ANNUAL REPORT 2014

SINOPEC KANTONS HOLDINGS LIMITED

(Incorporated in Bermuda with Limited Liability)

(Stock Code : 934)

GROWTH, SUSTAINABILITY & BREAKTHROUGH

CONTENTS

CHAIRMAN'S STATEMENT

Mr. Chen Bo
Chairman

Dear Shareholders,

In 2014, with the trust and support of the shareholders, Sinopec Kantons Holdings Limited (the "**Company**") obtained satisfactory results in the expansion of storage and logistics services and business operation. On behalf of the Board of Directors (the "**Board**"), I would like to express our cordial gratitude towards our shareholders, persons and institutions from the society for their care and support to the Company.

Overviewing 2014, the global economy recovered at a slow pace, the economic growth in China slowed down, international crude oil prices experienced substantial decline since the third quarter after a long period of gradual increase, the business environment was complex and ever-changing. Under these circumstances, on one hand, the Board of the Company continued to execute the established development strategy to proactively expand the storage and logistics services; on the other hand, the Board worked hard to strengthen business management, centered around quality and efficiency, based upon safe and stable operations. With the combined efforts of all members of staff, we actively reduced costs and saved spending, effectively achieving annual operating targets. Despite the reduction in crude oil trading volume, turnover in 2014 of the Company and its subsidiaries (collectively the "**Group**") was approximately HK$19.224 billion, representing a decrease of 17.69% as compared with last year, but the consolidated net profit was approximately HK$700 million, representing an increase of 42.40% as compared with last year.

In 2014, the Company, combining the globalization of China Petroleum & Chemical Corporation ("**Sinopec Corp.**"), the controlling shareholder, and the storage and logistics business development plans of the Group, continued to promote the storage and logistics businesses. In 2014, the construction of two LNG vessels under the Papua New Guinea LNG Project was in smooth progress. The outfitting works of the first vessel was completed by Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. in September, then a sea trial was performed in October, followed by a pilot sail in December, and it will officially be put into operation in January 2015, marking the beginning of LNG transport business of the Group; the second LNG vessel has entered the dock in April 2014 and is presently undergoing vessel outfitting works. The vessel construction under the Australia Pacific LNG project is currently carried out in two phases. The first phase involves the construction of six LNG vessels, among them the construction of four vessels were started in 2014; the second phase involves the construction of two LNG vessels, where all preparatory work were completed as scheduled during 2014, the tendering process of project construction was also completed, and the vessel construction will soon commence in full scale.

In 2014, the construction of a 1.155 million m^3 oil storage project in Fujairah, United Arabic Emirates ("**UAE**"), invested by the Company, was completed. Excluding the waste oil tank zone, a total of 34 tanks were constructed in the three main tank zones of the storage zone. During the construction process, the Company highly emphasized project construction supervision and management, and placed utmost importance on safety and quality. We recorded no major safety incident for five million working hours and achieved a passing rate of approximately 99.5% for oil tank welding. The oil storage company in Fujairah, Middle East, is expected to officially commence operation in the first half of 2015. In 2014, the Company continued to enhance the operation management of Vesta Terminals B.V. ("**Vesta**") in Europe, keeping close relationship with the joint venture company, to ensure the maximization of investment returns. Moreover, in 2014, the Group pushed forward the plan to construct a 2.6 million m^3 oil storage tank and terminal facility in Indonesia via the PT. West Point Terminal joint venture. Both parties of the joint venture actively communicated the preparatory work before the construction of the project, and sought to start full scale construction of the project as soon as practicable.

In order to continue to expand our business scale, strengthen our core business competitiveness and profitability, with the full support of the controlling shareholder, Sinopec Corp., on 30 December 2013, with the approval of the Board, the Company announced the intention to acquire Sinopec Yu-Ji Pipeline Company Ltd. ("**Yu-Ji Pipeline Company**") from Sinopec Corp. In order to meet investors' expectations and complete the acquisition of Yu-Ji Pipeline Company as early as possible, in 2014, the Company closely focused on asset auditing, evaluation, legal due diligence, applying for related licences and certificates, setting up of target company, etc., and actively carried out related work. On 30 December 2014, the Yu-Ji Pipeline Company equity acquisition agreement was signed by the Company's wholly-owned subsidiary, Sinomart KTS Development Limited ("**Sinomart Development**"). With the enormous support from our shareholders, the equity acquisition was successfully approved at the special general meeting of the Company convened on 10 February 2015.

In 2014, Huade Petrochemical Company Ltd ("**Huade Petrochemical**"), a wholly-owned subsidiary of the Company, continued to maintain stable operations, with a total of 86 oil tankers berthed with 12.67 million tonnes of crude oil unloaded, representing an increase of 8.66% as compared with last year; 12.63 million tonnes of crude oil were transmitted, representing an increase of 7.95% as compared with last year; segment profit of HK$235 million was realized, representing an increase of 6.82% as compared with last year. In 2014, there were obvious improvements in the business results of Sinomart Development. The chartered vessel business achieved a substantial reduction in losses by a decisive move to terminate the contracts of two chartered vessels upon their expiry. At present, only one chartered vessel remains. For the whole year, Sinomart Development completed a total of nine chartered voyages, generating revenue of HK$293 million in the vessel charter segment; in 2014, due to a shift of business focus, there was a decrease in the crude oil trading volume, and for the whole year, crude oil trading volume of 3.25 million tonnes were generated, a decrease of 10.96% as compared with last year, and HK$18.307 billion of turnover was realized. In 2014, the Group's quality assets – the oil terminals – continued to play a significant role in enhancing the profitability of the Group. Driven by the combined effect of continued economic growth in China and lower oil prices, for the whole year, the aggregate throughput volume of Zhan Jiang Port Petrochemical Jetty Co. Limited ("**Zhan Jiang Port Petrochemical 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**"), Tangshan Caofeidian Shihua Crude Oil Terminal Co. Ltd. ("**Caofeidian Shihua**") (collectively, the "**Six Domestic Terminal Companies**") amounted to 152 million tonnes, representing an increase of 5.55% compared with last year, and better investment return was realized.

In 2015, while continuing our efforts in the existing business operations, the Company will expedite the regulatory approvals for the Yu-Ji Pipeline Company acquisition and strive to settle the equity transaction as early as possible so as to create a new source of earnings growth. In addition, the various preparatory work prior to commencement for the oil storage company in Fujairah, Middle East, should be well performed, so as to ensure the Fujairah oil storage company can smoothly commence operations in a safe and stable manner. We firmly believe that, given the relentless support from our shareholders, and with the joint efforts of all members of staff, the Company will certainly make further breakthroughs, and reward our shareholders, staff and society with excellent results.

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

Hong Kong, 27 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

In 2014, the Company adhered to the positioning in accordance with the established development strategy to actively develop petrochemical storage and logistic projects. The project of 1.155 million m^3 of oil storage tank invested and constructed by the Company in Fujairah Oil Terminal FZC in the UAE has completed its machinery installation, the commercial operation of which is scheduled to commence in the first half of 2015. The construction of two LNG vessels under Papua New Guinea LNG project achieved good progress, the first vessel of the project had its sea trial in December 2014, and will commence its operation in January 2015. The building of vessels under Australia Pacific LNG project achieved good progress as scheduled. Along with the expansion of the storage and logistics projects, the Company also achieved good results from its production operation. In 2014, Huade Petrochemical, a wholly-owned subsidiary of the Company continued to operate smoothly; while the oil terminal assets held by the Company continued to maintain the momentum of growth in investment return, which contributed to the increase in profitability of the Group.

TURNOVER

For the year ended 31 December 2014, the Group's turnover was HK$19,223,634,000 (2013: HK$23,355,579,000), representing a decrease of 17.69% as compared with last year. The decrease in turnover was mainly due to decrease in trading volume in crude oil in 2014 as compared with the last year.

GROSS PROFIT

For the year ended 31 December 2014, the Group's gross profit amounted to HK$279,908,000 (2013: HK$154,782,000), representing an increase of 80.84% as compared with last year. The increase in gross profit was due to, on one hand, the Group terminating the charter contracts of two vessels upon expiry in 2014, resulting in a significant reduction in losses; on the other hand, Huade Petrochemical's comparable figure in 2013 was low due to the decrease in volume of business and operating income, resulting from the impact of scheduled overhaul of the production facilities of a downstream customer.

OTHER INCOME AND OTHER GAINS – NET

For the year ended 31 December 2014, the Group's other income and other gains (net) amounted to HK$25,896,000 (2013: HK$74,696,000), representing a decrease of 65.33% as compared with last year, mainly due to the substantial decrease in interest income from bank deposit and foreign exchange gains for 2014 as compared with last year.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2014, the Group's administrative expenses amounted to HK$95,455,000 (2013: HK$111,661,000), representing a decrease of 14.51% as compared with last year, mainly due to the significant drop in service fees paid to external professional service providers of the Group in 2014 as well as decreases in business entertainment expenses and office expenses to different extents.

INCOME TAX EXPENSES

For the year ended 31 December 2014, the income tax expenses of the Group were HK$84,167,000 (2013: HK$170,637,000), representing a decrease of 50.67% as compared with last year, mainly due to the Group's taxes payable in 2013 not only included Huade Petrochemical's annual profit taxes, but also included dividend taxes on Huade Petrochemical's overseas dividend distributions in 2008 and one-off deferred dividend taxes on the Huade Petrochemical's proposed overseas dividend distributions from 2009 to 2013.

PROFIT FOR THE YEAR

For the year ended 31 December 2014, the Group's profit amounted to approximately HK$699,773,000 (2013: HK$491,407,000), representing an increase of 42.40% as compared with last year. The increase in profit was due to, on one hand, the Group terminating the charter contracts of two vessels upon expiry in 2014, resulting in a significant reduction in losses; on the other hand, Huade Petrochemical's comparable figure in 2013 was low due to the decrease in volume of business and operating income, resulting from the impact of scheduled overhaul of the production facilities of a downstream customer.

LIQUIDITY AND SOURCE OF FINANCE

As at 31 December 2014, cash and cash equivalents held by the Group amounted to approximately HK$795,558,000 (as at 31 December 2013: HK$1,622,454,000), representing a decrease of 50.97% as compared with last year, mainly due to payment for part of the land premium of the fifty-year land use right of PT. West Point Terminal, a subsidiary of the Group, for the investment and construction of storage and terminals ancillary facilities in Batam, Indonesia; capital expenditure for long term shareholders' loans for Fujairah Oil Terminal project in the Middle East; and for the construction project of LNG vessels.

INVESTMENT PROPERTIES

As at 31 December 2014, investment properties of the Group were HK$29,389,000 (as at 31 December 2013: HK$14,910,000), representing an increase of 97.11% as compared with last year, mainly due to the Group leasing out a self-owned building as an investment property in 2014.

INVENTORIES

As at 31 December 2014, inventories of the Group amounted to HK$15,313,000 (as at 31 December 2013: HK$47,108,000), representing a decrease of 67.49% as compared with last year, mainly due to the Group terminating the charter contracts for two vessels upon expiry in 2014, resulting in a significant decrease in fuel oil inventory.

TRADE AND OTHER RECEIVABLES

As at 31 December 2014, the Group's trade and other receivables amounted to HK$1,193,405,000 (as at 31 December 2013: HK$730,367,000), representing an increase of 63.40% as compared with last year. The significant increase in trade and other receivables was mainly due to the calendar spread settlement of crude oil trading of the Group.

NON-CONTROLLING INTEREST

As at 31 December 2014, non-controlling interest of the Group was HK$38,599,000 (as at 31 December 2013: HK$9,630,000), representing an increase of 300.82% as compared with last year, mainly due to, pursuant to the joint venture agreement of the Group's subsidiary, PT. West Point Terminal, both shareholders contributed to the capital increase on a pro-rata basis in 2014, resulting in an increase of non-controlling interest.

GEARING RATIO

As at 31 December 2014, the Group's current ratio (current assets to current liabilities) was 1.70 (as at 31 December 2013: 1.94) and gearing ratio (total liabilities to total assets) was 11.07% (as at 31 December 2013: 11.92%).

FOREIGN CURRENCY RISK

The Group engages in oil storage and terminal businesses in the PRC, Europe and Fujairah, UAE through its respective wholly-owned subsidiaries, joint ventures and associated companies, and generates operating income in RMB, Euro and USD, respectively. As the exchange rates of RMB, Euro and USD against HK$ fluctuate, the Group faces foreign currency risks to a certain extent.

In addition, in order to develop the storage and logistics businesses, and to execute the development strategy set by the Board of the Company in the near future, the Group signed a number of agreements in respect to the expansion of storage and logistics businesses. On 9 January 2012, the Group entered into the sale and purchase agreement for the acquisition of 50% equity interest in Fujairah Oil Terminal FZC, and signed the shareholders' agreement in respect to the investment and construction of storage facility of approximately 1.15 million m^3 storage capacity through Fujairah Oil Terminal FZC. Pursuant to the sale and purchase agreement and the shareholders' agreement, as at 31 December 2014, there were an outstanding payment of USD4,149,582 for the equity acquisition and a shareholder's loan obligation not exceeding the balance of USD12,179,825. On 9 October 2012, the Group acquired 95% equity interest in PT. West Point Terminal and entered into the shareholders' agreement for the construction of storage tanks and terminal ancillary facilities of 2.60 million m^3 storage capacity in Batam, Indonesia. In accordance with the shareholders' agreement, as at 31 December 2014, the Group committed to a contribution obligation not exceeding the balance of USD144,400,000. In addition, in order to meet the needs of LNG vessel construction, on 31 March 2012, the Group entered into a related agreement for the construction of two LNG vessels under the Papua New Guinea LNG Project. Pursuant to such agreement, as at 31 December 2014, the Group had a shareholder's loan obligation in the balance of USD4,135,558. On 28 April 2013, the Group entered into the vessel sponsors' undertakings in relation to the construction of six LNG vessels under the Australia Pacific LNG Project. Pursuant to the vessel sponsors' undertakings, as at 31 December 2014, the Group undertook a contribution obligation not exceeding the balance of USD133,925,521 in relations to the necessary shareholder's loan and cost overruns for vessel construction. Along with the progress of project and schedule, the Group shall fulfill the corresponding contribution obligation in accordance with the above agreements. As there is fluctuation in the exchange rate of such currencies, there may be differences between the amount in HK$ to be paid accordingly 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 other significant foreign exchange risk.

GUARANTEE AND RELEVANT CONTRACTS

Guarantor	Guaranteed entity	Name of agreement	Content of guarantee clause	Date of agreement	Guarantee period	Guarantee balance as at 31 December 2014
The Company	Sinomart Development	Sale and Purchase Agreement in respect of Fujairah Oil Terminal FZC	Sinomart Development undertook the obligation to pay the vendor the acquisition cost of USD25.05 million pursuant to the clauses of the agreement	9 January 2012	Effective until the contract to full payment of the consideration	USD4.15 million
The Company	Sinomart Development	Commercial Storage Agreement in respect of Fujairah Oil Terminal FZC	Sinomart Development undertook the obligation to rent 50% of the total capacity of the oil depot of Fujairah Oil Terminal FZC pursuant to the clauses of the agreement, when Sinomart Development is not able to perform the renting obligations, the Company guarantees to undertake all the obligations of Sinomart Development	Signed on 9 January 2012 and amended on 28 December 2012	Date of the completion of the project to within 10 years after completion	USD305 million
The Company	Sinomart Development	Equity Subscription Agreement in respect of Fujairah Oil Terminal FZC	As a shareholder of Fujairah Oil Terminal FZC, Sinomart Development will make equity contributions in respect of the project, and the Company will provide guarantee for the equity contributions by Sinomart Development	28 December 2012	Effective until completion of capital contribution	USD12.18 million
Sinomart Development	Fujairah Oil Terminal FZC	Equity Pledge Agreement in respect of Fujairah Oil Terminal FZC	Sinomart Development pledged its 50% equity interest in Fujairah Oil Terminal FZC as collateral to the bank which offered loan in respect of the project of Fujairah Oil Terminal FZC	22 January 2013	Until the full loan repayment in respect of the project	USD126 million
Sinomart Development	PT. WEST POINT TERMINAL in Indonesia	Land Lease Agreement of Batam, Indonesia	In the event that PT. West Point Terminal 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 Terminal	9 October 2012	Effective for 30 years after the date of execution	SGD 5.09 million
The Company	Six companies with LNG vessel assets	Vessel Sponsors' Undertakings in relation to the investment and construction of six LNG vessels under the Australia Pacific LNG Project	The Company provided shareholder's loan in accordance with equity ratio to KII and guarantee for the potential cost overruns in respect of the LNG vessel construction	28 April 2013	Effective until to 18 June 2032	USD134 million

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

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2014 the Group had a total of 266 employees. Remuneration packages, including basic salaries, bonuses and benefits-in-kind are structured by reference to market terms, trends in human resources costs in various regions and employees' contributions based on performance appraisals. Subject to the profit for the Group and the performance of the employees, the Group may also provide discretionary bonuses to its employees as an incentive for their further contribution.

REPORT OF THE DIRECTORS

The Board is pleased to submit the annual report and the audited financial statements for the year ended 31 December 2014.

PRINCIPAL PLACE OF BUSINESS

The Company is a company incorporated and domiciled in Bermuda and has its registered office in Bermuda and its principal place of business in Hong Kong at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 34/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong respectively.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities and other particulars of its principal subsidiaries are set out in note 11 to the financial statements.

An analysis of the principal activities and segmental information of the Group during the financial year is set out in note 5 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Information in respect of the Group's sales and purchases attributable to its major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	100%	
Five largest customers in aggregate	100%	
The largest supplier		93%
Five largest suppliers in aggregate		98%

China Petrochemical Corporation ("**Sinopec Group Company**"), the controlling shareholder of the Company indirectly holding more than 60.33% of the Company's share capital, had beneficial interests in one of the five largest customers and one of the five largest suppliers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2014 and the financial positions of the Company and the Group as at that date are set out in the financial statements on pages 35 to 108.

TRANSFER TO RESERVES

Profits attributable to shareholders, before dividends, of HK$700,054,000 (2013: HK$491,397,000) have been transferred to reserves. Other movements in reserves are set out in consolidated statement of changes in equity of the financial statements.

FINAL DIVIDEND

The board declared a dividend of HK$0.050 per share payable in cash for the whole year of 2014 (2013: HK$0.035), excluding the interim dividend of HK$0.025 per share in cash for 2014 paid on 16 October 2014 (2013: HK$0.015 per share), the final dividend of HK$0.025 per share in cash for 2014 (2013: HK$0.020 per share) will be paid to all the shareholders whose names appear in the register of the members of the Company on 30 June 2015 (Tuesday).

The register of members of the Company will be closed from 24 June 2015 (Wednesday) to 30 June 2015 (Tuesday) (both days inclusive) during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with Tricor Secretaries Limited, the branch share registrars 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 23 June 2015 (Tuesday). The cheques for dividend payment will be sent to shareholders on or about 8 July 2015 (Wednesday).

2014 ANNUAL GENERAL MEETING

The Company will convene the 2014 Annual General Meeting on 4 June 2015 (Thursday), and the register of members of the Company will be closed from 29 May 2015 (Friday) to 4 June 2015 (Thursday) (both days inclusive). In order to qualify for attending the 2014 Annual General Meeting of the Company and cast votes at the meeting, all share transfers, accompanied by the 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 28 May 2015 (Thursday).

FIXED ASSETS

For the year ended 31 December 2014, the Group spent approximately HK$233,208,000 (2013: HK$284,721,000) on fixed assets. Details of movements in fixed assets are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during 2014 are set out in note 23 to the financial statements.

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

In the year of 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

THE BOARD OF DIRECTORS AND MEMBERS OF EACH PROFESSIONAL COMMITTEE

During the year and up to the date of this report, members of the Board of the Company and the professional committees under which they sit are as follows:

Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors			
Mr. Chen Bo (Chairman, appointed on 19 May 2014)	Mr. Fong Chung, Mark *(Chairman)*	Ms. Tam Wai Chu, Maria *(Chairlady)*	Dr. Wong Yau Kar, David (Chairman, Appointed on 31 March 2014)
Mr. Dai Zhao Ming (Chairman, resigned on 19 May 2014)	Mr. Wong Po Yan (Resigned on 31 March 2014)	Mr. Chen Bo (Appointed on 19 May 2014)	Mr. Wong Po Yan (Chairman, Resigned on 31 March 2014)
Mr. Zhu Zeng Qing *(Deputy Chairman)*	Ms. Tam Wai Chu, Maria	Mr. Dai Zhao Ming (Resigned on 19 May 2014)	Mr. Chen Bo (Appointed on 19 May 2014)
Mr. Zhu Jian Min	Dr. Wong Yau Kar, David (Appointed on 31 March 2014)	Mr. Wong Po Yan (Resigned on 31 March 2014)	Mr. Dai Zhao Ming (Resigned on 19 May 2014)
Mr. Tan Ke Fei		Mr. Fong Chung, Mark	Ms. Tam Wai Chu, Maria
Mr. Zhou Feng		Dr. Wong Yau Kar, David (Appointed on 31 March 2014)	Mr. Fong Chung, Mark
Mr. Ye Zhi Jun *(Managing Director)*		Mr. Ye Zhi Jun	Mr. Ye Zhi Jun
Independent Non-executive Directors			
Mr. Wong Po Yan (Resigned on 31 March 2014)			
Ms. Tam Wai Chu, Maria			
Mr. Fong Chung, Mark			
Dr. Wong Yau Kar, David (Appointed on 31 March 2014)			

In accordance with Bye-law 111 of the Company's Bye-laws, Mr. Zhu Zeng Qing and Mr. Zhou Feng will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

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

As at 31 December 2014, none of the Directors and chief executives of the Company or any of their spouses or children under eighteen years of age has any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which will be required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

As at 31 December 2014, the Company has not established and implemented any share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during 2014 was the Company, any of its holding company, subsidiaries, or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS DISCLOSEABLE UNDER THE SFO

As at 31 December 2014, shareholders who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions), or which were entered in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

	Total number of ordinary shares held	Approximate percentage of total issued shares
Sinopec Kantons International Limited	1,500,000,000	60.33%

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

Save as disclosed above, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions), or which were entered in the register of interests required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the applicable laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2014, the Company and the Group had no bank loans and other interest-bearing loans.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 109 of the annual report.

