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

Annual Report 2018

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

CONTENTS

COMPANY AT A GLANCE

China's Jetty, Storage and Logistics

Crude Oil Jetty Coverage	Total Designed Annual Throughput Capacity of Jetty	Total Number of Berths	Total Length of Pipelines
7 crude oil jetties	**290** mm tons	**37** berths	**1,171** km

Jetty and Storage

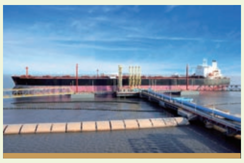
Huizhou Huade Petrochemical

2 berths
Largest tanker capacity: 300,000 tons
Designed throughput capacity: 30mm tons p.a.
Storage capacity: 1.34mm m^3
Length of crude oil pipeline: 174 km

Rizhao Shihua

3 berths(1)
Largest tanker capacity: 300,000 tons
Designed throughput capacity: 56mm tons p.a.

(1) The acquisition of the 3rd berth was completed on 29 December 2018.



Zhanjiang Port Terminal

14 berths
Largest tanker capacity: 300,000 tons
Designed throughput capacity: 45mm tons p.a.
Storage capacity: 838,000 m^3

Tianjin Shihua

1 berth
Largest tanker capacity: 300,000 tons
Designed throughput capacity: 20mm tons p.a.

Qingdao Shihua

13 berths
Largest tanker capacity: 300,000 tons
Designed throughput capacity: 84mm tons p.a.
Storage capacity: 1.032mm m^3

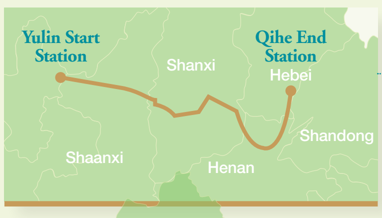
Tangshan Caofeidian Shihua

1 berth
Largest tanker capacity: 300,000 tons
Designed throughput capacity: 20mm tons p.a.

Ningbo Shihua

3 berths
Largest tanker capacity: 450,000 tons
Designed throughput capacity: 35mm tons p.a.

Natural Gas Pipeline



Natural Gas Pipeline

Yu Ji Pipeline Company

Length of natural gas pipeline: 997 km
Designed annual transmission capacity(2): 5 billion m^3

(2) Current annual pipeline transmission capacity is 4 billion m^3. It is planned to expand the capacity to 5 billion m^3.

Crude Oil Pipeline

Storage and Logistics outside China

Total Capacity of Oversea's Storage[3]	Number of LNG Vessels
2.78 mm m^3	**8** vessels

Storage

Fujairah Oil Terminal, United Arab Emirates, Middle East

34 storage tanks
Storage capacity: 1.155mm m^3

Vesta Terminal Antwerp, Belgium, Europe

65 storage tanks
Storage capacity: 827,000 m^3

Vesta Terminal Tallinn, Estonia, Europe

35 storage tanks
Storage capacity: 405,600 m^3

Vesta Terminal Flushing, Holland, Europe

27 storage tanks
Storage capacity: 388,500 m^3

[3] *Exclusive of the Batam Project, which is still in planning phase.*

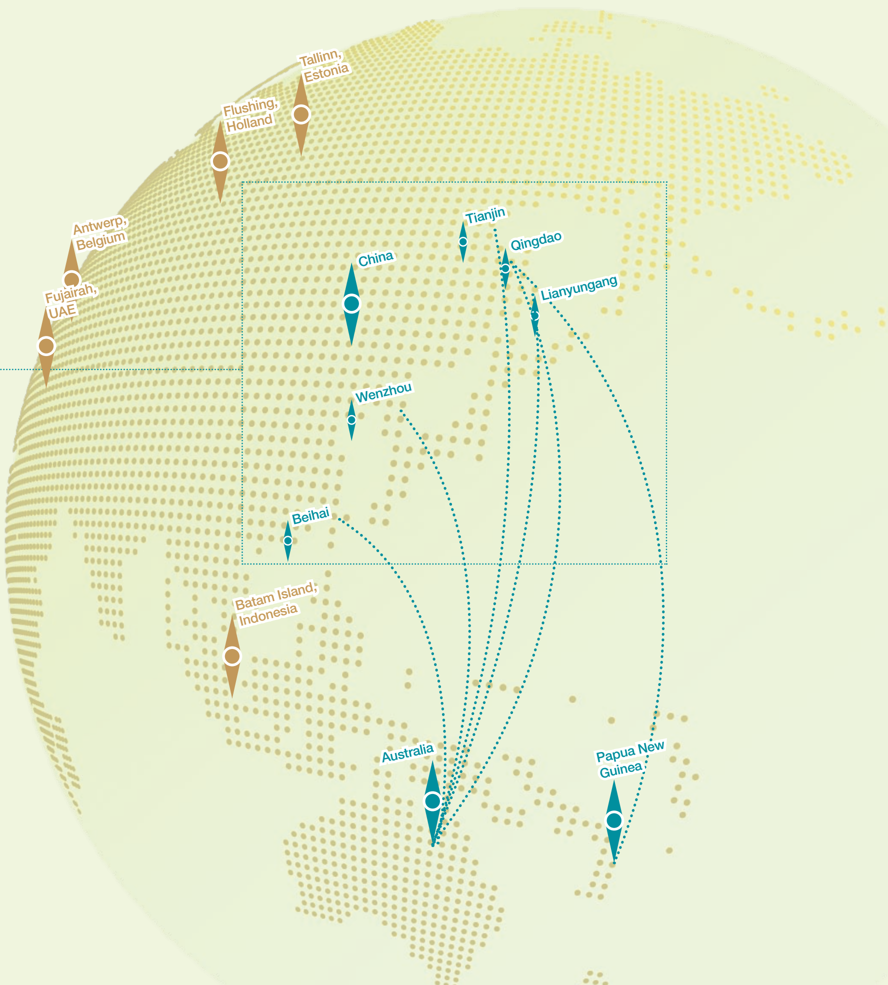
LNG Vessels

Papua New Guinea LNG Project

2 vessels
Capacity per vessel: 172,000 m^3

Australia Pacific LNG Project

6 vessels
Capacity per vessel: 174,000 m^3

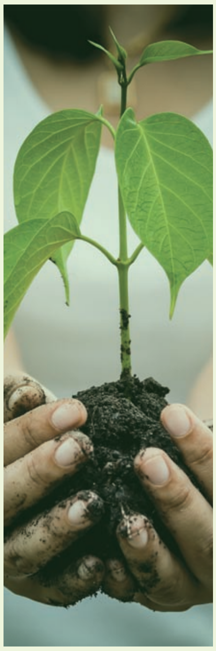


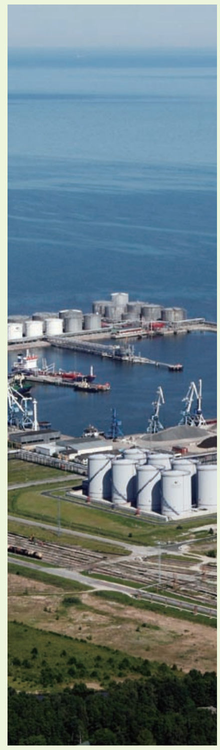
CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2018, due to the significant changes in the domestic and overseas economic environment, China's economy kept growing with a slowdown trend. In the challenging macroeconomic situation, thanks to the relentless support from our shareholders and the hard work of the entire staff, the operating results of Sinopec Kantons Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") continued to maintain steady growth which was hard to come by. On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I would like to express my heartfelt gratitude for all your support and contributions.

In 2018, although China's economy faced certain downward pressure, the domestic demand for energy continued to increase significantly. In 2018, according to the figures disclosed by the related government departments, the apparent consumption of natural gas in China amounted to approximately 280.3 billion m^3, representing a year-on-year increase of approximately 18.10%, whereas the total import of crude oil amounted to approximately 462 million tonnes, representing a year-on-year increase of approximately 10.10%. In order to fully grasp these opportunities in the market, the Group insisted on taking various measures to strive to increase economic benefits. The Group actively developed personalized services and enhanced service quality to expand its market share, implemented the accountability system of safety and safety risk rectification works to ensure the smooth operation of production facilities, exploited the delicacy management and controlled the cost to strive to reduce operating costs, and optimized its operation model and broke the restraint of equipment bottleneck to expand its business volumes. Leveraging on these efforts, both the annual oil terminal throughput and the natural gas pipeline transmission volume of the Group achieved record highs, which resulted in satisfactory operating results. Nevertheless, due to the adjustment of trans-provincial natural gas pipeline transmission tariff made by the Chinese government since September 2017, the Group's total revenue for 2018 dropped by approximately 4.26% year-on-year to approximately HK$1,656 million, while its consolidated net profit grew by approximately 4.54% year-on-year to approximately HK$1,261 million, translating

into an earnings per share of HK50.76 cents. In appreciation of the long-term support of our shareholders and in view of the Company's overall cash flow position, the Board recommended the payment of annual dividend of HK15 cents per share for 2018, representing a year-on-year growth of approximately 25.00%. Excluding the interim dividend of HK5 cents per share paid, a final dividend of HK10 cents per share for 2018 is recommended, which represents a year-on-year increase of approximately 42.86%.

In 2018, Huizhou Daya Bay Huade Petrochemical Company Ltd. ("**Huade Petrochemical**"), a wholly-owned subsidiary of the Company, actively seized the favorable opportunity of high-load and stable operation of the refinery equipment for the largest customer of its downstream operations, China Petroleum & Chemical Corporation ("**Sinopec Corp.**") Guangzhou Branch ("**Guangzhou Petrochemical**"), by earnestly carrying out equipment maintenance to ensure that the crude oil terminal and storage facilities were in optimal working condition, which laid the foundation for providing quality services. Besides, Huade Petrochemical proactively established close communication and coordination with customers, meticulously organized the production and operation, and vigorously met the service needs of its downstream customers. During 2018, Huade Petrochemical unloaded approximately 12.55 million tonnes of crude oil from 86 oil tankers and transmitted approximately 12.62 million tonnes of crude oil, representing a year-on-year increase of approximately 7.91% and 7.68% respectively. This segment generated revenue of approximately HK$656 million, representing a year-on-year growth of approximately 10.69%. The segment results from Huade Petrochemical were approximately HK$275 million, representing a year-on-year increase of approximately 18.90%.

In 2018, benefiting from the Chinese government's continuous and steady promotion of the use of clean energy, the domestic natural gas market maintained a rapid growth in demand continuously. Nevertheless, comparing with the growth in demand, the increase in the production of natural gas in China was limited. Sinopec Yu Ji Pipeline Company Limited ("**Yu Ji Pipeline Company**"), a wholly-owned subsidiary of the Company, was also subject to the restraint of the resource supply bottleneck of natural gas. In order to meet the market demand for natural gas, and to increase the utilization of pipeline and improve the corporate economic benefits, Yu Ji Pipeline Company, on one hand, actively gave full play to gas storage facilities to get itself well prepared for the supply allocation of natural gas in low and peak seasons, and on the other hand, proactively contacted natural gas suppliers to expand its gas supply channels and strive to boost natural gas supply on the premise of ensuring safe and stable operation of the natural gas pipeline. In 2018, the natural gas transmission volume of Yu Ji Pipeline Company amounted to approximately 4.658 billion m^3, representing a year-on-year increment of approximately 13.22%. This segment generated revenue of approximately HK$1,000 million, representing a year-on-year decrease of approximately 12.05%. The segment results were approximately HK$380 million, representing a year-on-year decrease of approximately 20.10%.

In 2018, the import demand for crude oil in China maintained a steady growth continuously, especially because some crude oil pipelines were built and put into use gradually, that created favorable conditions for the Company's crude oil terminal associates and joint ventures to further increase their terminal throughput. In 2018, the aggregate throughput of Zhan Jiang Port Petrochemical Jetty Co., Ltd. ("**Zhan Jiang Port Terminal**"), Qingdao Shihua Crude Oil Terminal Co., Ltd. ("**Qingdao Shihua**"), Ningbo Shihua Crude Oil Terminal Co., Ltd. ("**Ningbo Shihua**"), Rizhao Shihua Crude Oil Terminal Co., Ltd. ("**Rizhao Shihua**"), Tianjin Port Shihua Crude Oil Terminal Co., Ltd. ("**Tianjin Shihua**") and Tangshan Caofeidian Shihua Crude Oil Terminal Co., Ltd. ("**Caofeidian Shihua**") (collectively, the "**Six Domestic Terminal Companies**") reached approximately 237 million tonnes, representing a year-on-year growth of approximately 6.28%. The Six Domestic Terminal Companies generated an aggregate investment return of approximately HK$879 million, representing a year-on-year increment of approximately 18.30%.

With the last liquefied natural gas ("**LNG**") vessel invested and constructed by the Group being put into operation in May 2018, all eight LNG vessels were completed and put into commercial operation since then. The Group strove to enhance the communication and liaison with the vessel management company, and actively promoted the operation and management of LNG vessels as well as the daily maintenance of vessels, to ensure that every LNG vessel was in good operating condition in order to gain sustainable and stable vessel chartering revenue. In 2018, two LNG vessels under the Papua New Guinea LNG Project completed a total of 22 voyages and the investment return generated from East China LNG Shipping Investment Co., Limited was approximately HK$7.33 million, representing a year-on-year improvement of approximately 3.82%. The six LNG vessels under the Australia Pacific LNG Project completed a total of 70 voyages and the investment return generated from China Energy Shipping Investment Company Limited was approximately HK$78.63 million, representing a year-on-year growth of approximately 39.71%.

In 2018, with the continuously sluggish demand of international petrochemical storage market and with not much improvement of geopolitical situation in certain regions, the leasing rates and rentals in oil tanks still hovered at lower levels. Under such difficult circumstances, Fujairah Oil Terminal FZC ("**FOT**"), a joint venture of the Company, strengthened itself with great assiduity that explored market share by providing quality services, achieved an annual average leasing rate of oil tanks close to 100%, and strove to reduce operating costs by enhancing its delicacy management. In addition, FOT actively enhanced the liaison with local governments to improve the business environment. In 2018, the oil storage facilities of FOT were officially connected to the public utility grid for the first time, marking the end of the history of relying on self-provided generators since the completion of the project. During the year, FOT generated an investment return of approximately HK$8.33 million, representing a year-on-year decrease of approximately 72.42%. In 2018, Vesta Terminals B.V. ("**Vesta**") in Europe, a joint venture of the Company, actively explored the storage business for different oil types to explore the market demand and strove to take various effective measures to reduce operating costs. With these efforts, Vesta generated an investment return of approximately HK$3.49 million during the year, representing a year-on-year reduction of approximately 45.64%.

Looking forward to 2019, the global economy faces many uncertainties and its future is full of challenges. But throughout the history, the rise of uncertainties in short term is precisely a good opportunity to plan and study in depth for the structural reform. Under the leadership of the Board, the Company will monitor the situation and seek the development in face of the challenges. By accurately grasping and analyzing the operating environment and actual operation performance of its operating entities, and focusing on their respective operating characteristics and specific conditions, the Company will implement targeted policies and take specific and effective measures for entities with poor economic benefit to enhance their profitability in order to avoid the potential asset impairment risk caused by the continuous decline of operating results, to increase the market competitiveness and profitability of the Group continuously, and to strive for excellence in operating results to give back to our shareholders, staff and the society.

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

Hong Kong, 21 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

In 2018, the Company adhered to its established development strategy and enhanced its delicacy management to strive to increase the overall operating results of the Group. Benefiting from the annual growth in China's crude oil imports year by year and the completion and being put into commercial operation of all LNG vessels invested and constructed by the Group, the operating results of the Group's crude oil jetty business and LNG shipping business maintained a growth in 2018 continuously.

Revenue

For the year ended 31 December 2018 (the "**Year**" or the "**Period**"), the Group's revenue was approximately HK$1,655,633,000 (2017: HK$1,729,239,000), representing a decrease of approximately 4.26% as compared with the same period last year, which was mainly due to the decrease in revenue from natural gas pipeline transmission segment of the Group as a result of the fact that the PRC National Development and Reform Commission (the "**NDRC**") implemented the new natural gas transmission tariff in accordance with the Measures for the Supervision and Review of Natural Gas Pipeline Transportation Pricing Costs (for Trial Implementation) (《天然氣管道運輸定價成本監審辦法(試行)》) (the "**Cost Supervision and Review Measures**") since 1 September 2017.

Segmental Information

Segmental information of the Group for the year ended 31 December 2018 is set out in note 5 to the financial statements.

For the year ended 31 December 2018, the segment revenue and segment results of the Group's crude oil jetty and storage business were approximately HK$655,699,000 (2017: HK$592,354,000) and HK$1,165,834,000 (2017: HK$1,010,380,000) respectively, representing an increase of approximately 10.69% and 15.39% respectively as compared with the same period last year, which was mainly due to the increase in business volume of the Group's crude oil terminals in 2018 as compared with last year.

For the year ended 31 December 2018, the segment revenue and segment results of the Group's natural gas pipeline transmission business were approximately HK$999,934,000 (2017: HK$1,136,885,000) and HK$379,659,000 (2017: HK$475,167,000) respectively, representing a decrease of approximately 12.05% and 20.10% respectively as compared with the same period last year, which was mainly due to the following reasons: on one hand, with reference to the Cost Supervision and Review Measures, the Group adjusted the depreciation durations for fixed assets of Yu Ji Pipeline Company since 1 January 2017, leading to a substantial decrease in the depreciation charges, which improved Yu Ji Pipeline Company's results performance during the period from January to August 2017; on the other hand, the NDRC adjusted the natural gas pipeline transmission tariff in accordance with the Cost Supervision and Review Measures since 1 September 2017, and the revenue from the natural gas pipeline transmission business of the Group decreased accordingly after the adjustment.

Other Income and Other Gains, Net

For the year ended 31 December 2018, the Group's other income and other gains, net was approximately HK$133,573,000 (2017: HK$117,637,000), representing an increase of approximately 13.55% as compared with the same period last year. The increase was mainly due to two reasons: (i) the increase in the foreign exchange gain of the Group in 2018 as compared with the same period last year; (ii) the increase in the interest income of the Company from the shareholder's loans granted to its joint venture in 2018 as compared with the same period last year.

Distribution Costs

For the year ended 31 December 2018, the Group's distribution costs were approximately HK$15,094,000 (2017: HK$19,810,000), representing a decrease of approximately 23.81% as compared with the same period last year. The decrease in distribution costs was mainly due to the slight decrease in the number of the Group's staff who were engaged in sales and the corresponding decrease in remuneration costs in 2018.

Administrative Expenses

For the year ended 31 December 2018, the Group's administrative expenses were approximately HK$275,417,000 (2017: HK$214,657,000), representing an increase of approximately 28.31% as compared with the same period last year. The increase in administrative expenses was mainly due to higher maintenance expenses resulting from the Group's increased efforts in this regard for safety risk rectification as compared with the same period last year. Besides, significantly higher legal costs arising from the arbitration of the project in respect of the Group's construction of 2.60 million m^3 oil storage and terminal facilities in Indonesia (the "**Batam Project**") incurred in 2018.

Operating Profit

For the year ended 31 December 2018, the Group's operating profit was approximately HK$660,371,000 (2017: HK$747,638,000), representing a decrease of approximately 11.67% as compared with the same period last year. The decrease in operating profit was mainly due to the decrease in the results of the Group's natural gas pipeline transmission segment and the increase in the Group's administrative expenses in 2018.

Finance Income

For the year ended 31 December 2018, the Group's finance income was approximately HK$3,168,000 (2017: HK$3,833,000), representing a decrease of approximately 17.35% as compared with the same period last year, which was mainly due to a decrease in interest income on lower average deposits of the Group in 2018.

Share of Results of Joint Ventures

For the year ended 31 December 2018, the Group's share of results of joint ventures was approximately HK$825,594,000 (2017: HK$699,178,000), representing an increase of approximately 18.08% as compared with the same period last year, which was caused mainly by the significant boost in operating results with the increase of terminal throughput led by an active market expansion of Qingdao Shihua, Rizhao Shihua and Caofeidian Shihua, all being the joint ventures of the Company, in 2018.

Property, Plant and Equipment

As at 31 December 2018, the Group's property, plant and equipment was approximately HK$6,212,395,000 (as at 31 December 2017: HK$6,915,064,000), representing a decrease of approximately 10.16% as compared with the end of last year, which, apart from the normal depreciation, was mainly due to the decrease in the amount of the Group's assets in the PRC denominated in RMB upon translation into HK$ as a result of the depreciation of RMB against HK$ at the end of the Period as compared with the end of last year.

Prepayment and Other Receivables

As at 31 December 2018, the Group's prepayment and other receivables were approximately HK$25,932,000 (as at 31 December 2017: HK$50,082,000), representing a decrease of approximately 48.22% as compared with the end of last year, which was mainly due to the Group's increased efforts in collection of trade receivables.

Inventories

As at 31 December 2018, the Group's inventories were approximately HK$17,110,000 (as at 31 December 2017: HK$15,300,000), representing an increase of approximately 11.83% as compared with the end of last year, which was mainly caused by a modest increase in spare parts and components for the maintenance of the facilities held by the Group to ensure the normal operation of production facilities.

Liquidity and Source of Finance

As at 31 December 2018, the Group's cash and bank balances amounted to approximately HK$320,685,000 (as at 31 December 2017: HK$409,855,000), representing a decrease of approximately 21.76% as compared with the end of last year, which was mainly due to the decrease in cash and bank balances held resulting from the increased loan repayments by the Group.

Gearing Ratio

As at 31 December 2018, the Group's current ratio (current assets to current liabilities) was approximately 0.32 (as at 31 December 2017: 0.51); and gearing ratio (total liabilities to total assets) was approximately 27.32% (as at 31 December 2017: 33.47%).

Deferred Income Tax Liabilities

As at 31 December 2018, the Group's deferred income tax liabilities were approximately HK$130,299,000 (as at 31 December 2017: HK$109,993,000), representing an increase of approximately 18.46% as compared with the end of last year, which was mainly due to an increase in deferred income tax liabilities incurred resulting from higher profits of Huade Petrochemical, a wholly-owned subsidiary of the Company, in 2018.

Borrowings

As at 31 December 2018, the Group's borrowings amounted to approximately HK$3,673,325,000 (as at 31 December 2017: HK$5,163,110,000) in aggregate, all of which were current borrowings (as at 31 December 2017: HK$2,387,658,000) and none of which were non-current borrowings (as at 31 December 2017: HK$2,775,452,000), representing a decrease of approximately 28.85% as compared with the end of last year, which was mainly due to the fact that all long-term interest-bearing borrowings of Yu Ji Pipeline Company from China International United Petroleum & Chemicals Co., Ltd. ("**UNIPEC**"), an indirect controlling shareholder of the Company, became current borrowings upon maturity within one year, as well as the increased loan repayments by the Group during the Period.

Trade and Other Payables

As at 31 December 2018, the Group's trade and other payables were approximately HK$509,596,000 (as at 31 December 2017: HK$363,399,000), representing an increase of approximately 40.23% as compared with the end of last year, which was mainly due to the increase in the dividends payable to Sinopec Kantons International Limited ("**Kantons International**"), a direct controlling shareholder of the Company.

Significant Investment, Acquisition and Disposal

In order to further increase the throughput capacity of the Group's crude oil jetties and improve the profitability, on 29 December 2018, Rizhao Shihua, a joint venture of the Company, completed the acquisition of a crude oil jetty and ancillary facilities with the largest tanker capacity of 300,000 tonnes, which was invested and constructed by Rizhao Port Group Co., Ltd., at a consideration of RMB973,299,029 (exclusive of tax) from Rizhao Port Group Co., Ltd..

Save as disclosed in this report, the Company did not have any other significant investment, acquisition and disposal for the year ended 31 December 2018.

Exchange Risk

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

On 9 October 2012, the Group entered into the shareholders' agreement for the Batam Project. In accordance with the shareholders' agreement, as at 31 December 2018, the Group committed itself to a contribution obligation not exceeding the balance of US$144,685,000. Along with the progress of the project and schedule, the Group shall fulfill the corresponding contribution obligations in accordance with the above agreement. As the exchange rates of such currencies fluctuate from time to time, there may be differences between the amount in HK$ to be paid accordingly and the amount based on the corresponding exchange rate as at the date of the agreement.

Save for the above, the Group was not exposed to any other significant exchange risk during the Year.

Contingent Liabilities of and Assets Pledged by the Group

As at 31 December 2018, the contingent liabilities of and assets pledged by the Group were as follows:

Guarantor	Guaranteed entity	Name of agreement	Content of guarantee clause	Date of agreement	Guarantee period	Guarantee balance as at 31 December 2018
The Company	Sinomart KTS Development Limited ("**Sinomart Development**")	Sponsor Support Agreement of Vesta	Sinomart Development shall make a sponsor support loan to Vesta subject to the terms set out in this agreement. Sinomart Development's obligation shall be guaranteed by the Company.	24 May 2016	Until full repayment of the loan in respect of the project	Not more than EUR 19 million
The Company	Sinomart Development [Note]	Sponsor Support Agreement of FOT	Sinomart Development shall make a sponsor support loan to FOT subject to the terms set out in this agreement. Sinomart Development's obligation shall be guaranteed by the Company.	14 June 2015	Until full repayment of the loan in respect of the project	US$30 million
Sinomart Development	PT. West Point Terminal ("**PT. West Point**")	Land Lease Agreement of Batam, Indonesia	In the event that PT. West Point fails to pay to lessor any amount of the land lease fee when due under the Land Lease Agreement, Sinomart Development shall pay, on demand, an amount obtained by multiplying such unpaid amount by the percentage representing its shareholding interest in PT. West Point.	9 October 2012	Effective for 30 years after the date of execution	SGD 5.09 million

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

Save for the above, the Group did not provide any financial assistance or guarantee and pledge of shares for other companies as at 31 December 2018.

Batam Project

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

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

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

Employees and Emolument Policies

As at 31 December 2018, the Group had a total of 236 employees. Remuneration packages, including basic salaries, bonuses and benefits-in-kind, are structured with reference to market terms, trends of human resources costs in various regions, and employee contributions based on performance appraisals. Subject to the profit of the Group and the performance of the employees, the Group also provides discretionary bonuses to employees as an incentive for their greater contributions.

REPORT OF THE DIRECTORS

The Board is pleased to submit the annual report and the audited financial statements for the year ended 31 December 2018.

Principal Place of Business

The Company is 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 HM 11, 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 1 to the financial statements.

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

Business Review and Prospect

For details in relation to the business review including an analysis of the Group's performance using key financial performance indicators during the Period and prospect of the Group, please refer to page 135 of this report under the section "Five Year Financial Summary", pages 4 to 7 of this report under the section "Chairman's Statement" and pages 8 to 14 of this report under the section "Management Discussion and Analysis".

Compliance with Laws and Regulations

The Group has adopted its risk management and internal control policy to monitor the continuous compliance with laws and regulations. For the year ended 31 December 2018, so far as the Company is aware, the Group has complied with relevant laws and regulations that have material effect to the Group in all significant aspects, including, in particular, the Companies Act of Bermuda, the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as well as the Environmental Protection Law, the Marine Environment Protection Law, the Labour Contract Law, the Production Safety Law and Law on Prevention and Control of Occupational Diseases of the People's Republic of China.

