中石化冠德控股有限公司

SINOPEC KANTONS HOLDINGS LIMITED

(Incorporated in Bermuda with Limited Liability)

Stock Code: 934

ANNUAL REPORT

2019

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

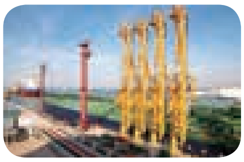
Contents

COMPANY
At a Glance

China's Jetty, Storage and Logistics

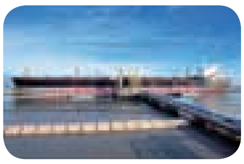
Crude Oil Jetty Coverage	Total Designed Annual Throughput Capacity of Jetty	Total Number of Berths	Total Length of Pipeline
7 crude oil jetties	290 mm tons	37 berths	1,171 km

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



Zhan Jiang Port Terminal

14 berths
Largest tanker capacity: 300,000 tons
Designed throughput capacity: 45mm tons p.a.
Storage capacity: 823,000 m^3

Qingdao Shihua

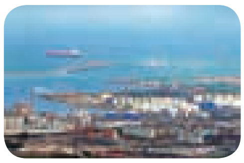
13 berths
Largest tanker capacity: 300,000 tons
Designed throughput capacity: 84mm tons p.a.
Storage capacity: 1.032mm m^3

Ningbo Shihua

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

Rizhao Shihua

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



Tianjin Shihua

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

Tangshan Caofeidian Shihua

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

Natural Gas Pipeline

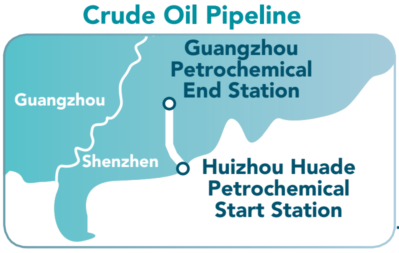
Yu Ji Pipeline Company

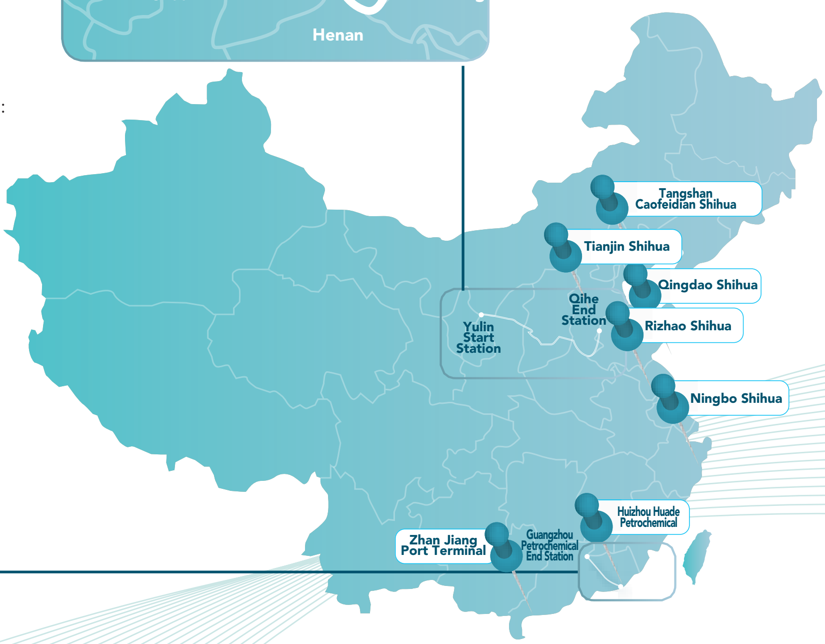
Length of natural gas pipeline: 997 km
Designed annual transmission capacity[(1)]: 5 billion m^3

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

Natural Gas Pipeline

Crude Oil Pipeline





Storage and Logistics outside China

Total Capacity of Oversea's Storage[(2)]	Number of LNG Vessels
2.78 mm m^3	8 vessels