RETIREMENT SCHEME

Other than operating a Hong Kong Mandatory Provident Fund Scheme and contributions made to the PRC state-managed retirement benefits schemes, the Group has not operated any other retirement schemes for the Group's employees. Particulars of the retirement schemes are set out in note 9 to the financial statements.

COMPLIANCE WITH THE CODE

Save as disclosed in this annual report, the Company has complied with the applicable CG Code provisions contained in Appendix 14 of the Listing Rules in 2014.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of the independent non-executive directors to be independent.

SUFFICIENT PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2014.

AUDIT COMMITTEE

The Company has set up an Audit Committee with written terms of reference. Currently, the Audit Committee comprises three independent non-executive directors and reports to the Board. The Audit Committee meets with the Group's senior management and external auditor regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Group and reports directly to the Board.

AUDITOR

PricewaterhouseCoopers will retire, and, being eligible, will offer themselves for re-appointment. A resolution in relation to the re-appointment of PricewaterhouseCoopers as the auditor of the Company will be submitted at the forthcoming annual general meeting.

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

Hong Kong, 27 March 2015

CONNECTED TRANSACTIONS

I. AGREEMENTS ENTERED INTO BY THE COMPANY FOR CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

In order to ensure the normal development of the business of the Group and to comply with the relevant requirements of Chapter 14A of the Listing Rules, on 29 October 2013, the Group entered into continuing connected transaction framework agreements for crude oil jetty services, crude oil supply, and sourcing, vessel charter and financial services respectively for the three financial years from 1 January 2014 to 31 December 2016, including the following agreements:

1. The Company entered into the "Sinopec Guangzhou Branch Framework Master Agreement" with Sinopec Corp. Guangzhou Branch for the provision of crude oil jetty services;

2. The Company entered into the "UNIPEC Framework Master Agreement" with UNIPEC for the crude oil sourcing, provision of crude oil jetty services and crude oil supply services;

3. The Company entered into the "UNIPEC Vessel Charter Framework Master Agreement" with UNIPEC for the provision of vessel charter services;

4. The Company entered into the "Century Bright Financial Services Framework Master Agreement" with Sinopec Century Bright Capital Investment Limited for the provision of financial services outside the PRC;

5. The Company's subsidiary, Huade Petrochemical, entered into the "Sinopec Finance Financial Services Framework Master Agreement" with Sinopec Finance Company Limited for the provision of financial services within the PRC.

The above agreements and continuing connected transactions have respectively obtained approval at the special general meetings held on 13 December 2013.

In addition, in order to expand its scale of operation and enhance its profitability, Huade Petrochemical invested in building fuel oil tanks, and entered into the "Huade Construction Project Framework Agreements" with respective construction companies under China Petroleum & Chemical Corporation on 29 Oct 2013 in respect to the feasibility studies as well as design and construction services and material sourcing service in relation to the building of fuel oil tanks. As the applicable percentage ratio of the transactions under the abovementioned fuel oil construction project framework agreement is more than 0.1% but less than 5%, the said agreements and connected transactions are exempt from the Independent Shareholders' approval requirement under Rule 14A.48 of the Listing Rules.

The abovementioned fuel oil tanks will be leased to Sinopec Fuel Oil Sales Company Limited ("**Sinopec Fuel Oil**") upon completion, thus the Company's subsidiary, Huade Pretroleum, entered into the "Sinopec Fuel Oil Sales Company Limited Framework Master Agreement" with Sinopec Fuel Oil on 29 October 2013, with a term of two years from 1 January 2015 to 31 December 2016. On 29 October 2013, the Company entered into the "UNIPEC Bunkering Framework Master Agreement" in relation to the provision of marine bunkering services by UNIPEC Singapore Pte Limited to the Group with a term of three years commencing from 1 January 2014 and ending on 31 December 2016. As the applicable percentage ratios for the value caps of each of the above two continuing connected transactions are more than 0.1% but less than 5%, the continuing connected transactions contemplated under these two agreements are exempt from the Independent Shareholders' approval requirement under Rule 14A.48 of the Listing Rules.

For details of the above continuing connected transactions and connected transactions, please refer to the announcement released on 29 October 2013 on the websites of HKEx (www.hkexnews.hk) and the Company (www.sinopec.com.hk).

II. THE CONNECTED TRANSACTION AND RELATED CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN SINOPEC YU-JI PIPELINE COMPANY LIMITED

In order to strengthen the competitive advantages of core businesses of the Group and to enhance its profitability, the Company, through its wholly-owned subsidiary Sinomart Development, entered into the Acquisition Agreement with Sinopec Corp. in respect to the acquisition of the entire equity interest in Yu-Ji Pipeline Company. According to the requirements under the Listing Rules of the Stock Exchange, the Acquisition constitutes a connected transaction and major transaction, and requires approval from the independent shareholders of the Company.

Moreover, as Yu-Ji Pipeline Company is in close business ties with Sinopec Corp., in order to facilitate the smooth operations of Yu-Ji Pipeline Company after the acquisition on 30 December 2014, the Group entered into the continuing connected transactions framework agreements in respect to the natural gas transmission, financial services, storage leasing, service outsourcing as well as land and buildings leasing during the three financial years from 1 January 2015 to 31 December 2017 as follows:

1. "Natural Gas Transmission Services Framework Master Agreement" entered into between Yu-Ji Pipeline Company and the Sinopec Natural Gas Branch Company under Sinopec Corp in respect of natural gas transmission;

2. "Yu-Ji Pipeline Financial Services Framework Master Agreement" entered into between Yu-Ji Pipeline Company and Sinopec Finance Company Limited in respect of provision of various financial services;

3. "Gas Storage Framework Master Lease Agreement" entered into between Yu-Ji Pipeline Company and the Sinopec Natural Gas Branch Company under Sinopec Corp in respect of leasing of certain gas storage facilities;

4. "Services Outsourcing Framework Master Agreement" entered into between Yu-Ji Pipeline Company and the Sinopec Natural Gas Branch Company under Sinopec Corp in respect of provision of outsourcing services;

5. "Lands and Buildings Framework Master Lease Agreement" entered into between Yu-Ji Pipeline Company and the Sinopec Natural Gas Branch Company under Sinopec Corp in respect of leasing of certain parcels of lands and buildings.

Among the five abovementioned continuing connected transactions, pursuant to the relevant requirements under the Listing Rules, the applicable percentage ratio of the continuing connected transactions in relation to natural gas transmission and financial service are more than 5%, thus are subject to the approval of independent shareholders of the Company; while the applicable percentage ratio of the caps under the continuing connected transactions in relation to gas storage facilities leasing and service outsourcing are more than 0.1% but less than 5%, thus are only subject to the relevant reporting and announcement requirements; and the applicable percentage ratio of the continuing connected transactions in relation to land and building leasing is less than 0.1%, thus constitutes a fully exempted continuing connected transaction.

The acquisition of Yu Ji Pipeline Company and the acquisition agreement, the natural gas transmission continuing connected transaction and framework agreement and the financial service continuing connected transaction and framework agreement are approved at the special general meeting of the Company held on 10 February 2015.

For details of the above connected transaction and continuing connected transactions in relation to the acquisition of Yu Ji Pipeline Company, please refer to the announcement released on 30 December 2014 on the websites of HKEx (www.hkexnews.hk) and the Company (www.sinopec.com.hk).

III. INFORMATION ON THE CONNECTED TRANSACTIONS MADE BY THE GROUP DURING THE YEAR

In 2014, the connected transactions (including the continuing connected transactions) of the Group that took place during the year have been fully disclosed in note 31 to the financial statements. Save as mentioned therein, there were no major transactions required to be disclosed as connected transactions in accordance with the Listing Rules.

In accordance with Rule 14A.55 of the Hong Kong Listing Rules, the independent non-executive directors of the Company have reviewed and approved the continuing connected transactions and confirmed that the continuing connected transactions were entered in accordance with the following principles:

(1) in the ordinary and usual course of business of the listed issuer's group;

(2) on normal commercial terms or better; and

(3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the listed issuer's shareholders as a whole.

The auditor of the Company was engaged to report on the Company's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information," and with reference to Practice Note 740, "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules," issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its conclusions (with a copy provided to the Hong Kong Stock Exchange) in accordance with Rule 14A.56 of the Hong Kong Listing Rules and confirming that nothing has come to their attention that causes them to believe the continuing connected transactions:

(1) have not been approved by the Board;

(2) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involved provision of goods or services by the Group;

(3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(4) have exceeded the cap.

The Company has also obtained a waiver from the Stock Exchange on other connected transactions from strict compliance with the relevant requirements under Chapter 14 of the Listing Rules on 25 June 1999 for a period so long as the value of the relevant connected transaction in any financial year does not exceed 3% of the net tangible assets of the Group as at the end of that year, subject to certain waiver conditions as stipulated in paragraph (D)(1) of "conditions to waiver" in the section headed "Business-Connected Transactions" in the prospectus of the Company dated 15 June 1999.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Bo, aged 52, Chairman of the Company. He graduated from East China Institute of Chemical Technology, currently known as East China University of Science and Technology, majoring in oil refining engineering and obtained a bachelor's degree in engineering in July 1986. Mr. Chen is currently the general manager and executive director of UNIPEC. After graduation from university, Mr. Chen has been working in Sinopec Group Company. Since joining UNIPEC in 1993, he has successively held various positions including business manager of crude oil department of UNIPEC, business manager and deputy manager of UNIPEC Asia Company Limited, deputy manager and manager of crude oil department of UNIPEC and assistant to general manager and deputy general manager of UNIPEC. Mr. Chen has extensive working experience in international crude oil and natural gas trading and transportation as well as international storage logistics and has maintained a good relationship with the world's major oil producers, large oil companies and large trading companies, and enjoys good reputation and credit in the industry. Mr. Chen has been Chairman of the Company since May 2014.

Mr. Zhu Zeng Qing, aged 59, Deputy Chairman of the Company. Mr. Zhu is a senior accountant. He graduated from Technical College of Zhejiang Jin Hua Supply and Sales School in July 1980, and was a graduate of business management of University of Ningbo in July 2005. He possesses very rich experience in financial management and accounting. He was successively deputy head, head of finance division of Zhenhai Refining & Chemical Company from February 1991 to November 2000; deputy chief accountant and chief accountant of Zhenhai Refining & Chemical Company from December 2000 to November 2005; and deputy officer of finance department of Sinopec Corp. since December 2005. Mr. Zhu has been the Deputy Chairman of the Company since April 2007.

Mr. Zhu Jian Min, aged 50, Executive Director of the Company. Mr. Zhu is a senior engineer at professor level, and has a doctoral degree in industrial studies. He possesses extensive experience in corporate management. He graduated from China Textile University in July 1992, and was deputy chief of long term planning division of planning department of the former China Petrochemical Corporation from June 1993 to June 1996; assistant to general manager of Sinopec Shanghai Petrochemical Company Limited from June 1996 to June 1998; assistant to officer of planning department of Sinopec Group Company from June 1998 to December 1998; deputy general manager of China Petrochemical Corporation Consulting Ltd from December 1998 to February 2000; deputy officer of integrated planning department of Sinopec Corp. from February 2000 to December 2001; deputy officer of production operation management department of Sinopec Corp. from December 2001 to August 2008; Party Secretary and deputy general manager of Sinopec Corp. Baling Branch since September 2008; general manager of Sinopec Corp. Baling Branch from July 2010 to June 2013; and general manager of Sinopec Corp. Tianjin Branch since July 2013. Mr. Zhu has been an Executive Director of the Company since March 2004.

Mr. Tan Ke Fei, aged 47, Executive Director of the Company. Mr. Tan obtained a bachelor's degree in arts and a bachelor's degree in law, he is a practising lawyer and possesses substantial legal and foreign trade management experience. He was a project manager, legal counsel of Sinopec International Co. Ltd from 1992 to 1997, chartering manager of UNIPEC from 1997 to 1999, business manager of UNIPEC UK Co. Ltd from 1999 to 2001, and was successively assistant to general manager of planning information department, deputy general manager of futures department, general manager of futures department, general counsel of UNIPEC from 2001 to 2005, deputy general manager of UNIPEC from 2006 to October 2010, and deputy officer of Human Resource Department of Sinopec Corp. since November 2010. Mr. Tan has been an Executive Director of the Company since April 2007.

Mr. Zhou Feng, aged 49, senior accountant, Executive Director of the Company. Mr. Zhou has a bachelor degree in Chemical Engineering at East China University of Science and Technology and a masters degree in MBA at Zhejiang University. He is well experienced in financial management and corporate management. He worked in Sinopec Guangzhou Petroleum and Chemical Plant in August 1987. He was successively deputy head, head of finance division of Sinopec Guangzhou Petroleum and Chemical Plant from March 1998 to May 2001. During the period from September 1999 to January 2000, he also worked as chief accountant of Zhong Yuan Petroleum and Chemical Engineering Ltd of Guangzhou Petroleum and Chemical Plant. He was deputy chief accountant of Sinopec Guangzhou Company from May 2001 to April 2004; and chief accountant of Sinopec Guangzhou Company from April 2004. He also worked as chief legal adviser of Guangzhou Petroleum and Chemical Plant of Sinopec Group Company and Sinopec Guangzhou Company during the period from April 2004 to December 2007. Mr. Zhou has been an Executive Director of the Company since April 2004.

Mr. Ye Zhi Jun, aged 49, Managing Director of the Company. Mr. Ye has a bachelor degree in Chemical Engineering and masters degree in MBA and is a senior economist. He worked in Sinopec Guangzhou Petroleum and Chemical Plant in August 1988. He was deputy officer, officer of marketing department of Guangzhou Yinzhu Polypropylene Ltd of Guangzhou Petroleum and Chemical Plant from June 1995 to July 1997; deputy general manager of Guangzhou Yinzhu Polypropylene Ltd of Guangzhou Petroleum and Chemical Plant from July 1997 to September 1999; and deputy manager of sales centre of Sinopec Guangzhou Company from September 1999 to December 2001. Mr. Ye has been the Managing Director of the Company since January 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Tam Wai Chu, Maria, GBM, JP, aged 69, was educated at London University. She qualified as a barrister-at-law at Gray's Inn, and practised in Hong Kong. She was a member of the Preparatory Committee for the Hong Kong Special Administrative Region (PRC) and Hong Kong Affairs Advisor (PRC). She is currently an Independent Non-Executive Director of Guangnan (Holdings) Limited, Minmetals Land Limited, Nine Dragons Paper (Holdings) Limited, Sa Sa International Holdings Limited, Tong Ren Tang Technologies Co. Ltd., Wing On Company International Limited and Macau Legend Development Limited, all listed companies on the Stock Exchange. She is also a Director of Green Fun Limited and Love, Family Foundation Limited. She was a member of the Advisory Committee on Corruption and Witness Protection Review Board of Independent Commission Against Corruption ("**ICAC**") of Hong Kong from January 2010 to December 2014. She is the Chairman of Operations Review Committee, a member on the Panel of the Witness Protection Review Board, and an ex officio of the Advisory Committee on Corruption under the Independent Commission Against Corruption since January 2015. She is a Deputy to the National People's Congress of The People's Republic of China and a member of the Hong Kong Basic Law Committee. She is also a member of various community service organisations.

Mr. Fong Chung, Mark, aged 63, the former President of the Hong Kong Institute of Certified Public Accountants. Mr. Fong has over 30 years of experience in the accounting profession and is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Fong is currently an independent non-executive director of New China Life Insurance Co., Ltd. and Macau Legend Development Limited, both are companies listed on the Stock Exchange, and is also a non-executive director of Worldsec Limited, a company listed on London Stock Exchange.

Dr. Wong Yau Kar, David, BBS, JP, age 57, Independent Non-Executive Director of the Company. Dr. Wong received a doctorate degree in Economics from the University of Chicago. Dr. Wong has extensive experience in manufacturing, direct investment and international trade. Dr. Wong is active in public service. He is a Hong Kong deputy of the 12th National People's Congress of the PRC. He is also Chairman of the Land and Development Advisory Committee, Mandatory Provident Fund Schemes Authority and Protection of Wages on Insolvency Fund Board. Dr. Wong was appointed a Justice of Peace (JP) in 2010 and was awarded a Bronze Bauhinia Star (BBS) in 2012 for his valuable contribution to the society. Dr. Wong is currently an independent non-executive director of China WindPower Group Limited, ReOrient Group Limited, China Juhao Health Industry Corporation Limited, Shenzhen Investment Limited and Redco Properties Group Limited, all listed companies on the Stock Exchange.

OTHER SENIOR MANAGEMENT

Mr. Pang Ai Bin, aged 45, Deputy General Manager of the Company. Mr. Pang holds a bachelor's degree and has professional qualification of senior economist. He joined Sinopec Jiujiang Petrochemical Factory in August 1991. He was deputy chief of crude oil department of Sinopec International Co. Ltd. from February 2005 to September 2005; and deputy chief of crude oil department of UNIPEC from October 2005 to March 2008. Mr. Pang has been the Deputy General Manager of the Company since March 2008.

Ms. Zhang Xiu Lan, aged 48, Deputy General Manager of the Company. Ms. Zhang holds a bachelor's degree in Finance, and has professional qualification of senior accountant, and is a certified public accountant of China. She joined Beijing Yanshan Petrochemical Company in August 1989 and has worked in Refinery Factory of Beijing Yanshan Petrochemical Company, the planning institute of China Petrochemical Corporation and the finance department of China Petroleum & Chemical Corporation respectively after her university studies. She was deputy chief of audit division of finance department of China Petroleum & Chemical Corporation from June 2003 to October 2003, and deputy chief of capital division of finance department of China Petroleum & Chemical Corporation from November 2003 to March 2008. Ms. Zhang was the CFO of the Company from March 2008 to February 2012, and has been the Deputy General Manager of the Company since March 2012.

Mr. Li Wen Ping, aged 51, Secretary to the Board of the Company. Mr. Li holds an MBA and has the professional qualification of senior economist. He joined the research institute of Sinopec Yangzi Petrochemical Co. Ltd. in August 1985. He was deputy head of the plastic research and development centre of Sinopec Yangzi Petrochemical Co. Ltd. from January 1994 to September 1994, and project manager of joint venture and cooperation division of Sinopec Yangzi Petrochemical Co. Ltd. from January 1999 to January 2002, and investor relations manager of Hong Kong Representative Office of Sinopec Corp. from January 2002 to March 2008. Mr. Li has been the Secretary to the Board of the Company since March 2008.

Mr. Zhu Jian, aged 39, Deputy General Manager of the Company. Mr. Zhu holds a bachelor's degree in engineering and has the professional qualification of economist. He worked in Ningbo Port Company Ltd. Oil Handling & Tug (Barge) Branch in August 1998 and joined UNIPEC. in 2000, in which he served as deputy officer of transportation department from October 2007 to July 2011. Mr. Zhu has served as Deputy General Manager of the Company since July 2011.

Mr. Chen Hong, aged 42, CFO of the Company. Mr. Chen graduated from Department of Accounting, Renmin University of China in July 1994 with a bachelor's degree in international accounting, and has professional qualification of senior accountant and a master degree in economics. He worked with the finance department of Sinopec International Co. Ltd, Sinopec International Products Trading Co, Sinopec (Singapore) Company, UNIPEC (Singapore) Company and other units successively. He was deputy chief of finance department of UNIPEC from December 2008 to March 2012. Mr. Chen has been the CFO of the Company since March 2012.

CORPORATE GOVERNANCE REPORT

ANNUAL GENERAL MEETING

On 6 June 2014, the Company convened the 2013 Annual General Meeting at Salon Rooms VI-VII, 5/F., Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong strictly in accordance with laws, regulations and the relevant notice, convening and holding requirements under the Bye-laws of the Company. Mr. Chen Bo, the Chairman of the Board of the Company, presided over the Annual General Meeting, and Mr. Fong Chung (Chairman of Audit Committee), Ms. Tam Wai Chu, Maria (Chairlady of Remuneration Committee), Dr. Wong Yau Kar (Chairman of Nomination Committee) and PricewaterhouseCoopers, the auditor, also attended the meeting upon invitation. For details of the above meetings, please refer to the relevant announcements of the Company published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sinopec.com.hk) on 6 June 2014.

Attendance of the general meeting in 2014 is as follows:

Attendance	No. of meetings attended	Attendance (%)
Mr. Chen Bo	1	100.0
Mr. Zhu Zeng Qing	0	0.0
Mr. Zhu Jian Min	0	0.0
Mr. Tan Ke Fei	0	0.0
Mr. Zhou Feng	0	0.0
Mr. Ye Zhi Jun	1	100.0
Ms. Tam Wai Chu, Maria	1	100.0
Mr. Fong Chung, Mark	1	100.0
Dr. Wong Yau Kar, David	1	100.0

THE BOARD OF DIRECTORS

The Board provides effective and responsible leadership for the Company. The directors, individually and collectively, act in good faith in the best interests of the Company and its shareholders. The Company has adopted the Corporate Governance Code as set out in Appendix 14 of the Listing Rules in 2014 and is in compliance with the Code Provisions in the Corporate Governance Code, save for those disclosed in this Annual Report.