Major Customers and Suppliers

Information in respect of the Group's sales and purchases attributable to the major customers and suppliers of the Group respectively for the year ended 31 December 2018 is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	55%	N/A
Five largest customers in aggregate	97%	N/A
The largest supplier	N/A	16%
Five largest suppliers in aggregate	N/A	60%

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

Save as disclosed above, none of the Directors, close associates of Directors, or any shareholders (which to the knowledge of the Directors hold more than 5% of the issued shares of the Company) had any interests in any of the aforementioned suppliers or customers.

Financial Statements

The profit of the Group for the year ended 31 December 2018 and the financial positions of the Group and the Company as at that date are set out in the financial statements on pages 58 to 134 of this report.

Transfer to Reserves

For the year ended 31 December 2018, profit attributable to equity holders of the Company, before dividends, of HK$1,262,071,000 (2017: HK$1,207,928,000) have been transferred to reserves. Details of changes in other reserves are set out in the Consolidated Statement of Changes in Equity on pages 62 to 63 of this report.

Final Dividend

The Board recommended a dividend of HK15 cents per share payable in cash for the whole year of 2018 (2017: HK12 cents per share), excluding the interim dividend of HK5 cents per share in cash for 2018 (2017: HK5 cents per share) paid on 18 October 2018, the final dividend of HK10 cents per share in cash for 2018 (2017: HK7 cents per share) will be paid to all shareholders whose names appear on the register of members of the Company on 12 July 2019 (Friday).

The register of members of the Company will be closed from 8 July 2019 (Monday) to 12 July 2019 (Friday) (both days inclusive) during which period no transfer of shares will 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 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 5 July 2019 (Friday). The cheques for dividend payment will be sent to shareholders on or about 22 July 2019 (Monday).

2018 Annual General Meeting

The Company will convene the 2018 annual general meeting on 12 June 2019 (Wednesday), and the register of members of the Company will be closed from 6 June 2019 (Thursday) to 12 June 2019 (Wednesday) (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending the 2018 annual general meeting of the Company and casting 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 5 June 2019 (Wednesday).

Principal Risks and Uncertainties

In the course of its production and operation, the Group will actively take various measures to avoid and mitigate various types of operational risks. However, in practice, it may not be possible to completely prevent, including but not limited to, the following risks and uncertainties.

Variation risks in macroeconomic condition: The operating results of the Group are closely related to the macroeconomic condition. Currently, the trade conflict between the U.S. and China will certainly increase uncertainties in future economic development.

Macroeconomic policies and government regulatory risks: The macroeconomic policies, industrial policies and regulatory policies of the Chinese government and new changes which may happen in the future, such as the pricing management of natural gas pipeline transmission, the expansion of crude oil import rights and the reform of the operation mechanisms of domestic oil and gas pipeline networks, would affect the production, operation and efficiency of the Group's natural gas pipeline transmission business and crude oil jetty and storage business.

Operational risks and natural disasters: The petroleum and petrochemical storage and logistics sector is exposed to the risks of inflammation, explosion, environmental pollution and natural disasters. Such contingencies may cause serious impact on society, and may cause major financial losses to the Group and grievous injuries to people. The Group has put much emphasis on safety production and has established and implemented a strict health, safety and environmental protection management system, so as to avoid such risks as much as possible in full effort. However, such measures may not completely shield the Group from financial losses or adverse impact resulting from such contingencies.

Investment risk: The petroleum and petrochemical storage and logistics sector is a capital-intensive industry. Although the Company has adopted a prudent investment strategy and conducted rigorous feasibility studies on each investment project, uncertainties relating to market environment, geopolitics and legal disputes may exist and expected returns may not be achieved, with a certain risk of investment impairment.

Exchange risk: The Company is engaged in petrochemical storage, terminal and logistics businesses in the PRC, Europe and UAE through its respective subsidiaries, associates and joint ventures, and generates operating income in RMB, Euro and US$ respectively. As the exchange rates of RMB, Euro and US$ against HK$ fluctuate, the Group faces exchange risk to a certain extent. For details please refer to the paragraph headed "Exchange Risk" as set out in the section "Management Discussion and Analysis" of this report.

Save as disclosed in this report, the Company is not aware of any principal risks and uncertainties.

Fixed Assets

For the year ended 31 December 2018, the Group spent approximately HK$16,780,000 (2017: HK$50,674,000) on fixed assets. Details of movements in property, plant and equipment are set out in note 17 to the financial statements.

Share Capital

Details of the movements in share capital of the Company for the year ended 31 December 2018 are set out in note 22 to the financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2018, 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 Board Committee

For the year ended 31 December 2018 and up to the date of this report, members of the Board and the Board committees under which they sit are as follows:

Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors			
Mr. Chen Bo (Chairman)	Mr. Fong Chung, Mark (Chairperson)	Ms. Tam Wai Chu, Maria (Chairlady)	Dr. Wong Yau Kar, David (Chairperson)
Mr. Xiang Xiwen (Deputy Chairman)	Ms. Tam Wai Chu, Maria	Mr. Chen Bo	Mr. Chen Bo
Mr. Dai Liqi	Dr. Wong Yau Kar, David	Mr. Fong Chung, Mark	Ms. Tam Wai Chu, Maria
Mr. Li Jianxin	Ms. Wong Pui Sze, Priscilla (appointed on 22 March 2018)	Dr. Wong Yau Kar, David	Mr. Fong Chung, Mark
Mr. Wang Guotao		Ms. Wong Pui Sze, Priscilla (appointed on 22 March 2018)	Ms. Wong Pui Sze, Priscilla (appointed on 22 March 2018)
Mr. Ye Zhijun (Managing Director)		Mr. Ye Zhijun	Mr. Ye Zhijun
Independent Non-executive Directors			
Ms. Tam Wai Chu, Maria			
Mr. Fong Chung, Mark			
Dr. Wong Yau Kar, David			
Ms. Wong Pui Sze, Priscilla (appointed on 22 March 2018)			

In accordance with Bye-law 111 of the Company's Bye-laws (the "**Bye-laws**"), Mr. Li Jianxin and Mr. Wang Guotao, the executive Directors, and Mr. Fong Chung, Mark, an independent non-executive Director, will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for a term of one year renewable automatically upon expiry for successive terms of one year unless terminated by not less than three months' notice in writing served by either party.

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 2018, none of the Directors and chief executive of the Company had 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 (Cap. 571 of the Laws of Hong Kong) (the "**SFO**")), which is required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which is required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which is required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules.

Share Option Scheme

For the year ended 31 December 2018, the Company has not established and implemented any share option scheme.

Directors' Rights to Acquire Shares or Debentures

For the year ended 31 December 2018, the Company, its holding companies, subsidiaries and fellow subsidiaries did not participate in any arrangement to enable the Directors 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 2018, 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:

Name of shareholder	Capacity and nature of interest	Total number of ordinary shares held	Approximate percentage of total issued shares
Kantons International [Note]	Beneficial owner	1,500,000,000 (L)	60.33%

Note: The entire issued share capital of Kantons International is held by 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 and 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 Transactions, Arrangements or Contracts

No transactions, arrangements or 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 or an entity connected with a Director had a material interest, either directly or indirectly subsisted at the end of the year ended 31 December 2018 or at any time during the Period.

Contracts of Significance of Controlling Shareholder or Its Subsidiaries

For the details of the contracts of significance entered into between the Company or its subsidiaries and the controlling shareholder or its subsidiaries, please refer to the section "Connected Transactions" on pages 25 to 31 of this report. Save as mentioned therein, no contracts of significance were entered into between the Company or its subsidiaries and the controlling shareholder or its subsidiaries.

Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures

Neither at the end of the year ended 31 December 2018 nor at any time during the Period did there subsist any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Bye-laws, or the applicable laws of Bermuda.

Bank Loans and Other Borrowings

For the details of the bank loans and other borrowings of the Group, please refer to the paragraph headed "Borrowings" under the section "Management Discussion and Analysis" on page 11 of this report.

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 135 of this 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 its employees. Particulars of the retirement schemes are set out in note 2 to the financial statements.

Permitted Indemnity Provision

As permitted under the Bye-laws, every Director shall be entitled to be indemnified out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain in or about the execution of the duties of his or her office, and no Director shall be liable for any loss, misfortune or damage which may happen to or be incurred by the Company in the execution of the duties of his or her office or in relation thereto, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty.

The Insurance of Responsibility of Directors

For the details of the insurance of the responsibility of Directors, please refer to paragraph headed "Liability Insurance for Directors" in the Corporate Governance Report on page 45 of this report.

Sufficient Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, for the year ended 31 December 2018 and as at the date of this report, the Company has maintained sufficient public float prescribed under the Listing Rules.

Audit Committee

The Company has set up an audit committee with written terms of reference available on the websites of the Stock Exchange and the Company. Since the appointment of Ms. Wong Pui Sze, Priscilla on 22 March 2018, the members of the Audit Committee of the Company (the "**Audit Committee**") increased from the original three independent non-executive Directors to four independent non-executive Directors. The Audit Committee meets with the Group's senior management and external auditor regularly to review the effectiveness of the risk management and internal control systems and the interim and annual reports of the Group, as well as is responsible to the Board directly.

Auditor

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

Environmental Policies and Performance

The operation of the Group adheres to the highest standards for safety, environmental protection and compliance in order to promote collective sustainable development with the community.

In 2018, in accordance with the "Working Guidelines for Social Responsibilities" formulated by the Board, the Group continuously improved its system and organisational structure, remained committed to and actively discharged corporate social responsibilities.

The Group has incorporated relevant environmental protection measures into its overall work plan. The Group monitors and is committed to reducing emissions to ensure that waste and carbon emissions are under reasonable control. In addition, the Group has formulated detailed emission treatment policies for waste gas, sewage and waste. Meanwhile, the Group has strict regulations on the use of energy, water resources and other raw materials and gives priority to recycling. To address environmental risks from daily operation, the Group has adopted a series of preventive measures and formulated emergency measures in case of an accident to minimize the possible impact on the environment and natural resources. In 2018, the Group had not violated any relevant laws and regulations that had a significant impact on its business.

For further details of the Group's environmental policies and performance, please refer to the section "Environmental, Social and Governance Report" on pages 136 to 165 of this report.

Relationships with Employees, Customers and Suppliers

For the relationship between the Group and its employees, please refer to the paragraph headed "Employees and Emolument Policies" as set out in the section "Management Discussion and Analysis" on page 14 of this report.

The Group actively interacts with all stakeholders including employees, customers, suppliers, investors and the regulatory authorities to maintain good relationship with them and understand their expectations on the Group. The Group will incorporate their suggestions into its operation as far as they are feasible and in the best interest of the Group and the shareholders as a whole.

Donations

No charitable and other donations were made by the Group during the year ended 31 December 2018.

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

Hong Kong, 21 March 2019

CONNECTED TRANSACTIONS

1. Agreements Entered into by the Group in 2016 and 2017 Constituting Continuing Connected Transactions and Connected Transactions

In order to ensure the normal operation of the business of the Group and compliance with the relevant requirements of Chapter 14A of the Listing Rules, the Group entered into certain framework agreements with Sinopec Group Company and its subsidiaries for businesses relating to crude oil jetty services, natural gas pipeline transmission and financial services which constitute continuing connected transactions or connected transactions. Details of these framework agreements are as follows:

1. On 11 November 2016, Huade Petrochemical, a wholly-owned subsidiary of the Company, renewed and entered into the Sinopec Guangzhou Branch Framework Master Agreement with Guangzhou Petrochemical for the provision of crude oil jetty services to Guangzhou Petrochemical with a term of three financial years ending on 31 December 2019. Guangzhou Petrochemical is a branch company of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company;

2. On 11 November 2016, Huade Petrochemical, a wholly-owned subsidiary of the Company, renewed and entered into the Sinopec Finance Financial Services Framework Master Agreement with Sinopec Finance Company Limited ("**Sinopec Finance**") for the provision of financial services within the PRC to Huade Petrochemical and its subsidiaries by Sinopec Finance with a term of three financial years ending on 31 December 2019. Sinopec Finance is owned as to 51% equity interest by Sinopec Group Company and 49% equity interest by Sinopec Corp., Sinopec Group Company is the controlling shareholder of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company;

3. On 11 November 2016, the Company renewed and entered into the Century Bright Financial Services Framework Master Agreement with Sinopec Century Bright Capital Investment Limited ("**Century Bright**") for the provision of deposit and settlement and similar financial services outside the PRC to the Group by Century Bright with a term of three financial years ending on 31 December 2019. Century Bright is a wholly-owned subsidiary of Sinopec Group Company, which indirectly controls Kantons International, the controlling shareholder of the Company;

4. On 11 November 2016, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, renewed and entered into the Natural Gas Transmission Services Framework Master Agreement with Sinopec Natural Gas Branch Company in respect of the provision of natural gas transmission services to Sinopec Natural Gas Branch Company with a term of two financial years ending on 31 December 2019. Sinopec Natural Gas Branch Company is a branch company of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company;

5. On 11 November 2016, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, renewed and entered into the Yu Ji Pipeline Financial Services Framework Master Agreement with Sinopec Finance for the provision of financial services within the PRC by Sinopec Finance to Yu Ji Pipeline Company with a term of two financial years ending on 31 December 2019;

6. On 11 November 2016, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, renewed and entered into the Services Outsourcing Framework Master Agreement with Sinopec Natural Gas Branch Company for the provision of service outsourcing to Yu Ji Pipeline Company by Sinopec Natural Gas Branch Company with a term of two financial years ending on 31 December 2019;

7. On 11 November 2016, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, renewed and entered into the Gas Storage Framework Master Lease Agreement with Sinopec Natural Gas Branch Company for the leasing of certain gas storage facilities to Yu Ji Pipeline Company by Sinopec Natural Gas Branch Company with a term of two financial years ending on 31 December 2019;

8. On 11 November 2016, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the Yu Ji Compression Project Framework Master Agreement with Sinopec Petroleum Engineering Corporation for the natural gas pipeline compression project. Sinopec Petroleum Engineering Corporation is a wholly-owned subsidiary of Sinopec Group Company, which indirectly controls Kantons International, the controlling shareholder of the Company.

The above agreements and the continuing connected transactions and connected transactions contemplated thereunder were approved by the independent shareholders at the special general meeting of the Company held on 22 December 2016.

In addition, in order to meet the needs of production, operation and business development of the Group, the Group entered into a number of framework agreements constituting continuing connected transactions or connected transactions. As the applicable percentage ratios for the caps in respect of each of these framework agreements are more than 0.1% but less than 5%, these agreements are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of these framework agreements are as follows:

1. On 11 November 2016, Huade Petrochemical, a wholly-owned subsidiary of the Company, renewed and entered into the Sinopec Fuel Oil Sales Company Limited Framework Master Agreement with Sinopec Fuel Oil Sales Company Limited ("**Sinopec Fuel Oil**") for the provision of fuel oil jetty and storage services to Sinopec Fuel Oil with a term of three financial years ending on 31 December 2019. Sinopec Fuel Oil is a wholly owned subsidiary of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company;

2. On 11 November 2016, Huade Petrochemical, a wholly-owned subsidiary of the Company, entered into the Huade Project Design Framework Master Agreement with Luoyang Petrochemical Engineering Corporation Limited for project design services for the relocation and risk management in relation to certain oil storage tanks and ancillary facilities. Luoyang Petrochemical Engineering Corporation Limited is a wholly owned subsidiary of Sinopec Engineering (Group) Company Limited ("**Sinopec Engineering**"). Sinopec Group Company is the controlling shareholder of Sinopec Engineering, and indirectly controls Kantons International, the controlling shareholder of the Company;

3. On 11 November 2016, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the Internal Labour Technical Services Framework Master Agreement with Sinopec Zhongyuan Oilfield Natural Gas Technical Centre ("**Zhongyuan Natural Gas Technical Centre**") for the provision of technical services to Yu Ji Pipeline Company by Zhongyuan Natural Gas Technical Centre with a term of three financial years ending on 31 December 2019. Zhongyuan Natural Gas Technical Centre is a wholly-owned subsidiary of Sinopec Group Company, which indirectly controls Kantons International, the controlling shareholder of the Company;

4. On 11 November 2016, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the Substation Power Technical Services Framework Master Agreement with Sinopec Zhongyuan Oilfield Company Electricity Supply Centre ("**Zhongyuan Electricity Supply Centre**") for the provision of substation power station maintenance services to Yu Ji Pipeline Company by Zhongyuan Electricity Supply Centre with a term of three financial years ending on 31 December 2019. Zhongyuan Electricity Supply Centre is a wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company;

5. On 11 November 2016, Sinomart Development, a wholly-owned subsidiary of the Company, entered into the Six Oil Terminal Companies Entrusted Management Framework Master Agreement with Sinopec Pipeline Storage and Transportation Company for monitoring, facilitating and guiding the daily management of the Six Domestic Terminal Companies of the Group with a term of three financial years ending on 31 December 2019. Sinopec Pipeline Storage and Transportation Company is a wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company;

6. On 11 November 2016, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, renewed and entered into the Lands and Buildings Framework Master Lease Agreement with Sinopec Natural Gas Branch Company for the leasing of certain parcels of lands and buildings from Sinopec Natural Gas Branch Company with a term of two financial years ending on 31 December 2019;

7. On 18 May 2017, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Group, and Shandong Natural Gas Pipeline Company Limited ("**Shandong Natural Gas Pipeline Company**") entered into the Office Building Framework Master Lease Agreement for the leasing of certain office building to Shandong Natural Gas Pipeline Company with a term of three financial years ending on 31 December 2019. Shandong Natural Gas Pipeline Company is a non-wholly owned subsidiary of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company.

For details of the above continuing connected transactions and connected transactions, please refer to the Company's announcements and circular dated 11 November 2016, 2 December 2016 and 18 May 2017 which were published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinopec.com.hk).

II. Agreements Entered into by the Group during the Year Constituting Continuing Connected Transactions

To enhance the business volume of the natural gas pipeline transmission and ensure the stable operation of the natural gas pipelines, on 30 August 2018, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the Changcheng Natural Gas Transmission Services Framework Master Agreement with Sinopec Changcheng Gas Investment Company Limited ("**Sinopec Changcheng Gas**") for the provision of natural gas pipeline transmission services and entered into the Natural Gas Pipeline Technical Services Framework Master Agreement with Sinopec Pipeline Technical Services Company Limited ("**Sinopec Pipeline Services Company**") for the receipt of natural gas pipeline maintenance works and related technical services respectively, both with a term commencing on 30 August 2018 to 31 December 2019. Sinopec Changcheng Gas is an indirect wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company; whereas Sinopec Pipeline Services Company is an indirect subsidiary of Sinopec Group Company, which indirectly controls Kantons International, the controlling shareholder of the Company.

As the applicable percentage ratios for the caps in respect of each of these framework agreements are more than 0.1% but less than 5%, these agreements are required to comply with the reporting, annual review and announcement requirements only but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For details of the above continuing connected transactions, please refer to the announcement published on 30 August 2018 on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinopec.com.hk).

III. Information on the Continuing Connected Transactions and Connected Transactions Conducted by the Group during the Year

1. For the year ended 31 December 2018, the transaction amounts and annual caps for the continuing connected transactions conducted by the Group are as follows:

		Transaction amounts for the year ended 31 December 2018 RMB million	Annual caps for the year 2018 RMB million
Crude oil jetty services income		476.10	700.00
Fuel oil jetty and storage services income		43.22	80.00
Income arising from the provision of natural gas transmission services	(From Sinopec Natural Gas Branch Company)	678.39	1,800.00
Income arising from the provision of natural gas transmission services	(From Sinopec Changcheng Gas)	5.63	8.00
Services outsourcing fees		38.34	170.00
Gas storage facilities lease expenses		0.00	113.00
Building lease income		3.70	5.50
Lands and buildings lease expenses		5.59	10.80
Internal labour technical services expenses		5.20	7.00
Power technical services expenses		4.08	8.80
Natural gas pipeline technical services expenses		4.99	10.00
Terminal entrustment and management expenses		8.80	8.80
Maximum balance of deposits placed by Huade Petrochemical in Sinopec Finance during the Year		63.40	500.00
Maximum balance of deposits placed by Yu Ji Pipeline Company in Sinopec Finance during the Year		302.13	800.00
Maximum balance of deposits placed outside the PRC by the Group in Century Bright during the Year [Note] (HK$ million)		353.81	500.00

Note: The amount referred to in this row shall be denominated in HK$.

2. The accumulated transaction amounts for the connected transactions of the Group as of 31 December 2018 are as follows:

	Accumulated transaction amounts as of 31 December 2018 RMB million	Caps of the aggregate amounts of the connected transactions RMB million
Expenses arising from the natural gas pipeline compression project	1.22	135.00
Expenses arising from Huade project design services	0.00	6.00

Please also refer to note 31 to the financial statements of this report which sets out further details of the above continuing connected transactions and connected transactions as well as transactions with related parties of the Group during the Year. Save as mentioned in this section and therein, there are no continuing connected transactions and connected transactions required to be disclosed in accordance with the Listing Rules.

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

(1) in the ordinary and usual course of business of the Group;
(2) on normal commercial terms or better; and
(3) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The auditor of the Company was engaged to report on the Group'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 Stock Exchange) in accordance with Rule 14A.56 of the Listing Rules and confirmed that nothing has come to its attention that causes it to believe that 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 agreements governing the transactions; and

(4) have exceeded the respective annual caps.

In addition, the Company 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 values of the relevant connected transactions in any financial year do 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

As at 31 December 2018, the Directors and senior management of the Company are as follows:

Executive Directors

Mr. Chen Bo, aged 56, Chairman of the Company. Mr. Chen 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 of Engineering in July 1986 and also holds a professional qualification of engineer. After graduating from university, Mr. Chen has been working in Sinopec Group Company. Since joining UNIPEC in 1993, he has successively held various positions including the 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, Assistant to General Manager and Deputy General Manager of UNIPEC, and the General Manager and Executive Director of UNIPEC. Mr. Chen has extensive working experience in international crude oil and natural gas trading and transportation as well as international storage and logistics and has maintained a good relationship with the world's major oil producers, large oil companies and large trading companies, and enjoys a good reputation and credit in the industry. Mr. Chen has been the Chairman and Executive Director of the Company since May 2014.

Mr. Xiang Xiwen, aged 53, Deputy Chairman of the Company. Mr. Xiang graduated from Liaoning University in July 1989 majoring in accounting. He holds the professional qualification of professor accountant. He also obtained a Master of Economics and has extensive experience in financial management and accounting. From July 1989 to April 2000, Mr. Xiang was Deputy Section Chief and Section Chief of Henan Petroleum Exploration Administration of Sinopec Group Company; from May 2000 to May 2002, he was Chief Accountant of the First Oil Production Plant of Henan Oilfield Branch Company of Sinopec Group Company; from June 2002 to April 2014, he was Deputy Chief Accountant and Chief Accountant of Henan Oilfield Branch Company of Sinopec Group Company; from May 2014 to June 2017, he was Deputy Head of Finance Department of Sinopec Corp.; since June 2017, he has been Deputy Head and Chief Accountant of Exploration & Production Department of Sinopec Corp.. Mr. Xiang has been the Deputy Chairman and Executive Director of the Company since December 2015.

Mr. Dai Liqi, aged 51, Executive Director of the Company. Mr. Dai graduated from China Textile University in July 1989 majoring in chemical fiber with a Bachelor of Engineering. He also holds a professional qualification of senior engineer. From August 1989 to February 1994, Mr. Dai was Lead Technician and Engineer of the Post-combed Drawing Workshop of Polyester Factory of Tianjin Branch Company of Sinopec Corp.; from February 1994 to January 2002, he was Engineer and Senior Engineer of Planning & Development Department of Sinopec Corp.; from February 2002 to October 2005, he was Deputy Head of the Project Cooperation Office of Planning & Development Department of Sinopec Corp.; from October 2005 to October 2010, he was Head of the Project Cooperation Office of Planning & Development Department of Sinopec Corp.; from October 2010 to December 2016, he was Deputy Head of the Foreign Cooperation Office of Sinopec Corp.; from January 2017 to May 2018, he was Head of the Foreign Cooperation Office and Deputy Head of Planning & Development Department of Sinopec Corp.; from June 2018 to December 2018, he was Deputy Head of International Cooperation Department of Sinopec Corp.; and he has been the President of Sinopec SABIC Tianjin Petrochemical Company Limited and Deputy General Manager of Tianjin Branch Company of Sinopec Corp. since January 2019. Mr. Dai has been an Executive Director of the Company since December 2015.

Mr. Li Jianxin, aged 51, Executive Director of the Company. Mr. Li graduated from Hangzhou University in 1990 majoring in finance with a Bachelor of Economics and graduated from International Business College of Nanjing University in August 1996 with a Master of Business Administration. He also holds a professional qualification of professor economist. Mr. Li joined Sinopec Yangzi Petrochemical Company Ltd. ("**Yangzi Petrochemical Company**") in August 1990; from August 1996 to July 2000, he was Officer, Deputy Section Chief and Section Chief of Finance Department of Yangzi Petrochemical Company; from July 2000 to April 2002, he was Deputy Head of Finance Department of Guangdong Oil Products Branch Company of Sinopec Corp.; from April 2002 to September 2005, he was Deputy Chief Accountant and Chief Accountant of Shenzhen Oil Products Branch Company of Sinopec Corp.; from September 2005 to June 2007, he was Chief Accountant of Guizhou Oil Products Branch Company of Sinopec Corp.; from June 2007 to March 2015, he was the Chief Financial Officer, Director and General Manager of Sinopec (Hong Kong) Limited and also Director of both Sinopec Century Bright Capital Investment Limited and Sinopec Insurance Limited; from March 2015 to November 2018, he was the Chief Accountant of Guangzhou Branch Company of Sinopec Corp.; and he has been the Chief Accountant of Capital and Finance Department of Sinopec Group Company since November 2018. Mr. Li has been an Executive Director of the Company since December 2015.

Mr. Wang Guotao, aged 53, Executive Director of the Company. Mr. Wang graduated from Huazhong University of Science and Technology in July 1988 majoring in applied chemistry and holds a master degree in oil and natural gas engineering. He also holds a professional qualification of senior engineer. From July 1988 to July 1995, he was a technician of Huangdao Oil Tanks of Shengli Oil Transmission Company of Pipeline Bureau; from July 1995 to June 1998, he was Deputy Station Head and Station Head of Shouguang Station of Shengli Oil Transmission Company of Pipeline Bureau; from June 1998 to June 2001, he was Station Head of Shouguang Station of Shengli Oil Transmission Company and Station Head of Shouguang Station of Weifang Pipeline Division of Pipeline Storage & Transportation Company; from June 2001 to August 2001, he was Deputy Head of Weifang Pipeline Division and Head of Huangdao Oil Tanks of Pipeline Storage & Transportation Company; from August 2001 to December 2004, he was Deputy Head of Huangdao Oil Tanks of Pipeline Storage & Transportation Branch Company; from December 2004 to May 2012, he was Head of Huangdao Oil Tanks of Pipeline Storage & Transportation Branch Company and Deputy Secretary to the Communist Party Committee (from April 2008 to May 2012, he was also Head of Qingdao Management Office of Pipeline Storage & Transportation Company); from May 2012 to September 2014, he was Deputy General Manager of Pipeline Storage & Transportation Branch Company and the Standing Committee Member of Communist Party Committee; from September 2014 to July 2017, he was Deputy General Manager and the Standing Committee Member of the Communist Party Committee of Sinopec Pipeline Storage & Transportation Company; since July 2017, he has been General Manager and Deputy Secretary to the Communist Party Committee of Sinopec Pipeline Storage and Transportation Company; since October 2017, he has been General Manager of Sinopec Pipeline Storage and Transportation Asset Management Company. Mr. Wang has been an Executive Director of the Company since December 2015.