Storage

Fujairah Oil Terminal, United Arab Emirates, Middle East

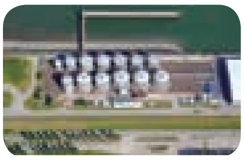
34 storage tanks
Storage capacity: 1.155mm m^3

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, the Netherlands, Europe

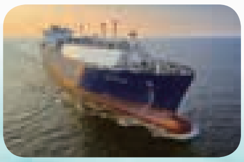
27 storage tanks
Storage capacity: 388,500 m^3

[(2)] *Does not include Batam Project, which is still in planning phase.*

LNG Vessels

Papua New Guinea LNG Project

2 vessels
Each vessel capacity: 172,000 m^3



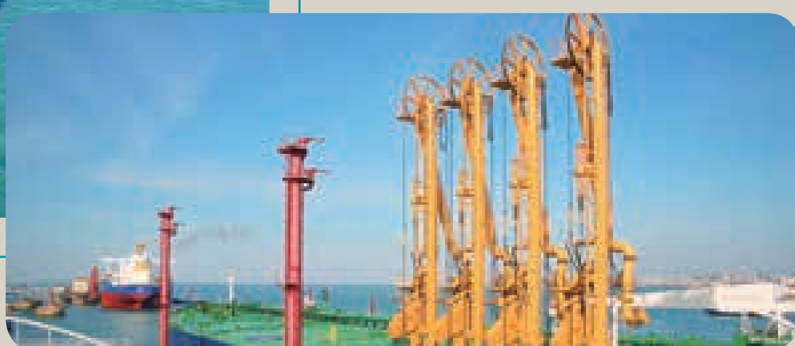
Australia Pacific LNG Project

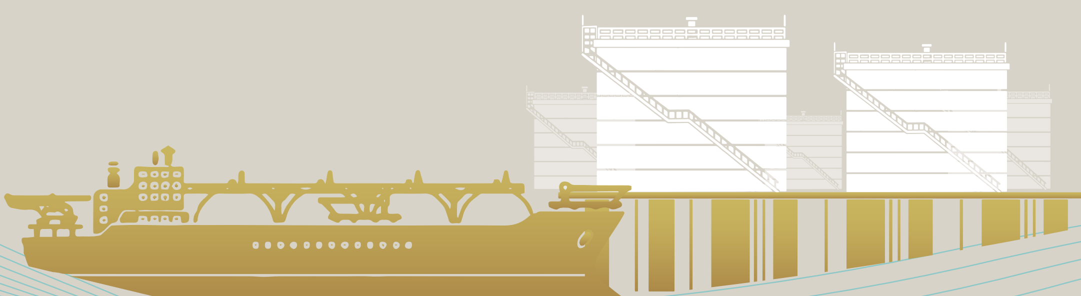
6 vessels
Each vessel capacity: 174,000 m^3

CHAIRMAN'S *Statement*

Dear Shareholders,

I was greatly honoured to join Sinopec Kantons Holdings Limited (the "**Company**") in November 2019 and, with your trust and support, be appointed as Chairman of the board of directors (the "**Directors**") (the "**Board**") of the Company. I will remain true to my mission and perform my duties diligently. With strong support from shareholders and the common efforts of all employees, the Company will definitely embrace a bright future.