As at 31 December 2014, the Board comprises six executive Directors and three independent non-executive directors. The Board has established the Audit Committee, the Remuneration Committee, and the Nomination Committee. The Board and the committees are responsible for overseeing specific areas of the Company's affairs. The composition of the Board and the committees are given below and their respective responsibilities are discussed later in this report.

Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors			
Mr. Chen Bo (Chairman, appointed on 19 May 2014)	Mr. Fong Chung, Mark *(Chairman)*	Ms. Tam Wai Chu, Maria *(Chairlady)*	Dr. Wong Yau Kar, David (Chairman, Appointed on 31 March 2014)
Mr. Dai Zhao Ming (Chairman, resigned on 19 May 2014)	Mr. Wong Po Yan (Resigned on 31 March 2014)	Mr. Chen Bo (Appointed on 19 May 2014)	Mr. Wong Po Yan (Chairman, Resigned on 31 March 2014)
Mr. Zhu Zeng Qing *(Deputy Chairman)*	Ms. Tam Wai Chu, Maria	Mr. Dai Zhao Ming (Resigned on 19 May 2014)	Mr. Chen Bo (Appointed on 19 May 2014)
Mr. Zhu Jian Min	Dr. Wong Yau Kar, David (Appointed on 31 March 2014)	Mr. Wong Po Yan (Resigned on 31 March 2014)	Mr. Dai Zhao Ming (Resigned on 19 May 2014)
Mr. Tan Ke Fei		Mr. Fong Chung, Mark	Ms. Tam Wai Chu, Maria
Mr. Zhou Feng		Dr. Wong Yau Kar, David (Appointed on 31 March 2014)	Mr. Fong Chung, Mark
Mr. Ye Zhi Jun *(Managing Director)*		Mr. Ye Zhi Jun	Mr. Ye Zhi Jun

Independent Non-executive Directors

Mr. Wong Po Yan (Resigned on 31 March 2014)
Ms. Tam Wai Chu, Maria
Mr. Fong Chung, Mark
Dr. Wong Yau Kar, David (Appointed on 31 March 2014)

The Board sets the Group's objectives and monitors its performance. The Board also decides on corporate matters such as annual and interim results, disclosable transactions and connected transactions, director appointments, and dividends and accounting policies. The Board has delegated the authority and responsibility of managing and overseeing the Group's day to day operations to its management.

The company secretary assists the Board in setting the agenda of Board meetings as instructed and each director is invited to present any business that he/she wishes to discuss or propose at the meetings. All directors have timely access to all relevant information of the meetings and may take professional advice if necessary. The Company held five full Board meetings in 2014. Attendance of the full Board meetings are as follows:

Attendance	No. of meetings attended	Attendance %
Mr. Chen Bo (Appointed on 19 May 2014)	3	60.0
Mr. Dai Zhao Ming (Resigned on 19 May 2014)	2	40.0
Mr. Zhu Zeng Qing	5	100.0
Mr. Zhu Jian Min	0	0.0
Mr. Tan Ke Fei	0	0.0
Mr. Zhou Feng	5	100.0
Mr. Ye Zhi Jun	5	100.0
Mr. Wong Po Yan (Resigned on 31 March 2014)	1	20.0
Ms. Tam Wai Chu, Maria	5	100.0
Mr. Fong Chung, Mark	5	100.0
Dr. Wong Yau Kar, David (Appointed on 31 March 2014)	4	80.0

All independent non-executive directors are financially independent from the Company and any of its subsidiaries.

The Company confirmed with all independent non-executive directors as to their independence with reference to the factors as set out in Rule 3.13 of the Listing Rules.

The full Board participates in the selection and approval of new Directors. Independent non-executive directors are appointed for a specific term. Under the Bye-laws of the Company, all the Directors are currently required to offer themselves for re-election by rotation at least once every three years. The Board takes into consideration criteria such as expertise, experience, integrity and commitment when appointing new directors.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises all three independent non-executive directors. It is responsible for reviewing the accounting principles and practices, auditing, internal controls and legal and regulatory compliance of the Group. It also reviewed the interim and final results of the Group prior to recommending them to the Board for approval. It meets to review financial reporting and internal control matters and to this end has unrestricted access to the Company's auditors. The Audit Committee is chaired by Mr. Fong Chung, Mark, a qualified accountant with extensive experience in financial reporting and control. In 2014, the Audit Committee held two meetings to review the annual results of the Group for the financial year ended 31 December 2013 and the interim results for the six months ended 30 June 2014, review the accounting principles and practices adopted by the Group with the management and external auditors, and discuss and review the internal control and financial reports. The attendance of members of the Audit Committee at the Audit Committee meetings were as follows:

Attendance	No. of meetings attended	Attendance %
Mr. Fong Chung, Mark (*Chairman*)	2	100.0
Mr. Wong Po Yan (Resigned on 31 March 2014)	1	50.0
Ms. Tam Wai Chu, Maria	2	100.0
Dr. Wong Yau Kar, David (Appointed on 31 March 2014)	1	50.0

The Company's annual results for the financial year ended 31 December 2014 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") comprises three independent non-executive directors and two executive Directors, of which an independent non-executive director, Ms. Tam Wai Chu, Maria, is the chairperson. The Remuneration Committee is responsible for studying and determining the remuneration of the Company's Directors and senior management as well as the incentive policies, and such Directors' remuneration and incentive policies will be proposed to the Board of the Company. To avoid conflicts of interest, any member who is interested in any given proposed motion is required to abstain from voting on such motion.

The main elements of the Company's remuneration policy are that no individual should determine his or her own remuneration, and remuneration should reflect the performance of the individual, and the complexity, duties and responsibility of the position.

In 2014, the Remuneration Committee of the Company convened two meetings, during which the remuneration of newly appointed executive directors and the directors' fee of newly appointed independent non-executive directors were discussed, and the performance of the Company's staff on the storage and logistics expansion projects were evaluated, and rewards were offered in accordance with the relevant assessment and incentive mechanisms. The attendances of members of the Remuneration Committee at the Remuneration Committee meeting were as follows:

Attendance	No. of meetings attended	Attendance %
Ms. Tam Wai Chu, Maria (Chairlady)	2	100.0
Mr. Chen Bo (Appointed on 19 May 2014)	0	0.0
Mr. Dai Zhao Ming (Resigned on 19 May 2014)	2	100.0
Mr. Wong Po Yan (Resigned on 31 March 2014)	1	50.0
Mr. Fong Chung, Mark	2	100.0
Dr. Wong Yau Kar, David (Appointed on 31 March 2014)	1	50.0
Mr. Ye Zhi Jun	2	100.0

Note: At the time the two meetings of the Remuneration Committee were convened in 2014, Mr. Chen Bo had nil attendance since he had not been appointed as a member of the Remuneration Committee yet.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") comprises three independent non-executive directors and two executive Directors, of which Dr. Wong Yau Kar, David, an independent non-executive director is the chairperson.

The Nomination Committee is responsible for formulating and implementing policies relating to the nomination of Directors and various reference factors such as experience, qualification and academic background related to business of the Company, integrity of nominees, time being invested and independence. Other functions of the Nomination Committee include: (i) to review structure, number of member and composition (including skills, knowledge and experience) of the Board and to propose changes in the Board to adapt to the strategy of the Company; (ii) to look for candidates with adequate qualification for director, select and nominate such candidates to the Board and advise thereon; (iii) to make proposals to the Board on the appointment or re-appointment of Directors and successors of Director (in particular chairman and CEO); (iv) to evaluate independence of independent non-executive directors; and (v) in the event that the Board intends to propose resolution in relation to appointment of a particular person as independent non-executive director at a general meeting, the circular and/or explanatory letter to shareholders attached to the notice convening the meeting shall state the reasons for the appointment of such person and for such person being deemed to be an independent party.

In 2014, the Nomination Committee of the Company convened two meetings, during which the structure and composition of the Board were reviewed, and the candidates nominated for the position of Executive Directors and independent non-executive directors were discussed. The attendances of members of the Nomination Committee at the Nomination Committee meeting were as follows:

Attendance	No. of meetings attended	Attendance %
Dr. Wong Yau Kar, David (Chairman) (Appointed on 31 March 2014)	1	50.0
Mr. Wong Po Yan (Resigned on 31 March 2014)	1	50.0
Mr. Chen Bo (Appointed on 19 May 2014)	0	0.0
Mr. Dai Zhao Ming (Resigned on 19 May 2014)	2	100.0
Ms. Tam Wai Chu, Maria	2	100.0
Mr. Fong Chung, Mark	2	100.0
Mr. Ye Zhi Jun	2	100.0

Note: At the time the two meetings of the committee were convened in 2014, Mr. Chen Bo had nil attendance since he had not been appointed as a member of the Nomination Committee yet.

FUNCTION OF CORPORATE GOVERNANCE

The Company sets its corporate governance policies pursuant to the Corporate Governance Code in Appendix 14 to the Listing Rules of the Stock Exchange, and it accordingly reviews and monitors the training and continuous development in profession of Directors and senior management and its policies and practices in compliance with relevant laws and regulatory requirements.

As of 31 December 2014, all Directors of the Company, namely, Mr. Chen Bo, Mr. Zhu Zeng Qing, Mr. Zhu Jian Min, Mr. Tan Ke Fei, Mr. Zhou Feng, Mr. Ye Zhi Jun, Ms. Tam Wai Chu, Maria, Mr. Fong Chung, Mark and Dr. Wong Yau Kar, David, participated in the training in respect to corporate governance practices organized by the Company.

CHAIRMAN OF THE BOARD AND GENERAL MANAGER OF THE COMPANY

Mr. Chen Bo is the Chairman of the Board of the Company. Mr. Ye Zhi Jun is the Managing Director of the Company. This segregation of duties ensures a clear distinction between the Chairperson's responsibility to manage the Board and the Managing Director's responsibility to manage the Company's business. Details of the responsibilities of the Board and the management of the Company are as follows.

Responsibilities of the Board:

(1) responsible for convening the general meeting;
(2) execute the resolutions of the general meeting;
(3) determine the development plans and operation plans of the Company;
(4) formulate the Company's profit distribution plan and loss recovery plan;
(5) prepare material acquisition or disposal plans of the Company, as well as the plans for merger, spin-off, change of corporate form and dissolution of the Company;
(6) under the authorization of the general meeting, determine matters such as the Company's external investment, acquisition and disposal of assets, pledge of assets, disposal and repurchase of the Company's shares, and connected transactions, etc;
(7) appoint or dismiss the general manager of the Company, and appoint or dismiss the Company Secretary according to the nomination of the general manager;
(8) based on the recommendation of the Nomination Committee, determine the Director candidates and submit to the general meeting for approval;
(9) based on the recommendation of the Remuneration Committee, determine the remuneration of its Directors and senior management;
(10) formulate the basic management system of the Company;
(11) manage the information disclosure of the Company;
(12) propose to the general meeting the appointment or change of the Company's auditor;
(13) formulate the amendment plans of the Bye-laws, and submit to the general meeting for approval;
(14) determine other material matters and administrative matters other than those required to be determined by the general meeting of the Company according to laws, regulations and the Bye-laws, as well as enter into other important agreements.

Responsibilities of the Management:

(1) responsible for the daily operation and management of the Company, the organization and implementation of resolutions of the Board and the reporting of works to the Board;
(2) organize and implement the annual operation plan and investment plan of the Company;
(3) formulate the internal management system of the Company;
(4) formulate the Company's fundamental management system;
(5) formulate the specific regulations of the Company;
(6) propose the appointment or dismissal of the deputy general manager and financial officer of the Company; appoint or dismiss other management staff that are not appointed or removed by the Board;
(7) determine the salaries, benefits, rewards and punishment for the staff of the Company, and determine the appointment and dismissal of the staff of the Company;
(8) propose to convene extraordinary meetings of the Board;
(9) other responsibilities granted by the Bye-laws and the Board.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed in this annual report, the Company has complied with the applicable provisions of the Corporate Governance Code (the "**Code**") contained in Appendix 14 of the Listing Rules of the Stock Exchange in 2014.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during 2014.

LIABILITY INSURANCE FOR DIRECTORS

Sinopec Corp. (the intermediate controlling shareholder which indirectly holds 60.33% of the Company) has taken out commercial insurance for all its Directors and all the Directors of all its listed subsidiaries (including the Company) in respect of the liability risks that the Directors bear in the performance of their duties.

AUDITORS' REMUNERATION

During the year, the following fees were paid/payable by the Group to its auditor, PricewaterhouseCoopers:

(in HK$ millions)

	2014	**2013**
Audit services		
– the Company	2.11	2.11
– subsidiaries	1.10	1.10
Non-audit services	–	0.52
Total	3.21	3.73

USE OF PROCEED FROM PLACING OF SHARES

Pursuant to the general mandate granted at the 2012 annual general meeting, the Company placed a total of 412,500,000 shares on 3 May 2013, representing approximately 19.89% of its total issued shares before placing. The total proceeds from this placing of shares amounted to approximately HK$2,681,000,000, and the net proceeds after deduction of related commission and expenses amounted to approximately HK$2,649,000,000.

As at 31 December 2014, the Company applied all of the abovementioned net proceeds from placing of shares of approximately HK$2,649,000,000 toward investment and development of oil and petrochemical products storage and logistics businesses.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and its effectiveness. It has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, including updating the system of internal controls when there are changes to business environment or regulatory guidelines.

The Board has conducted a review on the effectiveness of the system of internal control of the Company for the financial year ended 31 December 2014. The Board had, with the management, conducted a high-level risk assessment of its core business management procedures and risk management function for enhancing the internal control policies and procedures of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exact than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. As for the year ended 31 December 2014, all Directors confirmed that they have complied with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

COMPANY SECRETARY

Mr. Li Wen Ping and Mr. Lai Yang Chau, Eugene are the joint Company Secretaries of the Company. Mr. Li Wen Ping has extensive experience in the management of listed companies, and he participated in trainings related to the monitoring of listed companies in 2014. Mr. Lai Yang Chau, Eugene is a practising lawyer in Hong Kong and is responsible for assisting Mr. Li Wen Ping in completing the performance of the Company Secretary's duties.

COMMUNICATIONS WITH SHAREHOLDERS

The Company is committed to ensuring the Group's compliance with its disclosure obligations under the Listing Rules and other applicable laws and regulations. All shareholders and potential investors have equal opportunities to receive and obtain the public information released by the Company.

The Company welcomes shareholders to attend the general meeting to express their opinions and encourages all Directors to attend the general meeting to develop direct communications with shareholders. The external auditor is also required to attend the annual general meeting to assist the Directors in answering any pertinent questions from shareholders. The Company regularly disseminates to shareholders information such as annual and interim reports, circulars and announcements in accordance with the Listing Rules.

Updated information of the Group is available to institutional and retail investors via the website of HKEx (www.hkexnews.hk) or the website of the Company (www.sinopec.com.hk). All significant information such as announcements, annual and interim reports can be downloaded from the above websites.

SHAREHOLDERS' RIGHTS

(a) Procedures for shareholders to convene a Special General Meeting ("SGM")

Pursuant to the Companies Act, the Board shall, on the requisition of members of the Company holding not less than one-tenth of the paid-up capital of the Company as at the date of the deposit of the requisition, forthwith proceed to convene a SGM. If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

(b) Procedures for putting forward proposals at shareholders' meetings

Pursuant to the Companies Act of Bermuda, shareholders can submit a written requisition to move a resolution at a shareholders' meeting. The number of shareholders necessary for a requisition shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition the right to vote at the shareholders' meeting, or they are of a number no less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the registered office of the Company in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda for the attention of the Joint Company Secretaries not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution and not less than one week before the shareholders' meeting in case of any other requisition.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

(c) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar, and they may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also make enquiries to the Board by writing to the Joint Company Secretaries at the Company's office in Hong Kong at 34/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

During 2014, the Company has not made any changes to its Bye-Laws. An up to date version of the Bye-Laws is available on the Company's website and the SEHK's website. Shareholders may refer to the Bye-Laws for further details of their rights.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF
SINOPEC KANTONS HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sinopec Kantons Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 35 to 108, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

AUDITOR'S RESPONSIBILITY *(CONTINUED)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	**2014**	2013
		HK$'000	*HK$'000*
Revenue	5 & 6	**19,223,634**	23,355,579
Cost of sales	8	**(18,943,726)**	(23,200,797)
Gross profit		**279,908**	154,782
Other income and other gains-net	7	**25,896**	74,696
Distribution costs	8	**(26,379)**	(20,414)
Administrative expenses	8	**(95,455)**	(111,661)
Operating profit		**183,970**	97,403
Finance income	10	**6,516**	2,702
Finance costs	10	**–**	(3,807)
Finance income/(costs) – net		**6,516**	(1,105)
Share of results of:			
– Associated companies	12	**103,506**	108,780
– Joint ventures	13	**489,948**	456,966
		593,454	565,746
Profit before income tax		**783,940**	662,044
Income tax expenses	14	**(84,167)**	(170,637)
Profit for the year		**699,773**	491,407
Profit attributable to:			
Equity holders of the Company		**700,054**	491,397
Non-controlling interest		**(281)**	10
		699,773	491,407
Basic and diluted earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)	15	**28.16**	21.00
Dividends	26	**124,308**	87,016

The notes on pages 43 to 108 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 *HK$'000*	2013 *HK$'000*
Profit for the year	**699,773**	491,407
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on currency translation		
– Subsidiaries	**(2,973)**	78,090
– Associated companies	**(2,000)**	18,963
– Joint ventures	**(191,211)**	188,396
Other comprehensive income for the year, net of tax	**(196,184)**	285,449
Total comprehensive income for the year	**503,589**	776,856
Total comprehensive income attributable to:		
Equity holders of the Company	**503,870**	776,846
Non-controlling interest	**(281)**	10
Total comprehensive income for the year	**503,589**	776,856

The notes on pages 43 to 108 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**1,999,064**	1,958,211
Investment properties	19	**29,389**	14,910
Prepaid land lease payments	17	**712,759**	724,018
Interests in associated companies	12	**686,650**	617,864
Interests in joint ventures	13	**6,124,978**	5,475,680
Total non-current assets		**9,552,840**	8,790,683
Current assets			
Inventories	21	**15,313**	47,108
Trade and other receivables	20	**1,193,405**	730,367
Cash and cash equivalents	22	**795,558**	1,622,454
Total current assets		**2,004,276**	2,399,929
Total assets		**11,557,116**	11,190,612
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	23	**248,616**	248,616
Reserves		**9,989,967**	9,597,975
Equity attributable to equity holders of the Company		**10,238,583**	9,846,591
Non-controlling interest		**38,599**	9,630
Total equity		**10,277,182**	9,856,221

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	29	**103,340**	97,582
Current liabilities			
Trade and other payables	28	**1,170,615**	1,223,410
Income tax payable		**5,979**	13,399
Total current liabilities		**1,176,594**	1,236,809
Total liabilities		**1,279,934**	1,334,391
Total equity and liabilities		**11,557,116**	11,190,612
Net current assets		**827,682**	1,163,120
Total assets less current liabilities		**10,380,522**	9,953,803

The financial statements on pages 35 to 108 were approved by the Board on 27 March 2015 and were signed on its behalf

Chen Bo
Chairman

Ye Zhi Jun
Managing Director

The notes on pages 43 to 108 are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	**2014**	2013
		HK$'000	*HK$'000*
ASSETS			
Non-current asset			
Interests in subsidiaries	11	**6,522,722**	6,635,675
Current assets			
Other receivable	20	**147,882**	–
Cash and cash equivalents	22	**21**	23
Total current assets		**147,903**	23
Total assets		**6,670,625**	6,635,698
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**248,616**	248,616
Reserves	24	**6,416,199**	6,383,272
Total equity		**6,664,815**	6,631,888
LIABILITIES			
Current liabilities			
Other payables	28	**5,810**	3,810
Total equity and liabilities		**6,670,625**	6,635,698
Net current assets/(liabilities)		**142,093**	(3,787)
Total assets less current liabilities		**6,664,815**	6,631,888

The financial statements on pages 35 to 108 were approved by the Board on 27 March 2015 and were signed on its behalf

Chen Bo	**Ye Zhi Jun**
Chairman	*Managing Director*

The notes on pages 43 to 108 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Note	Share capital *HK$'000*	Share premium *HK$'000*	Specific reserve *HK$'000*	Merger reserve *HK$'000*	General reserves *HK$'000*	Exchange reserve *HK$'000*	Retained earnings *HK$'000*	Subtotal *HK$'000*	Non-controlling interest *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2013		207,366	3,693,117	–	23,444	212,921	525,566	1,845,530	6,507,944	–	6,507,944
Comprehensive income:											
Profit for the year		–	–	–	–	–	–	491,397	491,397	10	491,407
Other comprehensive income											
Exchange differences on currency translation:											
– Subsidiaries		–	–	–	–	–	78,090	–	78,090	–	78,090
– Associated companies		–	–	–	–	–	18,963	–	18,963	–	18,963
– Joint ventures		–	–	–	–	–	188,396	–	188,396	–	188,396
Other comprehensive income for the year, net of tax		–	–	–	–	–	285,449	–	285,449	–	285,449
Total comprehensive income for the year		–	–	–	–	–	285,449	491,397	776,846	10	776,856
Transaction with owners											
Issue of shares	23	41,250	2,607,567	–	–	–	–	–	2,648,817	–	2,648,817
Appropriation of reserves		–	–	–	–	15,628	–	(15,628)	–	–	–
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	200	200
Capital contributions from non-controlling interests		–	–	–	–	–	–	–	–	9,420	9,420
Net increase in specific reserve for the year	25	–	–	113	–	–	–	(113)	–	–	–
Dividends	26	–	–	–	–	–	–	(87,016)	(87,016)	–	(87,016)
Total transaction with owners		41,250	2,607,567	113	–	15,628	–	(102,757)	2,561,801	9,620	2,571,421
Balance at 31 December 2013		248,616	6,300,684	113	23,444	228,549	811,015	2,234,170	9,846,591	9,630	9,856,221