Mr. Ye Zhijun, aged 53, Managing Director of the Company. Mr. Ye holds a bachelor degree in chemical engineering and Master of Business Administration and holds a professional qualification of senior economist. He joined Guangzhou Petroleum and Chemical Plant of Sinopec Corp. in August 1988. From June 1995 to July 1997, he was Deputy Head and Head of Operations Department of Guangzhou Yinzhu Polypropylene Ltd. of Guangzhou Petroleum and Chemical Plant of Sinopec Corp.; from July 1997 to September 1999, he was Deputy General Manager of Guangzhou Yinzhu Polypropylene Ltd.; from September 1999 to December 2001, he was Deputy Manager of Sales Centre of Guangzhou Branch Company of Sinopec Corp.. 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 73, Independent Non-Executive Director of the Company. Ms. Tam graduated from London University. She obtained the qualification as a barrister-at-law at Gray's Inn, and practised in Hong Kong. Ms. Tam was a member of the Preparatory Committee for the Hong Kong Special Administrative Region (PRC), Hong Kong Affairs Advisor (PRC), a Deputy to the 9th to 12th National People's Congress of the PRC and a member of the Basic Law Committee of Hong Kong Special Administrative Region. She was a member of the Operations Review Committee and the Panel of the Witness Protection Review Board under Independent Commission Against Corruption ("**ICAC**") of Hong Kong from January 2010 to December 2014. She was the Chairman of Operations Review Committee, a member of the Panel of the Witness Protection Review Board, and an Ex-Officio of the Advisory Committee on Corruption under ICAC from January 2015 to December 2017. She is currently a Vice-Chairperson of the HKSAR Basic Law Committee under the Standing Committee of the National People's Congress. She is also a member of various community service organisations. She is currently an Independent Non-Executive Director of Nine Dragons Paper (Holdings) Limited, Sa Sa International Holdings Limited, Wing On Company International Limited, Macau Legend Development Limited and China Shenhua Energy Company Limited, all of which are listed companies on the Hong Kong Stock Exchange. She is also a Director of Green Fun Limited, Love Foundation Limited and Love • Family Foundation Limited. Ms. Tam has been an Independent Non-Executive Director of the Company since June 1999.

Mr. Fong Chung, Mark, aged 67, Independent Non-Executive Director of the Company. Mr. Fong was the President of the Hong Kong Institute of Certified Public Accountants, and has over 40 years of experience in the accounting profession. He was a Council Member of the Institute of Chartered Accountants in England and Wales from June 2016 to June 2018 and has been the Chairman of Audit Committee of the Hong Kong Institute of Certified Public Accountants since February 2016. Mr. Fong is currently an Independent Non-Executive Director of Macau Legend Development Limited and China Oilfield Services Limited, all of which are listed companies on the Hong Kong Stock Exchange. He is also a Non-Executive Director of Worldsec Limited, a company listed on the London Stock Exchange. Mr. Fong has been an Independent Non-Executive Director of the Company since September 2004.

Dr. Wong Yau Kar, David, GBS, JP, aged 61, 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 participates actively in public services. He is currently a Hong Kong Deputy to the 13th National People's Congress of the PRC. He is also the Chairman of Mandatory Provident Fund Schemes Authority. Dr. Wong is currently an Independent Non-Executive Director of Huayi Tencent Entertainment Company Limited, Shenzhen Investment Limited, Redco Properties Group Limited and Guangnan (Holdings) Limited, all of which are listed companies on the Hong Kong Stock Exchange. Dr. Wong has been an Independent Non-Executive Director of the Company since March 2014.

Ms. Wong Pui Sze, Priscilla, BBS, JP, a practising barrister in Hong Kong, aged 58, Independent Non-Executive Director of the Company. Ms. Wong obtained a Bachelor of Laws (Hons) degree from the University of Hong Kong and a Master of Laws degree from the London School of Economics and Political Science of the University of London. She is qualified as a barrister in Hong Kong, an advocate and solicitor in Singapore, a mediator of Centre for Effective Dispute Resolution (CEDR) and an arbitrator of China International Economic and Trade Arbitration Commission (CIETAC). Ms. Wong holds a number of public positions in Mainland China and the Hong Kong Special Administrative Region. She is currently a member of Shanghai Committee of the Chinese People's Political Consultative Conference, the chairman of the Minimum Wage Commission of Hong Kong, the chairman of Employees Compensation Assistance Fund Board, a member of the Hospital Authority Board, a trustee of the Board of Trustees of the Hospital Authority Charitable Foundation, a member of Kowloon Hospital Governing Committee, a member of Hong Kong Eye Hospital Governing Committee, a member of the Council and the Court of the University of Hong Kong, a member of the Financial Reporting Review Panel of the Hong Kong Special Administrative Region and a lay member of the Joint Committee on Student Finance. Ms. Wong is currently an Independent Non-Executive Director of Fantasia Holdings Group Co., Limited, a company listed on the Hong Kong Stock Exchange. Ms. Wong has been an Independent Non-Executive Director of the Company since 22 March 2018.

Other Senior Management

Mr. Li Wenping, aged 55, Secretary to the Board of the Company. Mr. Li holds a Master of Business Administration and holds the professional qualification of senior economist. He joined the Research Institute of Yangzi Petrochemical Company in August 1985. He was Deputy Head of Plastic Research and Development Centre of Yangzi Petrochemical Company from January 1994 to September 1994, and Project Manager of Joint Venture and Cooperation Division of Yangzi Petrochemical Company 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. Chen Hong, aged 46, Chief Financial Officer of the Company. Mr. Chen graduated from Accounting Department of Renmin University of China in July 1994 majoring in international professional accounting with a professional qualification of senior accountant and holds a Master of Economics. He worked in Finance Department of Sinopec International Co. Ltd., Sinopec International Products Trading Co., Sinopec (Singapore) Company, UNIPEC (Singapore) Company and other units respectively after his graduation. He was Deputy Head of Finance Department of UNIPEC from December 2008 to March 2012. Mr. Chen has been the Chief Financial Officer of the Company since March 2012.

Particulars of Changes in Directors Subsequent to the Date of 2017 Annual Report

Pursuant to Rule 13.51B of the Listing Rules, the following changes are disclosed:

Ms. Tam Wai Chu, Maria resigned as an independent non-executive director, chairlady of the remuneration committee, and a member of the audit committee and the nomination committee of Minmetals Land Limited on 1 April 2018; and resigned as an independent non-executive director, and a member of the audit committee and the nomination committee of Tong Ren Tang Technologies Co. Ltd. on 12 June 2018.

Dr. Wong Yau Kar, David resigned as an independent non-executive director, the chairman of the remuneration committee, and a member of the audit committee and the nomination committee of Concord New Energy Group Limited on 4 June 2018.

CORPORATE GOVERNANCE REPORT

Compliance with the Corporate Governance Code

Save as disclosed in this report, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 of the Listing Rules for the year ended 31 December 2018.

General Meeting

On 27 June 2018, the Company convened the 2017 annual general meeting at Salon Rooms II-III, 5/F., Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong strictly in accordance with the relevant notice, convening and holding requirements under laws, regulations and the Bye-laws. Mr. Chen Bo, Chairman of the Board, did not attend and preside the annual general meeting for reasons of official duties. Pursuant to Bye-law 71 of the Bye-laws of the Company and according to the election by the attending Directors, Mr. Ye Zhijun, the Managing Director, presided over the annual general meeting, and Mr. Fong Chung, Mark, the Chairperson of the Audit Committee of the Company, Ms. Tam Wai Chu, Maria, the Chairlady of the Remuneration Committee of the Company (the "**Remuneration Committee**"), Dr. Wong Yau Kar, David, the Chairperson of the Nomination Committee of the Company (the "**Nomination Committee**"), Ms. Wong Pui Sze, Priscilla, an independent non-executive Director, and PricewaterhouseCoopers, the auditor of the Company, also attended the meeting upon invitation. For details and poll results of the above meeting, please refer to the relevant announcement of the Company published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinopec.com.hk) on 27 June 2018.

Directors' attendance at the general meeting in 2018 is as follows:

Attendance	No. of meetings attended	Attendance %
Mr. Chen Bo (Chairman)	0	0
Mr. Xiang Xiwen (Deputy Chairman)	0	0
Mr. Dai Liqi	0	0
Mr. Li Jianxin	0	0
Mr. Wang Guotao	0	0
Mr. Ye Zhijun (Managing Director)	1	100
Ms. Tam Wai Chu, Maria	1	100
Mr. Fong Chung, Mark	1	100
Dr. Wong Yau Kar, David	1	100
Ms. Wong Pui Sze, Priscilla (appointed on 22 March 2018)	1	100

The Board of Directors

The Board provides effective and responsible leadership for the Company. The Directors, individually and collectively, act in good faith and in the best interests of the Company and its shareholders as a whole.

As at 31 December 2018, the Board comprised six executive Directors and four 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)	Mr. Fong Chung, Mark (Chairperson)	Ms. Tam Wai Chu, Maria (Chairlady)	Dr. Wong Yau Kar, David (Chairperson)
Mr. Xiang Xiwen (Deputy Chairman)	Ms. Tam Wai Chu, Maria	Mr. Chen Bo	Mr. Chen Bo
Mr. Dai Liqi	Dr. Wong Yau Kar, David	Mr. Fong Chung, Mark	Ms. Tam Wai Chu, Maria
Mr. Li Jianxin	Ms. Wong Pui Sze, Priscilla (appointed on 22 March 2018)	Dr. Wong Yau Kar, David	Mr. Fong Chung, Mark
Mr. Wang Guotao		Ms. Wong Pui Sze, Priscilla (appointed on 22 March 2018)	Ms. Wong Pui Sze, Priscilla (appointed on 22 March 2018)
Mr. Ye Zhijun (Managing Director)		Mr. Ye Zhijun	Mr. Ye Zhijun
Independent Non-executive Directors			
Ms. Tam Wai Chu, Maria			
Mr. Fong Chung, Mark			
Dr. Wong Yau Kar, David			
Ms. Wong Pui Sze, Priscilla (appointed on 22 March 2018)			

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

The company secretary assists the Board in setting the agenda of Board meetings as instructed, and each Director is invited to discuss or propose any businesses at the meetings. All Directors have timely access to all relevant information of the Board meetings and may seek professional advice if necessary. The Company held four Board meetings in 2018. Directors' attendance at the Board meetings is as follows:

Attendance	No. of meetings attended	Attendance %
Mr. Chen Bo (Chairman)	4	100
Mr. Xiang Xiwen (Deputy Chairman)	2	50
Mr. Dai Liqi	1	25
Mr. Li Jianxin	2	50
Mr. Wang Guotao	3	75
Mr. Ye Zhijun (Managing Director)	4	100
Ms. Tam Wai Chu, Maria	3	75
Mr. Fong Chung, Mark	4	100
Dr. Wong Yau Kar, David	4	100
Ms. Wong Pui Sze, Priscilla (appointed on 22 March 2018) [Note]	3	100

Note: During the period from 22 March 2018 to 31 December 2018, the Board only convened three meetings; accordingly, the attendance of Ms. Wong Pui Sze, Priscilla at the Board meetings during the period is 100%.

Confirmation of Independence of Independent Non-executive Directors

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.

All independent non-executive Directors are financially independent from the Group.

The Board, with the assistance from the Nomination Committee, participates in the selection and approval of new Directors. Independent non-executive Directors are appointed for a specific term. Under the Bye-laws, all the Directors are required to retire and be re-elected by rotation at least once every three years. The Nomination Committee and the Board take into consideration a range of criteria including but not limited to gender, age, cultural and educational background, ethnicity, profession, experience, skills, knowledge when selecting and appointing new Directors. Mr. Fong Chung, Mark, Ms. Tam Wai Chu, Maria, Dr. Wong Yau Kar, David and Ms. Wong Pui Sze, Priscilla, as independent non-executive Directors, were re-elected and approved to serve as independent non-executive Directors at the annual general meetings of the Company held on 7 June 2016, 13 June 2017, 13 June 2017 and 27 June 2018, respectively, for a term of three years.

Audit Committee

As at 31 December 2018, the Audit Committee comprised four independent non-executive Directors. The Audit Committee is responsible for reviewing the accounting principles and practices, auditing, internal control, risk management, internal audit and legal and regulatory compliance of the Group. It also reviews the interim and annual results of the Group prior to recommending them to the Board for approval. It meets to review financial reporting and risk management and internal control matters and has unrestricted access to the Company's auditor to this end. The Audit Committee is chaired by Mr. Fong Chung, Mark, a qualified accountant with extensive experience in financial reporting and control. In 2018, the Audit Committee held two meetings to review the annual results of the Group for the year ended 31 December 2017 and the interim results of the Group for the six months ended 30 June 2018, reviewed the accounting principles and practices adopted by the Group with the management and external auditor, and discussed and reviewed the risk management and internal control matters and financial reports. In 2018, the attendance of members of the Audit Committee at the Audit Committee meetings is as follows:

Attendance	No. of meetings attended	Attendance %
Mr. Fong Chung, Mark (Chairperson)	2	100
Ms. Tam Wai Chu, Maria	1	50
Dr. Wong Yau Kar, David	2	100
Ms. Wong Pui Sze, Priscilla (appointed on 22 March 2018) [Note]	1	100

Note: During the period from 22 March 2018 to 31 December 2018, the Audit Committee convened one meeting; accordingly, the attendance of Ms. Wong Pui Sze, Priscilla during the period is 100%.

The Company's annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee.

Remuneration Committee

As at 31 December 2018, the Remuneration Committee comprised four independent non-executive Directors and two executive Directors, of which Ms. Tam Wai Chu, Maria, an independent non-executive Director, was the chairlady. The Remuneration Committee is responsible for studying and determining the remuneration and incentive policies of the Directors and senior management of the Company, and such Directors' remuneration and incentive policies will be proposed to the Board. 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 element of the Company's remuneration policy is that no individual should determine his or her own remuneration; remuneration should reflect the performance, the complexity of work, positions, duties, and level of responsibilities of the individual.

In 2018, the Remuneration Committee convened two meetings, during which the performance of the Company's management staff was evaluated, and rewards were offered in accordance with the relevant assessment and incentive mechanisms. In addition, the Remuneration Committee also considered and established the "human resource management system" of the Company. In 2018, the attendance of members of the Remuneration Committee at the Remuneration Committee meetings is as follows:

Attendance	No. of meetings attended	Attendance %
Ms. Tam Wai Chu, Maria (Chairlady)	1	50
Mr. Chen Bo	2	100
Mr. Fong Chung, Mark	2	100
Dr. Wong Yau Kar, David	2	100
Mr. Ye Zhijun	2	100
Ms. Wong Pui Sze, Priscilla (appointed on 22 March 2018) [Note]	1	100

Note: During the period from 22 March 2018 to 31 December 2018, the Remuneration Committee convened one meeting; accordingly, the attendance of Ms. Wong Pui Sze, Priscilla during the period is 100%.

Nomination Committee

As at 31 December 2018, the Nomination Committee comprised four independent non-executive Directors and two executive Directors, of which Dr. Wong Yau Kar, David, an independent non-executive Director, was the chairperson.

The Nomination Committee is responsible for formulating and implementing policies in relation to the nomination of Directors. According to the Board Diversity Policy of the Company approved and implemented on 31 March 2014, various factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service shall be considered by the Nomination Committee for the consideration and selection of the Director candidates. The Nomination Committee shall also consider factors such as the Company's business model and specific needs from time to time. Other functions of the Nomination Committee include: (i) reviewing the structure, number of member and composition (including skills, knowledge and experience) of the Board and proposing changes to the Board to adapt to the strategy of the Company; (ii) looking for candidates with adequate qualification for being a Director, selecting and nominating such candidates to the Board and advising thereon; (iii) making proposals to the Board on the appointment or re-appointment of Directors and successors of Directors (in particular the Chairman and the Managing Director); (iv) evaluating independence of independent non-executive Directors; and (v) in the event that the Board intends to propose a resolution in relation to the 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 2018, the Nomination Committee convened one meeting, during which the nomination of Ms. Wong Pui Sze, Priscilla as an independent non-executive Director of the Company was discussed, and the structure and composition of the Board were reviewed, and rotation of Directors was discussed. In 2018, the attendance of members of the Nomination Committee at the Nomination Committee meeting is as follows:

Attendance	No. of meetings attended	Attendance %
Dr. Wong Yau Kar, David (Chairperson)	1	100
Mr. Chen Bo	1	100
Ms. Tam Wai Chu, Maria	1	100
Mr. Fong Chung, Mark	1	100
Mr. Ye Zhijun	1	100
Ms. Wong Pui Sze, Priscilla (appointed on 22 March 2018) [Note]	–	–

Note: During the period from 22 March 2018 to 31 December 2018, the Nomination Committee did not convene any meeting.

In accordance with Bye-law 111 of the Bye-laws, every Director shall be subject to retirement by rotation at least once every three years. In 2019, the term of office of Mr. Li Jianxin, an executive Director, Mr. Wang Guotao, an executive Director, and Mr. Fong Chung, Mark, an independent non-executive Director, will expire at the conclusion of the forthcoming annual general meeting. Taking into account the factors such as cultural and educational background, professional experience, knowledge, skills, ethnicity and age of such Directors with due regard for the benefits of the diversity and their contributions to the Board, as well as their dedication to duties and qualifications, the Nomination Committee nominated Mr. Li Jianxin, Mr. Wang Guotao and Mr. Fong Chung, Mark for re-election at the forthcoming annual general meeting to be held on 12 June 2019. To avoid conflicts of interest, the Directors who participated in the re-election of the Directors abstained from voting on the resolution for their re-election at the meetings of the Board and/or Nomination Committee.

Functions of Corporate Governance and Directors' Training

The Board sets its corporate governance policies pursuant to the Corporate Governance Code, and it accordingly reviews and monitors the training and continuing professional development of Directors and the senior management and its policies and practices in compliance with relevant laws and regulatory requirements.

In 2018, all Directors participated in trainings in respect of corporate governance practices through various ways.

Chairman of the Board and the Managing Director of the Company

Mr. Chen Bo is the Chairman of the Board. Mr. Ye Zhijun is the Managing Director of the Company. This segregation of duties ensures a clear distinction between the Chairman'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) determining the policy for the Company's corporate governance and performing duties under code provision D.3.1 of the Corporate Governance Code;
(2) being responsible for convening general meetings of the Company;
(3) executing the resolutions of general meetings of the Company;
(4) determining the development plans and operation plans of the Company;
(5) preparing the Company's profit distribution plan and loss recovery plan;
(6) preparing 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;
(7) under the authorization of general meeting of the Company (if required), determining 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 transactions, etc;
(8) appointing or dismissing the general manager of the Company, and appointing or dismissing the company secretary according to the nomination of the general manager;
(9) being responsible for formulating the policies related to risk management, internal audit and internal control, and authorizing the Audit Committee to represent the Board to monitor the progress of work in risk management, internal audit and internal control;

(10) based on the recommendation of the Nomination Committee, determining the Director candidates and submitting them to general meeting of the Company for approval;
(11) based on the recommendation of the Remuneration Committee, determining the remuneration of Directors and senior management;
(12) formulating the basic management system of the Company;
(13) managing the information disclosure of the Company;
(14) proposing to general meeting of the Company the appointment or change of the Company's auditor;
(15) formulating the amendment plans of the Bye-laws, and submitting them to general meeting of the Company for approval;
(16) determining other material matters and administrative matters other than those required to be determined by general meeting of the Company according to laws, regulations, the Listing Rules and the Bye-laws, as well as entering into other important agreements.

Responsibilities of the management:

(1) being 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) organizing and implementing the annual operation plan and investment plan of the Company;
(3) formulating the internal management system of the Company;
(4) preparing the Company's fundamental management policies and submitting them to the Board for approval;
(5) formulating specific regulations of the Company;
(6) proposing the appointment or dismissal of deputy general managers and the chief financial officer of the Company; appointing or dismissing other management staff other than those that should be appointed or dismissed by the Board;
(7) determining the salaries, benefits, rewards and punishment for the staff of the Company, and determining the appointment and dismissal of the staff of the Company;
(8) proposing to convene extraordinary meetings of the Board;
(9) thoroughly implementing the risk management, internal audit and internal control policies formulated by the Board and confirming with the Audit Committee the effectiveness of the risk management and internal control systems;
(10) thoroughly implementing the environmental, social and governance policies and be responsible for the preparation of Environmental, Social and Governance report according to the regulatory requirements;
(11) other responsibilities granted by the Bye-laws and the Board.

Dividend Policy

The dividend policy of the Company is as follows:

(1) The Company may distribute dividends in cash, stock and in any other manner as permitted under the applicable laws, regulations, Bye-laws and by the relevant regulatory authorities of the place(s) where the shares of the Company are listed;

(2) The Company may distribute interim and final dividends once a year respectively taking account of its financial condition and net realizable asset value. Subject to compliance with the applicable laws and regulations and the Bye-laws, the Board shall determine whether to pay any interim dividend or special dividend; and the general meeting shall determine whether to pay any final dividend. As the shares of the Company are denominated in Hong Kong dollars, cash dividends or other distributions shall be presented, denominated and paid in Hong Kong dollars. Dividends are pre-tax earnings, so shareholders of the Company are required to pay the corresponding taxes in accordance with the applicable laws and regulations;

(3) In respect of a financial year, during which both the net profit attributable to equity holders of the Company and the accumulated undistributed profit are positive, provided that the Company's cash flow can fulfill its normal operation and sustainable development, the total annual cash dividends (including the interim cash dividend and the final cash dividend) shall not be less than 20% of the profit attributable to equity holders of the Company for the full financial year;

(4) In the event of a force majeure such as war or natural disaster, or any change in external environment which imposes a significant impact on the Company's production and operation, or any change in dividends of the Company's subsidiaries which leads to a significant change in the Company's operating cash flow, or any significant change in the Company's own operation or financial conditions, or where the Board deems it necessary, the Board may amend the dividend distribution policy at any time, subject to the then relevant laws and regulations and the Bye-laws.

Directors' Responsibility for the Financial Statements

The Directors recognized their responsibilities for the preparation of the Company's financial statements for the year ended 31 December 2018.

Save as disclosed in this report, the Directors are not aware of any material uncertainties relating to events or situations that may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibility statement of the auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 50 to 57 of this report.

Liability Insurance for Directors

Sinopec Corp. (the intermediate controlling shareholder which indirectly holds approximately 60.33% share capital 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. As such, the Company has not submitted to additional commercial insurance against the liability risks of the Directors of the Company.

Auditors' Remuneration

For the year ended 31 December 2018, the following fees were paid/payable by the Group to the auditor, PricewaterhouseCoopers, and its network members:

	HK$ million	
	2018	2017
Audit services		
– the Company	2.28	3.07
– subsidiaries	3.27	2.90
Total	5.55	5.97

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding the Directors' securities transactions. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2018.

Risk Management and Internal Control

The Company adopted the "Enterprise Risk Management" framework in a top-down approach. The Board and the Audit Committee continue to oversee the risk management and internal control systems of the Company and fully identify and manage all significant risks in aspects including financial, operational and compliance controls. The Company has established Risk Control Department with staff specialized in risk management and internal audit matters. Risk identification, assessment and response procedures are performed on a quarterly basis, and risk conferences are held for the purpose of studying existing and emerging risks and discussing the changes of significant risks caused by changes in internal and external environment. All the business units and functional departments of the Company participate in the above activities. Risk Control Department consolidates the identified significant risks during the risk management process, and compiles a quarterly risk management report after going through filtering, prioritizing as well as consultation processes to the management. Risk management and internal control report is prepared by Risk Control Department on an annual basis and submitted to the Audit Committee after being reviewed by the management of the Company.

The Company has established the risk management and internal control systems according to the following principles:

(1) Alignment to the Company's strategy: The enterprise risk management is aligned to the Company's strategic targets;
(2) Compliance: The Company complies with the relevant laws and regulations including the Listing Rules and relevant management systems;
(3) Comprehensiveness: The enterprise risk management involves all employees of the Company, and plays important roles in decision-making, management and execution in all areas of businesses;
(4) Materiality: The Company focuses on risk management of key businesses and high risk areas;
(5) Cost effectiveness: The Company utilizes existing resources and optimizes their allocation, and implements effective risk control procedures at a reasonable cost to enhance the efficiency and effectiveness of the risk management and internal control systems;
(6) Integration: The enterprise risk management should integrate with the existing management systems and complement and support each other.

To ensure the establishment and maintenance of appropriate and effective risk management and internal control systems of the Company, the Audit Committee is responsible for overseeing the management's design, implementation and supervision of such systems according to the delegation of the Board and the effectiveness of such systems is reviewed at least annually. The Board recognizes its responsibilities for the risk management and internal control systems of the Company and the review of the effectiveness of such systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee evaluates the effectiveness of the risk management and internal control systems of the Company on an annual basis and assesses the financial, operational and compliance controls based on the following factors:

(1) the changes in the nature and the extent of significant risks and the Company's ability to respond to the changes in its business and external environment;
(2) the scope and quality of the management's ongoing monitoring of the risk management and internal control systems, and the work of its internal audit function and other assurance providers;
(3) the report on the operation and the effectiveness of the risk management and internal control systems, including its extent and frequency, to the Audit Committee;
(4) reviewing any significant control deficiencies or weaknesses that have been identified during the year, the outcome caused by or may have been caused by such deficiencies or weaknesses, and the impact made or may have made on the Company, discussing and implementing appropriate rectification measures;
(5) reviewing the sufficiency of resources, qualification and experience of employees as well as the training courses and the relevant budget in relation to accounting, internal audit and financial reporting;
(6) the effectiveness of the procedures on financial reporting and the compliance of the provisions under the Listing Rules.

The Company resolves the internal control weaknesses by setting a three-line defense system. The first line is operational management and control. All departments and their subordinate units should manage and control their respective risk areas, identify and resolve problems in a timely manner. The second line is risk management and compliance. Risk Control Department coordinates all departments to carry out risk management process. If Risk Control Department discovers internal control weaknesses, they shall be reported for rectification in a timely manner. The third line is the Audit Committee and the internal audit that are responsible for considering the system's construction plan and evaluating its effectiveness. Significant internal control deficiencies, if found in the review and reporting procedures, will be reported to the Audit Committee for solutions.

The Company has formulated the Information Disclosure Policy in accordance with the SFO and the Listing Rules, and has authorized and designated senior management and the Company's Listing Affairs Department to take responsibility for information disclosure after completing approval procedures. Since 2017, the Company has appointed a compliance officer who is responsible for supervising, coordinating and managing internal and external compliance matters. Besides, the Company has formulated and implemented the Confidentiality Management Policy and clearly stated in the internal code that it is strictly forbidden to use confidential or inside information without authorization.

