,655	60,852
<b>Total current liabilities</b>		<b>4,989,179</b>	2,811,909
<b>Total liabilities</b>		<b>5,125,156</b>	5,718,845
<b>Total equity and liabilities</b>		<b>16,938,310</b>	17,088,750

The interim financial information on pages 17 to 52 were approved by the board of directors on 30 August 2018 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 interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

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)
<b>Balance at 1 January 2018</b>	248,616	6,300,684	1,210	(962,326)	371,996	256,449	(90,736)	5,206,892	11,332,785	37,120	11,369,905
<b>Comprehensive income:</b>											
Profit for the period	-	-	-	-	-	-	-	755,850	755,850	(319)	755,531
<b>Other comprehensive income:</b>											
Exchange differences on currency translation:											
- Subsidiaries	-	-	-	-	-	(39,417)	-	-	(39,417)	-	(39,417)
- Associates	-	-	-	-	-	(9,768)	-	-	(9,768)	-	(9,768)
- Joint ventures	-	-	-	-	-	(79,346)	-	-	(79,346)	-	(79,346)
	-	-	-	-	-	(128,531)	-	-	(128,531)	-	(128,531)
Net loss on cash flow hedges:											
- An associate	-	-	-	-	-	-	(3,252)	-	(3,252)	-	(3,252)
- Joint ventures	-	-	-	-	-	-	(6,468)	-	(6,468)	-	(6,468)
Other comprehensive income for the period, net of tax	-	-	-	-	-	(128,531)	(9,720)	-	(138,251)	-	(138,251)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(128,531)	(9,720)	755,850	617,599	(319)	617,280
<b>Transaction with owners:</b>											
Appropriation of reserves	-	-	13,056	-	13,392	-	-	(26,448)	-	-	-
Utilisation of specific reserve for the period	-	-	(3,762)	-	-	-	-	3,762	-	-	-
Dividends 10(b)	-	-	-	-	-	-	-	(174,031)	(174,031)	-	(174,031)
<b>Total transaction with owners</b>	-	-	9,294	-	13,392	-	-	(196,717)	(174,031)	-	(174,031)
<b>Balance at 30 June 2018</b>	248,616	6,300,684	10,504	(962,326)	385,388	127,918	(100,456)	5,766,025	11,776,353	36,801	11,813,154

## 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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Balance at 1 January 2017</b>	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
<b>Comprehensive income:</b>											
Profit for the period	-	-	-	-	-	-	-	704,121	704,121	(862)	703,259
<b>Other comprehensive income:</b>											
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:											
- An associate	-	-	-	-	-	-	(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
<b>Total comprehensive income for the period</b>	-	-	-	-	-	401,423	(24,073)	704,121	1,081,471	(862)	1,080,609
<b>Transaction with owners:</b>											
Appropriation of reserves	-	-	11,215	-	-	-	-	(11,215)	-	-	-
Utilisation of specific reserve for the period	-	-	(4,158)	-	-	-	-	4,158	-	-	-
Dividends	10(b)	-	-	-	-	-	-	(87,016)	(87,016)	-	(87,016)
<b>Total transaction with owners</b>	-	-	7,057	-	-	-	-	(94,073)	(87,016)	-	(87,016)
<b>Balance at 30 June 2017</b>	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

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



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Note	Six months ended 30 June	
		2018	2017
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>			
Cash generated from operations		359,234	1,002,511
Income tax paid		(91,867)	(70,614)
Net cash generated from operating activities		267,367	931,897
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	12	(79)	(90,505)
Loans granted to an associate	13	–	(1,021)
Repayments of loans from an associate	13	8,103	237
Loans granted to a joint venture	14	(50,342)	(57,667)
Repayments of loans from a joint venture	14	89,497	32,111
Interest income received		1,539	2,795
Government grants received		–	7,581
Dividend received from associates and joint ventures		345,851	237,998
Net cash generated from investing activities		394,569	131,529
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	16	132,659	375,278
Repayments of borrowings	16	(815,650)	(1,143,701)
Finance costs paid		(78,467)	(88,110)
Dividend paid to former owners of a subsidiary under common control		–	(292,944)
Net cash used in financing activities		(761,458)	(1,149,477)
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period		(99,522)	(86,051)
Effect of foreign exchange rate changes		409,855	323,206
		12,441	10,601
<b>Cash and cash equivalents at end of the period</b>		<b>322,774</b>	<b>247,756</b>

The notes on pages 24 to 52 form an integral part of this 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 on 30 August 2018.