For the year ended 31 December 2014

	Note	Share capital HK$'000	Share premium HK$'000	Specific reserve HK$'000	Merger reserve HK$'000	General reserves HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 January 2014		248,616	6,300,684	113	23,444	228,549	811,015	2,234,170	9,846,591	9,630	9,856,221
Comprehensive income:											
Profit for the year		–	–	–	–	–	–	700,054	700,054	(281)	699,773
Other comprehensive income											
Exchange differences on currency translation:											
– Subsidiaries		–	–	–	–	–	(2,973)	–	(2,973)	–	(2,973)
– Associated companies		–	–	–	–	–	(2,000)	–	(2,000)	–	(2,000)
– Joint ventures		–	–	–	–	–	(191,211)	–	(191,211)	–	(191,211)
Other comprehensive income for the year, net of tax		–	–	–	–	–	(196,184)	–	(196,184)	–	(196,184)
Total comprehensive income for the year		–	–	–	–	–	(196,184)	700,054	503,870	(281)	503,589
Transaction with owners											
Appropriation of reserves		–	–	–	–	15,575	–	(15,575)	–	–	–
Capital contributions from non-controlling interests		–	–	–	–	–	–	–	–	29,250	29,250
Net increase in specific reserve for the year	25	–	–	38	–	–	–	(38)	–	–	–
Dividends	26	–	–	–	–	–	–	(111,878)	(111,878)	–	(111,878)
Total transaction with owners		–	–	38	–	15,575	–	(127,491)	(111,878)	29,250	(82,628)
Balance at 31 December 2014		248,616	6,300,684	151	23,444	244,124	614,831	2,806,733	10,238,583	38,599	10,277,182

The notes on pages 43 to 108 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Cash generated from operations	27	**371,476**	475,905
PRC enterprise income tax paid		**(87,612)**	(67,476)
Net cash generated from operating activities		**283,864**	408,429
Cash flows from investing activities			
Purchase of property, plant and equipment		**(233,208)**	(395,021)
Payment of land lease		**(476,820)**	–
Acquisition of asset through acquisition of a subsidiary		**–**	429
Loans granted to an associated company		**(20,601)**	(7,567)
Loans granted to joint ventures		**(353,142)**	(367,511)
Dividend received from an associated company	12	**54,687**	45,181
Dividend received from joint ventures		**75,444**	–
Acquisition of a joint venture		**–**	(2,113,746)
Consideration paid to acquire equity interests in joint ventures		**(96,403)**	(986,182)
Bank interest income received	7	**21,392**	36,826
Proceeds from disposal of property, plant and equipment		**594**	422
Net cash used in investing activities		**(1,028,057)**	(3,787,169)
Cash flows from financing activities			
Net proceeds from shares issued	23	**–**	2,648,817
Capital contribution from non-controlling interest		**29,250**	9,420
Drawdown of borrowings		**–**	1,880,314
Repayment of borrowings		**–**	(1,880,314)
Dividends paid	26	**(111,878)**	(87,016)
Finance costs paid	10	**–**	(3,807)
Net cash generated (used in)/from financing activities		**(82,628)**	2,567,414
Net decrease in cash and cash equivalents		**(826,821)**	(811,326)
Cash and cash equivalents at 1 January	22	**1,622,454**	2,404,982
Effect of foreign exchange rate changes		**(75)**	28,798
Cash and cash equivalents at 31 December	22	**795,558**	1,622,454

The notes on pages 43 to 108 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 (collectively the "**Group**") are principally engaged in the trading of crude oil and oil products, operation of crude oil and oil products terminals and ancillary facilities, provision of logistics services including storage, logistics, transportation and terminal services and the distribution of oil and oil products and international logistics agency services on global basis.

These financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated. These financial statements have been approved for issue by the Board on 27 March 2015.

In the opinion of the directors, the immediate holding company of the Company is Sinopec Kantons International Limited and the ultimate holding company is China Petrochemical Corporation ("**Sinopec Group Company**").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap.32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures

(a) Amended standard adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

HKAS 32 (Amendment)	Financial instruments: Presentation – offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Impairment of assets – recoverable amount disclosure

The adoption of these above amendments to standards have no significant effects on the Group's financial information.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2014 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – novation of derivatives
HKFRS 10, 12 and HKAS 27 (2011) (Amendment)	Consolidation for investment entities
HK(IFRIC) Int 21	Levies

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted

The following standards, amendments to standards and interpretation have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2015 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
HKAS 1 (amendment)	Disclosure initiative	1 January 2016
HKAS 19 (2011) (amendment)	Defined benefit plans: employee contributions	1 July 2014
Annual improvements project	Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements project	Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
HKFRS 10, HKFRS 12 and HKAS 28 (amendment)	Investment entities: applying the consolidation exception	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 11 (amendment)	Accounting for acquisitions of interests in joint operation	1 January 2016
HKAS 16 and HKAS 38 (amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (amendment)	Agriculture: bearer plants	1 January 2016
HKFRS 10 and HKAS 28 (amendment)	Sale or contribution of assets between and investor and its associate or joint venture	1 January 2016
HKAS 27 (amendment)	Equity method in separate financial statements	1 January 2016
Annual improvements project	Annual improvements to HKFRSs 2012-2014 cycle	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

The Group has not early adopted the new standards, amendments to standards and interpretation, which have been issued but are not effective for the financial year beginning 1 January 2014. The Group has commenced an assessment of the related impact, but is not yet in a position to state whether any substantial changes to the Group's accounting policies and presentation of the financial information will be resulted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statements.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Subsidiaries *(continued)*

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associated companies

Associated companies are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associated companies includes goodwill identified on acquisition.

If the ownership interest in associated companies is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statements, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in associated companies equals or exceeds its interest in the associated companies, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated companies.

The Group determines at each reporting date whether there is any objective evidence that the investment in associated companies is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated companies and its carrying value and recognises the amount adjacent to 'share of results of associated companies' in the income statements.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated companies are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associated companies. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interests in associated companies are recognised in the income statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.4 Joint arrangements

The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and it's carrying value and recognises the amount adjacent to 'shares of results of joint ventures' in the income statement.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements.

Foreign exchange gains and losses are presented in the income statement within 'Other income and other gains-net'.

(c) Group Companies

The accounts of foreign operations (i.e. subsidiaries, associated companies, and joint ventures whose activities are based or conducted in a country or currency other than those of the Company) are translated into Hong Kong dollars using the year end rates of exchange for the statement of financial position items and the average rates of exchange for the year for the income statement items. Exchange differences are recognised in other comprehensive income and accumulated under the heading of exchange reserve.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

–	Building	20 years
–	Leasehold improvement	10 years
–	Jetty structures	20-25 years
–	Jetty facilities	12-20 years
–	Plant and machinery	5-20 years
–	Furniture, fixtures and equipment	5-30 years
–	Motor vehicles and vessels	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income and other gains-net' in the income statements.

All direct and indirect costs relating to the construction of property, plant and equipment are classified as construction in progress. No depreciation is provided on construction in progress until such times as the relevant assets are completed and available for intended use.

2.8 Investment properties

Investment properties, comprising buildings are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. The Group accounts for its investment properties under the cost method and investment properties are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on the straight-line basis so as to amortise the cost of each investment property over its estimated useful life of 40 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or Groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life-for example, goodwill-are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

The Group classifies its financial assets in loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 Financial assets *(continued)*

Regular way purchases and sales of financial assets are recognised on the trade-date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.12 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statements. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average cost method. It comprises all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2.14 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at banks.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Current and deferred income tax *(continued)*

(b) Deferred income tax *(continued)*

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associated companies and joint ventures, except for deferred income tax it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associated companies. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of tax losses attributable to certain joint ventures and associated companies, as the directors consider it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.20 Employee benefits

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statements as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central retirement benefit scheme operated by the local municipal or provincial government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central retirement benefit scheme. The Group has no further payment obligations once the contributions have been paid.

2.21 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of goods

Revenue is recognised when goods are delivered to the port agreed on the sales contract which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax ("**VAT**") and is after deduction of any trade discounts.

(b) Crude oil jetty service income

Crude oil jetty service income is recognised when the services are rendered. Revenue excludes VAT.

(c) Vessel charter service income

Vessel charter service income is recognised on a percentage of completion basis, which is determined on the straight-line basis over the period of each individual vessel voyage. Revenue excludes VAT.

(d) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2.23 Interest Income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 Dividend Income

Dividend income is recognised when the right to receive payment is established.

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statements on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset.

Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

Sales and purchases arising from the Group's trading business are mainly denominated in United States dollars ("**USD**"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group currently does not have any foreign currency hedging activities.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(a) Foreign exchange risk *(continued)*

As at 31 December 2014, if Hong Kong dollar had weakened/strengthened by 3% against the RMB and SGD with all other variable held constant, profit before income tax for the year would have been HK$7,228,000 higher/lower (2013: lower/higher HK$9,060,000).

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and bank deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account the information specific to the customer as well as pertaining to the economic environment to which the customer operates. These receivables are due within 30 to 90 days from the date of billing. Debtors with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 98% (2013: 86%) of the total trade and other receivables was due from the Group's largest customer.

In respect of bank deposits, the credit risk is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

The Group does not provide any guarantees which would expose the Group or the Company to credit risk. At 31 December 2014, there was no exposure to credit risk arising from such guarantees as all outstanding loans have been settled.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group's Treasury Department. Treasury Department invests surplus cash in time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room. At the reporting date, the Group held cash and cash equivalents of HK$795,558,000 (2013: HK$1,622,454,000) (Note 22) and trade and other receivables of HK$1,193,405,000 (2013: HK$730,367,000) (Note 20) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's and the Company's non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group

	Within 1 year or on demand HK$'000
At 31 December 2014	
Trade payables-third parties	**694,491**
Other payables	**134,560**
Amounts due to immediate, intermediate holding companies and fellow subsidiaries	**341,564**
At 31 December 2013	
Trade payables-third parties	43,840
Other payables	907,349
Amounts due to immediate, intermediate holding companies and fellow subsidiaries	272,221

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

The Company

	Within 1 year or on demand HK$'000
At 31 December 2014	
Other payables	**5,810**
At 31 December 2013	
Other payables	3,810

3.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of consolidated current ratio, consolidated gearing ratio and net debt-to-capital ratio. The current ratio is calculated as current assets divided by current liabilities. The gearing ratio is calculated as total liabilities divided by total assets. For this purpose, net debt is defined as the sum of interest-bearing borrowings, trade and other payables, less cash and cash equivalents. Capital comprises all components of equity.

As at 31 December 2014, the Group's current ratio is 1.70 (2013: 1.94) gearing ratio is 11.07% (as at 2013: 11.92%)

During 2014, the Group's strategy, which was unchanged from 2013, was to maintain the adjusted net debt-to-capital ratio at less than 30%. The Group also considers the cost of capital and the risks associate with each class of capital structure is reviewed annually.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital management *(continued)*

The net debt-to-capital ratio at 31 December 2014 and 2013 was as follows:

	Note	The Group 2014 HK$'000	The Group 2013 HK$'000	The Company 2014 HK$'000	The Company 2013 HK$'000
Current liabilities					
Trade and other payables	28	**1,170,615**	1,223,410	**5,810**	3,810
Less: Cash and cash equivalents	22	**(795,558)**	(1,622,454)	**(21)**	(23)
Net debt		**375,057**	(399,044)	**5,789**	3,787
Total equity		**10,277,182**	9,856,221	**6,664,815**	6,631,888
Net debt-to-capital ratio		**4%**	(4%)	**1%**	1%

Neither of the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

4.1 Critical accounting estimates and assumptions *(continued)*

(a) Impairment of long lived assets

If circumstances indicate that the carrying amounts of a long lived asset may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36, Impairment of assets. The carrying amounts of long lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. For goodwill, the recoverable amount is estimated annually. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate fair values because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling prices and the amount of operating costs. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs.

(b) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates. Any revision of useful lives of the Group's fixed assets may have a significant impact to the Group's operating results.

(c) Withholding tax

The Group is subject to withholding taxes in the respective countries. Significant judgement is required in determining the provision for deferred taxes. There are many transactions and calculations for which the ultimate tax determined is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the withholding tax and deferred tax provision in the period in which such determination is made.

5 SEGMENT REPORTING

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

– Trading of crude oil: this segment trades crude oil. Currently, the majority of the trading activities are carried out in Hong Kong and the People's Republic of China (the "**PRC**").

– Crude oil jetty services: this segment provides crude oil transportation, unloading, storage and other jetty services for oil tankers. Currently, the Group's activities are carried out in the PRC and overseas.

– Vessel charter services: this segment provides vessel chartering for crude oil transportation and floating oil storage facilities for oil tankers. Currently, the Group's activities are mainly carried out in the Middle East and the PRC.

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

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

(a) Segment results, assets and liabilities

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

The measure used for reporting segment profit is "segment operating profit". Segment operating profit 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, unallocated finance costs, share of results of associated companies and joint ventures and other corporate costs or income are excluded from segment operating profit.

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

5 SEGMENT REPORTING *(CONTINUED)*

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended is set out as follow:

(i) As at and for the year ended 31 December 2014:

Year ended 31 December 2014

	Trading of crude oil *HK$'000*	Crude oil jetty services *HK$'000*	Vessel charter services *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Segment revenue and results					
Segment revenue	18,307,184	626,725	292,522	(2,797)	19,223,634
Inter-segment revenue	–	(2,797)	–	2,797	–
Revenue	18,307,184	623,928	292,522	–	19,223,634
Segment results	(23,904)	235,424	(32,953)	–	178,567
Share of results of associated companies					103,506
Share of results of joint ventures					489,948
Unallocated other corporate income					11,919
Profit before income tax					783,940
Income tax expenses					(84,167)
Profit for the year					699,773
Other segment items					
Bank interest income	–	460	–	–	460
Depreciation and amortisation	(716)	(178,284)	(715)	–	(179,715)

5 SEGMENT REPORTING *(CONTINUED)*

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

(i) As at and for the year ended 31 December 2014: *(continued)*

As at 31 December 2014

	Trading of crude oil *HK$'000*	Crude oil jetty services *HK$'000*	Vessel charter services *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Assets					
Segment assets	357,613	2,536,094	366,808	–	3,260,515
Unallocated assets					
– Cash and cash equivalents					795,558
– Investment properties					29,389
– Interests in associated companies					686,650
– Interests in joint ventures					6,124,978
– Prepaid land lease payments					660,026
Total assets					11,557,116
Liabilities					
Segment liabilities	350,303	162,638	350,303	–	863,244
Unallocated liabilities					
– Trade and other payables					313,350
– Deferred tax liabilities					103,340
Total liabilities					1,279,934
Capital expenditures	18	218,637	19	–	218,674

5 SEGMENT REPORTING *(CONTINUED)*

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

(ii) As at and for the year ended 31 December 2013:

Year ended 31 December 2013

	Trading of crude oil *HK$'000*	Crude oil jetty services *HK$'000*	Vessel charter services *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Segment revenue and results					
Segment revenue	22,435,933	582,302	339,973	(2,629)	23,355,579
Inter-segment revenue	–	(2,629)	–	2,629	–
Revenue	22,435,933	579,673	339,973	–	23,355,579
Segment results	(36,814)	220,208	(158,013)	–	25,381
Share of results of associated companies					108,780
Share of results of joint ventures					456,966
Unallocated other corporate income					70,917
Profit before income tax					662,044
Income tax expenses					(170,637)
Profit for the year					491,407
Other segment items					
Bank interest income	1	258	1	–	260
Finance costs	(1,904)	–	(1,903)	–	(3,807)
Depreciation and amortisation	(415)	(181,819)	(415)	–	(182,649)

5 SEGMENT REPORTING *(CONTINUED)*

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

(ii) As at and for the year ended 31 December 2013: *(continued)*

As at 31 December 2013

	Trading of crude oil *HK$'000*	Crude oil jetty services *HK$'000*	Vessel charter services *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Assets					
Segment assets	98,976	2,561,295	139,409	–	2,799,680
Unallocated assets					
– Cash and cash equivalents					1,622,454
– Investment properties					14,910
– Interests in associated companies					617,864
– Interests in joint ventures					5,475,680
– Prepaid land lease payments					660,024
Total assets					11,190,612
Liabilities					
Segment liabilities	351,891	251,037	351,890	–	954,818
Unallocated liabilities					
– Trade and other payables					281,991
– Deferred tax liabilities					97,582
Total liabilities					1,334,391
Capital expenditures	66	242,518	67	–	242,651

5 SEGMENT REPORTING *(CONTINUED)*

(b) Analysis of information by geographical regions

Revenue

The Group's revenue for reportable segments was solely from customers located in the PRC and is attributable to the PRC markets.

Non-current assets

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**451,001**	243,063
The PRC	**6,433,496**	5,942,116
Other countries	**2,668,343**	2,605,504
	9,552,840	8,790,683

Total assets

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**1,754,015**	1,843,937
The PRC	**7,041,789**	6,711,757
Other countries	**2,761,312**	2,634,918
	11,557,116	11,190,612

5 SEGMENT REPORTING (CONTINUED)

(c) Major customers

For the purpose of disclosure under segment reporting, one (2013: one) customer (including China International United Petroleum & Chemical Co., Ltd, UNIPEC ASIA COMPANY LIMITED and China Petroleum & Chemical Corporation Guangzhou Branch) from trading of crude oil, crude oil jetty services and vessel charter services has transactions that exceeded 10% of the Group's revenue, amounting to HK$19,174,345,000 (2013: HK$23,327,382,000). This customer operates in the PRC.

(d) Capital expenditures

	2014 ***HK$'000***	2013 *HK$'000*
Hong Kong	**37**	133
The PRC	**218,637**	242,518
	218,674	242,651

6 REVENUE

	2014 ***HK$'000***	2013 *HK$'000*
Trading of crude oil	**18,307,184**	22,435,933
Crude oil jetty services	**623,928**	579,673
Vessel charter services	**292,522**	339,973
	19,223,634	23,355,579

The principal activities of the Group are trading of crude oil and provision of crude oil jetty and vessel charter services.

Revenue represents the sales value of goods supplied to customers and income from providing crude oil jetty services and vessel charter services, net of VAT.

7 OTHER INCOME AND OTHER GAINS – NET

	2014	2013
	HK$'000	*HK$'000*
Rental income from investment properties	**1,913**	787
Bank interest income	**21,392**	36,826
Net foreign exchange (loss)/gain	**(311)**	24,772
Net loss on disposal of property, plant and equipment	**(2,020)**	(2,517)
Government grant – VAT refund	**3,526**	10,334
Others	**1,396**	4,494
	25,896	74,696

8 EXPENSES BY NATURE

	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**18,300,182**	22,601,139
Depreciation of properties, plant and equipment (Note 18)	**168,752**	171,735
Amortisation of investment properties (Note 19)	**1,351**	658
Amortisation of prepaid land lease payments	**10,963**	10,914
Employee benefit expenses (including directors' remuneration) (Note 9)	**87,790**	74,847
Auditor's remuneration		
– the Company	**2,110**	2,110
– subsidiaries	**1,233**	1,221
Rental expenses from investment properties	**271**	390
Operating lease charges: minimum lease payments		
– hire of other assets (including property rentals)	**11,734**	12,724
– hire of vessels	**126,634**	248,163

9 EMPLOYEE BENEFIT EXPENSES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and other benefits	**80,956**	68,884
Retirement benefit scheme contributions	**6,834**	5,963
	87,790	74,847

The Group operates a Mandatory Provident Fund Scheme (the "**MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of a monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The Company's PRC subsidiary, Huade Petrochemical Company Limited ("**Huade Petrochemical**"), participates in a defined contribution retirement scheme organised by the local government. Huade Petrochemical is required to make contributions to the pension fund scheme at a certain percentage of the employees' relevant basic salaries. Contributions to the scheme vest immediately.

The Company's Indonesia's subsidiary, PT West Point Terminal ("**PT West**"), participates in a defined contribution retirement scheme organised by the local government. PT West is required to make severance pay at a certain amount of the employees' relevant basic salaries. Contributions to the scheme vest immediately.

As at 31 December 2014, there was no material outstanding contribution to employee retirement benefits. The Group does not have any other obligations other than the contributions described above.