In 2019, escalating trade disputes between China and the United States caused the global economy to fluctuate drastically. To cope with the complicated and changing macroeconomic conditions, the Company and its subsidiaries (collectively, the "**Group**") continued to adhere to the established development strategies while seizing on market opportunities. Delicacy management was proactively initiated to overcome obstacles restraining business development and to unlock production potential. RMB exchange rate fluctuations were closely monitored to strive to minimize the impact for better economic benefits. Driven by the continued growth in profits of the crude oil jetty and storage business segment, the consolidated net profit for the year achieved a record high. In 2019, the Group's total revenue dropped by approximately 12.58% year-on-year to approximately HK$1,447 million, while its consolidated net profit grew by approximately 1.82% year-on-year to approximately HK$1,284 million, translating into an earnings per share of HK51.69 cents. In appreciation of the long-term support from our shareholders and in view of the Company's overall cash flow position and the needs for future business development, the Board recommended the payment of an annual cash dividend of HK20 cents per share for 2019, representing a year-on-year growth of approximately 33.33%. Excluding the interim cash dividend of HK8 cents per share paid, a final cash dividend of HK12 cents per share for 2019 is recommended, which represents a year-on-year increase of 20.00%.

In 2019, the crude oil jetty unloading and pipeline transmission business of Huizhou Daya Bay Huade Petrochemical Company Ltd. ("**Huade Petrochemical**"), a wholly-owned subsidiary of the Company, were to a certain extent affected by the scheduled maintenance of the refinery equipment for the largest downstream customer, China Petroleum & Chemical Corporation ("**Sinopec Corp.**") Guangzhou Branch ("**Guangzhou Petrochemical**"). Huade Petrochemical on one hand improved its overall operation and management seriously and actively promoted cost control and efficiency optimization measures on the basis of continuously optimizing the crude oil unloading and pipeline transmission plans while satisfying the needs of Guangzhou Petrochemical to the largest extent. On the other hand, Huade Petrochemical actively engaged in external cooperation to explore external markets, and signed a jetty services framework agreement with a third party during the year successfully. Together with the active promotion of a fuel oil jetty construction project, all of which laid a solid foundation for further profitability growth. During 2019, Huade Petrochemical unloaded approximately 11.89 million tonnes of crude oil from 79 oil tankers and transmitted approximately 11.85 million tonnes of crude oil, representing a year-on-year decrease of approximately 5.26% and 6.10% respectively. This segment generated revenue of approximately HK$596 million, representing a year-on-year decline of approximately 9.17%. The segment results from Huade Petrochemical were approximately HK$253 million, representing a year-on-year decrease of approximately 7.93%.

In 2019, changes to the natural gas pipeline transmission market structure occurred in the region following the completion of construction and commencement of operation of Erdos-Anping-Cangzhou Gas Pipeline and its

Chairman's Statement

interconnection with the Yulin-Jinan Natural Gas Transmission Pipeline ("**Yu Ji Pipeline**") operated by Sinopec Yu Ji Pipeline Company Limited ("**Yu Ji Pipeline Company**"), a wholly-owned subsidiary of the Company. Coupled with factors including insufficient supply from the upstream natural gas fields connected with Yu Ji Pipeline, the natural gas pipeline transmission volume of Yu Ji Pipeline Company decreased in 2019. Yu Ji Pipeline Company responded to changes in the business environment by enhancing coordination with various natural gas suppliers and expanding other gas sources actively to minimize the impact. In 2019, the natural gas transmission volume of Yu Ji Pipeline Company amounted to approximately 3.999 billion m^3, representing a year-on-year decrease of approximately 14.15%. This segment generated revenue of approximately HK$852 million, representing a year-on-year decrease of approximately 14.81%. The segment results were approximately HK$266 million, representing a year-on-year decrease of approximately 30.04%. On 9 December 2019, China Oil & Gas Pipeline Network Corporation ("**PipeChina**") was officially established. Based on various considerations, the Company is in negotiations with relevant parties in respect of the disposal of all or part of the equity interest in or relevant assets of Yu Ji Pipeline Company. Currently, such matter is still in the preparation stage.

In 2019, the Company's crude oil terminal associates and joint ventures continuously played a significant role in strengthening and enhancing the profitability of the Group. Each terminal company took effective measures which best fit their respective terminal facilities and business characteristics to expand the market and capture more customers for enlarging business scale and continuously enhancing profitability. Both aggregate throughput and investment return therefore achieved record high. In 2019, 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 253 million tonnes, representing a year-on-year growth of approximately 6.75%. The Six Domestic Terminal Companies generated an aggregate investment return of approximately HK$966 million, representing a year-on-year increment of approximately 9.90%.