## 2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2018 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

## 2 BASIS OF PREPARATION (*CONTINUED*)

### 2.1 Going concern

As at 30 June 2018, the Group had net current liabilities of approximately HK\$3,522 million, which was attributable to short-term borrowings of approximately HK\$2,037 million from Sinopec Century Bright Capital Investment Limited (“**Century Bright**”), and approximately HK\$2,432 million of the entrusted term loan maturing on 28 June 2019 from China International United Petroleum & Chemicals Co., Ltd (“**Unipecc**”). The entrusted bank loan was reclassified as current liabilities during the period as it is maturing within 12 months.

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 2017, the Group has renewed the short-term revolving facility of US\$500 million (equivalent to approximately HK\$3,878 million) provided by Century Bright, expiring on 31 December 2018. Century Bright has confirmed their intention that without unforeseen situation, subject to fulfillment of certain conditions, to approve renewal of the short-term facility upon its expiry. For the entrusted loan maturing on 28 June 2019, Unipecc has confirmed their intention that, without unforeseen situation, to approve extension of the maturity of the entrusted loan.

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 the condensed consolidated interim financial information.

## 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 2017, except for the adoption of new and amendments to the existing accounting standards as described below.

#### (a) Adoption of new standards and amendments to existing standards

In 2018, the Group adopted the following new standards and amendments to existing standards, which are effective for accounting periods beginning on or after 1 January 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in note 4 below.

#### (b) Impact of standards issued not yet applied by the Group

HKFRS 16, 'Leases', provides updated guidance on the definition of leases and 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.

The other standards do not have any impact of the Group's accounting policies and do not require adjustments.

## 4 EFFECT ON ADOPTION OF HKFRS 9 AND HKFRS 15

Following the adoption of the above new standards, the Group has elected to use a modified retrospective approach for transition. Please refer to note (a) and (b) below for the detailed explanations.

### (a) HKFRS 9 Financial Instruments

#### **Nature of change**

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

### 4 EFFECT ON ADOPTION OF HKFRS 9 AND HKFRS 15 (continued)

#### (a) HKFRS 9 Financial Instruments (continued)

##### **Impact**

###### *Classification and measurement of financial instruments*

The Group does not hold any financial instruments as at the reporting date. No adjustments are therefore required.

###### *Derivatives and hedging activities*

The interest rate swap contracts of the Group continued to qualify as cash flow hedges under HKFRS 9. The Group's risk management strategies and hedging documentation are aligned with the requirement of HKFRS 9. No adjustments are therefore required.

###### *Trade and other receivables*

The Group considers that there are no credit losses on the basis that the counterparties are mainly related parties or state-owned entities with no losses experienced in the past as well as no adverse change is anticipated in the business environment.

The Group's impairment methodology and classification are aligned with the expected credit loss requirements of HKFRS 9. No adjustments are therefore required.

#### (b) HKFRS 15 Revenue from Contracts with Customers

##### **Nature of change**

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with customers; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied.

## 4 EFFECT ON ADOPTION OF HKFRS 9 AND HKFRS 15 (continued)

### (b) HKFRS 15 Revenue from Contracts with Customers (continued)

#### **Nature of change (continued)**

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

#### **Impact**

Management has performed an assessment on the effects on the Group's recognition basis applying HKFRS 15 on the Group's consolidated financial statements and the details are as follows:

- The recognition basis of the crude oil jetty and storage services revenue remains unchanged when the services are rendered; and
- The recognition basis of the natural gas pipeline transmission services revenue remains unchanged when the services are rendered.