9 EMPLOYEE BENEFIT EXPENSES *(CONTINUED)*

(a) Directors' and chief executives emoluments

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance and the requirements of the Listing Rules is as follows:

2014	**Directors' fees** *HK$'000*	**Salaries, allowances and benefits-in-kinds** *HK$'000*	**Bonus** *HK$'000*	**Total** *HK$'000*
Executive directors				
Chen Bo *(Chairman)*	**–**	**–**	**–**	**–**
Zhu Zeng Qing *(Deputy Chairman)*	**–**	**–**	**–**	**–**
Zhu Jian Min	**–**	**–**	**–**	**–**
Tan Ke Fei	**–**	**–**	**–**	**–**
Zhou Feng	**–**	**–**	**–**	**–**
Ye Zhi Jun *(Managing Director)*	**–**	**1,308**	**1,439**	**2,747**
Independent non-executive directors				
Wong Po Yan	**65**	**–**	**–**	**65**
Tam Wai Chu	**260**	**–**	**–**	**260**
Fong Chung	**260**	**–**	**–**	**260**
Wong Yau Ka	**195**	**–**	**–**	**195**
	780	**1,308**	**1,439**	**3,527**

2013	Directors' fees *HK$'000*	Salaries, allowances and benefits-in-kinds *HK$'000*	Bonus *HK$'000*	Total *HK$'000*
Executive directors				
Dai Zhao Ming *(Chairman)*	–	–	–	–
Zhu Zeng Qing *(Deputy Chairman)*	–	–	–	–
Zhu Jian Min	–	–	–	–
Tan Ke Fei	–	–	–	–
Zhou Feng	–	–	–	–
Ye Zhi Jun *(Managing Director)*	–	1,407	951	2,358
Independent non-executive directors				
Wong Po Yan	260	–	–	260
Tam Wai Chu	260	–	–	260
Fong Chung	260	–	–	260
	780	1,407	951	3,138

9 EMPLOYEE BENEFIT EXPENSES *(CONTINUED)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2013: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the four (2013: four) individuals during the year are as follows:

	2014	2013
	HK$'000	*HK$'000*
Salaries and other benefits in kind	**4,940**	5,478
Bonuses	**4,919**	2,230
	9,859	7,708

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
Emolument bands (in HK dollar)		
HK$ 1,500,001 – HK$ 2,000,000	**–**	3
HK$ 2,000,001 – HK$ 3,000,000	**4**	1

10 FINANCE INCOME AND COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest income:		
– Loan to an associated company	**1,367**	970
– Loans to joint ventures	**5,149**	1,732
	6,516	2,702
Interest expenses:		
– Interest expenses on bank and other borrowings wholly repayable within five years	**–**	3,807

11 INTERESTS IN SUBSIDIARIES

	The Company	
	2014	2013
	HK$'000	*HK$'000*
Unlisted shares, at cost	**427,317**	427,317
Amounts due from subsidiaries	**6,095,405**	6,208,358
	6,522,722	6,635,675

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. The amounts are not expected to be repayable within one year from the end of the reporting period, and accordingly, the balances are classified as non-current assets.

In March 2013, the Group completed an acquisition of 95% equity interest in PT West at a total consideration of approximately IDR4,750,000,000 (equivalent to approximately HK$3,840,000). The directors consider this acquisition is an asset acquisition in substance rather than a business combination, and therefore consolidated the related assets and liabilities at their respective purchased value directly into the Group's consolidated financial statements at the date of completion of the transaction.

The assets and liabilities acquired on 19 March 2013 are as below:

	HK$'000
Total consideration:	
– Cash	3,840
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	4,269
Other receivables	351
Other payables	(3,199)
Total identifiable net assets	1,421

11 INTERESTS IN SUBSIDIARIES *(CONTINUED)*

The following is a list of the principal subsidiaries as at 31 December 2014 and 2013:

	Place of incorporation/ establishment and kind of legal entity	Principal activities	Particulars of issued and paid up capital/ registered capital	Proportion of ordinary shares and voting powers at 31 December: % held by the Group in 2014	% held by the Group in 2013	% held by non-controlling interests in 2014
Directly held						
Sinomart KTS Development Limited ("**Sinomart Development**") (經貿冠德發展有限公司)	Hong Kong Limited liability company	Trading of crude oil and rendering vessel charter services	185,250,050 ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each (Note (iii))	100%	100%	–
Kantons International Investment Limited ("**KII**") (冠德國際投資有限公司)	British Virgin Islands Limited liability company	Investment holding	3,000,000 ordinary shares of USD1 each	100%	100%	–
Indirectly held						
Huade Petrochemical (Note (i)) (華德石化有限公司)	The PRC, wholly foreign owned enterprise Limited liability company	Operating crude oil jetty and ancillary facilities	Registered capital USD93,758,200	100%	100%	–
PT West (Note (ii))	Jakarta, Indonesia Limited liability company	Provision of oil supporting services	100,000,000 shares of USD1 each	95%	95%	5%

Notes:

(i) Huade Petrochemical holds jetty operating rights with a term of 35 years that will expire in 2029.

(ii) The interest in PT West was acquired by the Group in March 2013.

(iii) Holders of non-voting defined shares have no rights to dividends or to receive notice of or to attend or vote at any general meeting of Sinomart Development or to participate in any distribution on winding up.

There is no material non-controlling interest during the year.

The English name of certain companies referred in this financial statements represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

12 INTERESTS IN ASSOCIATED COMPANIES

	2014	2013
	HK$'000	*HK$'000*
Cost of unlisted investments in associated companies	**419,030**	419,030
Share of post-acquisition results and other comprehensive income	**304,293**	200,787
Dividend received	**(99,868)**	(45,181)
Exchange realignment	**17,286**	19,286
Share of net assets	**640,741**	593,922
Amounts due from an associated company	**45,909**	23,942
	686,650	617,864

The amounts due from an associated company are unsecured and interest bearing. As at 31 December 2014 and 2013, the amounts due from an associated company bears an interest of approximately 3.1% over 3 months LIBOR per annum and are wholly repayable within 20 years after the vessels construction project of the associated company is completed.

The following list contains only the particulars of associated companies, all of which are unlisted corporate entities:

	Note	**Principal activities**	**Place of incorporation/ establishment**	**Particulars of issued and paid up capital/registered capital**	**Proportion of ordinary shares and voting powers at 31 December**	
					% held by the Group in 2014	**% held by the Group in 2013**
Indirectly held						
East China LNG Shipping Investment Co., Limited ("**East China LNG**") (中國東方液化天然氣運輸投資有限公司)		Transportation of liquefied natural gas	Hong Kong	5,000,000 ordinary shares of USD1 each	30%	30%
Zhan Jiang Port Petrochemical Jetty Co. ("**Zhan Jiang Port Petrochemical Terminal**") (湛江港石化碼頭有限公司)	(a)	Provision of logistic service	The PRC	Registered capital RMB180,000,000	50%	50%

12 INTERESTS IN ASSOCIATED COMPANIES *(CONTINUED)*

(a) The directors have determined that they do not control Zhan Jiang Port Petrochemical Terminal, even though Sinomart Development owns 50% of the issued capital of this entity. Sinomart Development is not responsible to make decisions on operations and its financial policies, it mainly exercises significant influence to the investee instead of joint control.

Set out below are the summarised financial information for Zhan Jiang Port Petrochemical Terminal which is considered material to the Group's financial statements.

Summarised balance sheet

	Zhan Jiang Port Petrochemical Terminal	
	2014	2013
	HK$'000	*HK$'000*
Current		
Cash and cash equivalents	**52,574**	75,192
Other current assets (excluding cash)	**27,498**	30,279
Total current assets	**80,072**	105,471
Financial liabilities (excluding trade payables)	**(424,120)**	(543,209)
Other current liabilities (including trade payables)	**(69,178)**	(97,057)
Total current liabilities	**(493,298)**	(640,266)
Non-current		
Assets	**1,828,985**	1,738,238
Financial liabilities	**(157,678)**	(38,999)
Total non-current assets	**1,671,307**	1,699,239
Net assets	**1,258,081**	1,164,444

12 INTERESTS IN ASSOCIATED COMPANIES *(CONTINUED)*

Summarised statement of comprehensive income

	Zhan Jiang Port Petrochemical Terminal	
	2014	2013
	HK$'000	*HK$'000*
Revenue	**605,114**	606,857
Depreciation and amortisation	**(58,376)**	(56,251)
Interest income	**448**	531
Interest expense	**(27,803)**	(35,918)
Other expenses	**(242,631)**	(225,024)
Profit or loss from continuing operations	**276,752**	290,195
Income tax expense	**(69,740)**	(72,635)
Post-tax profit	**207,012**	217,560
Other comprehensive income	**(4,000)**	37,926
Total comprehensive income	**203,012**	255,486
Dividends received from an associated company	**54,687**	45,181

The information above reflects the amounts presented in the financial statements of the associated company (and not the Group attributable share) adjusted for differences in accounting policies between the Group and the associated company.

12 INTERESTS IN ASSOCIATED COMPANIES *(CONTINUED)*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in an associated company.

	Zhan Jiang Port Petrochemical Terminal	
	2014	2013
	HK$'000	*HK$'000*
Net assets	**1,258,081**	1,164,444
Interest in an associated company (%)	**50%**	50%
Group's share of net assets in an associated company	**629,041**	582,222
Carrying value	**629,041**	582,222

The Group has interests in an immaterial associated company. The following table analyses the share of profit and other comprehensive income and carrying amount of this associated company.

	2014	2013
	HK$'000	*HK$'000*
Share of profit	**–**	–
Share of other comprehensive income	**–**	–
Share of total comprehensive income	**–**	–
Carrying amount of interest in the associated company	**11,700**	11,700

13 INTERESTS IN JOINT VENTURES

	2014 HK$'000	2013 HK$'000
Cost of unlisted investments in joint ventures	**4,487,233**	4,487,233
Share of post-acquisition results and other comprehensive income	**1,006,673**	516,725
Dividend received	**(93,858)**	(86,127)
Exchange realignment	**(2,605)**	188,606
Share of net assets	**5,397,443**	5,106,437
Amounts due from joint ventures	**727,535**	369,243
	6,124,978	5,475,680

Certain amounts due from joint ventures are unsecured and interest bearing. As at 31 December 2014 and 2013, certain amounts due from joint ventures bear interest at 2.2% over 3 months LIBOR per annum and are wholly repayable within 20 years after the vessels construction project in the joint ventures are completed.

Details of the Group's interests in the joint ventures are as follows:

Indirectly held	Note	Principal activities	Place of establishment	Particulars of issued and paid up capital/registered capital	Measurement method	Proportion of ordinary shares and voting powers at 31 December: % held by the Group in 2014	% held by the Group in 2013
Ningbo Shihua Crude Oil Terminal Company Limited (寧波實華原油碼頭有限公司)	(a)	Operation of crude oil jetty and its ancillary facilities	The PRC	Registered capital RMB80,000,000	Equity	50%	50%
Qingdao Shihua Crude Oil Terminal Company Limited ("**Qingdao Shihua**") (青島實華原油碼頭有限公司)	(a)	Operation of crude oil jetty and its ancillary facilities	The PRC	Registered capital RMB1,000,000,000	Equity	50%	50%
Tianjin Port Shihua Crude Oil Terminal Company Limited (天津港實華原油碼頭有限公司)	(a)	Operation of crude oil jetty and its ancillary facilities	The PRC	Registered capital RMB482,660,000	Equity	50%	50%

13 INTERESTS IN JOINT VENTURES *(CONTINUED)*

Indirectly held	Note	Principal activities	Place of establishment	Particulars of issued and paid up capital/registered capital	Measurement method	Proportion of ordinary shares and voting powers at 31 December: % held by the Group in 2014	% held by the Group in 2013
Rizhao Shihua Crude Oil Terminal Company limited ("**Rizhao Shihua**") (日照實華原油碼頭有限公司)	(a)	Operation of crude oil jetty and its ancillary facilities	The PRC	Registered capital RMB1,080,000,000	Equity	50%	50%
Tangshan Caofeidian Shihua Crude Oil Terminal Company and its Limited ("**Caofeidian Shihua**") (唐山曹妃甸實華原油碼頭有限公司)	(a)	Operation of crude oil jetty and its ancillary facilities	The PRC	Registered capital RMB289,610,000	Equity	90%	90%
China Energy Shipping Investment Company limited (中國能源運輸投資有限公司)	(b)	Vessel charter services	Hong Kong	5,000,000 ordinary shares of USD1 each	Equity	49%	49%
Fujairah Oil Terminal FZC ("**FOT**")	(c)	Constructing of an oil storage facility	Fujairah	100,000 shares of USD1 each	Equity	50%	50%
Vesta Terminal B.V. ("**Vesta**")	(d)	Transit, transhipment and storage of petrochemical products, oil shale derived products, and other cargo and provision of associated services	Netherlands	18,002 shares have been issued and fully paid	Equity	50%	50%

13 INTERESTS IN JOINT VENTURES *(CONTINUED)*

Notes:

(a) The acquisition of the five joint ventures is completed in October 2012. The Directors believe the acquisition of the five joint ventures is consistent with the development strategy of the Group, and will bring long-term strategic benefits to the Group, including: Creation of one of Asia's largest oil terminal businesses and attractive growth profile driven from China's long-term projected energy consumption growth, increasing scale and strengthens competitive advantage of Group's core business, increasing profitability and stability of earnings and creation of a platform for future development of the Group.

The directors have also determined that they do not control Caofeidian Shihua, even though Sinomart Development owns 90% of the issued capital of this entity. It is not a controlled entity of Sinomart Development, because decisions for financial and operating activities can only be passed with a unanimous consent of all members in the Board. Therefore, Sinomart Development is not exposed, and has no right, to variable returns from the entity and is not able to use its power over the entity to affect those returns.

(b) The Directors are of the opinion that the formation of the joint venture for participating in the LNG transportation under APLNG is beneficial for the Group to further expand its logistics business, and enhance the Group's profitability through sharing profit from the transportation link in the LNG business chain.

(c) In January 2012, the Group entered into an acquisition agreement to acquire 50% of the equity interest of FOT from Concord Energy Oil Terminal (Hong Kong) Limited at a consideration of USD25,050,000 (equivalent to approximately HK$195,390,000). The acquisition was completed in January 2013. The directors of the Company has completed fair value assessment of identifiable assets of the investment and goodwill totalling HK$55,844,000 was recognised in the interests in joint ventures.

The Directors consider that the acquisition of FOT is in line with the Group's business development strategy of providing oil storage facilities and related logistics services and expanding into new markets. In addition, upon commencement of operation of FOT, it will increase the overall profitability and stability of earnings of the Group.

(d) In October 2012, the Group entered into an acquisition agreement to acquire 50% of the equity interest of Vesta under Mercuria Energy Group at consideration of Euro128,600,000 (equivalent to approximately HK$1,377,682,000). The acquisition was completed in April 2013. The directors of the Company has completed fair value assessment of identifiable assets of the investment and goodwill totalling HK$493,400,000 was recognised in the interests in joint ventures.

The Directors consider that the acquisition of Vesta provides the Group with a good opportunity to develop its experience in operating and managing overseas storage facilities and achieve rapid expansion in the European bulk liquid storage terminals business.

13 INTERESTS IN JOINT VENTURES *(CONTINUED)*

Set out below are the summarised financial information for Vesta, Qingdao Shihua, Rizhao Shihua and Caofeidian Shihua which are accounted for using the equity method.

Summarised balance sheet

	Vesta		Qingdao Shihua		Rizhao Shihua		Caofeidian Shihua	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current								
Cash and cash equivalents	**138,026**	97,909	**149,829**	11,856	**114,311**	392,080	**38,975**	163,858
Other current assets (excluding cash)	**42,518**	16,582	**76,635**	16,463	**14,975**	10,547	**808**	208,177
Total current assets	**180,544**	114,491	**226,464**	28,319	**129,286**	402,627	**39,783**	372,035
Financial liabilities (excluding trade payables)	**(103,130)**	(149,414)	**(449,045)**	(18,166)	**(109,996)**	(242,406)	**(108,435)**	–
Other current liabilities (including trade payables)	**(44,453)**	(1,677)	**(131,015)**	(161,294)	**(148,029)**	(116,890)	**(646)**	(15,850)
Total current liabilities	**(147,583)**	(151,091)	**(580,060)**	(179,460)	**(258,025)**	(359,296)	**(109,081)**	(15,850)
Non-current								
Assets	**2,198,024**	3,675,945	**3,592,973**	3,005,446	**2,161,317**	1,760,942	**698,402**	256,412
Financial liabilities	**(475,301)**	(1,127,109)	**–**	–	**(193,948)**	(157,660)	**–**	(65,300)
Other liabilities	**(12,757)**	(505,888)	**–**	–	**–**	–	**–**	–
Total non-current net assets	**1,709,966**	2,042,948	**3,592,973**	3,005,446	**1,967,369**	1,603,282	**698,402**	191,112
Net assets	**1,742,927**	2,006,348	**3,239,377**	2,854,305	**1,838,630**	1,646,613	**629,104**	547,297

13 INTERESTS IN JOINT VENTURES *(CONTINUED)*

Summarised statement of comprehensive income

	Vesta		Qingdao Shihua		Rizhao Shihua		Caofeidian Shihua	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**679,732**	515,596	**1,049,292**	786,958	**339,650**	312,470	**182,523**	239,301
Depreciation and amortisation	**(180,344)**	(114,456)	**(148,975)**	(116,960)	**(37,904)**	(30,482)	**(38,926)**	(38,644)
Interest income	**–**	191	**2,814**	3,867	**3,325**	1,114	**125**	468
Interest expense	**(23,852)**	(37,495)	**–**	–	**(10,137)**	(13,189)	**(2,167)**	(8,756)
Other expense	**(345,279)**	(284,762)	**(368,746)**	(275,336)	**(71,806)**	(82,777)	**(46,458)**	(43,377)
Profit or loss from continuing operations	**130,257**	79,074	**534,385**	398,529	**223,128**	187,136	**95,097**	148,992
Income tax expense	**(14,722)**	(7,933)	**(141,239)**	(105,174)	**(26,463)**	(198)	**(11,925)**	–
Post-tax profit	**115,535**	71,141	**393,146**	293,355	**196,665**	186,938	**83,172**	148,992
Other comprehensive income	**(363,494)**	10,441	**(8,074)**	(10,160)	**(4,647)**	(2,143)	**(1,365)**	624
Total comprehensive income	**(247,959)**	81,582	**385,072**	283,195	**192,018**	184,795	**81,807**	149,616

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures (and not the Group attributable share)

13 INTERESTS IN JOINT VENTURES *(CONTINUED)*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interests in the material joint ventures for the year ended 31 December.

	Vesta		Qingdao Shihua		Rizhao Shihua		Caofeidian Shihua	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Opening net assets	**2,006,348**	–	**2,854,305**	1,503,482	**1,646,612**	1,071,928	**547,297**	380,863
Profit for the year	**115,535**	71,141	**393,146**	293,355	**196,665**	186,938	**83,172**	148,992
Other comprehensive income	**–**	10,441	**–**	(10,160)	**–**	(2,143)	**–**	624
Capital injection	**–**	1,769,473	**–**	973,286	**–**	340,997	**–**	–
Dividend paid	**(15,462)**	–	**–**	–	**–**	–	**–**	–
Exchange realignment	**(363,494)**	155,293	**(8,074)**	94,342	**(4,647)**	48,892	**(1,365)**	16,818
Closing net assets	**1,742,927**	2,006,348	**3,239,377**	2,854,305	**1,838,630**	1,646,612	**629,104**	547,297
Interests in Joint Ventures (%)	**50%**	50%	**50%**	50%	**50%**	50%	**90%**	90%
Group's share of net assets in joint ventures	**871,464**	1,003,174	**1,619,689**	1,427,153	**919,315**	823,306	**566,194**	492,567
Goodwill	**493,400**	493,400	**7,609**	7,609	**4,237**	4,237	**–**	–
Carrying value	**1,364,864**	1,496,574	**1,627,298**	1,434,762	**923,552**	827,543	**566,194**	492,567

The Group has interests in a number of individually immaterial joint ventures. The following table analyses, in aggregate, the share of profit and other comprehensive income and carrying amount of these joint ventures.

	2014	2013
	HK$'000	*HK$'000*
Share of profit	**62,420**	47,156
Share of other comprehensive income	**(1,874)**	312
Share of total comprehensive income	**60,546**	47,468
Carrying amount of interests in these joint ventures	**915,535**	854,991

13 INTERESTS IN JOINT VENTURES *(CONTINUED)*

Commitments and contingent liabilities in respect of joint ventures

The Group has the following commitments relating to its joint ventures as at 31 December 2014 and 2013:

	2014 *HK$'000*	2013 *HK$'000*
Share of joint ventures' capital commitments		
– Contracted for	**2,597,155**	4,444,111

There were no contingent liabilities relating to the Group's interests in the joint ventures at 31 December 2014 and 2013.

14 INCOME TAX EXPENSES

	Note	**2014** *HK$'000*	2013 *HK$'000*
Current income tax:			
– PRC enterprise income tax	(a)	**54,123**	53,698
– Withholding tax	(b)	**23,995**	21,657
		78,118	75,355
Deferred income tax (Note 29)		**6,049**	95,282
		84,167	170,637

14 INCOME TAX EXPENSES *(CONTINUED)*

(a) The Company is incorporated in the Bermuda as an exempted company with limited liability under the Companies Law of the Bermuda and, accordingly, is exempted from payment of the Bermuda income tax. No provision of Hong Kong profits tax has been made as the Group's subsidiaries in Hong Kong sustained adjusted losses during the year (2013: loss). PRC and overseas subsidiaries are calculated as the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

(b) Dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 in the PRC is subject to withholding income tax at a tax rate of 5% or 10%. During the year, withholding income tax was provided for undistributed profits of the Group's subsidiaries, joint ventures and associated companies established the PRC at tax rates of 5% or 10% (2013: 5% or 10%).