For the year ended 31 December 2018, the Audit Committee has reviewed the effectiveness of the Company's risk management and internal control systems and considered such systems effective and adequate based on their purposes. The Audit Committee and the management have performed a high-level risk assessment for the core business management procedures and risk management function of the Company so as to enhance the Company's internal control policies and procedures.

Company Secretary

Mr. Li Wenping and Mr. Lai Yang Chau, Eugene are the joint company secretaries of the Company. Mr. Li Wenping has extensive experience in the management of listed companies, and has participated in trainings related to the monitoring of listed companies in 2018. Mr. Lai Yang Chau, Eugene is a practising solicitor in Hong Kong and is responsible for assisting Mr. Li Wenping in performing 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 general meetings to express their opinions and encourages all Directors to attend general meetings to directly communicate with shareholders. The external auditor is also required to attend annual general meetings 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 on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinopec.com.hk). All significant information such as announcements, circulars, annual and interim reports can be downloaded from the above websites.

Shareholders' Rights

(a) Procedures for shareholders to convene a special general meeting

Pursuant to the Companies Act of Bermuda, 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 special general meeting. If within twenty-one days of such deposit the Board fails to proceed to convene a special general meeting, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a special general meeting, 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 propose a resolution at a general meeting. The number of shareholders necessary for a requisition shall represent not less than one-twentieth of the total voting rights at the general meeting, or a number of 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 general meeting. It must also be signed by all of the concerned shareholders 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 general meeting in case of a requisition requiring notice of a resolution and not less than one week before the general meeting in case of any other requisition.

The concerned shareholders 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 concerned shareholders under the applicable laws and rules.

(c) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's branch share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, 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 at 34/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

Changes in Constitutional Documents

For the year ended 31 December 2018, the Company had not made any changes to its Bye-laws. An up-to-date version of the Bye-laws is available on the Company's website (www.sinopec.com.hk) and the Stock Exchange's website (www.hkexnews.hk). Shareholders may refer to the Bye-laws for further details of their rights.

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SINOPEC KANTONS HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Sinopec Kantons Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 58 to 134, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SINOPEC KANTONS HOLDINGS LIMITED (Continued)
(incorporated in Bermuda with limited liability)

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Arbitrations and impairment assessment of non-current assets of PT. West Point Terminal
- Impairment assessment of interests in joint ventures and associates

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SINOPEC KANTONS HOLDINGS LIMITED (Continued)
(incorporated in Bermuda with limited liability)

Key Audit Matter	How our audit addressed the Key Audit Matter
Arbitrations and impairment assessment of non-current assets of PT. West Point Terminal Refer to note 4.1(a) (Critical accounting estimates and judgements), note 16 (Prepaid land lease payments), note 17 (Property, plant and equipment) and note 29 (Contingencies) to the consolidated financial statements As at 31 December 2018, the carrying amounts of non-current assets (the "**Assets**") of PT. West Point Terminal ("**PT. West Point**") amounted to HK$686 million, representing approximately 4% of the Group's total assets. The Group owns 95% interest in PT. West Point for potential development of oil terminal and storage facilities in Indonesia. As disclosed in note 29 – Contingencies of the consolidated financial statements, the arbitrations with PT MAS Capital Trust and PT Batam Sentralindo (the "**Arbitrations**") are still on-going.	In addressing this matter, we had performed the following procedures: – We discussed with management to understand the PT. West Point project, including latest status and development plan of the project, status of the Arbitrations, and the approach of assessing the outcome of the Arbitrations, and assets impairment assessment. – We obtained and reviewed relevant agreements and documents, including articles of association, shareholders' agreement, land lease agreement, Arbitrations related fillings with Arbitral Tribunal and minutes of merits hearing at the Arbitral Tribunal. – Arbitrations: (1) We discussed with the Group's internal and external legal counsel to understand the latest status of the project, Arbitrations proceedings and compared to our understanding obtained from the management. (2) With respect to the advice received from the external legal counsel engaged by the Group, we evaluated the qualifications, expertise and objectivity of the external legal counsel. (3) We obtained direct legal confirmation from the external legal counsel on their assessment of the proceedings and outcome of the Arbitrations. (4) We evaluated the disclosure prepared by management relating to the Arbitrations.

Key Audit Matter	How our audit addressed the Key Audit Matter
Refer to note 4.1(a) (Critical accounting estimates and judgements), note 16 (Prepaid land lease payments), note 17 (Property, plant and equipment) and note 29 (Contingencies) to the consolidated financial statements In addition, in light of different views among the shareholders in the project development of the oil terminal and storage facilities, the construction of the project has not been commenced up to the date of this report, and there is impairment indicator for the Assets in PT. West Point. Considering the uncertainties of outcome of the Arbitrations, management has prepared an impairment assessment to determine the recoverable amount of the Assets, based on value in use calculations. Such assessment involved complex and subjective judgements and assumptions, such as future cash flow projections using forecast project life span, forecast revenue, forecast gross margin and discount rate. The Company, after taking considerations of the advice from external legal counsel, concluded that the current Arbitrations proceedings have no significant financial impact to the consolidated financial statements of the Group as at 31 December 2018. We focused on this area as the impairment assessment involves significant judgements and estimation uncertainty in respect of available period of operation of the project and key assumptions including discount rate, utilisation rate and revenue growth rate adopted in the value in use calculations as well as significant judgement in assessing the likely outcome of the Arbitrations.	– Impairment assessment of the Assets (1) We understood the key bases and assumptions adopted by management in the value in use calculations using discounted cash flow. (2) We checked mathematical accuracy of the relevant value in use calculations. (3) We evaluated the key assumptions adopted, in particular for: i. forecast project life span, by discussing with management and comparing against the feasibility report, land lease agreement and the delay triggered by the Arbitrations; ii. forecast revenue and forecast gross margin, by comparing against designed capacity and benchmarking to industry norm; and iii. discount rate, by comparing the underlying assumptions adopted against external market data and published information of comparable companies. (4) We evaluated management's sensitivity calculation over the recoverable amount and the impact on potential downside movement of key assumptions. We found the key assumptions and estimates adopted by management and judgement made were supported by the available evidence.

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SINOPEC KANTONS HOLDINGS LIMITED (Continued)
(incorporated in Bermuda with limited liability)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of interests in joint ventures and associates Refer to note 4.1 (b) (Critical accounting estimates and judgements), note 12 (Interests in associates), and note 13 (Interests in joint ventures) to the consolidated financial statements As at 31 December 2018, the carrying amounts of the Group's investments in joint ventures and associates, which are primarily engaged in oil jetty, storage and logistic business, amounted to HK$6,903 million and HK$867 million respectively, in aggregate representing approximately 48% of its total assets. A number of factors, including oil price fluctuation, regional crude oil demand and supply and conditions of facilities may significantly affect the trading performance of jetty and storage business, which may give rise to possible indication that the carrying amounts of investments in certain joint ventures as at 31 December 2018 might be impaired. Where impairment indicators existed, management further assessed the recoverable amounts of investments in joint ventures and associates based on the higher of value in use and fair value less cost of disposal. The Company adopted value in use approach in determining the recoverable amounts, which is the present value of the future cash flows expected to be derived from the investments. We focused on this area as the impairment assessment involves significant judgements and estimation uncertainty in respect of future business performance and key assumptions including discount rates, terminal growth rates, revenue growth rates and forecast capital expenditure, in determining the recoverable amounts of these investments.	In addressing this matter, we had performed the following procedures: – We understood the key processes and controls relating to the identification of potential impairment indicator and the assessment of the recoverable amounts. – For those investments where impairment indicator existed, we obtained the discounted cash flows of the investments from management and understood the key bases and assumptions adopted by management. – We checked mathematical accuracy of the relevant discounted cash flow models. – We evaluated the key assumptions in the discounted cash flow models, in particular, for: i. forecast revenue, forecast gross margin, revenue growth rates, terminal growth rates and forecast capital expenditure, by checking the bases and assumptions, including approved budget, available contracts for forecast revenue, and by comparing against designed capacity, price and benchmarking to industry norm, and ii discount rates, by comparing the underlying assumptions adopted against external market data and published information of comparable companies. – We evaluated management's sensitivity calculation over the recoverable amounts and the impact on potential downside movement of key assumptions. We found the key assumptions and estimates adopted by management and judgement made were supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SINOPEC KANTONS HOLDINGS LIMITED (Continued)
(incorporated in Bermuda with limited liability)

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SINOPEC KANTONS HOLDINGS LIMITED (Continued)
(incorporated in Bermuda with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SINOPEC KANTONS HOLDINGS LIMITED (Continued)
(incorporated in Bermuda with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yau Yu Xin, Amelia.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	5, 6	**1,655,633**	1,729,239
Cost of providing services	8	**(838,324)**	(864,771)
Gross profit		**817,309**	864,468
Other income and other gains, net	7	**133,573**	117,637
Distribution costs	8	**(15,094)**	(19,810)
Administrative expenses	8	**(275,417)**	(214,657)
Operating profit		**660,371**	747,638
Finance income	10	**3,168**	3,833
Finance costs	10	**(152,020)**	(166,279)
Finance costs, net		**(148,852)**	(162,446)
Share of results of:			
– Joint ventures	13	**825,594**	699,178
– Associates	12	**151,289**	143,331
		976,883	842,509
Profit before income tax		**1,488,402**	1,427,701
Income tax expenses	14	**(226,994)**	(221,045)
Profit for the year		**1,261,408**	1,206,656
Profit attributable to:			
Equity holders of the Company		**1,262,071**	1,207,928
Non-controlling interests		**(663)**	(1,272)
		1,261,408	1,206,656
Basic and diluted earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)	15	**50.76**	48.59

The notes on pages 65 to 134 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Profit for the year	**1,261,408**	1,206,656
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on currency translation		
– Subsidiaries	**(242,187)**	320,793
– Joint ventures	**(283,173)**	465,875
– Associates	**(38,120)**	47,449
Cash flow hedges		
– Joint ventures	**(67,192)**	(56,336)
– Associates	**(3,518)**	(3,980)
Other comprehensive income for the year, net of tax	**(634,190)**	773,801
Total comprehensive income for the year	**627,218**	1,980,457
Total comprehensive income attributable to:		
Equity holders of the Company	**627,881**	1,981,729
Non-controlling interests	**(663)**	(1,272)
Total comprehensive income for the year	**627,218**	1,980,457

The notes on pages 65 to 134 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**6,212,395**	6,915,064
Investment properties	18	**57,299**	61,988
Prepaid land lease payments	16	**651,206**	673,759
Prepayment and other receivables		**25,932**	50,082
Interests in joint ventures	13	**6,902,973**	7,118,721
Interests in associates	12	**866,711**	838,256
Total non-current assets		**14,716,516**	15,657,870
Current assets			
Inventories	20	**17,110**	15,300
Trade and other receivables	19	**1,042,302**	1,005,725
Cash and bank balances	21	**320,685**	409,855
Total current assets		**1,380,097**	1,430,880
Total assets		**16,096,613**	17,088,750
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	22	**248,616**	248,616
Reserves		**11,413,711**	11,084,169
Equity attributable to equity holders of the Company		**11,662,327**	11,332,785
Non-controlling interests		**36,457**	37,120
Total equity		**11,698,784**	11,369,905

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	28	**130,299**	109,993
Borrowings	27	**–**	2,775,452
Government grants		**20,136**	21,491
Total non-current liabilities		**150,435**	2,906,936
Current liabilities			
Trade and other payables	26	**509,596**	363,399
Borrowings	27	**3,673,325**	2,387,658
Income tax payable		**64,473**	60,852
Total current liabilities		**4,247,394**	2,811,909
Total liabilities		**4,397,829**	5,718,845
Total equity and liabilities		**16,096,613**	17,088,750

The financial statements on pages 58 to 134 were approved by the board of directors on 21 March 2019 and were signed on its behalf

Chen Bo
Chairman

Ye Zhijun
Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Note	Attributable to equity holders of the Company										
		Share capital HK$'000	Share premium HK$'000	Specific reserve HK$'000 (Note 23c)	Merger reserve HK$'000 (Note 23a)	General reserves HK$'000 (Note 23b)	Hedging reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2017		248,616	6,300,684	805	(962,326)	320,371	(30,420)	(577,668)	4,262,318	9,562,380	38,392	9,600,772
Comprehensive income:												
Profit for the year		–	–	–	–	–	–	–	1,207,928	1,207,928	(1,272)	1,206,656
Other comprehensive income												
Exchange differences on currency translation:												
– Subsidiaries		–	–	–	–	–	–	320,793	–	320,793	–	320,793
– Associates		–	–	–	–	–	–	47,449	–	47,449	–	47,449
– Joint ventures		–	–	–	–	–	–	465,875	–	465,875	–	465,875
Net loss on cash flow hedges:												
– Associates		–	–	–	–	–	(3,980)	–	–	(3,980)	–	(3,980)
– Joint ventures		–	–	–	–	–	(56,336)	–	–	(56,336)	–	(56,336)
Other comprehensive income for the year, net of tax		–	–	–	–	–	(60,316)	834,117	–	773,801	–	773,801
Total comprehensive income for the year		–	–	–	–	–	(60,316)	834,117	1,207,928	1,981,729	(1,272)	1,980,457
Transaction with owners												
Appropriation of reserves		–	–	22,868	–	51,625	–	–	(74,493)	–	–	–
Utilisation of specific reserve for the year	23	–	–	(22,463)	–	–	–	–	22,463	–	–	–
Dividends	24	–	–	–	–	–	–	–	(211,324)	(211,324)	–	(211,324)
Total transaction with owners		–	–	405	–	51,625	–	–	(263,354)	(211,324)	–	(211,324)
Balance at 31 December 2017		248,616	6,300,684	1,210	(962,326)	371,996	(90,736)	256,449	5,206,892	11,332,785	37,120	11,369,905

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		Attributable to equity holders of the Company										
	Note	Share capital HK$'000	Share premium HK$'000	Specific reserve HK$'000 (Note 23c)	Merger reserve HK$'000 (Note 23a)	General reserves HK$'000 (Note 23b)	Hedging reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2018		248,616	6,300,684	1,210	(962,326)	371,996	(90,736)	256,449	5,206,892	11,332,785	37,120	11,369,905
Comprehensive income:												
Profit for the year		-	-	-	-	-	-	-	1,262,071	1,262,071	(663)	1,261,408
Other comprehensive income												
Exchange differences on currency translation:												
– Subsidiaries		-	-	-	-	-	-	(242,187)	-	(242,187)	-	(242,187)
– Associates		-	-	-	-	-	-	(38,120)	-	(38,120)	-	(38,120)
– Joint ventures		-	-	-	-	-	-	(283,173)	-	(283,173)	-	(283,173)
Net loss on cash flow hedges:												
– Associates		-	-	-	-	-	(3,518)	-	-	(3,518)	-	(3,518)
– Joint ventures		-	-	-	-	-	(67,192)	-	-	(67,192)	-	(67,192)
Other comprehensive income for the year, net of tax		-	-	-	-	-	(70,710)	(563,480)	-	(634,190)	-	(634,190)
Total comprehensive income for the year		-	-	-	-	-	(70,710)	(563,480)	1,262,071	627,881	(663)	627,218
Transaction with owners												
Appropriation of reserves		-	-	25,170	-	28,494	-	-	(53,664)	-	-	-
Utilisation of specific reserve for the year	23	-	-	(26,066)	-	-	-	-	26,066	-	-	-
Dividends	24	-	-	-	-	-	-	-	(298,339)	(298,339)	-	(298,339)
Total transaction with owners		-	-	(896)	-	28,494	-	-	(325,937)	(298,339)	-	(298,339)
Balance at 31 December 2018		248,616	6,300,684	314	(962,326)	400,490	(161,446)	(307,031)	6,143,026	11,662,327	36,457	11,698,784

The notes on pages 65 to 134 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash generated from operations	25a	**1,118,111**	1,297,545
Hong Kong profits tax paid		**(5,783)**	(2,536)
The People's Republic of China income tax paid		**(187,846)**	(148,851)
Withholding tax paid		**(50,877)**	(29,106)
Net cash generated from operating activities		**873,605**	1,117,052
Cash flows from investing activities			
Purchase of property, plant and equipment		**(16,780)**	(50,674)
Loans repayments from an associate		**12,007**	127
Loans repayments from/(granted to) joint ventures		**97,044**	(24,520)
Dividends received from associates		**73,108**	63,286
Dividends received from joint ventures		**879,894**	414,168
Interest income received	10	**3,168**	3,833
Government grants received		**–**	12,027
Proceeds from disposal of property, plant and equipment		**51**	6,114
(Increase)/decrease in amounts due from an immediate holding company and fellow subsidiaries		**(384,145)**	258,399
Increase in restricted bank balances	21	**(94,472)**	–
Increase/(decrease) in amounts due to immediate, intermediate holding company and fellow subsidiaries		**198,176**	(460,097)
Net cash generated from investing activities		**768,051**	222,663
Cash flows from financing activities	25b		
Proceeds from borrowings		**2,285,617**	4,378,830
Repayments of borrowings		**(3,670,978)**	(5,053,995)
Dividends paid to owners of the Company		**(298,339)**	(211,323)
Dividends paid to former owners of a subsidiary under common control		**–**	(207,636)
Finance costs paid		**(152,853)**	(167,332)
Net cash used in financing activities		**(1,836,553)**	(1,261,456)
Net (decrease)/increase in cash and cash equivalents		**(194,897)**	78,259
Cash and cash equivalents at 1 January	21	**409,855**	323,206
Effects of exchange rate changes on cash and cash equivalents		**11,255**	8,390
Cash and cash equivalents at 31 December	21	**226,213**	409,855

The notes on pages 65 to 134 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 (together, the "**Group**") are principally engaged in the provision of crude oil jetty services and natural gas pipeline transmission services. The principal activities of the joint ventures and associates of the Group are principally engaged in operation of crude oil and oil product terminals and ancillary facilities, provision of logistics services including storage, transportation and terminal services, details of which are set out in Note 12 and 13.

These financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated. These financial statements have been approved by the board of directors for issue on 21 March 2019.

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**"). China Petroleum & Chemical Corporation ("**Sinopec Corp.**"), is an intermediate holding company of the Company and its shares are listed on the stock exchanges of Shanghai, Hong Kong, New York and London.

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 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 Going concern

As at 31 December 2018, the Group had net current liabilities of approximately HK$2,867 million, which was attributable to short-term borrowings of approximately HK$1,619 million from Sinopec Century Bright Capital Investment Limited ("**Century Bright**"), and approximately HK$2,054 million of entrusted term loan from China International United Petroleum & Chemicals Co., Ltd ("**Unipec**") due to mature on 28 June 2019. The entrusted term loan was accordingly reclassified as current liabilities at the year end.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from the reporting period. The board of directors have considered, among others, internally generated funds and financial resources available to the Group in the adoption of going concern basis in the preparation of the consolidated financial statements. In December 2018, the Group successfully renewed the short-term revolving facility of US$500 million (equivalent to approximately HK$3,915 million) provided by Century Bright, for a period of 12 months, due to expire on 31 December 2019. Moreover, the Group is in an advanced discussion with Unipec regarding the renewal of the entrusted loan and Unipec has confirmed their intention that, without unforeseen situation, to approve the renewal of the entrusted loan upon its maturity on 28 June 2019 for another year.

The directors of the Company are of the opinion that, taking into account the anticipated cash flows generated from the Group's operation and successful renewal of the abovementioned short-term revolving loan facility and entrusted loan, the Group will have adequate resources to continue its operations for the foreseeable future for a period that is not less than 12 months from the end of the reporting period. Accordingly, the directors of the Company has adopted the going concern basis in preparing the consolidated financial statements.

2.1.2 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

Amendments to HKAS 40	Transfer of investment properties
Amendments to HKFRS 1 and HKAS 28	Annual Improvements to HKFRS 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Insurance Contracts applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HK(IFRIC) 22	Foreign currency transactions and advance consideration
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendment)	Clarification to HKFRS 15

The above new standards, amendments, improvements and interpretation effective for the financial year beginning 1 January 2018 do not have a material impact on the Group, except for HKFRS 9 "Financial instruments" and HKFRS 15 "Revenue from contracts with customers" as set out in Note 2.2.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.3 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRS Standards 2015-2017 Cycle	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

(a) HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.3 New standards and interpretations not yet adopted (Continued)

(a) HKFRS 16 Leases (Continued)

Impact

The Group management has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of HK$33,442,000, see note 30(b). The Group has no short-term leases and low value leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately HK$25,000,000 on 1 January 2019, lease liabilities of approximately HK$25,000,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policy

This note explains the impact of the adoption of HKFRS 15 Revenue from Contracts with Customers and HKFRS 9 Financial Instruments on the Group's financial statements.

Impact on the consolidated financial statements

(a) HKFRS 15 Revenue from Contracts with Customers

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

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

(i) The recognition basis of the crude oil jetty and storage services revenue remains unchanged when the services are rendered; and

(ii) The recognition basis of the natural gas pipeline transmission service revenue remains unchanged when the services are rendered.

The Group has elected the modified retrospective approach for transition to the new revenue standard. Nonetheless, there is no significant impact on the Group's accounting with respect to the timing of revenue recognition and allocation of the transaction price to performance obligations identified, except for changes in terminologies under HKFRS 15. The Group's revenue recognition policy is aligned with the requirements of HKFRS 15 and therefore no adjustments or reclassifications are required. The accounting policies for the Group's major types of revenue are set out in Note 2.26.

(b) HKFRS 9 Financial Instruments

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets and the details are as follows:

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policy (Continued)

Impact on the consolidated financial statements (Continued)

(b) HKFRS 9 Financial Instruments (Continued)

(i) Classification and measurement

The classification of debt financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes. The Group does not hold any other financial instruments as at the reporting date. No adjustments nor reclassifications are therefore required. The accounting policies for the Group's measurement of the fair values of debt instruments are set out in Note 2.12.

(ii) Derivatives and hedging activities

The interest rate swap contracts of the Group's joint ventures and associate continued to qualify as cash flow hedges under HKFRS 9. The Group's risk management strategies and hedging documentation are aligned with the requirement of HKFRS 9. No adjustments nor reclassifications are therefore required. The accounting policies for the Group's derivatives and hedging activities are set out in Note 2.14.

(iii) Impairment

The Group's financial assets at amortised costs (such as trade receivables), debt instruments at amortised cost are subject to the new expected credit loss ("**ECL**") model. For trade receivables, the Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which requires the use of the lifetime expected losses for all trade receivables. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any material impact to the carrying value of trade receivables as at 1 January 2018.

For debt instruments at amortised cost, management considers that the credit risk has not increased significantly since initial recognition as the counterparties are mainly related parties and state-owned entities, which have a low credit risk of default and have strong capacity to meet contractual cash flows, as well as no adverse change is anticipated in the business environment. As such, the impairment provision as at 31 December 2018 is determined based on the 12-month ECL which is close to zero.

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

While the new policies are generally required to be applied retrospectively, the Group has taken transitional provisions in HKFRS 9 not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative balances have not been restated.

2 Summary of significant accounting policies (Continued)

2.3 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.

(i) Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party, as prescribed in Accounting Guideline 5 ("**AG 5**"), Merger Accounting for Common Control Combinations, issued by the HKICPA.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

2 Summary of significant accounting policies (Continued)

2.3 Subsidiaries (Continued)

(ii) Acquisition method of accounting for non-common control combinations

Apart from the business combination under common control which has been accounted for using the principles of merger accounting prescribed in AG 5 (Note 2.3(i)), the Group applies the acquisition method of accounting to account for non-common control 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.

2 Summary of significant accounting policies (Continued)

2.3 Subsidiaries (Continued)

(iii) Separate financial statements

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.

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.

2.4 Associates

An associate is an entity 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 associates 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 investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in associates 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 associates equals or exceeds its interest in the associate, 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 associate.

The Group determines at each reporting date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associates' in the income statements.

2 Summary of significant accounting policies (Continued)

2.4 Associates (Continued)

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

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

2.5 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangement. Under HKFRS 11 Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangment. 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 whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 in the '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 Summary of significant accounting policies (Continued)

2.6 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the board of directors (the "**Group's chief operating decision-maker**") for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business.

2.7 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 results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

2 Summary of significant accounting policies (Continued)

2.7 Foreign currency translation (Continued)

(c) Group Companies (Continued)

The accounts of foreign operations (i.e. subsidiaries, joint ventures, and associates 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.

2.8 Property, plant and equipment

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

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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
– Natural gas pipelines	10-30 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 statement.

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 Summary of significant accounting policies (Continued)

2.9 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 investment property over its estimated useful life of 40 years.

2.10 Goodwill

Goodwill arises on the acquisition of subsidiaries represents 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 identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**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.

2.11 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use 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 of disposal 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 that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies (Continued)

2.12 Financial assets

(i) Classification

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. From 1 January 2018, the Group classifies its financial assets as follows.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies the debt instruments:

(a) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income and other gains, net.

(b) Fair value through other comprehensive income ("**FVOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income and other gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and other gains, net and impairment expenses are presented as separate line item in the statement of profit or loss.

(c) Fair value through profit or loss ("**FVPL**"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income and other gains, net in the period in which it arises.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

2 Summary of significant accounting policies (Continued)

2.12 Financial assets (Continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset.

2.13 Offsetting financial instruments

Financial assets and liabilities are presented respectively in the consolidated balance sheet, without any offset. However, they are offset and the net amount reported in the balance sheet when satisfied the following: (1) There is a legally enforceable right to offset the recognised amounts. (2) There is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.14 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in hedging reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income and other gains, net.

When interest rate swap contracts are used to hedge forecast transactions, the group designates only the intrinsic value of the interate rate swaps as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the interest rate swaps are recognised in the hedging reserve within equity.

When interest rate swap contracts are used to hedge forecast transactions, the group generally designates only the change in fair value of the interest rate swap contracts related to the notional amount as the hedging instrument. Gains or losses relating to the effective portion of the change in the notional amount of the interest rate swap contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ("**aligned forward element**") is recognised within other comprehensive income in the costs of hedging reserve within equity.

2 Summary of significant accounting policies (Continued)

2.14 Derivatives and hedging activities (Continued)

Cash flow hedges (Continued)

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

2.15 Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

– Trade receivables and

– Loans to an associate and joint ventures carried at amortised cost

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(i) Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

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

(ii) Loans to an associate, joint ventures and other receivables at amortised cost

All of the entity’s loans to associates and other receivables at amortised cost are considered to have low risk.

The Group considers there are no credit losses on the basis that no losses related to the counterparts were experienced in the past and no adverse change is anticipate in the business environment.

2 Summary of significant accounting policies (Continued)

2.16 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.

2.17 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, associates or joint ventures to secure loans, overdrafts and other banking facilities.

Where guarantees in relation to loans or other payables of subsidiaries, associates and joint ventures are provided for compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Group.

2.18 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within twelve months and therefore are all classified as current. 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. The details of the group's accounting for trade receivables are set out in note 19 and a description of the group's impairment policies is set out in note 2.2(b)(iii).

2.19 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

2.20 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.

2 Summary of significant accounting policies (Continued)

2.21 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.

2.22 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.

2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement, 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 Group operates and generates 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.