The Group's revenue recognition policy is aligned with the requirements of HKFRS 15. No adjustments are therefore required.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

### 5 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 2017.

### 6 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 2017.

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

### 7 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 have been identified by the Group's chief operating decision-maker and aggregated in arriving at the reportable segments of the Group.



## 7 SEGMENT REPORTING *(continued)*

- 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 transportation. Currently, the Group's activities are mainly carried out in the PRC, Australia and Papua New Guinea.
- 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 include all assets, except for cash and cash equivalents, investment properties, dividend receivables from an associate and joint ventures, prepaid land lease payments, unallocated trade and other receivables and property, plant and equipment. 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.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

### 7 SEGMENT REPORTING (*continued*)

#### (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 include 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 is set out as follows:

## 7 SEGMENT REPORTING *(continued)*

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

(i) As at and for the six months ended 30 June 2018:

	Crude oil jetty and storage services <i>HK\$'000</i> (Unaudited)	Vessel chartering and logistics services <i>HK\$'000</i> (Unaudited)	Natural gas pipeline transmission services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
<b>Segment revenue</b>	341,924	-	498,496	840,420
<b>Segment results</b>				
- Company and subsidiaries	175,018	-	210,420	385,438
- Associates	73,467	4,050	-	77,517
- Joint ventures	421,149	39,129	-	460,278
	669,634	43,179	210,420	923,233
Unallocated other corporate expenses				(45,473)
Profit before income tax				877,760
Income tax expenses				(122,229)
Profit for the period				755,531
<b>Other segment items</b>				
Bank interest income	301	-	1,226	1,527
Depreciation and amortisation	(77,770)	-	(140,361)	(218,131)
Capital expenditures	-	-	(79)	(79)

**NOTES TO THE UNAUDITED  
INTERIM FINANCIAL INFORMATION**

**7 SEGMENT REPORTING (continued)**

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

(i) As at and for the six months ended 30 June 2018: (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)
<b>Segment assets</b>				
- Company and subsidiaries	2,380,656	-	5,113,961	7,494,617
- Associates	754,416	69,019	-	823,435
- Joint ventures	6,398,650	838,833	-	7,237,483
	9,533,722	907,852	5,113,961	15,555,535
<b>Unallocated assets</b>				
- Cash and cash equivalents				322,774
- Trade and other receivables				17,520
- Investment properties				60,141
- Dividend receivables from an associate and joint ventures				288,695
- Prepaid land lease payments				607,239
- Property, plant and equipment				86,406
				1,382,775
<b>Total assets</b>				16,938,310
<b>Segment liabilities</b>	78,389	-	2,545,558	2,623,947
<b>Unallocated liabilities</b>				
- Trade and other payables				347,181
- Borrowings				2,037,163
- Deferred income tax liabilities				116,865
				2,501,209
<b>Total liabilities</b>				5,125,156

## 7 SEGMENT REPORTING *(continued)*

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

(ii) As at 31 December 2017 and for the six months ended 30 June 2017:

	Crude oil jetty and storage services <i>HK\$'000</i> (Unaudited)	Vessel chartering and logistics services <i>HK\$'000</i> (Unaudited)	Natural gas pipeline transmission services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
<b>Segment revenue</b>	280,079	-	664,528	944,607
<b>Segment results</b>				
- 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
<b>Other segment items</b>				
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

### 7 SEGMENT REPORTING *(continued)*

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

(ii) As at 31 December 2017 and for the six months ended 30 June 2017:  
*(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)
<b>Segment assets</b>				
- Company and subsidiaries	2,298,904	-	5,296,817	7,595,721
- Associates	760,702	77,554	-	838,256
- Joint ventures	6,266,868	851,853	-	7,118,721
	9,326,474	929,407	5,296,817	15,552,698
<b>Unallocated assets</b>				
- Cash and cash equivalents				409,855
- Trade and other receivables				25,110
- Investment properties				61,988
- Dividend receivables from joint ventures				340,946
- Prepaid land lease payments				611,808
- Property, plant and equipment				86,345
				1,536,052
<b>Total assets</b>				17,088,750
<b>Segment liabilities</b>				
	116,011	-	2,937,496	3,053,507
<b>Unallocated liabilities</b>				
- Trade and other payables				167,687
- Borrowings				2,387,658
- Deferred income tax liabilities				109,993
				2,665,338
<b>Total liabilities</b>				5,718,845