(c) The tax on the Group's profit before income tax less share of results of joint ventures and associated companies differs from the theoretical amount that would arise using the principal applicable tax rate as follows:

	2014	2013
	HK$'000	*HK$'000*
Profit before income tax	**783,940**	662,044
Less: Share of results of – associated companies	**(103,506)**	(108,780)
– joint ventures	**(489,948)**	(456,966)
	190,486	96,298
Tax calculated at domestic tax rates applicable to profits in the respective countries	**51,201**	35,346
Income not subject to tax	**(52,638)**	(53,903)
Expenses not deductible for tax purposes	**69,485**	84,196
Withholding tax	**6,049**	95,282
Over-provision in prior years	**–**	(123)
Utilisation of previously unrecognised tax loss	**(833)**	(4)
Tax losses for which no deferred income tax asset was recognised	**10,903**	9,843
Income tax expenses	**84,167**	170,637

15 EARNINGS PER SHARE

	2014	2013
Profit attributable to equity holder of the Company (HK$'000)	**700,054**	491,397
Weighted average number of ordinary shares at 31 December (shares'000)	**2,486,160**	2,340,372
Basic earnings per share (HK cents per share)	**28.16**	21.00

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 years.

16 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The profit attributable to equity shareholders of the Company is dealt with in the financial statements of the Company to the extent a profit of HK$144,805,000 (2013: loss of HK$4,223,000).

17 PREPAID LAND LEASE PAYMENTS

The Group's interests in prepaid land lease payments represent prepaid operating lease payments and their net book value are analysed as follows:

	2014	2013
	HK$'000	*HK$'000*
Outside Hong Kong, held on:		
Leases of 10 to 50 years	**712,759**	724,018

18 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings held for own use HK$'000	Leasehold improvements HK$'000	Jetty structures HK$'000	Jetty facilities HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles and vessels HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2013									
Cost	96,152	477	1,697,634	1,083,566	245,641	155,298	130,622	227,198	3,636,588
Accumulated depreciation	(41,754)	(477)	(741,985)	(666,869)	(163,997)	(94,125)	(72,139)	-	(1,781,346)
Net book amount	54,398	-	955,649	416,697	81,644	61,173	58,483	227,198	1,855,242
Year ended 31 December 2013									
Opening net book amount	54,398	-	955,649	416,697	81,644	61,173	58,483	227,198	1,855,242
Currency translation differences	62	-	417	(7,902)	437	(165)	73	-	(7,078)
Additions	-	-	6,953	52,052	1,871	14,571	-	209,274	284,721
Disposals	(1,061)	-	(1,080)	-	1,046	(1,843)	(1)	-	(2,939)
Transfers	-	-	46,102	252,882	-	14,320	1,471	(314,775)	-
Depreciation charge	(2,486)	-	(94,770)	(47,274)	(10,573)	(8,817)	(7,815)	-	(171,735)
Closing net book amount	50,913	-	913,271	666,455	74,425	79,239	52,211	121,697	1,958,211
At 31 December 2013									
Cost	91,834	477	1,745,842	1,379,728	211,698	179,961	132,091	121,697	3,863,328
Accumulated depreciation	(40,921)	(477)	(832,571)	(713,273)	(137,273)	(100,722)	(79,880)	-	(1,905,117)
Net book amount	50,913	-	913,271	666,455	74,425	79,239	52,211	121,697	1,958,211
Year ended 31 December 2014									
Opening net book amount	50,913	-	913,271	666,455	74,425	79,239	52,211	121,697	1,958,211
Currency translation differences	(7)	-	(283)	(4,761)	(42)	(42)	(24)	-	(5,159)
Additions	-	-	301	1,886	-	1,728	-	229,293	233,208
Disposals	-	-	(402)	(1,414)	(594)	(178)	(26)	-	(2,614)
Transfers	(15,830)	-	-	-	-	-	-	-	(15,830)
Depreciation charge	(1,646)	-	(67,402)	(63,351)	(9,475)	(20,290)	(6,588)	-	(168,752)
Closing net book amount	33,430	-	845,485	598,815	64,314	60,457	45,573	350,990	1,999,064
At 31 December 2014									
Cost	64,106	477	1,745,568	1,371,169	205,977	178,559	131,530	350,990	4,048,376
Accumulated depreciation	(30,676)	(477)	(900,083)	(772,354)	(141,663)	(118,102)	(85,957)	-	(2,049,312)
Net book amount	33,430	-	845,485	598,815	64,314	60,457	45,573	350,990	1,999,064

19 INVESTMENT PROPERTIES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Opening balance at 1 January	**14,910**	15,568
Depreciation charge for the year	**(1,351)**	(658)
Transfer from owner-occupied properties to investment properties (Note 18)	**15,830**	–
Closing balance at 31 December	**29,389**	14,910

As at 31 December 2014, the Group had no unprovided contractual obligations for future repairs and maintenance (2013: Nil).

All investment properties of the Group are carried at their costs less accumulated depreciation and any accumulated impairment losses as at 31 December 2014. For disclosure purposes, the fair values of investment properties have been estimated at the market value by reference to recent market transactions in comparable properties. The fair value of the investment properties as at 31 December 2014 is estimated to be HK$99,480,000 (2013: HK$63,120,000). An independent valuation of the Group's investment properties was performed by the valuer, Asset Appraisal Limited, to determine the fair value of the investment properties as at 31 December 2014 and 2013. The following table analyses the investment properties measured at fair value, by valuation method.

19 INVESTMENT PROPERTIES *(CONTINUED)*

Fair value hierarchy

	Fair value measurements As at 31 December 2014 using		
	Quoted prices in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	HK$'000	***HK$'000***	***HK$'000***
Description			
Fair value measurements			
Investment properties:			
– Residential (HK and Macau)	**–**	**99,480**	**–**
	–	**99,480**	**–**

	Fair value measurements As at 31 December 2013 using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	HK$'000	*HK$'000*	*HK$'000*
Description			
Fair value measurements			
Investment properties:			
– Residential (HK and Macau)	–	63,120	–
	–	63,120	–

19 INVESTMENT PROPERTIES *(CONTINUED)*

For office units, the valuation was determined using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

There were no changes in valuation techniques during the year.

The Group leases out investment properties under operating leases. The leases run for an initial period of two years. None of the leases includes contingent rentals.

(a) *Amounts recognised in Income Statement for investment properties*

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Rental income	**1,913**	787
Direct operating expenses from property that generated rental income	**(271)**	(390)
	1,642	397

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 1 year	**1,356**	787
1-2 years	**856**	–

20 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables				
– Amounts due from intermediate holding company and fellow subsidiaries	**1,161,323**	609,317	**–**	–
– Third parties	**2,723**	1,912	**–**	–
	1,164,046	611,229	**–**	–
Other receivables				
– Amounts due from intermediate holding company and fellow subsidiaries	**4,589**	15,748	**–**	–
– Dividend receivable from a joint venture	**–**	86,127	**–**	–
– Dividend receivable from a subsidiary	**–**	–	**147,882**	–
– Third parties	**24,770**	17,263	**–**	–
	29,359	119,138	**147,882**	–
	1,193,405	730,367	**147,882**	–

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

Trade receivables including amounts due from intermediate holding company, fellow subsidiaries and third parties, are due within 30 to 90 days from the date of billing.

The amounts due from intermediate holding company and fellow subsidiaries and dividend receivables are unsecured and interest free and there are no history of default.

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

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**729,741**	108,356
1 to 2 months	**29,382**	112,256
2 to 3 months	**30,469**	115,247
Over 3 months but less than 12 months	**374,454**	275,370
	1,164,046	611,229

20 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2014	2013
	HK$'000	*HK$'000*
HK$	**5,095**	689
RMB	**546,637**	684,315
USD	**641,673**	45,363
	1,193,405	730,367

Ageing analysis of trade receivables are set out below:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Current	**729,741**	108,356
Less than 1 month past due	**29,382**	112,256
1 to 3 months past due	**117,834**	37,168
More than 3 months but less than 12 months past due	**287,089**	353,449
Amounts past due	**434,305**	502,873
	1,164,046	611,229

As of 31 December 2014, trade receivables of HK$434,305,000 (2013: HK$502,873,000) were past due but were not impaired. These were related to trade receivables due from the Group's intermediate holding company. The Group derived majority of its jetty service income from its intermediate holding company. The intermediate holding company is a state-owned enterprise listed in both Hong Kong and the PRC. Based on past experience and the intermediate holding company's sound financial position, the overdue amounts can be recovered.

Current receivables that are related to a number of customers that have no recent history of default.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

21 INVENTORIES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Fuel oil for vessels	**11,815**	45,323
Spare parts	**3,498**	1,785
Total	**15,313**	47,108

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HK$18,300,182,000 (2013: HK$22,601,139,000).

22 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**213,382**	423,156	**21**	23
Short-term bank deposits	**582,176**	1,199,298	**–**	–
Cash and cash equivalents	**795,558**	1,622,454	**21**	23

At 31 December 2014 and 2013, there were no restricted deposits held at bank as reserve for serving of debt for revolving loans provided by bank.

Short-term bank deposits earn an interest of floating rates from 0.80% to 3.50% per annum (2013: 0.17% to 3.35% per annum).

22 CASH AND CASH EQUIVALENTS *(CONTINUED)*

The carrying amounts of time deposits, bank balances and cash are denominated in the following currencies:

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
USD	**411,736**	182,783	**–**	–
Euro	**6,325**	356	**–**	–
RMB	**338,059**	393,307	**–**	–
HK$	**39,373**	1,045,471	**21**	23
SGD	**15**	478	**–**	–
IDR	**50**	59	**–**	–
Cash and cash equivalents	**795,558**	1,622,454	**21**	23

23 SHARE CAPITAL

	2014		2013	
	Number of Shares	**Amounts**	Number of Shares	Amounts
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**3,000,000**	**300,000**	3,000,000	300,000
Issued and fully paid:				
At 1 January	**2,486,160**	**248,616**	2,073,660	207,366
Share issued	**–**	**–**	412,500	41,250
At 31 December	**2,486,160**	**248,616**	2,486,160	248,616

On 9 May 2013, 412,500,000 ordinary shares were issued at HK$6.50 each. Total consideration amounted to HK$2,681,250,000 of which HK$41,250,000 was credited to share capital and the remaining proceeds, less the share issuance costs HK$32,433,000, amounted to HK$2,607,567,000, were credited to the share premium account.

24 RESERVES

Company

	Share premium HK$'000	Contributed surplus HK$'000	(Accumulated losses)/ retained earnings HK$'000	Total HK$'000
Balance at 1 January 2013	3,693,117	242,397	(68,570)	3,866,944
Changes in equity for 2013:				
Shares issued under rights issue	2,607,567	–	–	2,607,567
Final dividends approved in respect of the previous year	–	–	(49,724)	(49,724)
Total comprehensive income for the year	–	–	(4,223)	(4,223)
Interim dividends declared in respect of the current year	–	–	(37,292)	(37,292)
Balance at 31 December 2013	6,300,684	242,397	(159,809)	6,383,272
Balance at 1 January 2014	**6,300,684**	**242,397**	**(159,809)**	**6,383,272**
Changes in equity for 2014:				
Final dividends approved in respect of the previous year	**–**	**–**	**(49,724)**	**(49,724)**
Total comprehensive income for the year	**–**	**–**	**144,805**	**144,805**
Interim dividends declared in respect of the current year	**–**	**–**	**(62,154)**	**(62,154)**
Balance at 31 December 2014	**6,300,684**	**242,397**	**(126,882)**	**6,416,199**

24 RESERVES *(CONTINUED)*

Notes

(a) The application of the share premium account is governed by section 40 of Bermuda Companies Act 1981.

(b) The merger reserve of the Group represents the difference between the nominal amount of the share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued for the acquisition under a Group reorganisation carried out in 1999.

(c) The general reserves of the Group represent appropriations made by the Company's PRC subsidiary, associated companies and joint ventures, from retained earnings to a statutory general reserve and an enterprise development fund, pursuant to the relevant PRC laws and regulations applicable to a foreign investment enterprise. Neither the reserve nor the fund is available for distribution.

For the general reserves, the PRC entities are required to transfer at least 10% of its net profit for the year, as determined under the PRC accounting rules and regulations, to the statutory general reserve until the reserve balance reaches 50% of the paid-up capital. The transfer to this reserve must be made before distribution of dividends to equity owners. The statutory general reserve fund can be utilised to offset prior year's losses or converted into paid-up capital. For the enterprise development fund, the percentage of appropriation is determined annually by the directors. The enterprise development fund can be used for the future development of the enterprise or converted into paid-up capital.

The general reserves also included the excess of the consideration paid over the carrying value of the net assets acquired in respect of the acquisition of a 30% equity interest in Huade Petrochemical from Sinopec Guangzhou Petrochemical Complex in 2006 amounting to a debit balance of HK$141,279,000.

(d) The exchange reserve Comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in Note 2.6.

(e) The contributed surplus of the Company represents the differences between the aggregate shareholders' funds of the subsidiaries at the date on which the Company became the holding company of the Group and the nominal amount of the share capital of the Company issued under a Group reorganisation.

Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(f) At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including the contributed surplus and accumulated losses, was HK$115,515,000 (2013: HK$82,588,000). After the end of the reporting period the directors proposed a final dividend of HK2.5 cents (2013: HK2.0 cents) per ordinary share, amounting to HK$62,154,000 (2013: HK$49,724,000). The dividend has not been recognised as a liability at the end of the reporting period.

25 SPECIFIC RESERVE

According to relevant PRC regulations, the Group is required to transfer an amount to specific reserve for the safety production fund based on the turnover of certain refining and chemical products or based on the production volume of crude oil and natural gas. The movements of specific reserve are as follow:

	The Group *HK$'000*
Balance at 1 January 2014	**113**
Provision for the year	**7,741**
Utilisation for the year	**(7,703)**
Balance at 31 December 2014	**151**

26 DIVIDENDS

	2014 *HK$'000*	2013 *HK$'000*
Interim dividend declared and paid of HK2.5 cents (2013: HK1.5 cents) per ordinary share	**62,154**	37,292
Final dividend proposed HK2.5 cents (2013: HK2.0 cents) per ordinary share	**62,154**	49,724
	124,308	87,016

A final dividend in respect of the year ended 31 December 2014 of HK2.5 cents per share, amounting to a total dividend of HK$62,154,000 is to be proposed at the annual general meeting on 4 June 2015. These financial statements do not reflect this dividend payable.

The aggregate amounts of the dividends paid and proposed for 2014 and 2013 have been disclosed in the consolidated income statements in accordance with the Hong Kong Companies Ordinance.

The dividends actually paid in 2014 and 2013 were HK$111,878,000 and HK$87,016,000 respectively based on the number of issued shares outstanding at relevant time.

27 CASH GENERATED FROM OPERATIONS

	Note	**2014**	2013
		HK$'000	*HK$'000*
Profit before income tax		**783,940**	662,044
Adjustments for:			
Depreciation of property, plant and equipment	18	**168,752**	171,735
Depreciation of investment properties	19	**1,351**	658
Amortisation of prepaid land lease payments		**10,963**	10,914
Finance costs	10	**–**	3,807
Bank interest income	7	**(21,392)**	(36,826)
Net loss on disposal of property, plant and equipment	7	**2,020**	2,517
Share of results of associated companies	12	**(103,506)**	(108,780)
Share of results of joint ventures	13	**(489,948)**	(456,966)
Changes in working capital:			
Decrease in inventories		**31,779**	1,247
(Increase)/Decrease in trade and other receivables		**(532,911)**	440
Increase in trade and other payables		**520,428**	225,115
Cash generated from operations		**371,476**	475,905

In the statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2014	2013
Group	***HK$'000***	*HK$'000*
Net book amount (Note 18)	**2,614**	2,939
Loss on disposal of property, plant and equipment	**(2,020)**	(2,517)
Proceeds from disposal of property, plant and equipment	**594**	422

28 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables				
– Amount due to a fellow subsidiary	**66**	66	**–**	–
– Third parties	**694,491**	43,840	**–**	–
	694,557	43,906	**–**	–
Amounts due to immediate, intermediate holding companies and fellow subsidiaries	**341,498**	272,155	**–**	–
Creditors and accrued charges	**63,916**	246,787	**5,810**	3,810
Land lease payable	**38,277**	531,792	**–**	–
Consideration payable to acquire equity interests in joint ventures	**32,367**	128,770	**–**	–
	1,170,615	1,223,410	**5,810**	3,810

As at 31 December 2014 and 2013, the Company's amounts due to subsidiaries are not expected to be repayable within one year, and the remaining trade and other payables are expected to be settled within one year.

The amounts due to immediate, intermediate holding companies and fellow subsidiaries are unsecured and interest free. The amounts due to immediate and intermediate holding companies and fellow subsidiaries arising from non-trade related transactions are repayable with a credit term of 30 days and repayable on demand respectively.

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

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

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Due within 1 month or on demand	**694,491**	43,840
Due after 1 month but within 3 months	**66**	66
	694,557	43,906

28 TRADE AND OTHER PAYABLES *(CONTINUED)*

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
HK$	**313,912**	193,563
RMB	**163,058**	281,071
USD	**655,368**	220,813
SGD	**38,277**	527,952
IDR	**–**	11
	1,170,615	1,223,410

29 DEFERRED INCOME TAX

The gross movement on the deferred income tax account is as follows:

	Undistributed profits of a subsidiary in the PRC	**Undistributed profits of joint ventures in the PRC**	**Undistributed profits of an associated company in the PRC**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax liabilities				
At 1 January 2013	–	–	2,300	2,300
Charged to income statement (Note 14)	89,825	2,731	2,726	95,282
At 31 December 2013	89,825	2,731	5,026	97,582
At 1 January 2014	**89,825**	**2,731**	**5,026**	**97,582**
Charged/(credited) to income statement (Note 14)	**(10,610)**	**17,067**	**(408)**	**6,049**
Exchange realignment	**(442)**	**62**	**89**	**(291)**
At 31 December 2014	**78,773**	**19,860**	**4,707**	**103,340**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of tax losses attributable to subsidiaries of HK$157,556,000 (2013: HK$91,478,000), as the directors consider it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

30 COMMITMENTS

(a) As at 31 December 2014, the outstanding capital commitments not provided for in the financial statements were as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Contracted for but not provided for	**2,854,635**	1,192,517
Authorised but not contracted for	**320,120**	501,387
	3,174,755	1,693,904

(b) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Within 1 year	**11,608**	154,636
After 1 year but within 5 years	**8,173**	12,422
After 5 years	**20,943**	7,342
	40,724	174,400

The Group leases a number of properties with an initial lease term of three to 32 years, with an option to renew the lease. None of the leases includes contingent rentals.

The total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period amounted to HK$15,517,000 (2013: HK$57,985,000) and were expected to be received in one year.

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with intermediate holding company and fellow subsidiaries

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

During the year, the Group had the following significant transactions with its intermediate holding company, fellow subsidiaries and a director:

	2014 *HK$'000*	2013 *HK$'000*
Crude oil sold to an intermediate holding company and a fellow subsidiary (note (i))	**18,307,184**	22,435,933
Crude oil and fuel oil purchased from an intermediate holding company and a fellow subsidiary and related charges (note (i))	**679,109**	761,695
Insurance premium charged by a fellow subsidiary (note (ii))	**637**	5,099
Jetty service fees charged to a fellow subsidiary (note (iii))	**593,952**	556,711
Vessel charter service fee charged to a fellow subsidiary (note (iv))	**273,209**	339,973
Interest income received from fellow subsidiaries	**10,292**	72
Interest expense charged by a fellow subsidiary (note (v))	**–**	3,522
Rental expenses charged by fellow subsidiaries (note (vi))	**–**	659
Rental income received from a director (note (vii))	**438**	57
Cash and cash equivalents placed in fellow subsidiaries (note (viii))	**577,772**	305,756
Construction costs charged by fellow subsidiaries (note (ix))	**10,581**	16,876

The balances with related companies are disclosed in Notes 20 and 28 to the financial statements.

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.

31 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

Notes:

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

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

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

(iii) The jetty service fees were charged in accordance with the relevant service agreements and at rates based on the state-prescribed price regulated and standardised by the Ministry of Transport and government-approved prices approved by the Guangdong Provincial Price Supervision and Inspection and Anti-Trust Bureau in the PRC.

(iv) The vessel charter fees were charged in accordance with the relevant vessel charter agreements and were determined by reference to the prevailing market rate on a transaction-by-transaction basis.

(v) In 2013, interest expenses were charged by a fellow subsidiary for short term loans obtained for crude oil trading activities. The interest was charged at EURIBOR and LIBOR plus a spread ranging from 0.95% to 1.25% (2014: Nil) per annum. In 2014, no short term loans were borrowed from a fellow subsidiary for crude oil trading activities.

(vi) Rental expenses were charged by fellow subsidiaries for leasing of office premises. The leases run for a period of three to thirty-two years and the monthly rent was determined at the market rate at the date when the lease arrangements were entered.

(vii) Rental income was received from a director for leasing an apartment. The leases run for a period till the resignation of the position.

(viii) The amount represented the current deposit placed as at the end of the reporting period with fellow subsidiaries.

(ix) The construction costs included the commission fees charged to the Group for the purchase of construction materials and the design fee charged to the Group for the construction of oil depots in the PRC. The largest amount of construction costs paid to individual fellow subsidiary during the year was HK$9,107,000 (2013: HK$6,279,000).