2 Summary of significant accounting policies (Continued)

2.23 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided in full, 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. Deferred income tax is also 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, 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.

2 Summary of significant accounting policies (Continued)

2.24 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.

2.25 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.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services in the ordinary course of the Group's activities. If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. Specific criteria where revenue is recognised are described below.

(i) Crude oil jetty and storage service income

Crude oil jetty service and storage service income is recognised when the services are rendered. Service income is recognised in the accounting period in which the provision of services occurs. Customers are invoiced upon the completion of services or on a regular basis. Some contracts include multiple elements and they are accounted for as separate performance obligations. Revenue from each of the performance obligations is recognised at the stand-alone service price.

(ii) Natural gas pipeline transmission service income

Natural gas pipeline transmission service income is recognised when the services are rendered. Service income is recognised in the accounting period in which the provision of services occurs. Customers are invoiced upon the completion of services or on a regular basis. Some contracts include multiple elements and they are therefore accounted for as separate performance obligations. Revenue from each of the performance obligations is recognised at the stand-alone service price.

(iii) Rental income

Rental income from investment properties is recognised in the income statement on a straight-line basis over the term of the lease.

(iv) Management fee income

Management fee income is recognised when the services are rendered.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2 Summary of significant accounting policies (Continued)

2.27 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the income statement or loss as other income and other gain, net.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, as discussed in Note 10.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.28 Dividend income

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

2.29 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 statement 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.

2.30 Dividend distribution

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

2.31 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.

Government grants relating to costs are deferred and recognised within "Other income and other gains, net" in the income statement over the period necessary to match with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

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 primarily focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

Foreign exchange risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Group's foreign exchange risk exposure primarily relates to deposits and accruals and other payables denominated in Renminbi ("**RMB**"), US dollars ("**US$**") and Singapore dollars ("**SGD**"), respectively.

A 3% strengthening/weakening of Hong Kong dollars ("**HK$**") against the following currencies would have increased/decreased post-tax profit of the Group by the amounts shown below. This analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the foreign currency balances to which the Group has significant exposure as stated above, and that all other variables remain constant.

	2018 **HK$'000**	2017 HK$'000
RMB	**1,150**	6,987
SGD	**853**	851
US$	**86**	2,271

(b) Interest rate risk

The Group's interest rate risk exposure arises primarily from its short-term and long-term borrowings. Borrowings bearing interest at variable rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rates of short-term and long-term borrowings are disclosed in Note 27.

As at 31 December 2018, it is estimated that a general increase/decrease of 100 basis points in variable interest rates, with all other variables held constant, would decrease/increase the Group's post-tax profit by approximately HK$25,515,000 (2017: decrease/increase by approximately HK$44,911,000). This sensitivity analysis has been determined assuming that the change of interest rates was applied to the Group's borrowings outstanding at the balance sheet date with exposure to cash flow interest rate risk, which in part be eliminated by cash holdings on a variable interest rates basis.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's deposits placed with financial institutions and receivables from customers.

To limit exposure to credit risk relating to deposits, the Group primarily places cash deposits only with large banks and financial institutions in/outside Hong Kong with acceptable credit ratings. The majority of the Group's trade accounts receivable relate to the provision of crude oil jetty and storage service and natural gas pipeline transmission service substantially to related parties.

As at 31 December 2018, no single customer accounted for greater than 10% of total accounts receivable, except the amounts due from Sinopec Corp., an intermediate holding company and fellow subsidiaries. Management performs ongoing credit evaluations of the Group's customers' financial condition and generally does not require collateral on trade receivable. There was no history of doubtful accounts nor actual bad debt loss.

The Group monitors the exposure to credit risk in respect of the financial guarantee against bank loans of joint ventures through exercising joint control over their financial and operating policy decisions and reviewing their financial positions on a regular basis. As at 31 December 2018, the maximum credit risk exposure in respect of the financial guarantee is approximately HK$352 million (2017: approximately HK$352 million). Details of the financial guarantee are set out in Note 13 to the financial statements.

The carrying amounts of cash and cash equivalents and trade and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Management prepares monthly cash flow budget to ensure that the Group will always have sufficient liquidity to meet its financial obligations as they fall due. The Group arranges and negotiates financing with financial institutions and maintains a certain level of standby credit facilities to reduce the Group's liquidity risk.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

At 31 December 2018, the Group has standby credit facilities with Century Bright, amounting to US$500 million, equivalent to approximately HK$3,915 million (2017: US$500 million, equivalent to approximately HK$3,878 million) on an unsecured basis, at a weighted average interest rate of 2.74% per annum (2017: 1.75%). At 31 December 2018, the Group's outstanding borrowings under these facilities were US$207 million, equivalent to approximately HK$1,619 million (2017: US$306 million, equivalent to approximately HK$2,388 million) and were included in short-term borrowings.

The following table sets out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates current at the balance sheet date) and the earliest date the Group would be required to repay:

	Within 1 year or on demand HK$'000	More than 1 year but less than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000
At 31 December 2018			
Trade payables and other payables	**460,738**	**–**	**460,738**
Amounts due to the immediate company, an intermediate holding company and fellow subsidiaries	**48,858**	**–**	**48,858**
Borrowings	**3,811,973**	**–**	**3,811,973**
Financial guarantee against bank loans of joint ventures	**352,000**	**–**	**352,000**
At 31 December 2017			
Trade payables and other payables	287,596	–	287,596
Amounts due to the immediate company, an intermediate holding company and fellow subsidiaries	75,803	–	75,803
Borrowings	2,558,613	2,834,777	5,393,390
Financial guarantee against bank loans of joint ventures	352,000	–	352,000

3 Financial risk management (Continued)

3.2 Capital management

Management optimises the structure of the Group's capital, which comprises of equity and borrowings. In order to maintain or adjust the capital structure of the Group, management may cause the Group to issue new shares, adjust the capital expenditure plan, adjustment the investment plan or adjust the proportion of short-term and long-term borrowings. Management monitors capital on the basis of the current ratio (current assets divided by current liabilities), gearing ratio (total liabilities divided by total assets) and net debt-to-capital ratio (see below).

Management's strategy is to make appropriate adjustments according to the Group's operating and investment needs and the changes of market conditions, and to maintain the current ratio, gearing ratio and net debt-to-capital ratio at a range considered reasonable.

	2018 HK$'000	2017 HK$'000
Current ratio	**0.32**	0.51
Gearing ratio	**27%**	33%
Current liabilities		
Trade and other payables (Note 26)	**509,596**	363,399
Borrowings (Note 27)	**3,673,325**	2,387,658
Less: Cash and cash equivalents (Note 21)	**(226,213)**	(409,855)
Net debt	**3,956,708**	2,341,202
Total equity	**11,698,784**	11,369,905
Net debt-to-capital ratio	**34%**	21%

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 assessment of non-current assets of PT. West Point Terminal

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstance indicate that carrying amount may not be recoverable to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is estimated based upon value-in-use calculation.

During the year, the arbitrations of PT. West Point Terminal ("**PT. West Point**") are still on-going and the construction of the project has not been commenced up to the date of this report. The Group has performed impairment assessment on the property, plant and equipment and prepaid land lease payments of PT. West Point Terminal amounted to approximately HK$87 million and HK$599 million respectively based on value-in-use calculation. The value-in-use calculation was based on the key assumptions, including (i) forecast project life span based on management's expectation and the feasibility report, (ii) forecast revenue and gross margin based on management's expectation (iii) post-tax discount rate of 14.1% per annum.

With all other variables held constant, if the project commencement has delayed by one year, the profit before taxation would have been decreased by HK$101 million. Similarly, with all other variable held constant, if the post-tax discount rate increased by 0.5%, the profit before taxation would have been decreased by HK$187 million.

Based on the impairment assessment, the recoverable amounts of property, plant and equipment and prepaid land lease payments of PT. West Point in Indonesia are higher than their respective carrying amounts. Management believes that any reasonably foreseeable changes in any of the above key assumptions would not cause the carrying amount of the non-current assets to exceed the recoverable amount.

(b) Impairment assessment of interests in joint ventures and associates

The Group determines whether interests in joint ventures and associates are impaired by regularly review whether there are any indications of impairment. Where impairment indicators existed, management further assessed the recoverable amounts of investments in joint ventures and associates based on value in use amounts estimated using discounted cash flow models.

Based on the impairment assessment, the recoverable amounts of interests in joint ventures and associates which have impairment indicators are higher than their respective carrying amounts. There would be no impairment on interests in joint ventures and associates during the year.

4 Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(c) Depreciation of property, plant and equipment

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 at least annually in order to determine the amount of depreciation expense to be recorded during any reporting year. 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 years is adjusted if there are significant changes from previous estimates.

(d) Withholding tax

The Group is subject to withholding taxes in the respective countries and regions. Significant judgement is required in determining the provision for deferred income 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 income 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 chief operating decision-maker for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments, namely, rendering of crude oil jetty and storage services, rendering of vessel chartering and logistics services and rendering of natural gas pipeline transmission services. All operating segments which fulfil the aggregation criteria under HKFRS 8-Operating segments are identified by the Group's chief operating decision maker, have been aggregated in arriving at the reportable segments of the Group.

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

– Vessel chartering and logistics services: this segment provides vessel chartering services for liquefied natural gas transportation. Currently, the Group's activities are mainly carried out in the PRC, Australia and Papua New Guinea.

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

5 Segment reporting (Continued)

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

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

(a) Segment results, assets and liabilities

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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

Management is provided with segment information concerning segment results on bank interest income, depreciation and amortisation and capital expenditures used by the segments in their operations.

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

5 Segment reporting (Continued)

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

(i) As at and for the year ended 31 December 2018:

Year ended 31 December 2018

	Crude oil jetty and storage services HK$'000	Vessel chartering and logistics services HK$'000	Natural gas pipeline transmission services HK$'000	Total HK$'000
Segment revenue				
– Recognised at a point in time	529,575	–	999,934	1,529,509
– Recognised over time	126,124	–	–	126,124
	655,699	–	999,934	1,655,633
Inter-segment revenue	–	–	–	–
Revenue from external customers	655,699	–	999,934	1,655,633
Segment results				
– Company and subsidiaries	274,908	–	379,659	654,567
– Associates	143,958	7,331	–	151,289
– Joint ventures	746,968	78,626	–	825,594
	1,165,834	85,957	379,659	1,631,450
Unallocated other corporate expenses				(143,048)
Profit before income tax				1,488,402
Income tax expenses				(226,994)
Profit for the year				1,261,408
Other segment items				
Bank interest income	404	–	2,748	3,152
Depreciation and amortisation	(150,834)	–	(275,320)	(426,154)
Capital expenditures	(10,229)	–	(5,365)	(15,594)

5 Segment reporting (Continued)

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

(i) As at and for the year ended 31 December 2018 (Continued):

As at 31 December 2018

	Crude oil jetty and storage services HK$'000	Vessel chartering and logistics services HK$'000	Natural gas pipeline transmission services HK$'000	Total HK$'000
Segment assets				
– Company and subsidiaries	2,388,763	–	4,805,784	7,194,547
– Associates	796,069	70,642	–	866,711
– Joint ventures	6,072,477	830,496	–	6,902,973
	9,257,309	901,138	4,805,784	14,964,231
Unallocated assets				
– Cash and bank balances				320,685
– Trade and other receivables				17,532
– Investment properties				57,299
– Property, plant and equipment				86,113
– Dividend receivable from joint ventures				51,360
– Prepaid land lease payments				599,393
				1,132,382
Total assets				16,096,613
Segment liabilities	74,827	–	2,232,083	2,306,910
Unallocated liabilities				
– Trade and other payables				341,620
– Borrowings				1,619,000
– Deferred income tax liabilities				130,299
				2,090,919
Total liabilities				4,397,829

5 Segment reporting (Continued)

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

(ii) As at and for the year ended 31 December 2017:

Year ended 31 December 2017

	Crude oil jetty and storage services HK$'000	Vessel chartering and logistics services HK$'000	Natural gas pipeline transmission services HK$'000	Total HK$'000
Segment revenue				
– Recognised at a point in time	491,701	–	1,136,885	1,628,586
– Recognised over time	100,653	–	–	100,653
	592,354		1,136,885	1,729,239
Inter-segment revenue	–	–	–	–
Revenue from external customers	592,354	–	1,136,885	1,729,239
Segment results				
– Company and subsidiaries	231,206	–	475,167	706,373
– Associates	136,271	7,060	–	143,331
– Joint ventures	642,903	56,275	–	699,178
	1,010,380	63,335	475,167	1,548,882
Unallocated other corporate expenses				(121,181)
Profit before income tax				1,427,701
Income tax expenses				(221,045)
Profit for the year				1,206,656
Other segment items				
Bank interest income	569	–	3,248	3,817
Depreciation and amortisation	(171,928)	–	(263,887)	(435,815)
Capital expenditures	(30,550)	–	(20,124)	(50,674)

5 Segment reporting (Continued)

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

(ii) As at and for the year ended 31 December 2017 (Continued):

As at 31 December 2017

	Crude oil jetty and storage services HK$'000	Vessel chartering and logistics services HK$'000	Natural gas pipeline transmission services HK$'000	Total HK$'000
Segment assets				
– Company and subsidiaries	2,298,904	–	5,296,817	7,595,721
– Associates	760,702	77,554	–	838,256
– Joint ventures	6,266,868	851,853	–	7,118,721
	9,326,474	929,407	5,296,817	15,552,698
Unallocated assets				
– Cash and bank balances				409,855
– Trade and other receivables				25,110
– Investment properties				61,988
– Property, plant and equipment				86,345
– Dividend receivable from joint ventures				340,946
– Prepaid land lease payments				611,808
				1,536,052
Total assets				17,088,750
Segment liabilities	116,011	–	2,937,496	3,053,507
Unallocated liabilities				
– Trade and other payables				167,687
– Borrowings				2,387,658
– Deferred income tax liabilities				109,993
				2,665,338
Total liabilities				5,718,845

5 Segment reporting (Continued)

(b) Analysis of information by geographical regions

The following tables set out information about the geographical information of the Group's revenue, non-current assets and total assets. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Revenue

	2018 HK$'000	2017 HK$'000
The People's Republic of China (the "**PRC**")	1,655,633	1,729,239

Non-current assets

	2018 HK$'000	2017 HK$'000
The PRC	11,188,093	12,025,062
Europe	1,371,309	1,429,214
Indonesia	686,020	698,406
Hong Kong	924,871	954,703
United Arab Emirates	545,485	549,697
Others	738	788
	14,716,516	15,657,870

Total assets

	2018 HK$'000	2017 HK$'000
The PRC	12,399,061	12,984,877
Europe	1,371,309	1,429,214
Indonesia	792,775	805,641
Hong Kong	987,245	1,318,533
United Arab Emirates	545,485	549,697
Others	738	788
	16,096,613	17,088,750

5 Segment reporting (Continued)

(c) Major customers

For the purpose of disclosure under segment reporting, one customer (including Sinopec Gas Company and China Petroleum & Chemical Corporation Guangzhou Branch) (2017: one customer, including Sinopec Gas Company and China Petroleum & Chemical Corporation Guangzhou Branch) from crude oil jetty services and natural gas pipeline transmission services has transactions that exceeded 92% of the Group's revenue, amounting to approximately HK$1,528,036,000 (2017: HK$1,624,098,000). This customer mainly operates in the PRC.

(d) Capital expenditures

	2018 **HK$'000**	2017 HK$'000
The PRC	**15,594**	50,674

(e) Assets and liabilities related to contracts with customers

No assets and liabilities related to contracts with customers were recognised by the Group.

6 Revenue

	2018 **HK$'000**	2017 HK$'000
Provision of services:		
– Crude oil jetty and storage services	**655,699**	592,354
– Natural gas pipeline transmission services	**999,934**	1,136,885
	1,655,633	1,729,239

7 Other income and other gains, net

	2018 HK$'000	2017 HK$'000
Other income:		
– Rental income from investment properties	**7,433**	8,070
– Government grants		
– Value added tax refund	**52,875**	56,083
– Amortisation of deferred government grant	**280**	–
– Interest income from loans to:		
– An associate	**3,722**	4,085
– A joint venture	**47,137**	36,244
– Management fee income from a joint venture	**3,484**	3,249
	114,931	107,731
Other gains/(losses):		
– Net foreign exchange gain	**20,364**	10,001
– Net loss on disposal of property, plant and equipment	**(1,673)**	(113)
– Others	**(49)**	18
	18,642	9,906
	133,573	117,637

8 Expenses by nature

	2018 HK$'000	2017 HK$'000
Depreciation		
– properties, plant and equipment (Note 17)	**418,628**	441,313
– investment properties (Note 18)	**3,066**	3,020
Amortisation of prepaid land lease payments (Note 16)	**18,059**	18,425
Employee benefit expenses, including directors' remuneration (Note 9)	**99,377**	96,815
Auditor's remuneration		
– the Company	**2,275**	3,065
– subsidiaries	**4,356**	3,439
Operating lease charges: minimum lease payments		
– hire of natural gas storage (Note 31(a))	**–**	51,335
– hire of a property	**9,804**	12,278

9 Employee benefit expenses

	2018 HK$'000	2017 HK$'000
Wages, salaries and other benefits (Note)	**91,312**	89,440
Retirement benefit scheme contributions	**8,065**	7,375
	99,377	96,815

Note: Relevant employee costs relating to natural gas pipeline operations are charged by an intermediate holding company in form of subcontracting charges, details of which are set out in Note 31(a).

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 Group's subsidiaries established in the PRC and Indonesia have participated in defined contribution retirement schemes organised by respective local government. These subsidiaries are required to make contributions to the respective scheme at certain percentage of the employees' relevant basic salaries. Contributions to the schemes vest immediately.

As at 31 December 2018, there was no material outstanding contribution to employee retirement benefits. The Group does not have any other obligations other than the contributions described above.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 and 2017 are as follows:

	Number of individuals	
	2018	2017
Director	**1**	1
Non-director individuals	**4**	4
	5	5

9 Employee benefit expenses (Continued)

(a) Five highest paid individuals (Continued)

Details of emoluments to non-director individuals:

	2018 HK$'000	2017 HK$'000
Salaries and other benefits in kind	**4,820**	5,090
Bonuses	**3,140**	4,196
	7,960	9,286

	Number of individuals	
	2018	2017
Emolument bands		
HK$1,500,001 – HK$2,000,000	**2**	–
HK$2,000,001 – HK$3,000,000	**2**	4
	4	4

10 Finance costs, net

	2018 HK$'000	2017 HK$'000
Finance income:		
– Deposits at bank and related financial institutions	**3,168**	3,833
Finance expenses:		
– Borrowings	**(152,020)**	(166,279)

11 Subsidiaries

The following is a list of subsidiaries as at 31 December 2018 and 2017:

	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 2018	% held by the Group in 2017	% held by non-controlling interests in 2018	% held by non-controlling interests in 2017
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 chartering services	185,250,050 ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each (Note (b))	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 US$1 each	100%	100%	-	-
Indirectly held							
Huade Petrochemical Company Limited ("**Huade Petrochemical**") (Note (a)) (華德石化有限公司)	The PRC/Limited liability company	Operating crude oil jetty and ancillary facilities	Registered capital US$93,758,200	100%	100%	-	-
PT. West Point Terminal	Jakarta, Indonesia/ Limited liability company	Provision of oil supporting services	100,000,000 shares of US$1 each	95%	95%	5%	5%
Yu Ji Pipeline Company (中石化榆济管道有限責任公司)	The PRC/Limited liability company	Natural gas pipeline transmission services	Registered capital RMB1,000,000,000	100%	100%	-	-

Notes:

(a) Huade Petrochemical holds jetty operating rights with a term of 35 years expiring in 2029.

(b) 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 associates

	2018 HK$'000	2017 HK$'000
Cost of unlisted investments	**419,030**	419,030
Share of:		
– Post-acquisition results	**852,326**	701,037
– Other comprehensive income	**(72,842)**	(31,204)
Dividend received	**(384,916)**	(311,808)
Share of net assets	**813,598**	777,055
Loan granted to an associate	**53,113**	61,201
	866,711	838,256

Loan granted to an associate are unsecured and interest bearing at approximately 6.6% per annum and are wholly repayable within 20 years after the vessels construction project undertaken by the associate is completed.

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

					Proportion of ordinary shares and voting powers at 31 December	
	Note	Principal activities	Place of incorporation/ establishment	Particulars of issued and paid up capital/ registered capital	% held by the Group in 2018	% held by the Group in 2017
Indirectly held						
Zhan Jiang Port Petrochemical Jetty Co., Ltd ("**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%
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 US$1 each	**30%**	30%

12 Interests in associates (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 have no rights 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	
	2018	2017
	HK$'000	HK$'000
Current		
Cash and cash equivalents	**99,996**	46,202
Other current assets	**32,709**	35,371
Total current assets	**132,705**	81,573
Financial liabilities (excluding trade payables)	**(163,777)**	(157,326)
Other current liabilities	**(104,236)**	(98,071)
Total current liabilities	**(268,013)**	(255,397)
Non-current		
Assets	**1,817,720**	1,830,536
Financial liabilities	**(90,275)**	(135,308)
Total non-current assets	**1,727,445**	1,695,228
Net assets	**1,592,137**	1,521,404

12 Interests in associates (Continued)

Summarised income statement and statement of comprehensive income

	Zhan Jiang Port Petrochemical Terminal	
	2018	2017
	HK$'000	HK$'000
Revenue	665,751	649,482
Depreciation and amortisation	(47,015)	(46,254)
Interest income	831	832
Interest expense	(7,684)	(9,154)
Other expenses	(229,510)	(229,190)
Profit before income tax	382,373	365,716
Income tax expense	(95,426)	(91,655)
Profit after tax	286,947	274,061
Other comprehensive (loss)/income	(76,278)	94,510
Total comprehensive income	210,669	368,571
Dividends received from the associate	70,452	63,286

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

Reconciliation of summarised financial information

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

	Zhan Jiang Port Petrochemical Terminal	
	2018	2017
	HK$'000	HK$'000
Net assets	1,592,137	1,521,404
Interest in an associate (%)	50%	50%
Group's share of net assets in an associate	796,069	760,702
Carrying value	796,069	760,702

12 Interests in associates (Continued)

Reconciliation of summarised financial information (Continued)

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

	2018 HK$'000	2017 HK$'000
Share of profit	7,332	7,060
Share of other comprehensive income	(3,500)	(3,786)
Share of total comprehensive income	3,832	3,274
Carrying amount of interest in the associate	17,529	16,353

13 Interests in joint ventures

	2018 HK$'000	2017 HK$'000
Cost of unlisted investments	4,468,763	4,468,763
Share of:		
– post-acquisition results	3,729,476	2,903,882
– other comprehensive income	(640,976)	(290,611)
Dividend received	(1,765,390)	(1,120,200)
Share of net assets	5,791,873	5,961,834
Loans granted to joint ventures	1,111,100	1,156,887
	6,902,973	7,118,721

Certain loans granted to joint ventures are unsecured and interest bearing at an average rate of 5.3% and are wholly repayable within 20 years after the vessels construction project in the joint ventures is completed.

13 Interests in joint ventures (Continued)

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 2018	% held by the Group in 2017
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%
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 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 chartering services	Hong Kong	Ordinary shares of US$5,000,000	Equity	49%	49%
Fujairah Oil Terminal FZC ("**FOT**")	(c)	Provision of oil storage services	Fujairah	100,000 shares of US$1 each	Equity	50%	50%
Vesta Terminals 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 of EUR1 each have been issued and fully paid	Equity	50%	50%

13 Interests in joint ventures (Continued)

Notes:

(a) The acquisition of the five joint ventures was 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 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 US$25,050,000 (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.

(d) In October 2012, the Group entered into an acquisition agreement to acquire 50% of the equity interest in Vesta from Mercuria Energy Group at a 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)

Summarised financial information

Set out below are the summarised financial information for Vesta, Qingdao Shihua, Rizhao Shihua and Caofeidian Shihua which are considered material to the Group's financial statements.

Summarised balance sheet

	Vesta		Qingdao Shihua		Rizhao Shihua		Caofeidian Shihua	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current								
Cash and cash equivalents	**144,521**	153,916	**343,974**	458,140	**321,632**	496,964	**99,562**	128,017
Other current assets	**26,864**	27,977	**107,998**	110,186	**386,413**	24,296	**17,819**	4,624
Total current assets	**171,385**	181,893	**451,972**	568,326	**708,045**	521,260	**117,381**	132,641
Financial liabilities (excluding trade payables)	**(69,439)**	(21,184)	**(314,413)**	(375,829)	**(923,471)**	(6,055)	**(3,581)**	(6,926)
Other current liabilities	**(12,883)**	(1,894)	**(100,964)**	(179,314)	**(97,234)**	(85,173)	**(90,020)**	(62,211)
Total current liabilities	**(82,322)**	(23,078)	**(415,377)**	(555,143)	**(1,020,705)**	(91,228)	**(93,601)**	(69,137)
Non-current								
Assets	**1,785,418**	1,925,902	**3,299,401**	3,467,508	**2,915,755**	1,970,798	**522,870**	563,144
Financial liabilities	**(59,650)**	(126,387)	**–**	–	**–**	–	**–**	–
Other liabilities	**(59,011)**	(86,700)	**–**	–	**–**	–	**–**	–
Total non-current net assets	**1,666,757**	1,712,815	**3,299,401**	3,467,508	**2,915,755**	1,970,798	**522,870**	563,144
Net assets	**1,755,820**	1,871,630	**3,335,996**	3,480,691	**2,603,095**	2,400,830	**546,650**	626,648

Summarised statement of comprehensive income

	Vesta		Qingdao Shihua		Rizhao Shihua		Caofeidian Shihua	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**432,580**	435,386	**2,308,979**	1,895,159	**638,356**	540,068	**225,625**	187,470
Depreciation and amortisation	**(139,778)**	(131,774)	**(180,778)**	(156,198)	**(49,182)**	(44,207)	**(35,479)**	(35,143)
Interest income	**258**	1,687	**5,545**	4,539	**5,598**	2,561	**277**	387
Interest expense	**(6,651)**	(9,348)	**–**	–	**–**	–	**–**	–
Other expenses	**(261,014)**	(252,396)	**(1,100,154)**	(946,973)	**(202,460)**	(133,193)	**(55,328)**	(49,244)
Profit before income tax	**25,395**	43,555	**1,033,592**	796,527	**392,312**	365,229	**135,095**	103,470
Income tax expense	**(18,405)**	(30,710)	**(239,736)**	(194,824)	**(64,181)**	(68,922)	**(33,698)**	(25,821)
Profit after tax	**6,990**	12,845	**793,856**	601,703	**328,131**	296,307	**101,397**	77,649
Other comprehensive income	**(113,886)**	352,902	**(206,332)**	250,392	**(125,868)**	156,437	**(27,202)**	41,277
Total comprehensive income	**(106,896)**	365,747	**587,524**	852,095	**202,263**	452,744	**74,195**	118,926

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)

Summarised financial information (Continued)

Reconciliation of summarised financial information

	Vesta		Qingdao Shihua		Rizhao Shihua		Caofeidian Shihua	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Opening net assets	**1,871,630**	1,515,180	**3,480,691**	3,202,820	**2,400,830**	2,066,321	**626,648**	621,261
Profit for the year	**6,990**	12,845	**793,856**	601,703	**328,131**	296,307	**101,397**	77,649
Other comprehensive income	**(113,885)**	352,902	**(206,332)**	250,392	**(125,866)**	156,437	**(27,202)**	41,277
Dividend paid	**(8,915)**	(9,297)	**(732,219)**	(574,224)	**–**	(118,235)	**(154,193)**	(113,539)
Closing net assets	**1,755,820**	1,871,630	**3,335,996**	3,480,691	**2,603,095**	2,400,830	**546,650**	626,648
Interests in Joint Ventures (%)	**50%**	50%	**50%**	50%	**50%**	50%	**90%**	90%
Group's share of net assets in joint ventures	**877,910**	935,815	**1,667,998**	1,740,346	**1,301,547**	1,200,415	**491,985**	563,983
Goodwill	**493,400**	493,400	**7,609**	7,609	**4,237**	4,237	**8,829**	8,829
Carrying value	**1,371,310**	1,429,215	**1,675,607**	1,747,955	**1,305,784**	1,204,652	**500,814**	572,812

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.