The construction for all of the eight liquefied natural gas ("**LNG**") vessels invested by the Group was completed and 2019 was the first year that all vessels were put into a full-year commercial operation. To cope with the characteristic of frequent equipment failures during the initial operation stage of the vessels, the Company on one hand established active communication and liaison with the vessel management company, strived to promote the daily maintenance and raised management of the LNG vessels' operation. Timely monitoring of each vessel's key equipment was strengthened to strive as much as possible to keep the operating condition of LNG vessels safe and sound. On the other hand, in case of equipment failure, the Company would assist in timely investigation of the cause, contact the equipment supplier and the ship builder, to complete repairs as soon as possible to shorten the LNG vessel's off-hire period, and proceed with off-hire insurance claims at the same time. In 2019, the two LNG vessels owned by East

China LNG Shipping Investment Co., Limited completed a total of 17 voyages, generating an investment return of approximately HK$4.15 million, representing a year-on-year decline of approximately 43.46%. The six LNG vessels owned by China Energy Shipping Investment Company Limited completed a total of 78 voyages, generating an investment return of approximately HK$84.53 million, representing a year-on-year growth of approximately 7.51%.

In 2019, Fujairah Oil Terminal FZC ("**FOT**"), a joint venture of the Company in Middle East, responded to the increasingly severe neighbourhood geopolitical conditions by its active commitment to the development of an international standard management system. After achieving ISO 9001, ISO 14001 and OHSAS 18001 certifications, FOT obtained ISO 45001 certification during the year to strengthen brand building and enhance market competitiveness. The average rentals of oil tanks leapt significantly as great efforts were made to gain new customers. The annual average occupancy of oil tanks maintained at 100% while the throughput of oil tanks exceeded 20 million m^3 and ranked first among the 12 local oil storage companies. FOT generated an investment return of approximately HK$22.20 million, representing a year-on-year increase of approximately 166.51%. In 2019, the neighbourhood oil product storage market in which Vesta Terminals B.V. ("**Vesta**"), a joint venture of the Company in Europe is situated, remained generally sluggish. Vesta implemented a series of measures to improve the quality and efficiency, including oil tank retrofits to increase the flexibility of services and barge quay construction for enhancement of service quality and laid foundation for an enhancement of market competitiveness, and improvement in profitability and sustainable development capabilities. Vesta incurred an investment loss of approximately HK$0.28 million during the year, representing a year-on-year reduction of approximately 108.02%.

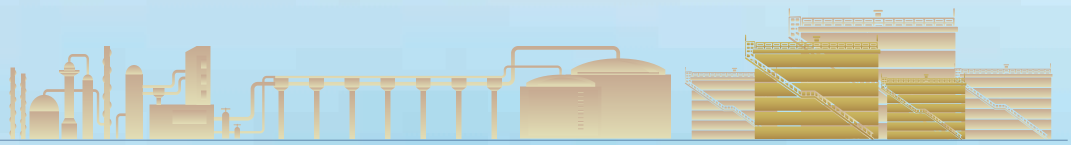
The year 2019 was the third year of arbitrations for the joint venture project in respect of the Group's construction of 2.60 million m^3 oil storage and terminal facilities in Batam Island, Indonesia (the "**Batam Project**"). After years of meticulous preparation and active responses, the awards were received on 4 December 2019. Most of the claims of Sinomart KTS Development Limited ("**Sinomart Development**") and PT. West Point Terminal ("**PT. West Point**"), the subsidiaries of the Company, were agreed and supported by the International Court of Arbitration of the International Chamber of Commerce ("**ICC Court**"). The awards in our favour were obtained. The Group will continue to take various effective measures to safeguard the legitimate rights and interests of the Company and shareholders in all aspects.