(b) Key management compensation

Key management solely represents directors of the Company. The compensation paid or payable to key management is shown as below:

	2014	2013
	HK$'000	*HK$'000*
Directors' fees (Note 9(a))	**780**	780
Salaries, allowances and benefits-in-kind (Note 9(a))	**1,308**	1,407
Bonus (Note 9(a))	**1,439**	951
Total	**3,527**	3,138

31 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) 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 31(a), the Group has entered into transactions with other state-controlled entities including but not limited to the following:

– sales and purchases of crude oil;
– construction work;
– rendering and receiving services; and
– use of public utilities

(i) Transactions with other state-controlled entities

	For the year ended	
	31 December 2014	31 December 2013
	HK$'000	*HK$'000*
Crude oil purchased by the Group	**17,623,869**	21,668,677
Jetty service fees charged by the Group	**23,026**	22,614

	2014	2013
	HK$'000	*HK$'000*
Prepayment to/amounts due from other state-controlled entities	**33,257**	1,682
Amounts due to other state-controlled entities	**1,993**	1,732

31 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

(ii) Transactions with state-controlled banks

The Group deposits its cash with several state-controlled banks in the PRC. The interest rates of 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:

	For the year ended	
	31 December 2014	31 December 2013
	HK$'000	*HK$'000*
Interest income	**10,616**	36,765

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

	2014	2013
	HK$'000	*HK$'000*
Cash and cash equivalents	**256,038**	1,319,872

(d) Transactions with associated companies and joint ventures

During the year, the Group has interest income of approximately HK$6,516,000 (2013: HK$2,702,000) arising from the amounts due from an associated company and joint ventures.

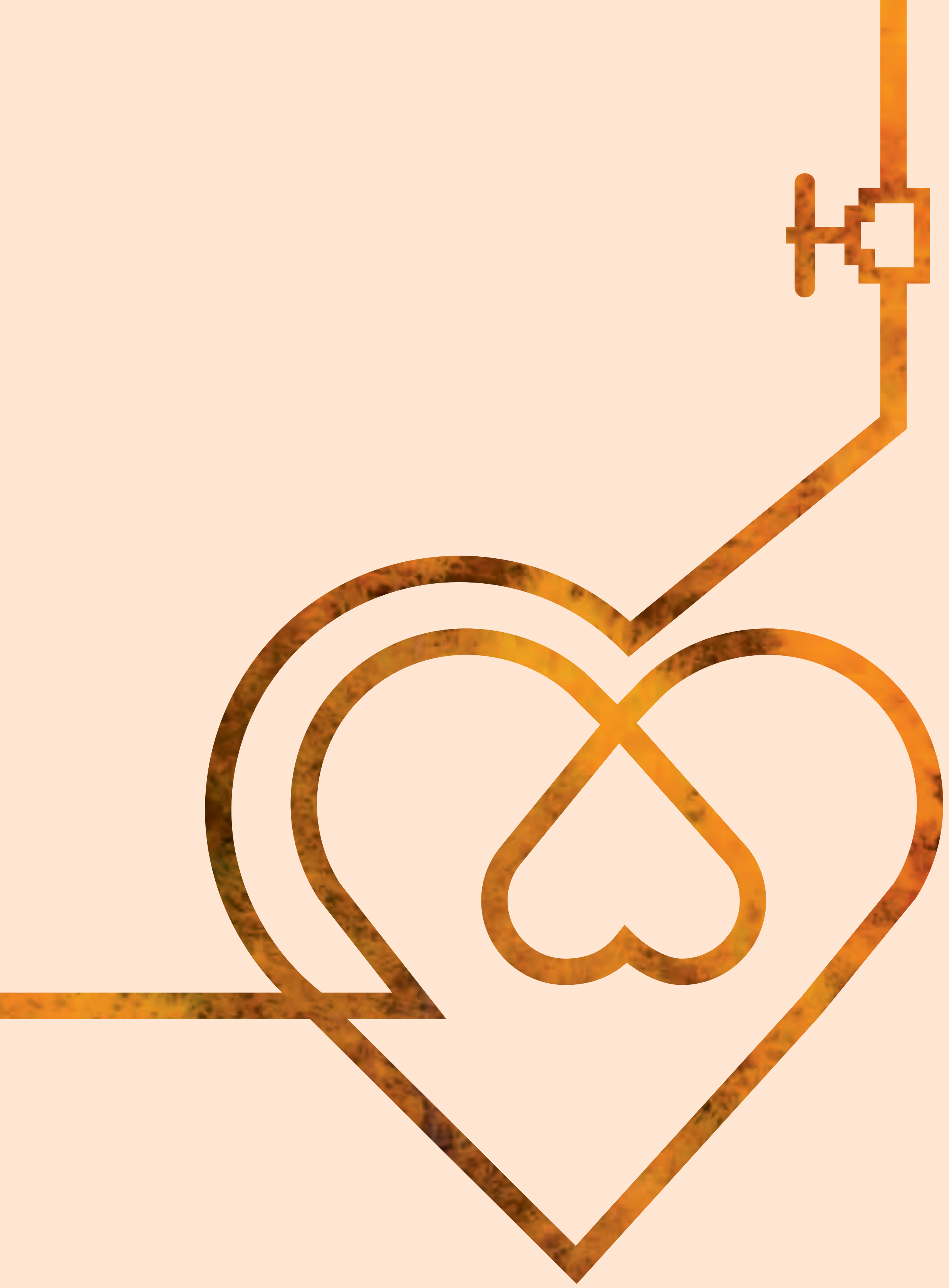
32 SUBSEQUENT EVENTS

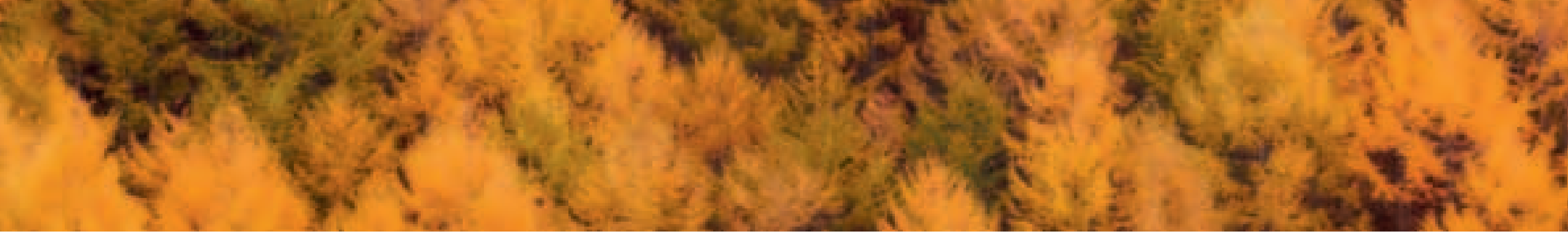
On 30 December 2014, the Group has entered into an agreement to acquire the entire equity interest in Sinopec Yu-Ji Pipeline Company at a consideration of RMB2,576,881,000 (equivalent to approximately HK$3,221,100,000). On 10 February 2015, the resolution for the acquisition was approved by the shareholders at the special general meeting. As at the date of this report, the acquisition was not yet completed as the conditions precedent have not been fulfilled. Details of the acquisition are set out in the announcement of the Company dated 30 December 2014.

FIVE YEAR SUMMARY

	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	2013 *HK$'000*	**2014** ***HK$'000***
Results					
Turnover	16,592,880	19,684,732	22,041,792	23,355,579	**19,223,634**
Profit from operations	267,946	284,423	207,224	97,403	**183,970**
Finance costs	(15,898)	(3,505)	(1,555)	(3,807)	**–**
Finance income	–	–	–	2,702	**6,516**
Share of results of associated companies	–	–	92,007	108,780	**103,506**
Share of results of joint ventures	–	–	59,759	456,966	**489,948**
Profit before income tax	252,048	280,918	357,435	662,044	**783,940**
Income tax	(56,361)	(67,406)	(65,697)	(170,637)	**(84,167)**
Profit for the year	195,687	213,512	291,738	491,407	**699,773**
Assets and liabilities					
Fixed assets	1,914,761	1,894,627	1,945,716	2,697,139	**2,741,212**
Interests in associated companies	–	419,030	526,765	617,864	**686,650**
Interests in joint ventures	–	–	2,305,431	5,475,680	**6,124,978**
Net current assets	628,835	511,925	1,732,332	1,163,120	**827,682**
Deferred tax liabilities	–	–	(2,300)	(97,582)	**(103,340)**
Net assets	2,543,596	2,825,582	6,507,944	9,856,221	**10,277,182**
Capital and reserves					
Share capital	103,683	103,683	207,366	248,616	**248,616**
Reserves	2,439,913	2,721,899	6,300,578	9,597,975	**9,989,967**
Non-controlling interest	–	–	–	9,630	**38,599**
TOTAL EQUITY	2,543,596	2,825,582	6,507,944	9,856,221	**10,277,182**
Earnings per share					
Basic	HK15.98 cents	HK17.44 cents	HK15.49 cents	HK21.00 cents	**HK28.16 cents**

CORPORATE SOCIAL RESPONSIBILITY REPORT





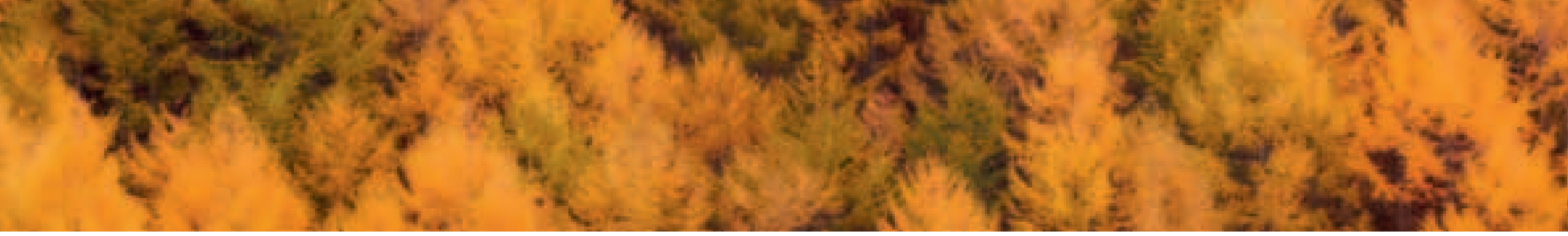
CORPORATE SOCIAL RESPONSIBILITY REPORT

In order to assume the corporate social responsibility, perform social duties of the Company, in the first half of 2014, the Board of the Company implemented and issued the "Working Guidelines for Social Responsibilities" for the first time. To respond to the decision by the Board, we promoted corporate governance, environmental protection and volunteer activities to contribute to the society. In 2014, the Company highly stressed the impact of business operations on the economy, society, and environment through the improvement of communication mechanisms with stakeholders. We pushed forward the performance of social responsibilities of the Company together with related companies and institutions, and worked hard to realize a harmonious win-win situation for the Company and its stakeholders.

This Report used the "Environmental, Social and Governance (ESG) Reporting Guide Appendix 27" issued by the Stock Exchange, Ten Principles of the United Nations Global Compact and "Sustainability Reporting Guidelines" (GRI G3.1) formulated by Global Reporting Initiative (GRI) as references. This Report covers the same period of the 2014 Annual Report; the contents of this Report include the Company and its wholly-owned subsidiaries and controlled subsidiaries, but do not include the associated companies and joint venture, of the Company. As PT West Point Terminal, a controlled subsidiary of the Company, has not yet started construction and launched commercial operation, thus PT West Point Terminal is not included in this Report for the time being.

OUR COMMITMENTS

- OPERATE IN COMPLIANCE WITH LAW
- RESPECT THE INTEREST OF ALL STAKEHOLDERS
- ADHERE TO JOINT DEVELOPMENT
- CONTINUE TO IMPROVE PERFORMANCE
- EMPHASIS ON SAFETY AND ENVIRONMENTAL PROTECTION



EXPECTATION MANAGEMENT OF STAKEHOLDERS

The Group is fully aware of the great importance of stakeholders' participation in the realization of our business goals and implementation of corporate social responsibilities. The stakeholders of the Group include its staff, clients/counterparties, shareholders/investors, government/regulatory authorities and the community.

In 2014, the Group specifically collected the views of the stakeholders related to the areas of corporate social responsibilities of the Group, and based on their feedback, improvements were made on our strategies on corporate social responsibilities.

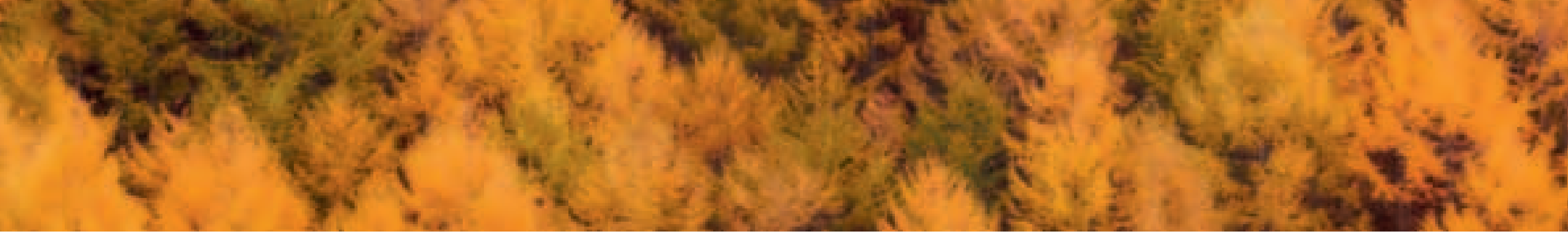
STAKEHOLDERS	EXPECTATION	COMMUNICATION	OUR FEEDBACK
Staff	1 Staff rights 2 Wages & welfare 3 Working environment 4 Comprehensive development	1 Staff activities 2 Company meetings 3 Communications with staff	1 Improve salary/wage and promotion mechanisms 2 Increase investments in resources to protect the physical & mental health of staff 3 Staff training
Clients/Counterparties	1 Quality product 2 Professional services	1 Client visits 2 Technical exchange	1 Client-focused, innovative thinking, serves clients actively 2 Client visit & training 3 Protect client information security
Shareholders/Investors	1 Profitability 2 Shareholders' interest 3 Investment returns	1 Shareholders' meeting 2 Regular reports 3 Communicate with investors	1 Improve governance system of the Company, raise profitability 2 Disclose corporate information in a timely, truthfully, accurately, and complete fashion 3 Actively handle investor relations
Government/Regulatory authorities	1 Pay taxes in compliance with the law 2 Operations in compliance with law 3 Promote employment opportunities	1 Policy guidance 2 Supervision & inspection 3 Routine communications	1 Proactively pay taxes in compliance with the law 2 Carry out anti-corruption education
Community	1 Safety & environmental protection 2 Participate in the community 3 Green office	1 Periodic communication 2 Participate in community activities	1 All types of recycling activities 2 Actively join all types of charitable events 3 Reduce waste, reduce carbon emissions

MAJOR ACHIEVEMENTS

Data

0	Work injury incident rate
0	Death rate of staff at work
0	Legal dispute and violation of law and regulation (number of times)
0	Pollution incident
25 hours	Average hours of staff training
294 kg	Office paper recycled
351 pieces	Plastic bottles recycled
25 units	Used batteries collected
135	Meetings with financial institutions

Awards



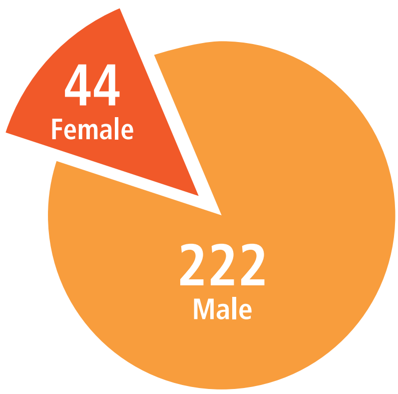
WORKING ENVIRONMENT

Staff are the basis for the survival and development of a company, the ultimate executors of a company's policies, and also the ultimate generators of profits. The Group has always striven to improve the working environment of the staff, it emphasized on the physical and mental health of the staff, insisted on "people-based concept", cared for and respect the staff, protected the legal rights of the staff, facilitated the realization of value of the staff and increased their abilities, so as to achieve growth of the Group together with the staff.

1.1 Legal rights of staff

The Group strictly follows the Employment Ordinance of the Hong Kong Special Administrative Region or the relevant laws and regulations of the places where the member companies are located, and signed contracts with all staff, specifying the details of employment, remuneration, working hours, rest, leaves, insurance and benefits etc. in written form; we implement a system of job allocation according to the type of work/role, provides the same wages for the same positions, and grants statutory benefits to all those employed under the employment terms with the Company in accordance with laws.

In 2014, the Group had a total of 266 employees, staff turnover rate was 1.1%.



Male to female ratio of the Group for the year 2014

Case Study: Set up the "Staff Assistance Fund"

In order to express the Group's concern and support for the staff, enhancing the overall coherence, the Company has set up the "Staff Assistance Fund" for staff who were willing to donate to the pool, for helping other staff who have family difficulties or diseases.

Case Study: Purchase travel insurance

In order to care and protect our staff during their oversea travels, the Company arranged special travel insurance collectively for those staff who work in Hong Kong and already possess Hong Kong identity cards, offering additional protection for its staff during trips.

1.2 Safe production

Safe production is an important prerequisite and an essential condition for the survival and development of a company, as well as the social responsibility that a company must bear. With our efforts in 2014, the Group actively communicated with the stakeholders, with particular emphasis on safe production and environmental protection, and achieved positive results in the areas of facilitating social, economic and sustainable development.

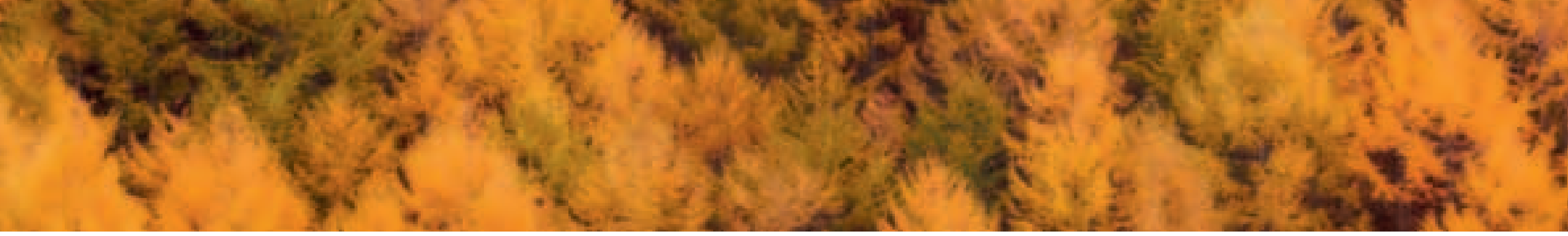
In order to strengthen the management of safe production, minimize the occurrence of safety incidents, in 2014, the Company newly created the position of Director of Health, Safety, Security, and Environment ("HSSE") to be specifically responsible for safety matters and to enhance the supervision of safety and security of the Group. At the same time, the Company strengthened the establishment of a safety culture, increasing the safety awareness of the staff through sharings of safety and environmental protection cases to the staff, arranging them to sit for the special HSSE examinations, etc.

The Company uses scientific development and safety development as guiding rules, insists on the guidelines of "safety first, prevention as focus, all staff involvement, comprehensive governance", emphasizes on the safety management principles of requiring "all staff participation, in all aspects, during all weather, throughout entire process", and gradually forms the core safety concept of "Everyone is a safety officer, everyone is the first person-in-charge of safe production".

Number of work related deaths	**0**
Number of work related serious injuries	**0**
Number of days lost due to work injuries	**0**

Case Study: Huade Petrochemical incident emergency drill

On 26 September 2014, in view of "The November 22 incident at the Huangdao district in Qingdao", Huade Petrochemical conducted a joint emergency drill for emergency incidents on oil pipelines.



1.3 Staff health

The Group concerns a lot about the health of staff, and encourages the staff to join activities which are good to health.

In 2014, the Company promoted the physical health of the staff by caring for their eating habits, office habits and physical exercises etc. In order to advise the staff to develop good eating habits, the Company specially arranged designated free lunch for staff every day, and considered carefully about balanced diet. As a result, they can enjoy lunch in the office at ease even in rainy days, this reduced the financial burden of dining out of the staff.

In caring for the staff and enhancing their work performance, every year the Group allocates a fixed amount of funds for the purpose of regular body check or medical benefits for the staff, to ensure that their health conditions meet the requirements of work.

The Company actively arranges and participates in various types of cultural and sports activities. These group activities greatly increase the sense of belongings of the staff towards the Company, and enhance the overall coherence of the Company.

Case Study: Fitness exercises

On 23 May 2014, in order to prevent the physical stress due to the use of computer, the Company distributed the "Fitness Exercise for Sedentary" prepared by the Occupational Safety & Health Council, and arranged everyone to practice the correct postures of the physical exercises.

Case Study: Participation in the Hong Kong Chinese Enterprises Assocation Sports Gala

On 16 November 2014, the staff of the Company joined the The Sixth HKCEA Athletic Games held by the Hong Kong Chinese Enterprises Association. The staff actively participated in the sports competition, developed close friendships with other Chinese state-owned enterprises during the gala, and turned such friendships into positive energy and efficiency for the Company.

The staff of the Company collaborated closely, fully showing our team spirit.