	2018	2017
	HK$'000	HK$'000
Share of profit	**169,848**	173,866
Share of other comprehensive income	**(114,389)**	(7,476)
Share of total comprehensive income	**55,459**	166,390
Carrying amount of interests in these joint ventures	**938,358**	1,007,200

13 Interests in joint ventures (Continued)

Summarised financial information (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 2018 and 2017:

	2018 HK$'000	2017 HK$'000
Share of joint ventures' capital commitments		
– Contracted for	2,901	66,112

As at 31 December 2018, the Group provided a guarantee of US$30 million (equivalent to approximately HK$235 million) and pledged its 50% equity interest in Fujairah Oil Terminal FZC ("**FOT**"), a joint venture of the Group for certain bank loans of FOT.

As at 31 December 2018, the Group provided a guarantee of Euro 13 million (equivalent to approximately HK$117 million) against a bank loan of Vesta Terminals B.V. ("**Vesta**"), a joint venture of the Group, amount to Euro 7.5 million (equivalent to approximately HK$67 million).

Other than those disclosed above, there were no contingent liabilities relating to the Group's interests in the joint ventures as at 31 December 2018 (2017: Nil).

14 Income tax expenses

	Note	2018 HK$'000	2017 HK$'000
Current income tax:			
– Hong Kong profits tax	(b)	4,248	3,402
– PRC corporate income tax	(c)	162,186	174,870
		166,434	178,272
Deferred income tax charged	(d),28	60,560	42,773
		226,994	221,045

14 Income tax expenses (Continued)

(a) The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Law of the Bermuda and, accordingly, is exempted from payment of the Bermuda income tax.

(b) Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year.

(c) The provision for PRC corporate income tax is based on statutory income tax rate of 25% of the assessable income of the subsidiaries of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC (2017: 25%).

(d) Dividend distribution out of profit of foreign-invested enterprises earned in the PRC subsequent to 1 January 2008 is subject to withholding tax at tax rate of 5% or 10%. During the year, withholding tax was provided for portion of the relevant undistributed profits of the Group's subsidiaries, joint ventures and associates established in the PRC at tax rate of 5% (2017: 5% or 10%) (Note 28).

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

	2018 **HK$'000**	2017 HK$'000
Profit before income tax	**1,488,402**	1,427,701
Less: Share of results of associates	**(151,289)**	(143,331)
Share of results of joint ventures	**(825,594)**	(699,178)
	511,519	585,192
Tax calculated at domestic tax rates applicable to profits in the respective tax jurisdictions	**142,226**	154,437
Income not subject to tax	**(5,732)**	(1,198)
Expenses not deductible for tax purposes	**20,126**	14,545
Over-provision in prior years	**(3)**	(187)
Tax losses not recognised	**13,250**	15,282
Deferred income tax on undistributed profits	**57,127**	38,166
Income tax expenses	**226,994**	221,045

15 Earnings per share

	2018	2017
Profit attributable to equity holders of the Company (HK$'000)	**1,262,071**	1,207,928
Weighted average number of ordinary shares in issue (shares '000)	**2,486,160**	2,486,160
Basic earnings per share (HK cents per share)	**50.76**	48.59

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 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:

	2018 HK$'000	2017 HK$'000
At 1 January	**673,759**	681,920
Amortisation charge for the year	**(18,059)**	(18,425)
Currency translation difference	**(4,494)**	10,264
At 31 December	**651,206**	673,759

17 Property, plant and equipment

	Buildings held for own use HK$'000	Leasehold improvements HK$'000	Jetty structures HK$'000	Jetty facilities HK$'000	Pipeline transmission equipment HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle and vessels HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2017										
Opening net book amount	34,602	–	754,249	694,575	3,756,149	1,066,679	28,092	40,277	497,651	6,872,274
Currency translation differences	2,627	–	50,186	46,356	262,232	66,031	1,612	2,493	8,119	439,656
Additions	–	–	–	–	–	–	267	7,169	43,238	50,674
Disposals	–	–	–	–	–	(547)	(2,767)	(2,913)	–	(6,227)
Transfers	–	–	3,828	6,084	4,187	6,793	1,220	–	(22,112)	–
Depreciation charge	(1,962)	–	(70,134)	(76,399)	(154,117)	(122,524)	(6,892)	(9,285)	–	(441,313)
Closing net book amount	35,267	–	738,129	670,616	3,868,451	1,016,432	21,532	37,741	526,896	6,915,064
At 31 December 2017										
Cost	73,857	477	1,784,845	1,599,382	5,636,552	1,676,692	162,259	167,505	526,896	11,628,465
Accumulated depreciation	(38,590)	(477)	(1,046,716)	(928,766)	(1,768,101)	(660,260)	(140,727)	(129,764)	–	(4,713,401)
Net book amount	35,267	–	738,129	670,616	3,868,451	1,016,432	21,532	37,741	526,896	6,915,064

17 Property, plant and equipment (Continued)

	Buildings held for own use HK$'000	Leasehold improvements HK$'000	Jetty structures HK$'000	Jetty facilities HK$'000	Pipeline transmission equipment HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle and vessels HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2018										
Opening net book amount	35,267	-	738,129	670,616	3,868,451	1,016,432	21,532	37,741	526,896	6,915,064
Currency translation differences	(1,705)	-	(31,139)	(32,129)	(172,176)	(32,748)	(11,797)	(1,451)	(15,952)	(299,097)
Additions	-	-	-	-	-	-	3,284	-	13,496	16,780
Disposals	(593)	-	-	(154)	-	(371)	(606)	-	-	(1,724)
Transfers	-	-	2	83,644	-	4,201	31,332	-	(119,179)	-
Depreciation charge	(2,016)	-	(71,347)	(53,577)	(159,069)	(116,685)	(5,913)	(10,021)	-	(418,628)
Closing net book amount	30,953	-	635,645	668,400	3,537,206	870,829	37,832	26,269	405,261	6,212,395
At 31 December 2018										
Cost	69,153	477	1,703,023	1,606,356	5,377,137	1,599,775	184,603	154,214	405,261	11,099,999
Accumulated depreciation	(38,200)	(477)	(1,067,378)	(937,956)	(1,839,931)	(728,946)	(146,771)	(127,945)	-	(4,887,604)
Net book amount	30,953	-	635,645	668,400	3,537,206	870,829	37,832	26,269	405,261	6,212,395

18 Investment properties

	2018 HK$'000	2017 HK$'000
At 1 January	**61,988**	62,555
Depreciation charge for the year	**(3,066)**	(3,020)
Currency translation difference	**(1,623)**	2,453
At 31 December	**57,299**	61,988

As at 31 December 2018, the Group had no contractual obligations for future repairs and maintenance (2017: Nil).

All investment properties of the Group are carried at their costs less accumulated depreciation and any accumulated impairment losses as at 31 December 2018. 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 2018 is estimated to be HK$187,860,000 (2017: HK$180,559,000). 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 2018 and 2017. The following table analyses the investment properties measured at fair value, by valuation method.

18 Investment properties (Continued)

Fair value hierarchy

	Fair value measurements As at 31 December 2018 using		
	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Description			
Fair value measurements			
Investment properties:			
– Residential (HK and Macau)	**–**	**–**	**117,100**
– Commercial (PRC)	**–**	**–**	**70,760**
	–	**–**	**187,860**

	Fair value measurements As at 31 December 2017 using		
	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Description			
Fair value measurements			
Investment properties:			
– Residential (HK and Macau)	–	–	108,900
– Commercial (PRC)	–	–	71,659
	–	–	180,559

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 a period of two years. None of the leases includes contingent rentals.

18 Investment properties (Continued)

(a) Amounts recognised in income statement for investment properties

	2018 HK$'000	2017 HK$'000
Rental income	**7,432**	8,070
Direct operating expenses from property that generated rental income	**(203)**	(601)
	7,229	7,469

19 Trade and other receivables

	2018 HK$'000	2017 HK$'000
Trade receivables		
– An intermediate holding company and a fellow subsidiary	**923,937**	567,961
– Bills receivables	**18,261**	32,300
– Others	**2,543**	6,010
	944,741	606,271
Other receivables		
– Dividend receivables from joint ventures	**51,360**	340,946
– Others	**46,201**	58,508
	97,561	399,454
	1,042,302	1,005,725

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

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

19 Trade and other receivables (Continued)

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

	2018 HK$'000	2017 HK$'000
Within 1 month	**143,720**	173,321
1 to 2 months	**71,830**	82,050
2 to 3 months	**10,094**	–
3 to 12 months	**334,037**	350,900
Over 12 months	**385,060**	–
	944,741	606,271

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

	2018 HK$'000	2017 HK$'000
HK$	**4,589**	4,322
RMB	**1,024,773**	980,931
US$	**12,940**	20,472
	1,042,302	1,005,725

Trade receivables that are related to Sinopec Corp. and a number of customers which 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.

20 Inventories

	2018 HK$'000	2017 HK$'000
Spare parts	**17,110**	15,300

21 Cash and bank balances

	2018 HK$'000	2017 HK$'000
Cash at bank and on hand	2,018	98,168
Deposits at related financial institutions at call	224,195	311,687
Cash and cash equivalents	226,213	409,855
Restricted bank balances	94,472	–
Total cash and bank balances	320,685	409,855

Deposits at related financial institutions primarily represent deposits placed at Century Bright and Sinopec Finance Company Limited, both of which are financial institutions registered with Hong Kong Monetary Authority and China Banking Regulatory Commission respectively.

Restricted bank balances represent the bank balances of PT. West Point, which are restricted due to the arbitrations. As of 31 December 2018, no person is authorised to access to the relevant bank balances until the establishment of the new board of directors of PT. West Point.

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

	2018 HK$'000	2017 HK$'000
US$	98,675	96,238
Euro	64	346
RMB	220,506	306,915
HK$	1,406	6,321
Others	34	35
	320,685	409,855

22 Share capital

	2018		2017	
	Number of Shares	**Amounts**	Number of Shares	Amounts
	'000	**HK$'000**	'000	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid:				
At 1 January and 31 December	**2,486,160**	**248,616**	2,486,160	248,616

23 Reserves

(a) 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.

(b) The general reserves of the Group represents the general reserve and enterprise development fund reserve applicable to subsidiaries which was established in accordance with the relevant People's Republic of China ("**PRC**") regulations. Neither the reserve nor the fund is available for distribution.

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 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 general reserves 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.

(c) 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 crude oil jetty services and natural gas pipeline transmission services in the PRC.

24 Dividends

	2018 HK$'000	2017 HK$'000
Interim dividend declared and paid of HK5 cents (2017: HK5 cents) per ordinary share	**124,308**	124,308
Final dividend proposed HK10 cents (2017: HK7 cents) per ordinary share	**248,616**	174,031
	372,924	298,339

A final dividend in respect of the year ended 31 December 2018 of HK10 cents per share, amounting to a total dividend of HK$248,616,000 is to be proposed at the annual general meeting on 12 June 2019. These financial statements do not reflect this dividend payable.

25 Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	Note	2018 HK$'000	2017 HK$'000
Profit before income tax		**1,488,402**	1,427,701
Adjustments for:			
Depreciation			
– Property, plant and equipment	17	**418,628**	441,313
– Investment properties	18	**3,066**	3,020
Amoritsation of deferred government grant		**(280)**	–
Amortisation of prepaid land lease payments		**18,059**	18,425
Finance costs	10	**152,020**	166,279
Interest income	10	**(3,168)**	(3,833)
Net loss on disposal of property, plant and equipment	7	**1,673**	113
Share of results of associates	12	**(151,289)**	(143,331)
Share of results of joint ventures	13	**(825,594)**	(699,178)
Changes in working capital:			
(Increase)/decrease in inventories		**(2,611)**	284
Decrease in trade and other receivables		**37,131**	15,850
(Decrease)/increase in trade and other payables		**(17,926)**	70,902
Cash generated from operations		**1,118,111**	1,297,545

(i) Proceeds from disposal of property, plant and equipment

	2018 HK$'000	2017 HK$'000
Net book amount (Note 17)	**1,724**	6,227
Loss on disposal of property, plant and equipment	**(1,673)**	(113)
Proceeds from disposal of property, plant and equipment	**51**	6,114

25 Notes to the consolidated statement of cash flows (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Loans and borrowings HK$'000	Finance cost payable HK$'000	Dividend payable HK$'000	Total HK$'000
Balance at 1 January 2018	**5,163,110**	**4,047**	**25**	**5,167,182**
Changes from financing cash flows				
Proceeds from borrowings	**2,285,617**	**–**	**–**	**2,285,617**
Repayments of borrowings	**(3,670,978)**	**–**	**–**	**(3,670,978)**
Finance cost paid	**–**	**(152,853)**	**–**	**(152,853)**
Dividend paid	**–**	**–**	**(298,339)**	**(298,339)**
Total changes from financing cash flows	**(1,385,361)**	**(152,853)**	**(298,339)**	**(1,836,553)**
Non-cash changes				
Net exchange and translation difference	**(104,424)**	**(142)**	**–**	**(104,566)**
Finance cost charged to profit or loss	**–**	**152,020**	**–**	**152,020**
Dividend declared	**–**	**–**	**298,339**	**298,339**
Balance at 31 December 2018	**3,673,325**	**3,072**	**25**	**3,676,422**

	Loans and borrowings HK$'000	Finance cost payable HK$'000	Dividend payable to former owners of a subsidiary under common control HK$'000	Dividend payable HK$'000	Total HK$'000
Balance at 1 January 2017	5,627,603	4,877	201,230	24	5,833,734
Changes from financing cash flows					
Proceeds from borrowings	4,378,830	–	–	–	4,378,830
Repayments of borrowings	(5,053,995)	–	–	–	(5,053,995)
Finance cost paid	–	(167,332)	–	–	(167,332)
Settlement of dividend payable	–	–	(207,636)	–	(207,636)
Dividend paid	–	–	–	(211,323)	(211,323)
Total changes from financing cash flows	(675,165)	(167,332)	(207,636)	(211,323)	(1,261,456)
Non-cash changes					
Net exchange and translation difference	210,672	223	6,406	–	217,301
Finance cost charged to profit or loss	–	166,279	–	–	166,279
Dividend declared	–	–	–	211,324	211,324
Balance at 31 December 2017	5,163,110	4,047	–	25	5,167,182

26 Trade and other payables

	2018 HK$'000	2017 HK$'000
Trade payables		
– Fellow subsidiaries	**37,686**	42,586
– Others	**81,999**	70,571
	119,685	113,157
Other payables		
– Amounts due to immediate, intermediate holding companies and fellow subsidiaries	**273,655**	75,803
– Accrued charges	**116,256**	174,439
	389,911	250,242
	509,596	363,399

The amounts due to immediate, intermediate holding companies and fellow subsidiaries are unsecured, interest free and repayable on demand.

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

	2018 HK$'000	2017 HK$'000
Current to 30 days	**91,145**	113,091
31 to 60 days	**28,540**	66
	119,685	113,157

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

	2018 HK$'000	2017 HK$'000
HK$	**274,659**	71,961
RMB	**186,451**	222,053
US$	**20,059**	41,003
SGD	**28,427**	28,382
	509,596	363,399

27 Borrowings

	Note	2018 HK$'000	2017 HK$'000
Non-current			
– Entrusted loan	(a)	–	2,775,452
		–	2,775,452
Current			
– Entrusted loan	(a)	**2,054,325**	–
– A related financial institution	(b)	**1,619,000**	2,387,658
		3,673,325	5,163,110

At 31 December 2018 and 2017, the borrowings were repayable as follows:

	2018 HK$'000	2017 HK$'000
Wtithin 1 year	**3,673,325**	2,387,658
Between 2 and 5 years	–	2,775,452
	3,673,325	5,163,110

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
HK$	**1,619,000**	2,270,000
RMB	**2,054,325**	2,775,452
US$	–	117,658
	3,673,325	5,163,110

Notes:

(a) In June 2016, the Group entered into an entrusted loan agreement with China International United Petroleum & Chemicals Co., Ltd ("**Unipec**") and Bank of Communication ("**BOCOM**"), whereby Unipec has agreed to provide a loan of RMB 3,000,000,000 through BOCOM to the Group. This loan is unsecured, bore interest at lending rate for loans of one to five years as published by The People's Bank of China at discount of 10% per annum (approximately 4.75% per annum) and wholly repayable by 28 June 2019.

(b) As at 31 December 2018, the undrawn borrowing facilities provided by a related financial institution was US$293,200,000, equivalent to approximately HK$2,296,000,000 (2017: US$194,500,000, equivalent to approximately HK$1,490,000,000). Details of borrowing facilities are set out in note 3(d) to the financial statements.

(c) The carrying amounts of borrowings approximates their fair values.

28 Deferred income tax

The gross movements on the deferred income tax account are as follows:

	Undistributed profits of subsidiaries in the PRC HK$'000	Undistributed profits of joint ventures in the PRC HK$'000	Undistributed profits of an associate in the PRC HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
Deferred income tax liabilities					
At 1 January 2017	48,372	18,213	4,976	28,239	99,800
(Credited)/charged to income statement (Note 14)	4,060	30,670	3,436	4,607	42,773
Withholding tax	(11,391)	(25,847)	(3,235)	–	(40,473)
Exchange differences	3,247	2,239	350	2,057	7,893
At 31 December 2017	44,288	25,275	5,527	34,903	109,993
At 1 January 2018	**44,288**	**25,275**	**5,527**	**34,903**	**109,993**
(Credited)/charged to income statement (Note 14)	**(9,015)**	**62,146**	**3,996**	**3,433**	**60,560**
Withholding tax	**–**	**(30,464)**	**(3,521)**	**–**	**(33,985)**
Exchange differences	**(2,877)**	**(1,402)**	**(257)**	**(1,733)**	**(6,269)**
At 31 December 2018	**32,396**	**55,555**	**5,745**	**36,603**	**130,299**

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$431,178,000 (2017: HK$349,415,000), 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.

29 Contingencies

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

Since then, the arbitration tribunal has been established and certain filings have been presented by relevant parties. Starting 27 November 2018, the representatives of the parties attended the merits hearing for 8 days and both parties presented their arguments to the tribunal. The parties submitted post-hearing briefs on 31 January 2019 and had filed replies to these post-hearing briefs in early March 2019. An additional day of hearing will be held in April 2019, The final award is expected to be issued in the second half of 2019.

29 Contingencies (Continued)

After taking into consideration of the advice by the Group's legal counsel, the Directors believe that the Group has put forward valid factual and legal grounds in support of their defence and counterclaims against PT MAS and PT BS significantly and substantially. Therefore, the Directors are confident that the current arbitration proceedings do not significantly affect the Group's financial performance as at 31 December 2018 and are of the opinion that no provision is presently required with respect to the arbitrations.

30 Commitments

(a) As at 31 December 2018, the outstanding capital commitments not provided for in the financial statements were as follows:

	2018	2017
	HK$'000	HK$'000
Contracted for but not provided for	**237,503**	372,136

(b) As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2018	2017
	HK$'000	HK$'000
Within 1 year	**8,442**	8,494
After 1 year but within 5 years	**13,408**	20,220
After 5 years	**11,592**	12,373
	33,442	41,087

The Group leases a number of properties with an initial lease term of 3 to 32 years, with an option to renew the lease. None of the leases includes contingent rentals.

(c) As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were receivable as follows:

	2018	2017
	HK$'000	HK$'000
Within 1 year	**952**	1,536
After 1 year but within 5 years	**–**	952
	952	2,488

31 Significant related party transactions

(a) Transactions with related parties

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

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

	2018 HK$'000	2017 HK$'000
Sinomart Development		
Fees for oil terminals entrusted management to a fellow subsidiary (Note (i)(a))	(9,923)	(9,228)
Interest expenses to a fellow subsidiary	(41,346)	(31,376)
Interest income from a fellow subsidiary	19	16
KII		
Interest expenses to a fellow subsidiary	(1,787)	(2,607)
Huade Petrochemical		
Jetty service fees from an intermediate holding company (Note (ii)(a))	564,369	509,780
Fuel oil jetty service fees from an intermediate holding company (Note (ii)(b))	51,230	35,645
Insurance premium paid to a fellow subsidiary (Note (ii)(c))	(3,945)	(2,330)
Interest income from a fellow subsidiary	411	521
Yu Ji Pipeline Company		
Natural gas transmission income from an intermediate holding company and a related company (Note (iii)(a))	810,833	1,083,378
Natural gas storage fees to an intermediate holding company (Note (iii)(b))	–	(51,335)
Outsourcing fees to the ultimate holding company, an intermediate holding company and related companies (Note (iii)(c))	(52,078)	(95,525)
Rental income from leasing of land and building to an intermediate holding company (Note (iii)(d))	4,381	4,708
Interest income from a fellow subsidiary	2,108	3,239
Technical service fees to fellow subsidiaries (Note (iii)(e))	(16,918)	(12,715)
Joint ventures and associate		
Interest income from:		
– An associate	3,722	4,085
– A joint venture	47,137	36,244
Management fees income from a joint venture	3,484	3,249

31 Significant related party transactions (Continued)

(a) Transactions with related parties (Continued)

The balances with related parties are disclosed in Notes 19, 21 and 26 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.

Notes:

(i) Sinomart Development

(a) Management fees were charged by fellow subsidiaries for providing entrusted management services for the joint ventures and were charged by the actual costs of entrusted management and on normal commercial terms.

(ii) Huade Petrochemical

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

(b) The fuel oil 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.

(c) 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) Yu Ji Pipeline Company

(a) The price for provision of natural gas transmission services will be charged by Yu Ji Pipeline Company in accordance with the State-prescribed prices without deduction of costs or charges under the Natural Gas Transmission Services Framework Master Agreement.

(b) The natural gas storage fees were charged on arm's length negotiation on normal commercial terms with reference to the costs and taxes, and will be adjusted subject to the State policy in accordance with the Gas Storage Framework Master Lease Agreement.

31 Significant related party transactions (Continued)

(a) Transactions with related parties (Continued)

Notes: (Continued)

(iii) Yu Ji Pipeline Company Limited (Continued)

(c) Outsourcing fees were charged on arm's length negotiation on normal commercial terms with reference to the costs of provision of services and products, and taxes in accordance with the Services Outsourcing Framework Master Agreement.

(d) Rental income was received from a fellow subsidiary for leasing an office.

(e) Technical services fees were charged on arm's length negotiation on normal commercial terms with reference to the costs of the provision of services and products, and taxes in accordance with the Technical Services Framework Master Agreement.

(b) Transactions with key management personnel

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

	2018 HK$'000	2017 HK$'000
Compensations to key management personnel		
Directors' fees (Note 32(a))	1,361	1,080
Salaries, allowances and benefits-in-kind (Note 32(a))	1,370	1,452
Bonuses (Note 32(a))	970	1,554
Total	3,701	4,086

	2018 HK$'000	2017 HK$'000
Rental income received from a director	48	114

Rental income was received from a director for leasing an apartment. The leases was terminated in June 2018.

31 Significant 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

	2018 HK$'000	2017 HK$'000
Jetty service fees by the Group	26,117	21,586

	2018 HK$'000	2017 HK$'000
Prepayment to/amounts due from other state-controlled entities	5,774	11,855
Amounts due to other state-controlled entities	27,866	37,125

(ii) Transactions with state-controlled banks

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

	2018 HK$'000	2017 HK$'000
Interest income	659	58

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

	2018 HK$'000	2017 HK$'000
Cash and cash equivalents	1,844	2,820

32 Benefits on interests of directors

(a) Directors' and chief executives emoluments

The remuneration of the directors for the years ended 31 December 2018 and 2017 are set out below:

2018	Fees HK$'000	Salaries HK$'000	Discretionary Bonus HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Executive directors						
Chen Bo (Chairman)	–	–	–	–	–	–
Xiang Xiwen (Deputy Chairman)	–	–	–	–	–	–
Dai Liqi	–	–	–	–	–	–
Li Jianxin	–	–	–	–	–	–
Wang Guotao	–	–	–	–	–	–
Ye Zhijun (Managing Director)	–	1,047	970	323		2,340
Independent non-executive directors						
Tam Wai Chu, Maria	360	–	–	–	–	360
Fong Chung, Mark	360	–	–	–	–	360
Wong Yau Kar, David	360	–	–	–	–	360
Wong Pui Sze	281	–	–	–	–	281
	1,361	1,047	970	323	–	3,701

32 Benefits on interests of directors (Continued)

(a) Directors' and chief executives emoluments (Continued)

2017	Fees HK$'000	Salaries HK$'000	Discretionary Bonus HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Executive directors						
Chen Bo (Chairman)	–	–	–	–	–	–
Xiang Xiwen (Deputy Chairman)	–	–	–	–	–	–
Dai Liqi	–	–	–	–	–	–
Li Jianxin	–	–	–	–	–	–
Wang Guotao	–	–	–	–	–	–
Ye Zhijun (Managing Director)	–	972	1,554	480	–	3,006
Independent non-executive directors						
Tam Wai Chu, Maria	360	–	–	–	–	360
Fong Chung, Mark	360	–	–	–	–	360
Wong Yau Kar, David	360	–	–	–	–	360
	1,080	972	1,554	480	–	4,086

(b) Directors' retirement benefits

No retirement benefits was paid to every directors and the chief executive of the Company or its subsidiary undertaking during the year (2017: nil).

(c) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2018 and 2017, no emoluments was paid to the Group to the directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office.

(d) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

33 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	Note	As at 31 December 2018 HK$'000	2017 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**7,290,086**	7,408,571
Current assets			
Cash and cash equivalents		**30**	30
Total assets		**7,290,116**	7,408,601
Equity and liabilities			
Equity attributable to owners of the company			
Share capital		**248,616**	248,616
Reserves	(a)	**7,034,652**	7,151,679
Total equity		**7,283,268**	7,400,295
Liabilities			
Current liabilities			
Trade and other payables		**6,848**	8,306
Total liabilities		**6,848**	8,306
Total equity and liabilities		**7,290,116**	7,408,601

The balance sheet of the Company was approved by the Board of Directors on 21 March 2019 and was signed on its behalf

Chen Bo
Chairman

Ye Zhijun
Managing Director

33 Balance sheet and reserve movement of the Company (Continued)

Reserve movement of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2017	6,300,684	242,397	839,136	7,382,217
Interim dividends declared in respect of the current year	–	–	(124,308)	(124,308)
Total comprehensive loss for the year	–	–	(19,214)	(19,214)
Final dividends declared in respect of the current year	–	–	(87,016)	(87,016)
At 31 December 2017	6,300,684	242,397	608,598	7,151,679
At 1 January 2018	**6,300,684**	**242,397**	**608,598**	**7,151,679**
Interim dividends declared in respect of the current year	**–**	**–**	**(124,308)**	**(124,308)**
Total comprehensive income for the year	**–**	**–**	**181,312**	**181,312**
Final dividends declared in respect of the current year	**–**	**–**	**(174,031)**	**(174,031)**
At 31 December 2018	**6,300,684**	**242,397**	**491,571**	**7,034,652**

Notes:

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

(b) 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.