## 7 SEGMENT REPORTING *(continued)*

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
– The PRC	840,420	944,607
<b>Capital expenditures</b>		
– The PRC	79	64,397
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
<b>Non-current assets</b>		
– The PRC	11,872,663	12,025,062
– Europe	1,406,380	1,429,214
– Indonesia	694,031	698,406
– Hong Kong	932,333	954,703
– United Arab Emirates	564,660	549,697
– Other regions	788	788
	<b>15,470,855</b>	<b>15,657,870</b>
<b>Total assets</b>		
– The PRC	12,933,886	12,984,877
– Europe	1,406,380	1,429,214
– Indonesia	801,302	805,641
– Hong Kong	1,231,294	1,318,533
– United Arab Emirates	564,660	549,697
– Other regions	788	788
	<b>16,938,310</b>	<b>17,088,750</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

### 7 SEGMENT REPORTING *(continued)*

#### (c) Major customers

For the purpose of disclosure under segment reporting, one customer (including China Petroleum & Chemical Corporation Guangzhou Branch and Sinopec Gas Company) (six months ended 30 June 2017: one customer including China Petroleum & Chemical Corporation Guangzhou Branch and Sinopec Gas Company) from crude oil jetty services and natural gas pipeline transmission services has transactions that exceeded 94% of the Group's revenue, amounting to HK\$792,657,000 (six months ended 30 June 2017: HK\$905,087,000). This customer mainly operates in the PRC.

### 8 EXPENSES BY NATURE

	Six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net foreign exchange gain	<b>14,894</b>	2,066
Depreciation and amortisation	<b>(226,969)</b>	(211,000)
Operating lease charges: minimum lease payments		
– hire of natural gas storage facilities (Note 20(a))	–	(27,542)
– hires of properties	<b>(6,364)</b>	(6,528)



## 9 INCOME TAX EXPENSES

	Note	Six months ended 30 June	
		2018	2017
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Current income tax:			
– PRC current income tax	(c)	95,265	118,236
– Hong Kong profits tax	(b)	3,870	2,767
– Withholding tax	(d)	14,435	11,300
		<b>113,570</b>	132,303
Deferred income tax charged		<b>8,659</b>	15,089
		<b>122,229</b>	147,392

- (a) The Company was incorporated in 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% (2017: 16.5%) on the estimated assessable profit for the six months ended 30 June 2018.
- (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 (2017: 25%).
- (d) Dividend distribution out of profit of foreign-invested enterprises earned in the PRC subsequent to 1 January 2008 is subject to withholding tax at a tax rate of 5% or 10%. During the six months ended 30 June 2018 withholding tax was provided for the portion of the relevant undistributed profits of the Group's subsidiaries, joint ventures and associates established in the PRC at a tax rate of 5% (2017: 5% or 10%).

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

### 10 DIVIDENDS

(a)

	Six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interim dividend, declared	<b>124,308</b>	124,308

On 30 August 2018, the board of directors has resolved to declare an interim dividend of HK5.0 cents per ordinary share (2017: HK5.0 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 2018.

(b) The final dividend of approximately HK\$174,031,000 that relates to the year ended 31 December 2017 was paid in July 2018 (2017: HK\$87,016,000).

### 11 EARNINGS PER SHARE

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company <i>(HK\$'000)</i>	<b>755,850</b>	704,121
Weighted average number of ordinary shares in issue <i>(shares'000)</i>	<b>2,486,160</b>	2,486,160
Basic earnings per share <i>(HK cents per share)</i>	<b>30.40</b>	28.32

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

## 12 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Balance, beginning of period	6,915,064	6,872,274
Additions	79	64,397
Depreciation	(218,371)	(201,434)
Currency translation differences	(50,152)	175,098
Balance, end of period	6,646,620	6,910,335