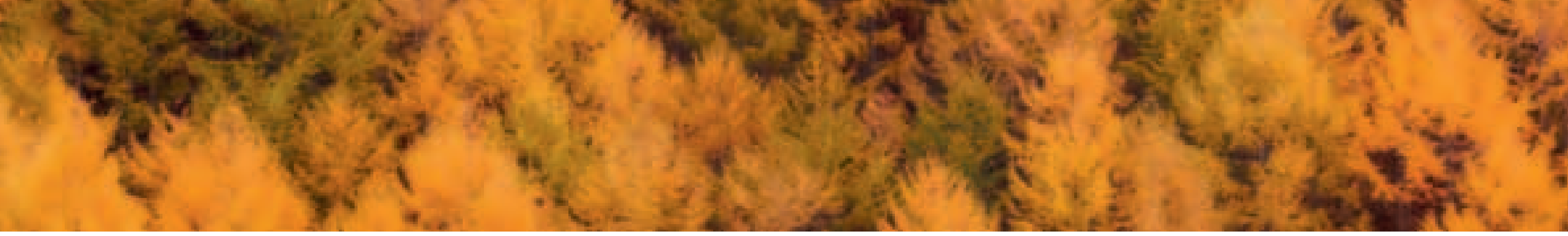
1.4 Development & Training

According to the "Staff education & training plan", the Group arranges non-regular skill training for the staff to enhance their work abilities and achieve better development. At the same time, such training can also foster the staff to develop firmly the ideas of continuous learning and life-long learning.

TRAINING CONTENTS	
Occupational Training	Internal Control, Storage Operations Training, Storage Project Development – Newly Constructed and Acquired Projects, Contract Management;
Practical Training	Fitness Exercises, Anti-corruption Seminar, Analysis of the MPF Policy, Human Resources Management under Big Data;
Business Training	Safety Knowledge & Skills, Pipelines and Oil Terminals Management, Oil Tank Operation Skills Management Training: Finance, Administration & IT Management, Project Management, Media Relations.

The Group insists on the principle of "Offering training as required, applying what you have learnt to your work", and implements targeted and personalized training of different types and at different levels for all the staff, and it has formed a multi-layer and open training system, systematically carries out our all-rounded trainings in corporate culture, professional knowledge, job skills and overall qualities.

In 2014, the total number of training hours of staff of the Group reached 3256 hours, the average number of training hours per employee was 25 hours.



ENVIRONMENTAL PROTECTION

0

Pollution incident

The Company highly stresses on the work of environmental protection, and includes the work of environmental protection and energy saving and emission reduction in the working agenda, it fully implements the spirit of the related documents of the supervisory environmental protection department, and brings energy saving and emission reduction to its focus, work towards its targets and attach responsibilities.

On top of these, the Company focuses on enhancing the energy savings and environmental protection awareness of the staff, it actively carries out training and promoting energy savings and environmental protection, strengthens the organization of an energy saving and environmental protection team. In 2014, there was no pollution incident in the Company, achieving good environmental, economic and social benefits.

2.1 Energy saving and emission reductions

The Company has adopted a series of green office measures, strengthened the promotion and education of green office, encouraged the staff to put low carbon living into practice. On production side, the Company advocated the safety and environmental friendly concepts of "Don't let a single drop of oil pollute the sea, let coastal residents live at ease", all members of staff have been working hard to achieve these goal and concepts.

The Company emphasized very much on the wise use of resources, and actively turns every employee into a member of the environmental protection society. In 2014, the Company took part in three Hong Kong resource-saving campaigns, at the same time, it also advocated to carry out the relevant activities internally, to draw the staff's attention to water resources and electricity and to try to reduce water and electricity consumption by the staff.

To encourage the staff to treasure energy, all staff must abide by all types of energy saving methods in the office and at home. The Company advocates the "Energy Label" activity organized by Electrical and Mechanical Services Department (EMSD), the work includes requesting the staff to turn off their computers when leaving their seats, to ensure that they have switched off the lights, air conditioning and electrical appliances before they leave work on Friday.

We regularly inspect the electric appliances in the office, and replaces the old models with more energy efficient appliances and office equipments that carry energy efficiency labels. We remind our staff to remove the battery chargers and AC-DC adaptors after they finished using the devices. During lunch hours, the Company also switches off the unnecessary lights.

OUR PRACTICES

Office consumables saving	Allocated office equipments as required, regulates the allocations of office materials
Electricity saving	Strengthen electricity savings management of electric appliances, promote the use of energy-saving electric appliances, reduce the use of air conditioning, avoid unnecessary use of electricity
Water saving	Promoted water-saving methods
Emission reductions	saved 155 litres of gasoline

Case Study: Take a "Brake" carbon emission reduction campaign

From 1 July 2014 to 1 August 2014, in order to encourage saving of gasoline of cars in the Company, staff of the Company who were car owners joined and supported the "Corporate Green Driving Award Schedule 2014" organized by Friends of the Earth. The programme encourages residents to drive less and promote green driving habits, while it also promotes the public to practice a low carbon living. Based on the car mileage and gasoline usage records, from 1 June 2014 to 1 July 2014, a total of approximately 155 litres of gasoline were saved during the one month period.

Case Study: "Earth Hour" campaign of Hong Kong

On 29 March 2014, the Company followed the call for global energy saving activity of "Earth Hour" organized by the Worldwide Fund for Nature, on the last Saturday of March of the year, at 8:30 pm the families and business users switched off the unnecessary lights and electric appliances with heavy electricity consumption for one hour. Not only the Company actively responded to this global energy saving campaign within the office, but also encouraged all members of staff to participate in the campaign and perform the energy saving responsibility.

Case Study: "No Air Con Night 2014" of HK

The Company received a letter of compliments from Green Sense

From 7 pm on 25 September to 7 am on 26 September 2014, the Company joined the No Air Con Night 2014 event organized by Green Sense, and encouraged the staff to turn off air conditioning for a night. At the same time, the Company also switched off the air conditioning in the office, to treasure resources and actively get involved in environmental protection work. Since over 50% of the staff of the Company supported the promotion of a low carbon living, we received a letter of compliments from Green Sense, the organizer of the event.

Case Study: Office energy saving & water saving methods

To encourage the staff to treasure water resources, enhance the environmental protection awareness, the Company promotes the "Office environmental protection water saving methods" recommended by the government in the office areas, and posters about water saving have been placed near the drain in the pantry.

2.2 Environmental protection recycling

Within the office pantry, the Company has set up recycling collection points for office paper, plastic bottles, old batteries and old clothes for recycling, we also encourages the staff to print on both sides of the paper to reduce paper usage, treasure the resources of the earth, reduce wastes and emission, fully enhances the environmental protection awareness of the staff in the use of paper, and tries to implement the waste reduction movement to every corner of the office.

In order to nurture the environmental protection concept, the Company has drafted the sourcing guidelines for office supplies to try to identify, select, source and use those products and services which have less impact on the environment, while considering their impact on the environment, quality, functions and prices. The environmental impact caused by all the stages of the life cycle of the products and services (i.e. from product design, raw materials selection, production process, packaging, distribution, use/re-use and repair and disposal) are also taken into serious consideration. In details, we encourage our staff to bring their own lunch boxes, take away leftover food, and use fewer plastic boxes.

294 kg	351 pieces	25 pieces	20 pieces
Office paper recycled	Plastic bottles recycled	Used batteries recycled	Old clothes recycled

Case Study: Office paper recycled

Letter of appreciation given by "Eco Association" to Sinopec Kantons, recognizing the results of recycled paper collected by the staff

Case Study: Caritas BOCHK Computer Donation Scheme

Organizer | **Sponsor**

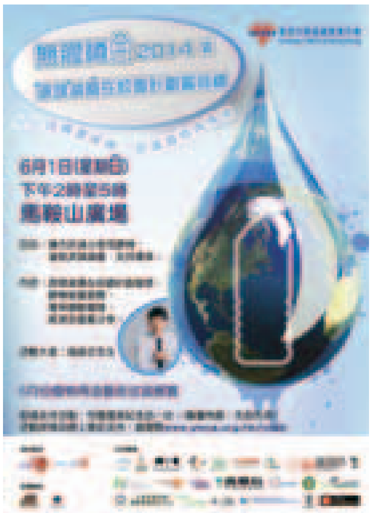
On 30 October 2014, the Company gave the scrapped computers and computer monitors to the Caritas-Hongkong. After Caritas-Hongkong refurbished them, it gave them away to the needy elderly or schools. A total of three units of monitors were disposed of under the Caritas BOCHK Computer Donation Scheme for re-use.

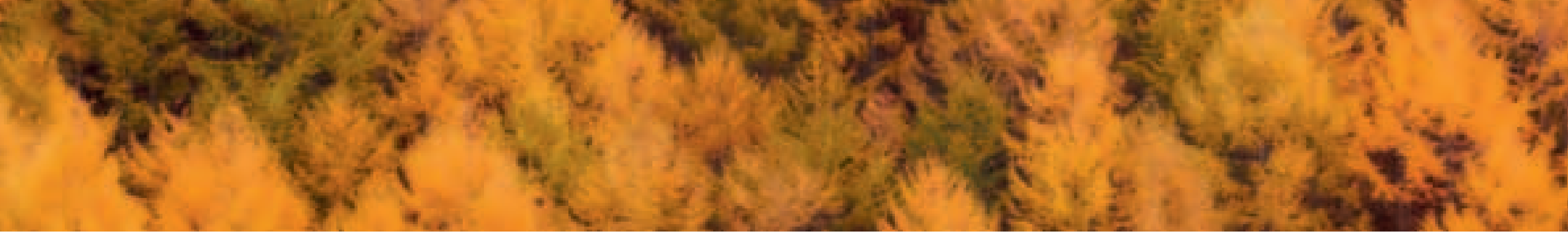
2.3 Ecological system preservation

As wastes are threatening the ecology, economy and the health and safety of human beings, in order to solve the waste problem at its source, the Company started simultaneously the "Glass bottle recycle campaign" in the office, red wine bottles, milk bottles and other glass bottles are emptied and cleansed, then regularly collected and sent to the collection network point of the community, encouraging the staff to contribute to environmental protection.

Case Study: No Plastic Bottle Day

On 1 June 2014, the Company encouraged the staff to join the "No Plastic Bottle Day" organized by Chinese YMCA of Hong Kong to treasure the environmental resources and enhance the green awareness. The Company encouraged the staff not to use or purchase disposable plastic bottled drinks on that day, and from then on bring their own water bottles, to develop good environmental protection habits.





OPERATIONAL MANAGEMENT

The Company strictly adheres to the Company Ordinance and the articles of association, as well as the laws and regulations of Hong Kong and the regions in which the Group companies operate. We continue to improve the governance of the Company, to realize the managerial goals, to set up and continue to improve the governance under which the General Meeting is the body with the highest authority, the Board is the decision making body, the General Manager and his subordinates are the executors. These have improved the internal control system which aims at meeting the international legal standards and requirements. All staff performs their own respective duties, to achieve democracy, compliance of law, standardization and transparency of the operation of the Company, public investors can have a comprehensive understanding of the production and business conditions of the Company through site visits, written reports and phone communications.

3.1 Investor relations & corporate governance

The Company strictly complies with the Listing Rules of the Stock Exchange, the articles of association, the laws and regulations, and publishes regular reports. For the year 2014, the Company published a total of 35 announcements, contents of which included all the important information in the course of daily operations of the Company, providing detailed and truthful information for the investors to understand the Company in a comprehensive manner, protecting the legal rights of investors.

The Company highly stresses legal disciplines and investor relations for protecting the interest of investors. In 2014 the Company carried out five non-deal road shows, and conducted 135 "one-on-one" meetings with investors, and communicated with investors through teleconferencing, emails and other ways, and replied the related questions in detail. Meanwhile, in order to increase transparency, in 2014 the Company published a total of 7 press releases, all were uploaded to the Company website to facilitate a better understanding of the Company in all aspects.

135
Meetings with investors

161 hours
Meetings with investors

25
Non-deal road shows

3
Countries involved in the road shows

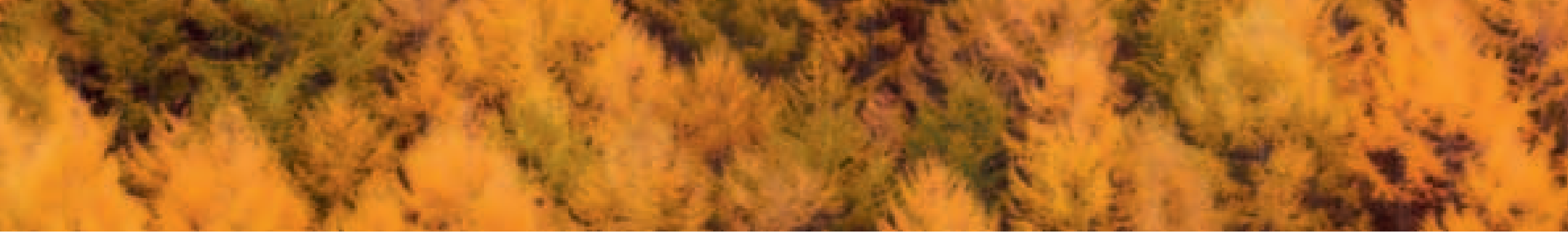
3.2 Governance in accordance with the laws

For the whole year of 2014, the Group fully adhered to the laws of Hong Kong and the regions in which the Group companies were located, during the process there was no lawsuit nor incident of law violation, this demonstrated that the Company was not involved in any complaints, disputes, law violations and irregular incidents. In addition, the Company also invited the Independent Commission Against Corruption to conduct a training to all members of staff to enhance their legal awareness.

Case Study: Regular Talks and Seminars

On 18 June 2014, in order to increase the understanding of the Hong Kong regulations on the prevention of bribery, strengthen their vigilance against corruption, the Company invited The Community Relations Department of the ICAC to hold a seminar for our staff. Except explaining the ordinances, they also analyzed cases on anti-corruption for the participants. Over 20 employees of the Company attended the training, including the senior management, executives and managers etc.

Staff of the Company participated in anti-corruption training with full attention.



COMMUNITY PARTICIPATION

The Company actively encouraged our staff to join community activities in 2014, to maintain good relationships with the people in the same industry and different organizations, to keep close contacts with various groups in the society at large, and to take the initiative to collect the views of the community from various channels, so as to realize a harmonious relationship between the Company and the society. The Company encouraged the staff to actively reciprocate to the society. In order to fully understand the staff's interest in voluntary work, we collected the views and suggestions on voluntary work from the staff through different ways, and linked up the preferences of the staff to arrange voluntary activities. In 2014, the Company arranged a total of 3 voluntary activities, the number of people participating in the activities reached over 50% of the total number of employees of the Company.

Cooperation partners of voluntary work of the Company:

China Green Foundation

World Wide Fund for Nature

Case Study: "Hong Kong Cleanup" campaign

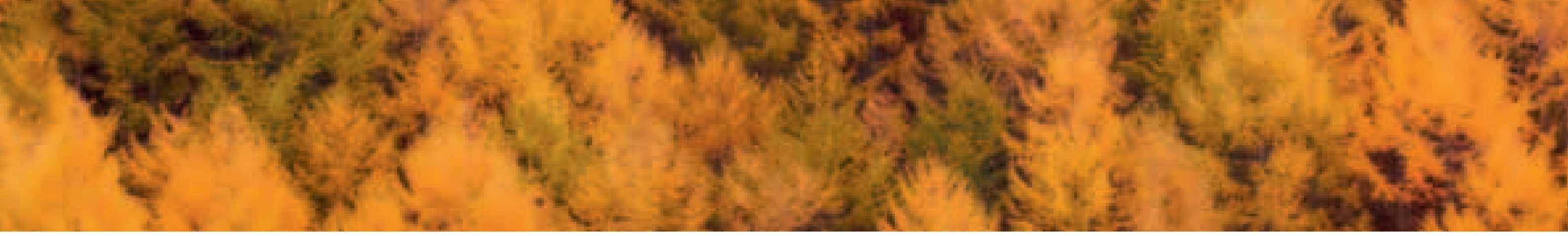
On 11 October 2014, in order to promote the social responsibility tasks of the Company and strengthened the conservation of the environment, the Company organized its staff to join the "Hong Kong Cleanup" campaign – Country Cleanup Challenge contest for an approximate 3-hour country park cleanup at Braemar Hill Road, Fortress Hill, Hong Kong (total length 1 km). The Company provided tools and collection bags, the participants were required to collect and classify trash and record them according to the guidelines. A total of 11 staff in the Company joined the activity, and they were divided into teams to clean and collectively classify the trash, and set a good model as green supporters.

Awarded the "Hong Kong Cleanup" Team Spirit bronze prize

Due to the joint efforts and remarkably good team spirits of the participating employees, the Company was awarded the "Hong Kong Cleanup" Team Spirit bronze prize (top three) out of over 400 participating teams, fully demonstrating the emphasis and active attitude of the staff of the Company towards social responsibilities.

Staff representatives of Sinopec Kantons were awarded certificate of merit.

The Company's staff actively participated in the "Hong Kong Cleanup" Challenge.



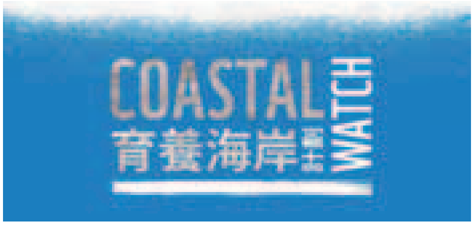
Case Study: The 2014 Million Forest Project

On 7 June 2014, the Company organized the staff to join the tree plantation and perservation workshop of the United Nations Environment Bureau/Million Tree (Forest) Project and Network – Hong Kong Committee and Hong Kong Green Nature Union held in Ngong Ping, Lantau Island. Altogether ten employees of the Company joined the event which lasted for about five hours, aimed at nurturing the green living habits of the staff and enhancing the corporate citizenship awareness. The United Nations Environment Bureau/Million Tree (Forest) Project and Network also thanked the Company for its devotion and participation in this event.

The Company's staff busy at planting trees.

Case Study: Coastal Watch Program

On 15 November 2014, the Company and marine scientists of the World Wide Fund for Nature and the local residents of Discovery Bay jointly carried out a cleanup and research campaign at the beach of Discovery Bay, Lantau Island. The whole event lasted for about five hours. Through this campaign, the staff discovered that 80% of the coastal trash was man-made, every participant said that in the future they would use less plastic products so as to help reducing waste and perserving the ocean.



Our staff with the scientists and Discovery Bay residents.

KEY PERFORMANCE INDICATORS

Type*	Ref*	Key data	2014
WORKING ENVIRONMENT	A1.1	Total staff (person)	266
	A1.1	Percentage of female staff (%)	16.5%
	A1.2	Staff turnover ratio (%)	1.1%
	A2.1	Number of death due to work (person)	0
	A2.1	Number of serious injury due to work (person)	0
	A2.2	Number of days lost due to work injuries (day)	0
	A2.3	Activities about health (times)	3
	A3.1	Percentage of staff undergone training (%)	80%
	A3.2	Average number of hours of training of staff	25
ENVIRONMENTAL PROTECTION	B3.1	Office paper recycled (Kg)	294
	B3.1	Plastic bottles recycled (piece)	351
	B3.1	Old batteries (piece)	25
	B3.1	Old clothes (piece)	20
BUSINESS PRACTICE	C3.1	Lawsuit and law violation (case)	0
	C3.2	Number of meetings with investors (time)	135
	C3.2	Number of hours of meetings with investors (hours)	161
	C3.2	Number of road shows (time)	5
COMMUNITY PARTICIPATION	D1.1	Volunteer work (time)	3
	D1.2	Total number of participating volunteers (person)	31

* In accordance with the reference number of the "Environmental, Social and Governance Reporting Guide" of the Stock Exchange

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chen Bo (Chairman, appointed on 19 May 2014)
Mr. Dai Zhao Ming (Chairman, resigned on 19 May 2014)
Mr. Zhu Zeng Qing (Deputy Chairman)
Mr. Zhu Jian Min
Mr. Tan Ke Fei
Mr. Zhou Feng
Mr. Ye Zhi Jun (Managing Director)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Po Yan (Resigned on 31 March 2014)
Ms. Tam Wai Chu, Maria
Mr. Fong Chung, Mark
Dr. Wong Yau Kar, David (Appointed on 31 March 2014)

AUDIT COMMITTEE MEMBERS

Mr. Fong Chung, Mark
Mr. Wong Po Yan (Resigned on 31 March 2014)
Ms. Tam Wai Chu, Maria
Dr. Wong Yau Kar, David (Appointed on 31 March 2014)

REMUNERATION COMMITTEE MEMBERS

Ms. Tam Wai Chu, Maria
Mr. Chen Bo (Appointed on 19 May 2014)
Mr. Dai Zhao Ming (Resigned on 19 May 2014)
Mr. Wong Po Yan (Resigned on 31 March 2014)
Mr. Fong Chung, Mark
Dr. Wong Yau Kar, David (Appointed on 31 March 2014)
Mr. Ye Zhi Jun

NOMINATION COMMITTEE MEMBERS

Dr. Wong Yau Kar, David (Appointed on 31 March 2014)
Mr. Chen Bo (Appointed on 19 May 2014)
Mr. Dai Zhao Ming (Resigned on 19 May 2014)
Mr. Wong Po Yan (Resigned on 31 March 2014)
Ms. Tam Wai Chu, Maria
Mr. Fong Chung, Mark
Mr. Ye Zhi Jun

COMPANY SECRETARY

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

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
10 Chater Road
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Tricor Secretaries Limited
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Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 0934