(c) At 31 December 2018, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including the contributed surplus and accumulated losses/retained earnings, was HK$733,968,000 (2017: HK$850,995,000). After the end of the reporting period the directors proposed a final dividend of HK10 cents (2017: HK7 cents) per ordinary share, amounting to HK$248,616,000 (2017: HK$174,031,000). The dividend has not been recognised as a liability at the end of the reporting period.

FIVE YEAR FINANCIAL SUMMARY

	2014 HK$'000 (Restated [Note])	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Results					
Revenue	20,669,579	2,043,630	1,766,590	1,729,239	**1,655,633**
Operating profit	812,898	730,373	553,961	747,638	**660,371**
Finance income	21,470	14,649	10,421	3,833	**3,168**
Finance costs	(219,469)	(198,140)	(203,756)	(166,279)	**(152,020)**
Share of results of associates	103,506	117,865	135,549	143,331	**151,289**
Share of results of joint ventures	489,948	553,901	644,128	699,178	**825,594**
Profit before income tax	1,208,353	1,218,648	1,140,303	1,427,701	**1,488,402**
Income tax expenses	(190,270)	(191,730)	(135,317)	(221,045)	**(226,994)**
Profit for the year	1,018,083	1,026,918	1,004,986	1,206,656	**1,261,408**
Assets and liabilities					
Fixed assets	9,187,939	8,489,723	7,616,749	7,700,893	**6,946,832**
Interests in associates	686,650	678,586	710,784	838,256	**866,711**
Interests in joint ventures	6,124,978	6,378,616	6,460,197	7,118,721	**6,902,973**
Net current assets/(liabilities)	795,862	(2,095,487)	(1,720,189)	(1,381,029)	**(2,867,297)**
Deferred income tax liabilities	(103,340)	(95,695)	(99,800)	(109,993)	**(130,299)**
Borrowings	(4,183,199)	(3,938,982)	(3,353,791)	(2,775,452)	**–**
Government grants	(4,956)	(4,667)	(13,178)	(21,491)	**(20,136)**
Net assets	12,503,934	9,412,094	9,600,772	11,369,905	**11,698,784**
Equity					
Share capital	248,616	248,616	248,616	248,616	**248,616**
Reserves	12,216,719	9,124,813	9,313,764	11,084,169	**11,413,711**
Non-controlling interests	38,599	38,665	38,392	37,120	**36,457**
Total equity	12,503,934	9,412,094	9,600,772	11,369,905	**11,698,784**
Basic earnings per share for profit attributable to equity holders of the Company	HK40.96 cents	HK41.30 cents	HK40.43 cents	HK48.59 cents	**HK50.76 cents**

Note: Due to business combination under common control completed in 2015, the financial information of the Group in 2014 has been restated in a manner similar to a uniting of interests to reflect the acquisition.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Report was prepared with reference to the "Environmental, Social and Governance Reporting Guide" in Appendix 27 of the Listing Rules issued by the Stock Exchange.

Reporting Period

This Report covers the year ended 31 December 2018, in line with the Company's 2018 Annual Report.

Reporting Scope

This Report covers the Company and its wholly-owned subsidiaries and controlled subsidiaries, namely the Group's Hong Kong headquarters (**"Hong Kong office"**), Huizhou Daya Bay Huade Petrochemical Company Ltd. (**"Huade Petrochemical"**) and Sinopec Yu Ji Pipeline Company Limited (**"Yu Ji Pipeline Company"**). As the Batam Project of PT. West Point Terminal (**"PT. West Point"**), a controlled subsidiary of the Company, has not yet commenced construction and commercial operations, PT. West Point is not included in this Report for the time being. Besides, associates and joint ventures are outside the scope of this Report.

OUR COMMITMENTS

Operate in compliance with law

Strive to develop together

Continue to improve performance

Respect the interests of all stakeholders

Emphasise safety and environmental protection

Overview

The Company and its subsidiaries (collectively the "**Group**" or "**we**", and excluding PT. West Point) are committed to fulfilling corporate social responsibilities, and believe that consideration of all stakeholders' interests is key to long-term sustainable development. Therefore, while generating benefits for investors, we also pay close attention to the concerns of other stakeholders including the government, employees, suppliers, customers, communities and the environment. In 2018, in accordance with the *Working Guidelines for Social Responsibilities* formulated by the Board of Directors, the Group stepped up its efforts to minimise the environmental impact of its operations and promote both environmental protection and energy savings. We also continued to improve our working environment while safeguarding the interests of our employees and boosting staff morale. In consideration of the full implementation of corporate social responsibilities and contribution to the establishment of beautiful and harmonious community, the Group proactively participates in community activities. In addition, the Group regularly gathers views from different stakeholders and incorporates the same into our corporate operation to the extent as appropriate so as to achieve mutual benefits for both community's interest and business development.

HIGHLIGHTS

Working environment

Total training hours for employees
up by 9.2% to nearly
14,200 hours

Work related serious injuries and deaths
0

Days lost due to work injuries
0

Environment

CO_2 equivalent emissions reduced by nearly
7.9%

Non-hazardous waste reduced by nearly
23.2%

Total energy consumption
reduced by nearly 16.4 million kWh or
8.1%

Society

Total hours for volunteer works
377 hours

Service complaint rate
0

Corruption case
0

Communicating with Key Stakeholders

The Group always recognises the need to communicate with and collect feedback from all stakeholders so that a balance of different interests can be achieved. Key stakeholders include government and regulatory bodies, investors, employees, suppliers, customers as well as the public and community. Their expectations and evaluations enhance the planning, management and implementation of the Group's sustainable development strategy.

Key stakeholder	Concerns	Major means of communication and action
Government and regulatory bodies	■ Compliance and legal operation ■ Safe production responsibility ■ Economic contribution ■ Corporate governance	■ Regular reporting to relevant authorities ■ Reception of government departments visiting production units or office sites
Employees	■ Remuneration and benefits ■ Career development and training ■ Occupational health and safety	■ Regular appraisal and feedback ■ Regular direct conversation between employees and management ■ Provision of various types of training ■ Organising recreational events ■ Democratic decision-making procedures for certain matters involving employee welfare ■ Regular work meetings
Investors	■ Long-term development strategy ■ Profitability	■ Regular results announcements ■ Disclosure of company operations in accordance with the Listing Rules ■ Active participation in the investor summits ■ Annual general meetings and special general meetings
Suppliers	■ Stable partnership ■ Win-win cooperation	■ Strict, fair, just and open selection process ■ Business negotiations ■ Industry exchanges
Customers	■ Service and pricing ■ Quality assurance and management	■ Business negotiations ■ Customer visits ■ Daily communication and information exchange
Public and community	■ Support for community construction and public welfare projects ■ Environmental impact of operations	■ Active participation in public welfare activities ■ Saving energy and reducing resources consumption during production process

1. Caring for the Environment

The Group's principal businesses include crude oil terminals, storage, and natural gas pipeline transmission. While continuing to provide efficient, high quality services to our customers, we have implemented a green and low-carbon development strategy and established policies for environmental protection, effective use of natural resources, waste disposal, and other related matters. The Group has formulated and implemented the *Health, Safety, Security and Environment ("HSSE") Management System* in respect of its production and operation with the aim of reducing waste and greenhouse gas emissions. We cherish and make good use of natural resources and also advocate the recycling of resources. Our policies for waste discharge at production and operation sites are strictly implemented to ensure proper disposal of all hazardous waste after compliant treatment. We also strive to continuously enhance our environmental risk management and control by taking preventative measures, monitoring and early handling, so that impacts of incidents on safety and the environment can be minimised. We work consistently to raise employees' environmental awareness and encourage participation in environmental protection and recycling campaigns.

In 2018, the Group continued to fully abide by the laws and regulations on environmental protection in the countries and regions where it operates in all material aspects. These include the *Law on the Prevention and Control of Atmospheric Pollution, Law on Prevention and Control of Water Pollution, Law on Prevention and Control of Environmental Noise Pollution*, and *Law on Prevention and Control of Environmental Pollution by Solid Waste* in the PRC. All the Group's pollutant emissions comply with relevant standards. The Group will continue to strengthen its environmental risk prevention and control capabilities to ensure its operation in compliance with law and regulations.

1.1 Green Production

To reduce emissions and more effectively utilise natural resources, in 2018, the Group further promoted and enhanced its budget management of resource consumption and waste discharge for all stages of production and operation. In order to minimise the unnecessary consumption of natural resources, the Group has developed a set of energy and water consumption key performance indicators ("KPIs") for each business segment by extensive scientific calculation, then compared the actual consumption amount with the KPIs and conduct evaluation regularly. During the Year, taking resource consumption and emission situations of different business segments and equipment into consideration, the Group continued optimising the workflows and process parameters of some specific equipment. In particular, we continued optimising the compressor operation of the natural gas transmission segment and the loading process of oil terminal business as well as actively adopted the integrated solar power systems in order to maximize the efficiency of the energy input. In 2018, both the energy consumption per ton of oil transmitted of Huade Petrochemical and comprehensive energy consumption of Yu Ji Pipeline Company were improved. Besides, the Group's production units continued to reinforce maintenance protocols to ensure optimal operation of the equipment and keep the exhaust emissions at minimum level. In addition, the Group's principal businesses are oil terminals, storage and natural gas pipeline transmission services in which no product packaging materials are involved.

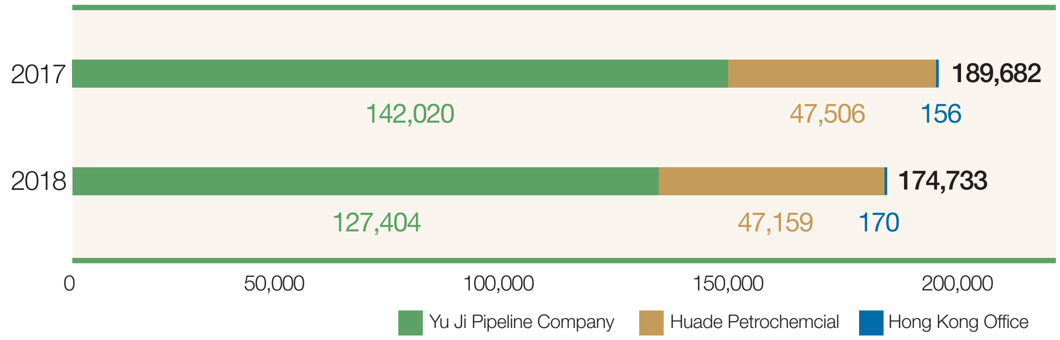
1.1.1 Saving Energy and Reducing Emissions

Optimised compressor operation	Compressors account for the largest proportion of power consumption for the natural gas pipeline transmission business. In 2018, Yu Ji Pipeline Company continued to study and analyse the daily energy consumption of compressors and made adjustments to optimise their operating workflows and reduce their energy consumption. Yu Ji Pipeline Company's annual comprehensive energy consumption per RMB10,000 of output was 0.0150 tonnes of standard coal, representing a decrease of 0.0054 tonnes of standard coal from 2017 and a saving of 6,771.17 tonnes of standard coal, or a saving rate of approximately 26.2% year-on-year.
Adoption of integrated solar power in valve rooms	In 2018, 11 RTU valve rooms of Yu Ji Pipeline Company adopted integrated solar power system as their main power supply and UPS as the backup power system, ensuring a stable power supply to the valve rooms' electrical equipment with an annual electricity saving of approximately RMB42,000.
Improved loading methods in the oil terminal business	In 2018, Huade Petrochemical adopted a self-flow method for ship-loading which can be applied for a liquid level higher than that of the loading arm. This method minimises the use of power equipment and thus reduces power consumption.
Further improved the crude oil transmission operations	In 2018, Huade Petrochemical further optimised its crude oil transmission operation by coordinating tanker berthing to ensure continued crude oil flow and reducing no-load and low-load operations of compressors during crude oil pipeline transmission. Annual average energy consumption per ton of oil transmitted by the first station of Mabianzhou was 0.88 kWh, down approximately 7.4% from 2017. Energy consumption per ton of oil transmitted for the "Mabianzhou-Guangzhou" line was 4.02 kWh, which was below the annual KPI and at a record low.

Exhaust Gas and Pollutant Emissions (including gaseous fuel consumption and vehicle emissions)

	NOx Nitrogen oxides	SOx Sulphur dioxide	PM Particulate matter
2016	271kg	7kg	20kg
2017	272kg	6kg	20kg
2018	241kg	6kg	18kg

Carbon Dioxide Equivalent Emissions (tonnes)



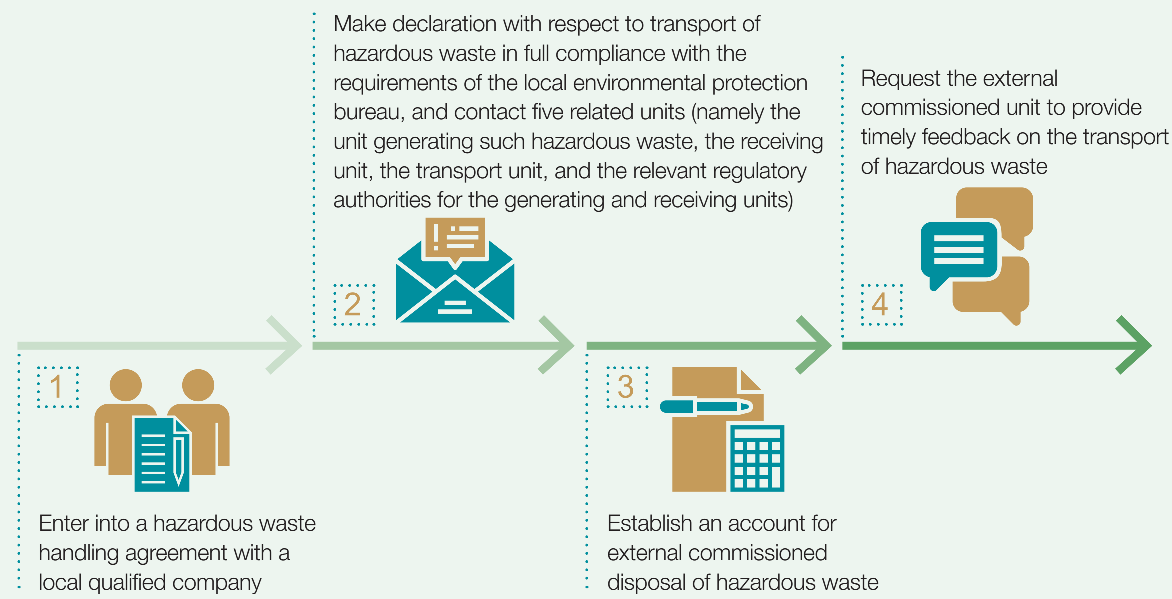
1.1.2 Proper Disposal of Waste and Discharge of Sewage

In 2018, the Group maintained its stringent management of the waste and sewage generated by all of its production and operational activities. Details including waste types, quantities, directions of flow, storage and disposal are recorded daily and under supervision in accordance with the requirements of the *Hazardous Waste Management System*. Fly-tipping and unauthorised waste disposal are strictly forbidden. The Group has established a stringent management process to ensure that hazardous waste and sewage are properly disposed or discharged. Monitoring and maintenance of waste treatment facilities were enhanced whereas unqualified equipment and devices were rectified in a timely manner to effectively prevent and control pollution.

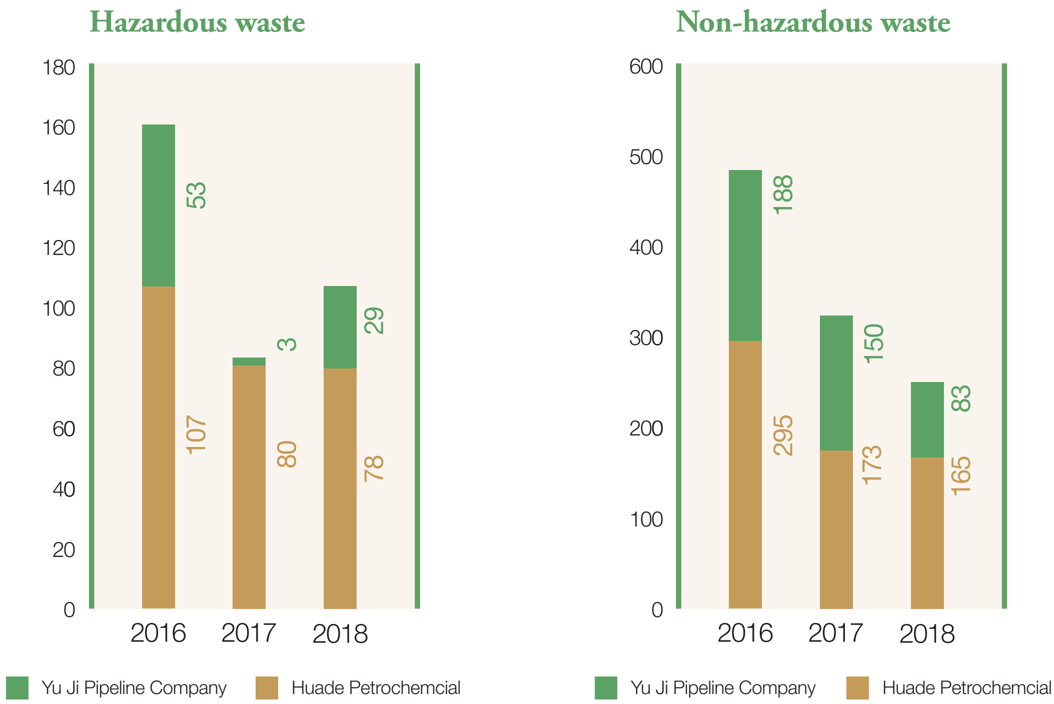
1.1.2.1 Proper Sewage Treatment

In 2018, Yu Ji Pipeline Company rectified the sewage treatment facilities situated at 4 gas transmission stations through monitoring and engaging professionals to carry out maintenance on the sewage treatment facilities, and resolved 12 issues to ensure the facilities' normal operation in compliance with sewage treatment standards. Further improvements were also made on the maintenance procedures for sewage treatment facilities.

Disposal Procedures for Hazardous Waste



Total Waste Generated (tonnes)



Note: As non-hazardous waste generated in the Hong Kong office is minimal, and no standalone data on non-hazardous waste data is available from the building where it is located, the data on non-hazardous waste excludes the Hong Kong office.

1.2 Green Office

In 2018, the Group continued to advocate a green office by actively using energy-saving lamps, revamping the internet server room to improve cooling efficiency and reduce energy consumption, and organising various recycling activities to reduce waste of resources.

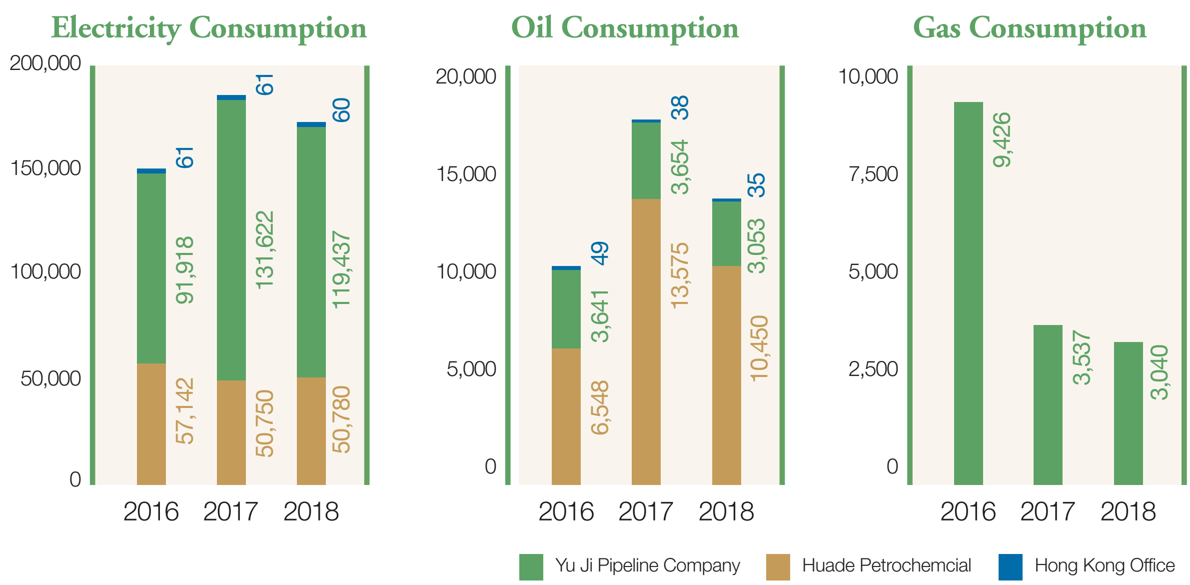
1.2.1 Reduction in Office Electricity Consumption

In 2018, Yu Ji Pipeline Company revamped its internet server room with a modularised cold pool to improve cooling efficiency. It also promoted the application of a desktop management system to achieve real-time control of office computers' hours of operation and reduce energy consumption.

1.2.2 Waste Separation and Recycling

In 2018, the Hong Kong office continued to promote reuse and recycling by providing an office recycling point and organising environmentally friendly activities for employees. Such activities included recycling of plastic bottles, red packets and mooncake boxes.

Energy Consumption (MWh)



1.3 Water Conservation

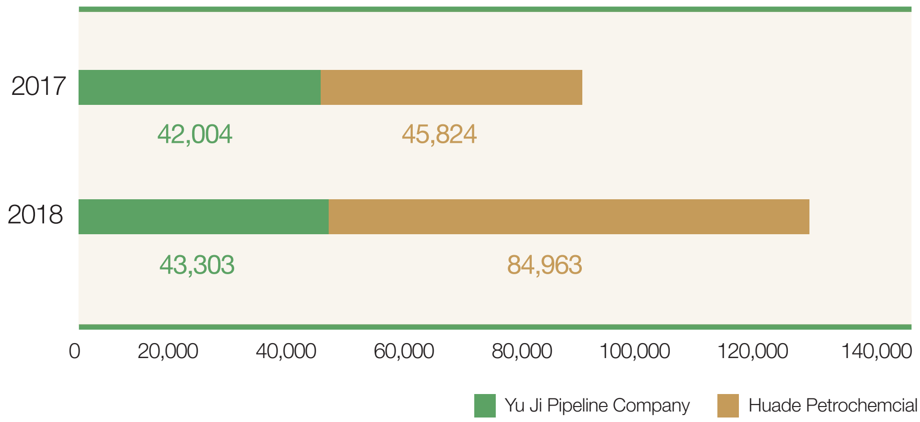
In 2018, the Group's production units adopted several effective measures to use water more efficiently. These included the establishment of rainwater storage facilities, the processing of domestic sewage by water purification facilities at production sites for irrigation of greenery.

The Group actively promoted good water usage habits and water conservation awareness among employees.

1.3.1 Water Conservation Promotional Activity

In 2018, Yu Ji Pipeline Company commenced its "Water Conservation Starts with Every Single Drop" initiative. Random water usage inspections were carried out, and labels were posted near taps to discourage running, evapourating, dripping and leaking of water and "Leaving the Water Running Unattended".

Water Consumption (cubic metres)



Note: As the Hong Kong office consumed little water and its building applies a certain allocation method to calculate water consumption (not reflective of actual consumption) for individual premises, the Hong Kong office was excluded from the statistics above.

In 2018, the Group's water consumption increased, mainly because fire drills were carried out more frequently by Huade Petrochemical. In 2018, there was no issue in sourcing water that was fit for purpose.

1.4 Education on Environmental Protection

In 2018, the Group organised various environmental protection related trainings. Topics ranging from general knowledge on relevant laws and regulations were covered. Purposes of such trainings were to raise the awareness of employees on environmental protection and encourage them to adopt green habits.

1.4.1 Environmental Regulations Education

In 2018, Yu Ji Pipeline Company held a "World Environment Day 5 June" activity with the theme of "Improving the Quality of the Environment and Promoting Green Development". The aim of the event was to educate employees about regulations and policies such as the *Environmental Protection Law, Law on the Prevention and Control of Atmospheric Pollution (Amendment), Air Pollution Prevention and Control Action Plan* and *Action Plan for Prevention and Control of Water Pollution*. Apart from raising employees' awareness on environmental protection and safety, the activity encouraged them to adopt a green and low-carbon lifestyle.

1.4.2 Participation in Environmental Campaigns

In 2018, the Hong Kong office encouraged its staff to join the campaigns held by environmental organisations such as Earth Hour and No Air Con Night to raise their awareness on energy consumption.

1.5 Preventing Environmental Accidents

To help prevent environmental accidents, the Group has established an environmental safety and management system which helps identify environmental safety risks with reference to the characteristics of its oil terminal and natural gas pipeline transmission businesses. Potential risks are detected as soon as practicable through frequent environmental monitoring. The Group's emergency response capability is continually improved by conducting regular emergency drills. In 2018, our production units optimised its environmental management system pursuant to the requirements of the new *Environmental Protection Law* to ensure our system is kept up with the times, compliant and effectiveness.

1.5.1 Revising the Environmental Management System

- In 2018, pursuant to the promulgated domestic and international standards related to environmental protection, Huade Petrochemcial revised its environmental management system. The revised documents were reviewed and approved through on-site audit, and the system was subsequently recognised by the certification authority.
- In 2018, Yu Ji Pipeline Company completed its filing of environmental emergency response plans in accordance with the requirements of the *Administrative Measures for Emergency Preparedness for Environmental Incidents of Enterprises and Institutions (Trial) (Huan Fa [2015] No. 4)* issued by the Ministry of Environmental Protection of the PRC.

1.5.2 Environmental Monitoring

In May and June 2018, Yu Ji Pipeline Company conducted environmental monitoring with the engagement of a third-party environmental supervisor. The monitoring examined the atmospheric impact of all gas transmission stations and the wastewater and noise pollution levels of plants. Adjustments and revisions were subsequently made in response.

1.5.3 Leak Prevention Training

In 2018, Yu Ji Pipeline Company invited experts from Xi'an Shiyou University to give a leak detection training and introduce leak simulation and detection skills at the Jinan control centre. The staff's abilities to monitor pipeline operation and promptly identify abnormal phenomena such as leaks were enhanced to ensure safe operation of pipeline.