## 13 INTERESTS IN ASSOCIATES

	As at	As at
	30 June	31 December
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Cost of unlisted investments	419,030	419,030
Share of:		
– post-acquisition results	778,554	701,037
– other comprehensive income	(44,224)	(31,204)
Dividends	(384,918)	(311,808)
Share of net assets	768,442	777,055
Loan granted to an associate	54,993	61,201
	823,435	838,256

**NOTES TO THE UNAUDITED  
INTERIM FINANCIAL INFORMATION**

**14 INTERESTS IN JOINT VENTURES**

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Cost of unlisted investments	4,468,763	4,468,763
Share of:		
– post-acquisition results	3,364,160	2,903,882
– other comprehensive income	(376,425)	(290,611)
Dividends	(1,338,443)	(1,120,200)
Share of net assets	6,118,055	5,961,834
Loan granted to joint ventures	1,119,428	1,156,887
	<b>7,237,483</b>	<b>7,118,721</b>

## 15 TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Trade receivables		
– An intermediate holding company and fellow subsidiaries	746,652	567,961
– Bills receivables	37,955	32,300
– Others	2,511	6,010
	<b>787,118</b>	606,271
Other receivables		
– Dividend receivables from an associate and joint ventures	288,695	340,946
– Others	51,975	58,508
	<b>340,670</b>	399,454
	<b>1,127,788</b>	1,005,725

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

The amounts due from an intermediate holding company and fellow subsidiaries are unsecured, interest free and repayable on demand.

Ageing analysis of trade receivables based on the invoice date was as follows:

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Within 1 month	113,885	173,321
1 to 3 months	105,932	82,050
More than 3 months but less than 12 months	567,301	350,900
	<b>787,118</b>	606,271

**NOTES TO THE UNAUDITED  
INTERIM FINANCIAL INFORMATION**

## 16 BORROWINGS

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Non-current – entrusted loan (Note)	–	2,775,452
Current – entrusted loan and from a related financial institution	<b>4,468,665</b>	2,387,658
	<b>4,468,665</b>	5,163,110

Movements in borrowings is analysed as follows:

<b>Six months ended 30 June 2018</b>	<i>HK\$'000</i>
Opening amount as at 1 January 2018	<b>5,163,110</b>
Borrowings from a related financial institution	<b>132,659</b>
Repayments of borrowings	<b>(815,650)</b>
Exchange differences	<b>(11,454)</b>
Closing amount as at 30 June 2018	<b>4,468,665</b>

Note:

This entrusted loan is borrowed from Unipec through Bank of Communication. This loan is unsecured, maturing on 28 June 2019 and bears interest at approximately 4.75% per annum.

## 17 TRADE AND OTHER PAYABLES

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Trade payables		
– Fellow subsidiaries	12,365	42,586
– Others	22,631	70,571
	<b>34,996</b>	113,157
Other payables		
– Amounts due to the immediate company, intermediate holding companies and fellow subsidiaries	69,231	75,803
– Creditors and accrued charges	172,576	174,439
– Dividend payables	174,056	–
	<b>415,863</b>	250,242
	<b>450,859</b>	363,399

Trade payable balances are repayable within one year.

The amounts due to the immediate company, intermediate holding companies 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 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Due within 1 month or on demand	34,996	113,091
Due after 1 month but within 3 months	-	66
	<b>34,996</b>	<b>113,157</b>

### 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.

Since then, the arbitration tribunal has been established and certain filings have been presented by relevant parties. As at the date of this report, an important part of arguments and evidence has yet to be submitted by relevant parties. After taking into consideration of the advice by the Group’s legal counsel, the Directors are of the opinion that no provision is presently required with respect to the arbitrations.