The global economy is now suffering from the outbreak of novel coronavirus pneumonia. Although the epidemic in China has been contained, the global condition is still not optimistic. The Group has adopted a series of effective measures to ensure the safety and protect the health of all our employees. The possible impact of the epidemic on the production and operation of the Group would be closely monitored to reduce to the lowest level. We will seek development in 2020 with a strong will and accelerate innovative operation. New business growth drivers will be cultivated to move towards high-quality sustainable development as soon as possible and continuously improve the market competitiveness and profitability of the Group.

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

Hong Kong, 25 March 2020

MANAGEMENT Discussion and Analysis



In 2019, the scheduled maintenance of the refinery equipment for the largest downstream customer of Huade Petrochemical, Guangzhou Petrochemical, together with the insufficient resource supply from upstream natural gas fields connected with Yu Ji Pipeline and the impact of RMB exchange rate fluctuations posed challenges to the profitability of the Group. The Group took multiple effective measures in response and actively explored new customers. Driven by the significant growth in investment return of the Six Domestic Terminal Companies, the Group's consolidated net profit for the year achieved a record high.

Revenue, Gross Profit and Operating Profit

For the year ended 31 December 2019 (the "**Year**" or the "**Reporting Period**"), the Group's revenue was approximately HK$1,447,378,000 (2018: HK$1,655,633,000), representing a year-on-year decrease of approximately 12.58%; gross profit was approximately HK$647,725,000 (2018: HK$817,309,000), representing a year-on-year decrease of approximately 20.75%; operating profit was approximately HK$533,371,000 (2018: HK$660,371,000), representing a year-on-year decrease of approximately 19.23%. The decrease in revenue, gross profit and operating profit was mainly due to the commencement of scheduled maintenance of the refinery equipment for Guangzhou Petrochemical, the largest downstream customer of Huade Petrochemical, a wholly-owned subsidiary of the Company during the year and the decreased annual natural gas pipeline transmission volume of Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company.

Segmental Information

Segmental information of the Group for the year ended 31 December 2019 is set out in note 5 to the financial statements.

For the year ended 31 December 2019, the segment revenue of the Group's crude oil jetty and storage business was approximately HK$595,577,000 (2018: HK$655,699,000), representing a year-on-year decrease of approximately 9.17%, which was mainly due to the commencement of scheduled maintenance of the refinery equipment for the largest downstream customer of Huade Petrochemical, a wholly-owned subsidiary of the Company in 2019. The segment results of the Group's crude oil jetty and storage business were approximately HK$1,241,045,000 (2018: HK$1,165,834,000), representing a year-on-year increase of approximately 6.45%, which was mainly due to the fact that the Six Domestic Terminal Companies of the Group obtained better operating results in 2019.

For the year ended 31 December 2019, the segment revenue and segment results of the Group's natural gas pipeline transmission business were approximately HK$851,801,000 (2018: HK$999,934,000) and HK$265,592,000 (2018: HK$379,659,000) respectively, representing a year-on-year decrease of approximately 14.81% and 30.04% respectively, which was mainly due to the decreased annual natural gas pipeline transmission volume of Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company during the Year.

For the year ended 31 December 2019, the segment results of the Group's vessel chartering and logistics business were approximately HK$88,678,000 (2018: HK$85,957,000), representing a year-on-year increase of approximately 3.17%, which was mainly due to the fact that all LNG vessels were completed in construction and put into full-year commercial construction.

Other Income and Other Gains, Net

For the year ended 31 December 2019, the Group's other income and other gains, net was approximately HK$113,032,000 (2018: HK$133,573,000), representing a year-on-year decrease of approximately 15.38%, which was mainly due to the foreign exchange loss incurred for trade receivables denominated in RMB of the Group led by the depreciation of RMB against HK$ in 2019.