2. STAFF CARE

Employees are the cornerstone of the Group, and the Group has always been "people-oriented" in matters such as protection of employees' rights and welfare, and ensuring fair and just treatment of employees regardless of their gender, race, family or cultural background. By offering diverse trainings, the Group also supports employees' career development and provides them with opportunities to grow with the Group. We also strive to offer opportunities for promotion and a healthy work-life balance. We constantly improve the working environment to maintain a high level of occupational safety.

In 2018, the Group fully complied with all relevant laws and regulations in the locations where it operates in all material aspects. Laws and regulations such as the *Labour Law* of the PRC and the *Employment Ordinance* and the *Mandatory Provident Fund Schemes Ordinance* of Hong Kong are considered in the Group's procedures regarding staff recruitment, remuneration, working hours, leave taking, dismissal and retirement. There was no illegal employment in 2018.

2.1 Human Resources Policies

Recruiting Talent

✓ Adhere to the principles of diversified, fair and non-discriminatory employment

✓ Consider objective factors such as candidates' skills and experience in a fair, open and competitive selection when recruiting staff

✗ Bias any gender, nationality, race, religious and cultural backgrounds of employees

Remuneration and Welfare

- Consider the local labour market conditions, trends on human resources costs and employee's contribution
- Make regular contributions to social insurance for pensions, medical, unemployment, work-related injury, maternity and housing provident funds
- Make regular Mandatory Provident Fund contributions

Labour Standards

- Zero-tolerance policy towards child and forced labour
- No illegal employment in 2018
- Discourage staff from working overtime

Guaranteeing the Right to Take Leave

- Formulate the *Management System of Attendance and Leave-taking for Employees*
- Offer annual, private affair, official, sick, marital, maternity/paternity, breastfeeding and compassionate leave, etc.

Other Benefits

- Subsidies for medical expenses
- Maintain accident insurance
- Provide cinema vouchers regularly
- Free lunches for on-duty staff

The Group's Employees by Gender, Employment Category, Age and Region

As at 31 December 2018

Gender

Female 41

Male 194

Age

40

Above 40: 100

40 or below: 135

Employment Category

Part-time	Temporary	Contract	Full-time
0	0	2	233

Region

Mainland China	Hong Kong	Macau and Taiwan
210	25	0

Total **235**

2.2 Creating a Harmonious Work Environment

The Group organises a variety of employee activities from time to time to strengthen team spirit, improve employees' physical and mental health, and maintain a sense of belonging.

2.2.1 Festival Celebrations

In 2018, the Group continued to mark festival occasions by holding celebrations and giving festive food to employees as appropriate with local custom.

In 2018, the Hong Kong office held its annual dinner. Employees were rewarded for their loyal service and participation in charity and environment activities.

Huade Petrochemical invited employees to enjoy its carnival-like “Playful Lantern Festival” to celebrate the Lantern Festival in 2018.

2.2.2 Sports Activities

The Group regularly organised sports activities for employees as a means of improving their physical health and building team spirit in 2018 such that communication and physical conditions of employees were greatly improved.

Yu Ji Pipeline Company held its 3rd Employee Badminton Competition on 23 May 2018.

In December 2018, Huade Petrochemical held a Fun Sports Day. This enabled employees to work out while participating in these team building activities.

In 2018, the Hong Kong office continued organising sports activities including different kinds of ball games and joining sports competition such as “2018 Chinese Enterprises Bowling Competiton” and “8th Sports Day” held by the Chinese Enterprises Association.

2.2.3 Cultural Activities

In 2018, the Group encouraged employees to broaden their horizons through exhibition visits, reading programmes, language competitions and other activities.

In June 2018, Yu Ji Pipeline Company held its 3rd Youth Employee English Competition. A "Youth Reading Club" was also organised to help cultivate employees' learning habits.

In December 2018, the Hong Kong office organised an employee exhibition visit at the Hong Kong Convention and Exhibition Centre to view various styles of paintings.

2.2.4 Activities for Excellence

In 2018, the Group organised several activities to encourage employees to strive for excellence while fulfilling their duties, and motivate them to perform well in respect of production and management.

Youth Learning Campaign

In July 2018, Yu Ji Pipeline Company commenced "Youth Learning Campaign" activity. The activity focused on work safety, management, technological development, risk control and engineering and construction.

- **"Outstanding Youth Worker"**
- **"Youth Role Model in Production Safety"**
- **"Youth Brigades"**
- **"Youth Skills Competition"**
- **"Excellent Safety-related Diagnostic Suggestions"**
- **"Look for Stars"**

“Record Setting” Competition

In 2018, Yu Ji Pipeline Company initiated no less than 71 record-setting projects in which all units and stations competed. In addition to giving monthly updates on their activities and plans, production units and stations also received monthly visits from the core technicians. Employees were given teachings, tutorials and assessments to improve their skill levels.

New Employee Record Setting Projects

- Production Flow Diagram Drawing
- Production Flow Explanation
- Wearing of Respirators

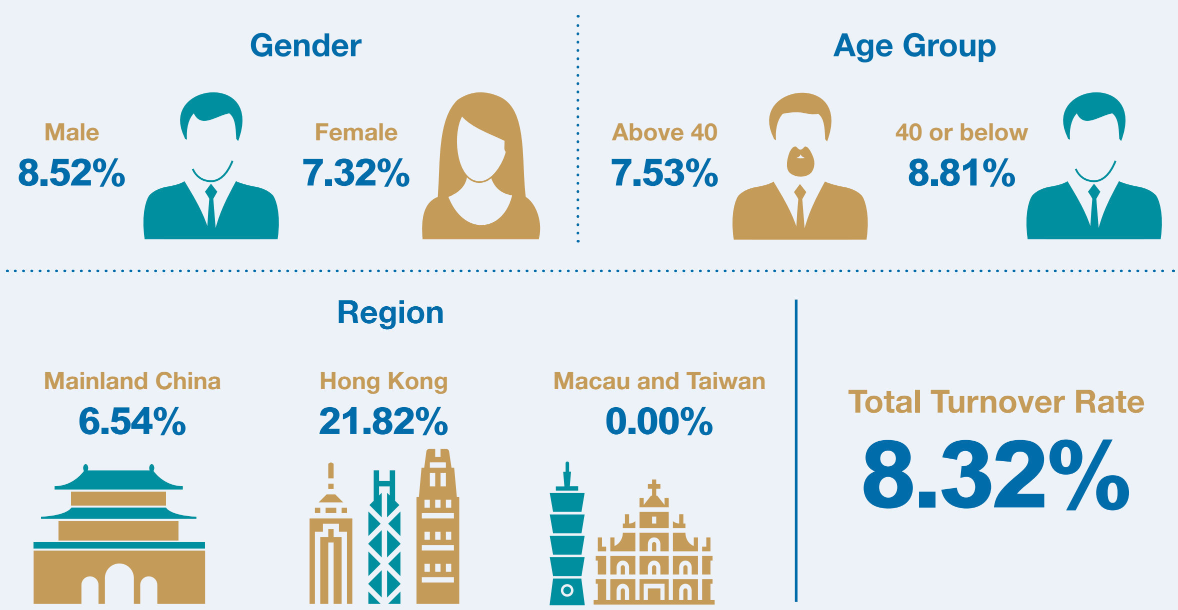
Senior Employee Record Setting Projects

- Inspection of Power Distribution House
- Serious Consequence Drills
- Expert in External Coordination Handling
- Master of Lecturing

2.2.5 Employee Care

- In 2018, Huade Petrochemical organised consolation visits to families of 40 employees coping with illness, injury or financial difficulty, and issued consolation payments totalling RMB109,500, which showcased the care to the employees and their families.
- In 2018, employee representatives of Hong Kong office visited an employee who had just given birth, and gave her baby care products as gifts.
- In 2018, Huade Petrochemical initiated “Responding to Small Requests, Pooling Great Efforts”. The initiative responded to 36 reasonable requests from employees and was well received by employees.

Staff Turnover Rate of the Group in 2018, by Gender, Age and Region



2.3 Employees to Grow with the Group

The Group encourages employees to improve their work competence and attain personal development by formulating annual training plans in consideration of their positions and business characteristics. Our trainings cover different aspects such as HSSE, skills and integrated quality. For new employees, the Group provides induction work safety training, launches a mentor-mentee scheme and comes up with a specific training plan. In 2018, 235 employees of the Group attended trainings, representing 100% of employees. Total training hours were approximately 14,200.

To further promote the career development of employees, in 2018, the Board of Directors formulated the *Human Resources Management System* which maps employees' positions and duties based on their current situation, and provides reasonable assurance for career advancement.

The Percentage of Trained Employees of the Group and Their Average Training Hours Completed

	Gender		Employment Category		
	Male	Female	General staff	Middle Management	Senior Management
Employees Attending Training	194	41	210	19	6
Percentage of Employees Attending Training	100%	100%	100%	100%	100%
Average Training Hours	64	46	60	65	69

Total Hours
14,197
hours

2.3.1 Diverse Training Programmes

Safety Training

Huade Petrochemical attaches great importance to occupational safety trainings. On 19 March 2018, it held an on-site training and coordination at Yuanzhou Station. Besides, on 5 July 2018, a safety training of operation in restricted area was given by experts from Guangzhou Huacheng at Nanbianzao oil storage.

In 2018, experts from Sinopec Natural Gas Branch Company gave a training on natural gas pipeline safety management to staff of Hong Kong office. The training covered topics such as safety hazards of long-distance natural gas transmission pipelines, risk identification and rectification, emergency planning, and inspection of control measures.

Business Training

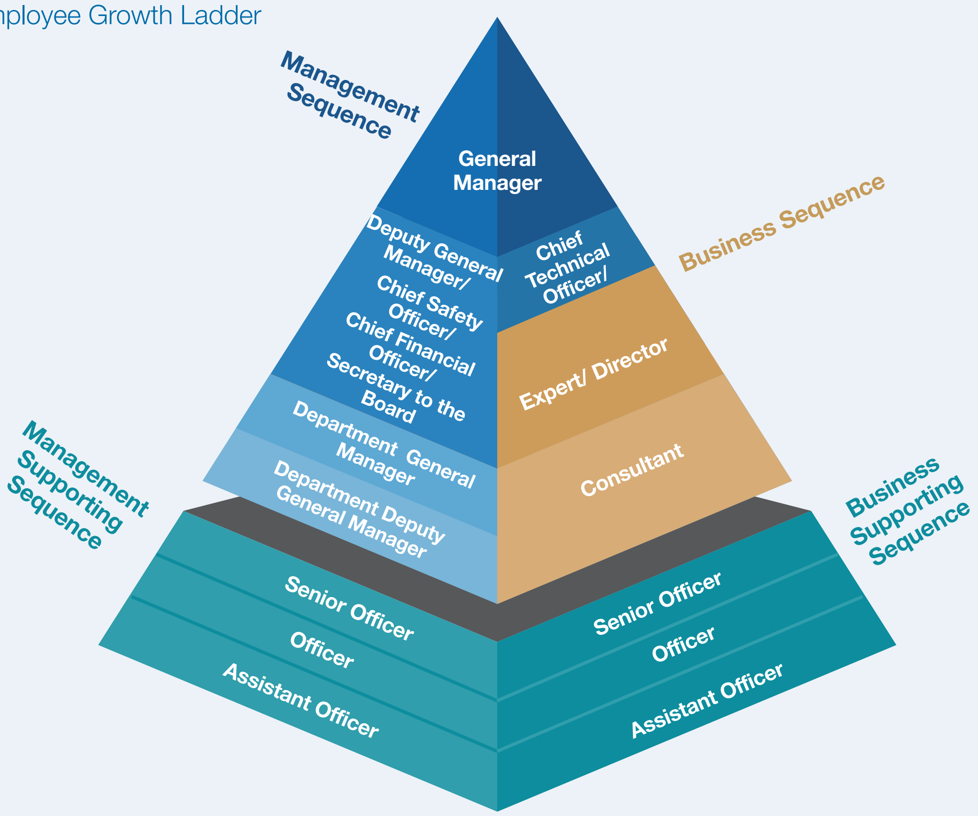
On 23 October 2018, experts in vessel operation visited the Hong Kong office to give business personnel an introduction to financial and business models in relation to LNG shipping.

Legal Knowledge Training

On 3 December 2018, a law specialist gave a seminar on knowledge of constitution in Huade Petrochemical to promote its legal and compliant operation.

2.3.2 Establishment of an Employee Growth Ladder

Employee Growth Ladder



Apart from remunerating its employees, the Group also emphasises their career development. Providing opportunities for growth and more satisfying work is a key to retaining talents so that both the Group and the employees can grow together.

Employees at the Hong Kong office are divided into 8 departments with 38 individual positions and 4 categories namely management, business, management support and business support. Meanwhile, a salary benchmarking system with 13 salary levels (levels 9 to 21) has been formulated. Together with an effective staff evaluation system, these enable talents to bring their abilities into play and spearhead corporate development.

2.4 Occupational Health and Safety

The Group places a heavy emphasis on maintaining a safe work environment and avoiding work-related accidents. To this end, the Group abides by all health and occupational disease prevention and cure related policies and regulations, such as the *Law on Prevention and Cure of Occupational Disease* in the PRC, in all material aspects. The Group has also established the "Occupational Health Supervision Procedure" so as to prevent, control and eliminate occupational hazards more effectively. Production units fully implement their duties, strictly execute the occupational health check system and maintain occupational health surveillance files for every employee. Besides, personal protective equipment is provided to employees on a timely basis to fulfil the labour protection requirements at production sites. The Group also provides safety trainings tailored for employees' job nature, so that the concept of occupational safety can be deeply rooted in our corporate culture.

The Group's emphasis on workplace safety is also reflected in its provision of fire escape tools for employees, and its implementation of regualar safety checks and emergency drills.

2.4.1 Safety Facilities and Equipment

The Group's production sites feature a variety of devices and equipment to prevent accidents or minimise their impacts. These include comprehensive fire detection and alarm systems, as well as provision of insulated gloves and protective clothing including safety helmets and anti-slip safety shoes in production areas. Other protective items such as earplugs and gasmasks are provided as necessary to prevent occupational injuries or diseases. The Group conducts regular inspections and maintains its safety control devices. In 2018, all safety control devices in the workplaces within the Group stayed effectively.

2.4.2 Promotional and Educational Campaigns

In 2018, the Group continued to raise employees' awareness of risks through occupational safety training and promotion. These activities were predicated on the motto: "Don't hurt yourself, don't hurt others, and don't get hurt by others".

Enhancing Protective Skills

On 15 November 2018, Huade Petrochemical held a "119" fire safety competition in Nanbianzao oil storage area to raise fire safety awareness, self-protection and self-rescue capabilities of employees and firefighting teams.

Production Safety Days

In November 2018, the Group kicked off a 12-day activity called "Production Safety Days". By studying past safety-related incidents, employees learned valuable lessons in risk identification, prevention and control, so as to prevent accidents from happening again.

"Production Safety Month" and "Safe Production Promotion"

In late May 2018, the Group initiated "Production Safety Month" and "Safe Production Promotion" activities to educate all staff members about the safety instructions and requirements and to further enhance their operational safety awareness. During the "Production Safety Month", all Huade Petrochemical employees participated in activities such as "Emergency and Safety Knowledge Competition" held by the Ministry of Emergency Management of the PRC, and a WeChat safety knowledge competition called "Life First, Safe Development", held by the Administration of Work Safety of Guangdong Province. The exercises helped raise both employees' awareness and ability to identify risks.

Mounting Warning Signage

In the morning of 11 April 2018, Huade Petrochemical launched a beautification campaign at the long-distance pipeline outside the Nanbianzao oil storage area. Employees removed weeds along the main road of the petrochemical area in Daya Bay near the "Mabianzhou-Guangzhou" long-distance pipeline, restoring full visibility to pipeline warning signage as well as contributing to a neater appearance.

The Group recorded no work-related fatalities or working days lost as a result of work injuries during 2018.

3. OPERATING PRACTICES

The Group understands that social responsibility must be incorporated into its operations if sustainable development is to be achieved. To this end, the Group is acutely aware of its responsibilities towards its customers and suppliers, and is committed to providing safe services as well as protecting confidential information. The Group also strengthens its supplier management to prevent corruption. The Group has not formulated any policy regarding advertising and product labelling, as neither of them is applicable to the Group's business.

3.1 Service Safety

The Group's commitment to service safety adheres to the principles of "Quality is Always the Top Priority" and "Safety First, Prevention Crucial" and thus established a comprehensive HSSE management system. In accordance with the principles of "the person-in-charge takes responsibility" and "those with a position must have responsibility, those on duty must comply with rules", we strictly implement the "Production Safety Responsibility" and the "Every Position Has Its Own Responsibility" systems. The Group has also formulated an annual HSSE work plan, conducts regular HSSE inspections, and takes a detail-oriented approach to safety management ensuring that all relevant measures are implemented in full.

Enhancing Occupational Safety Skills	In 2018, Yu Ji Pipeline Company launched safety certificate review and operation approval training for employees and training for renewal of certificates for the supervisors. These were part of an ongoing effort to improve the standard of safety management personnel at all levels and encourage all employees to participate in the examination for registered safety engineers.
Refining Risk Control Mechanisms	The Group's production units continuously strive to improve their mechanisms for risk control and the prevention of hidden risks. These include conducting public safety risk assessments and creating a risk list. The latter classifies risks into 3 classes and provides control measures for each class of risks. The Group also established and continued to refine an autonomous high-consequence area management system in 2018, which conforms to the standard while adapting to the Group's actual situations in terms of identification, filing, management and re-identification. Trainings were also provided to employees to strengthen their risk identification capabilities.
Regular Safety Meetings	During 2018, the Group continued to hold monthly safety committee meetings chaired by the general manager for the purpose of reinforcing its integrated safety management work. At these meetings, decisions on major safety issues and major safety principles were put forward to ensure effective execution by each entity within the Group. Among the measures adopted was "five-minute accident-related experience sharing session" which regularises the exchange of practical knowledge throughout the Group and addresses the importance of safety.
Conducting Inspections and Assessments of Natural Disasters	In 2018, Yu Ji Pipeline Company compiled the *Manual of Technical Requirements for Natural Disaster Design Plan* and the *Atlas of Typical Natural Disaster Control* based on the technical requirements for major construction procedures and design plans for disaster control. The Group meticulously checked each construction procedure in accordance with the technical requirements and ensured that each is conformed with the design standards, creating a solid foundation for disaster prevention and risk reduction. In September 2018, in the face of the Super Typhoon Mangkhut, Huade Petrochemical effectively implemented its preventive measures to minimise possible damages.
Advanced Production Planning for Special Periods	To ensure that production and operations are able to proceed during major holidays or other special periods, all of the Group's production units have formulated plans in advance to meet the needs of the downstream customers whilst maintaining a high degree of safety. During the major festivals and holidays in 2018, Yu Ji Pipeline Company implemented a "Leaders and Cadres on Duty System", issuing notices beforehand and stating the requirements for the period on matters such as the production safety responsibility system, patrols on the premises and pipelines, safety management for direct operation and transportation, emergency management and information reporting. Huade Petrochemical also conducted special pre-holiday inspections to ensure that normal operation would not be interrupted.
Formulating Comprehensive Contingency Plans and Conducting More Drills	■ In 2018, Yu Ji Pipeline Company refined its emergency operation centre and improved its incident response panel in response to changes of personnel. ■ In 2018, in accordance with the State Administration of Work Safety requirements, the Group revised its contingency plans and completed the preparation of emergency response cards. These helped to ensure that emergency response procedures and the emergency duties of each position were clear, and that relevant measures could be carried out quickly and effectively. ■ Yu Ji Pipeline Company held an emergency drill contest from 13 to 18 June 2018. The contest was a comprehensive and meticulous inspection of emergency responses, with each team being required to conduct drills without advance notice.

The Group recorded no product recalls for reasons of health and safety, nor received any complaints regarding its products and services in 2018.

3.2 Information Security

The Group fully appreciates the importance of privacy for its employees, customers, business partners, suppliers, investors and other relevant parties. This includes the collection, use, disclosure, storage, obtaining or handling of data. We are committed to protecting personal information to the full extent of the law in all the countries and regions in which we operate.

In 2018, the Group continued to provide training to employees on the protection of personal and commercial information. The training introduced employees to the latest techniques, precautions and internal control procedures for preventing information leakage, and for protecting the privacy of the Group, its customers, supplier, investors and business partners.

Information Protection Training

In October 2018, the Hong Kong office participated in "Sinopec Network Security Promotion Week". Training on network security, including how to safeguard personal and sensitive information on the internet, was given to the employees.

3.3 Supplier Management

The Group promotes the sharing of values among contractors, suppliers, purchasers and operators and the creation of a value chain of openness, fairness, transparency and integrity. The Group requires its personnel to follow a standardised supplier selection process as stated in provisions such as the *Administrative System on Implementing Projects, Administrative Measures for Selection and Engagement of Intermediary Organisations, Administrative System on Fixed Assets,* and *Administrative System on Office Equipment*.

3.3.1 Reinforcing Contractor Management

The Group's HSSE system requires contractors to undergo strict qualification assessments and impose supervision on them. The scope of the assessment includes whether the contractor is capable of undertaking the project and has a sound HSSE management system as well as occupational safety and health management systems. The Group also reviews contractors' qualifications and provides safety education regularly to ensure that each contractor meets all the relevant requirements.

Management for Qualification of Contractors

In 2018, Yu Ji Pipeline Company conducted a total of 18 reviews on contractors' qualifications and approved the entry of contractors on 8 occasions. By confirming the legitimacy of their licenses, the company effectively prevents underqualified contractors from undertaking projects.

Three-tier Safety Education for Contractors

In 2018, Yu Ji Pipeline Company provided safety education to contractors who passed the HSSE qualification assessment. Key responsible persons and safety supervisors from the contractors were informed of on-site operational risks and were required to confirm that they acknowledge those risks in writing. During actual on-site operations, to ensure that contractor personnel had received adequate safety education, the management office and safety management team assigned workers to the contractors to continue their safety management training. Again, contractors were required to sign safety agreements and declare their commitment to safety.

Group Suppliers by Region in 2018

Note: As there are a large number of suppliers, only those with transaction amounts of HK$100,000 or more are included in the above statistics.

3.4 Anti-corruption

To create a working environment free of corruption and protect the legal rights and interests of the Group, the Group continuously improves its operational compliance and management in order to reduce corruption and compliance risks. Therefore, the Group formulated the *Anti-corruption Management Code* in accordance with international treaties and related action plans, laws and regulations. In 2018, the Group implemented measures which forbid staff members from participating in any actions that involve bribery, or that may be regarded as or deemed to be bribery. The Group also requires that an *Anti-bribery and Anti-corruption Statement* should be issued to counterparties during the transaction approval process.

The Group frequently conducts anti-corruption conferences and seminars for its employees. In 2018, 12 anti-corruption conferences and seminars were held, with a total of 414 employees participating. The Group aims to raise employees' awareness of laws and regulations related to anti-corruption and remind employees to maintain a high standard of integrity.

Signing Letters of Commitment

On 23 January 2018, Huade Petrochemical convened a meeting for the prevention and control of corruption to remind the risk management personnel about anti-corruption matter. The personnel were also invited to sign anti-corruption commitment letters.

Anti-corruption Seminars

The Hong Kong office held numerous seminars and legal training sessions in 2018 to ensure that all employees clearly understand the Prevention of Bribery Ordinance and the consequences of seeking personal gain by improper means.

Multi-channel Education for Anti-corruption

- In April 2018, Yu Ji Pipeline Company began a series of special education activities aimed at preventing "micro-corruption";
- A pre-holiday anti-corruption reminder was distributed through the Company's official WeChat account;
- The Company conducted a survey to gain insight on staff's knowledge and attitudes about anti-corruption work in 2018;
- A prize quiz was held to further raise anti-corruption awareness of employees.

3.5 Establishing a Whistle-Blower Channel

A whistle-blowing channel has been created to enable any employee or third party to confidentially and anonymously report any perceived misconduct, fraud and irregularity related to the Group. When such complaints are received, relevant departments of the Group will assess them and decide whether a comprehensive investigation is required.

In 2018, employees of the Group fully abided by the laws and regulations of all countries and regions in which they operate in all material aspects. No lawsuits related to corruption were made against the Group.

4. SOCIAL COMMITMENT

The Group firmly believes that its long-term development is directly correlated with its commitment to the local communities. Therefore, the Group strives to create a better society by encouraging employees to make a positive contribution by serving their communities. In this context, the Group particularly emphasises environmental protection, physical and mental well-being of residents, and aiding the underprivileged. In 2018, 81 employees contributed a total of 377 hours to community services, helping the Group maintain its good community relationships and promoting healthy development of the society.

4.1 Community Services

In March 2018, Yu Ji Pipeline Company organised a youth volunteer team to participate in "Month of Volunteer Services" to local communities.

The picture on the top shows that staff of Shanxi Management Office offered tutoring services to students from neighbouring villages in spare time.

The picture at the bottom shows that Dezhou Management Office conducted a "Lei Feng Clean-up" in which its youth volunteer team tidied public spaces around the community.

4.2 Donation

The Group initiated a donation campaign and encouraged its employees to be philanthropic donors on a voluntary basis in July and August 2018. The donation from the campaign, totaling RMB8,500 and HK$1,100, went to support impoverished students in Hunan.

4.3 Caring for the Needy

In March 2018, Yu Ji Pipeline Company launched a caring campaign aimed at improving living conditions for the "left-behind", disabled, incapacitated, widowed and empty-nest elderly. Volunteers from the Shanxi Management Office served at the Pingtou Nursing Home in Shangyao Town, Licheng County, Changzhi.

In June 2018, the employees from the Hong Kong office volunteered for a "Delivering Care to the Elderly during Dragon Boat Festival" campaign organised by the Neighbourhood Advice-Action Council of Sham Shui Po District of Elderly Community Centre. The volunteers provided food to the elderly and enjoyed the festive day together.

4.4 Charitable Activities

In January 2018, employees from the Hong Kong office helped raise funds for charity by joining the "Hong Kong & Kowloon Walk" held by The Community Chest of Hong Kong. On 1 December 2018, the Hong Kong office staff also participated in "Flag Day" on Hong Kong Island held by the Hong Kong Joint Council of Parents of the Mentally Handicapped.

4.5 Environmental Protection

Yu Ji Pipeline Company encouraged its staff members to participate in tree-planting activities for the local communities. In particular, members of Dezhou Management Office joined a large-scale tree-planting activity organised by a Shandong media group on 11 March 2018.

On 6 June 2018, Huade Petrochemical participated in the “12th Fishing Moratorium Festival” with a theme of “Stocking Aquatic Animals, Promoting Green Development” at Yongpeng Pier in Aotou, Daya Bay to spread the message of ocean conservation.

In 2018, the Hong Kong office participated in three volunteer activities held by Hong Kong Beach and Country Park Concern Group (sponsored by Sinopec Hong Kong Office) to clean up beaches and raise public awareness of the marine environment.

On 1 November 2018, Huade Petrochemical organised a hiking activity for employees with a theme of environmental protection. Participants, on one hand, enjoyed a scenic walk through the mountains, while on the other hand cleaned up the route as they went. This raised their environmental awareness and let them realise the importance of natural environment.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE MEMBERS

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

REMUNERATION COMMITTEE MEMBERS

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

NOMINATION COMMITTEE MEMBERS

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

COMPANY SECRETARY

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

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