## 19 COMMITMENTS

- (a) As at 30 June 2018, the outstanding capital commitments not provided for in the Interim Financial Information were as follows:

	<b>As at 30 June 2018 HK\$'000 (Unaudited)</b>	As at 31 December 2017 HK\$'000 (Audited)
Contracted for but not provided for	<b>283,826</b>	372,136

- (b) As at 30 June 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	<b>As at 30 June 2018 HK\$'000 (Unaudited)</b>	As at 31 December 2017 HK\$'000 (Audited)
Within 1 year	<b>9,145</b>	8,494
After 1 year but within 5 years	<b>18,058</b>	20,220
After 5 years	<b>11,404</b>	12,373
	<b>38,607</b>	41,087

**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:

	<b>Six months ended 30 June 2018</b>	<b>2017</b>
	<i>HK\$'000</i> <b>(Unaudited)</b>	<i>HK\$'000</i> <b>(Unaudited)</b>
<b>Sinomart Development</b>		
Interest expenses to a fellow subsidiary	<b>(18,487)</b>	(15,411)
<b>Huade Petrochemical</b>		
Jetty service fees from intermediate holding companies (Note (i))	<b>331,216</b>	270,076
<b>Yu Ji Pipeline Company</b>		
Natural gas transmission income from an intermediate holding company (Note (ii)(a))	<b>409,408</b>	635,011
Natural gas storage facilities leasing fees to an intermediate holding company (Note (ii)(b))	-	(27,542)
Outsourcing fees to an intermediate holding company (Note (ii)(c))	<b>(13,177)</b>	(17,325)
Interest expenses paid to an intermediate holding company	<b>(58,620)</b>	(71,550)
Technical service fees to fellow subsidiaries (Note (ii)(d))	<b>(4,708)</b>	(4,454)
<b>Joint ventures and associates</b>		
Interest income from:		
– An associate	<b>2,203</b>	2,013
– A joint venture	<b>22,995</b>	16,566

## 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 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.

Notes:

(i) Huade Petrochemical

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.

(ii) 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.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

### 20 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

Notes: *(continued)*

(ii) Yu Ji Pipeline Company *(continued)*

- (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) Technical services fees (including internal labour technical services expenses and power technical services expenses) 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 Internal Labour Technical Services Framework Master Agreement and Substation Power 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.

## 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	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Jetty services fees received by the Group	14,681	7,316
	As at	As at
	30 June	31 December
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Prepayment to/amounts due from other state-controlled entities	10,375	11,855
Amounts due to other state-controlled entities	14,322	37,125

#### (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	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	671	30

**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:

	<b>As at 30 June 2018 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2017 HK\$'000 (Audited)</b>
Cash and cash equivalents	<b>1,296</b>	2,820

**(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:

	<b>As at 30 June 2018 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2017 HK\$'000 (Audited)</b>
Cash and cash equivalents	<b>226,266</b>	311,687

# INTERIM DIVIDEND

The Board proposes the payment of an interim dividend of HK5 cents per share in cash for the year 2018 to shareholders whose names appear on the register of members of the Company on 21 September 2018 (Friday).

## Closure of Register of Members

The register of members of the Company will be closed from 17 September 2018 (Monday) to 21 September 2018 (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 14 September 2018 (Friday). The cheques for dividend payment will be sent on or around 18 October 2018 (Thursday).

## OTHER INFORMATION

### Directors' and Chief Executive's Interests or Short Positions in the Shares, Underlying Shares and Debentures

As at 30 June 2018, none of the Directors or chief executive of the Company had any interests or short positions 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 to the Rules Governing the Listing of Securities on the Stock Exchange (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 2018, 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 <sup>Note</sup>	Beneficial owner	1,500,000,000 <sup>(L)</sup>	60.33% <sup>(L)</sup>

*Note:* The entire issued share capital of Sinopec Kantons International Limited is held by UNIPEC. The controlling interest in the registered capital of UNIPEC is ultimately held by China Petrochemical Corporation ("Sinopec Group Company").



## 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 2018.

## 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 2018.

## Share Option Scheme

For the six months ended 30 June 2018, the Company had not established and implemented any share option scheme.

## Audit Committee

The audit committee of the Company (the "**Audit Committee**") comprises four 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 2018.

## Remuneration Committee

The remuneration committee of the Company (the "**Remuneration Committee**") comprises four 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.

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## OTHER INFORMATION

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### Nomination Committee

The nomination committee of the Company (the “**Nomination Committee**”) comprises four 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.

### 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 2018, 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 2018 and as at the date of this report.

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

Hong Kong, 30 August 2018