Administrative Expenses

For the year ended 31 December 2019, the Group's administrative expenses were approximately HK$213,570,000 (2018: HK$275,417,000), representing a year-on-year decrease of approximately 22.46%, which was mainly due to the significant year-on-year drop in legal costs arising from the arbitrations of the Batam Project in 2019. Moreover, various cost reduction and efficiency improvement measures implemented by the Group and greater efforts in cost monitoring in 2019 also contributed to the decrease in administrative expenses.

Management Discussion and Analysis

Finance Income

For the year ended 31 December 2019, the Group's finance income was approximately HK$2,636,000 (2018: HK$3,168,000), representing a year-on-year decrease of approximately 16.79%, which was mainly due to the decrease in interest income from lower average deposits of the Group in 2019.

Finance costs

For the year ended 31 December 2019, the Group's finance costs were approximately HK$118,870,000 (2018: HK$152,020,000), representing a year-on-year decrease of approximately 21.81%. This was mainly due to the increased efforts in loan repayment which led to a corresponding drop in the Group's annual interest expenses as total borrowings decreased in 2019.

Share of Results of Associates

For the year ended 31 December 2019, the Group's share of results of associates was approximately HK$185,402,000 (2018: HK$151,289,000), representing a year-on-year increase of approximately 22.55%, which was caused mainly by the better operating results attained by Zhan Jiang Port Terminal, an associate of the Group, in 2019 which successfully passed the certification of National High-tech Enterprise and hence was entitled to the corresponding preferential income tax rate during the Reporting Period.

Right-of-use Assets and Prepaid Land Lease Payments

As at 31 December 2019, the right-of-use assets and prepaid land lease payments of the Group were approximately HK$647,345,000 (as at 31 December 2018: HK$0) and HK$0 (as at 31 December 2018: HK$651,206,000) respectively, which were mainly due to the re-categorization of the original prepaid land lease payments item as the right-of-use assets item in accordance with the new lease accounting rules under Hong Kong Financial Reporting Standard ("**HKFRS**") 16 which became effective from 1 January 2019.

Prepayment

As at 31 December 2019, the Group's prepayment was approximately HK$31,097,000 (as at 31 December 2018: HK$25,932,000), representing an increase of approximately 19.92% as compared with the end of previous year, which was mainly due to the prepaid dredging fee under the navigation channel maintenance dredging contract of Huade Petrochemical, a wholly-owned subsidiary of the Company.

Interests in Associates

As at 31 December 2019, the Group's interests in associates was approximately HK$954,994,000 (as at 31 December 2018: HK$866,711,000), representing an increase of approximately 10.19% as compared with the end of previous year, which was mainly due to the significant growth in operating results of Zhan Jiang Port Terminal, an associate of the Company, in 2019.

Inventories

As at 31 December 2019, the Group's inventories were approximately HK$72,246,000 (as at 31 December 2018: HK$17,110,000), representing an increase of approximately 322.24% as compared with the end of previous year, which was mainly due to the purchase of cushion gas for natural gas pipeline in 2019 by Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, according to the industry practice and the needs of natural gas pipeline operation.

Liquidity and Source of Finance

As at 31 December 2019, the Group's cash and bank balances amounted to approximately HK$223,484,000 (as at 31 December 2018: HK$320,685,000), representing a decrease of approximately 30.31% as compared with the end of previous year, which was mainly due to the Group's increased efforts in loan repayment.

Gearing Ratio

As at 31 December 2019, the Group's current ratio (current assets to current liabilities) was approximately 0.43 (as at 31 December 2018: 0.32); and gearing ratio (total liabilities to total assets) was approximately 22.18% (as at 31 December 2018: 27.32%).

Deferred Income Tax Liabilities

As at 31 December 2019, the Group's deferred income tax liabilities were approximately HK$146,724,000 (as at 31 December 2018: HK$130,299,000), representing an increase of approximately 12.61% as compared with the end of previous year, which was mainly due to a corresponding increase in deferred dividend withholding tax incurred resulting from the increase in amount of dividend distribution which was driven by the increase of planned dividend distribution of various operating entities held by the Company.

Lease Liabilities

As at 31 December 2019, the Group's lease liabilities were approximately HK$18,632,000 (as at 31 December 2018: HK$0), of which approximately HK$11,709,000 (as at 31 December 2018: HK$0) was non-current lease liabilities and approximately HK$6,923,000 (as at 31 December 2018: HK$0) was current lease liabilities, which was due to the implementation of the new lease accounting rules under HKFRS 16 which became effective from 1 January 2019.

Trade and Other Payables

As at 31 December 2019, the Group' s trade and other payables were approximately HK$762,557,000 (as at 31 December 2018: HK$509,596,000), representing an increase of approximately 49.64% as compared with the end of previous year, which was mainly due to the increase in the fund payable to Sinopec Kantons International Limited ("**Kantons International**"), a direct controlling shareholder of the Company.

Management *Discussion and Analysis*

Borrowings

As at 31 December 2019, the Group's borrowings were approximately HK$2,518,494,000 (as at 31 December 2018: HK$3,673,325,000), all of which were current borrowings, representing a decrease of approximately 31.44% as compared with the end of previous year. This was mainly due to the increased efforts in loan repayment of the Group in 2019.

Income Tax Payable

As at 31 December 2019, the income tax payable of the Group was approximately HK$17,089,000 (as at 31 December 2018: HK$64,473,000), representing a decrease of approximately 73.49% as compared with the end of previous year, which was mainly due to the decrease in the taxable profit of Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, in 2019 as compared with previous year.

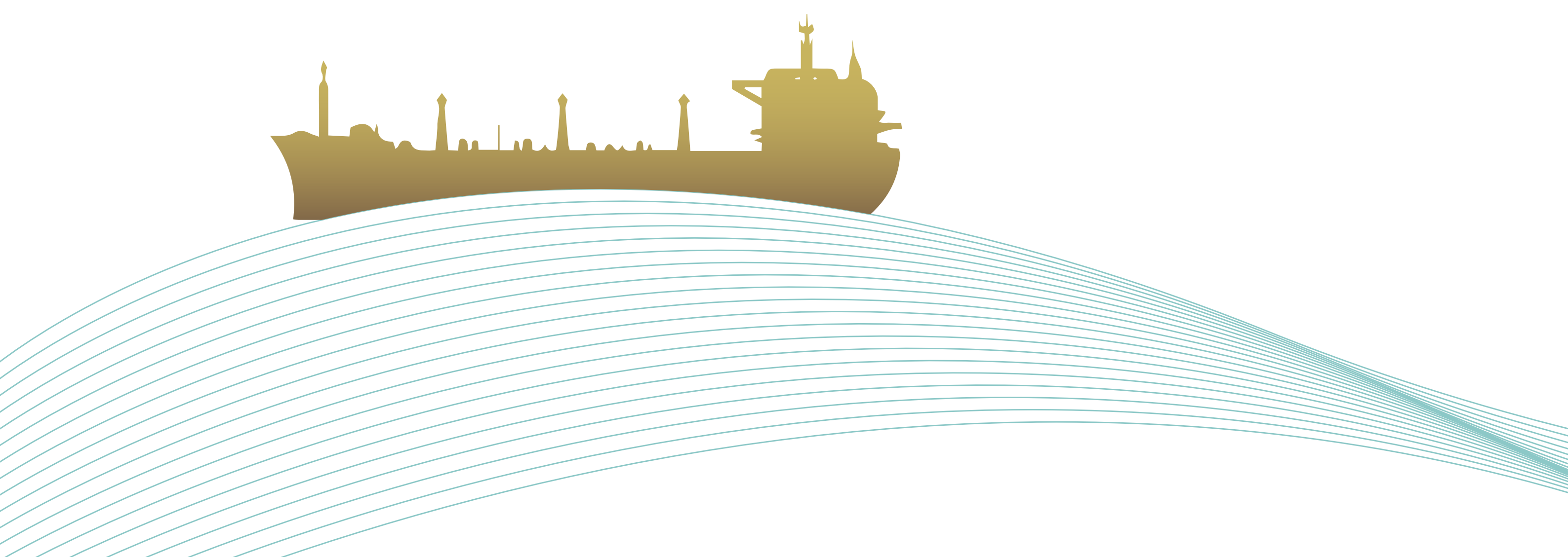
Significant Investment, Acquisition and Disposal

PipeChina was officially established on 9 December 2019. The Company is in negotiations with PipeChina and relevant parties in respect the disposal of all or part of the assets related to natural gas pipelines held by the Group or the equity interest in members of the Group that hold such assets. As at the date of this report, such matter is still in the preparation stage and the Group has not yet reached any agreements in relation to such matter with any party. For details, please refer to the announcement dated 10 December 2019 which was 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).

Save as disclosed in this report, the Company did not have any other significant investment, acquisition and disposal for the year ended 31 December 2019.

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.



In addition, 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 2019, the Group committed itself to a contribution obligation with the balance of not exceeding US$144,685,000. As the exchange rates of such currencies fluctuate from time to time, there may be differences between the actual contribution amount in HK$ 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 2019, 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 2019
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 backed 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	Land Lease Agreement of Batam Project	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	SG$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, guarantee and pledge of shares for other companies as at 31 December 2019.

Management Discussion and Analysis

About 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 notices from the ICC Court in respect of the submission of arbitration applications. Subsequently, the relevant parties underwent arbitration according to the schedule stipulated by the tribunal. On 4 December 2019, Sinomart Development and PT. West Point received two arbitral awards from the ICC Court. In the arbitration concerning the land lease agreement, the arbitral tribunal decided in favour of Sinomart Development and PT. West Point, dismissing all of PT. Batam Sentralindo's claims and finding in favour of Sinomart Development and PT. West Point on the most fundamental issue in the arbitration. PT. West Point has the right to terminate the land lease agreement and upon such termination, is entitled to a refund of the unused portion of the paid land lease fee, which amounts to SG$79,480,567.10 assuming a termination date of 31 December 2019. Sinomart Development and PT. West Point also prevailed in the arbitration concerning the shareholder's agreement. The Tribunal dismissed all of PT. MAS Capital Trust's claims and found in favour of Sinomart Development and PT. West Point on the most fundamental issue in the arbitration. The arbitration tribunal also ordered PT. Batam Sentralindo and PT. MAS Capital Trust to bear all of the arbitration costs fixed by the ICC Court, 80% of Sinomart Development and PT. West Point's legal costs, as well as legal costs of PT. Batam Sentralindo and PT. MAS Capital Trust in the two arbitral awards, respectively.

For details, please refer to the announcements dated 25 April 2010, 9 October 2012, 15 November 2016, 21 March 2017 and 6 December 2019 which were published by the Company on the website of the Stock Exchange and the website of the Company. The Group will take all appropriate measures in respect of the above arbitrations and protect the rights and interests of the Company.

Employees and Emolument Policies

As at 31 December 2019, the Group had a total of 235 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 2019.

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 Reporting Period and prospect of the Group, please refer to 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 2019, 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.

Report of the Directors

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 2019 is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	54%	N/A
Five largest customers in aggregate	96%	N/A
The largest supplier	N/A	31%
Five largest suppliers in aggregate	N/A	70%

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 Board 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 2019 and the financial positions of the Group and the Company as at that date are set out in the financial statements on pages 64 to 146 of this report.

Transfer to Reserves

For the year ended 31 December 2019, profit attributable to equity holders of the Company, before dividends, of HK$1,285,111,000 (2018: HK$1,262,071,000) have been transferred to reserves. Details of changes in other reserves are set out in the Consolidated Statement of Changes in Equity on pages 67 to 68 of this report.

Final Dividend

The Board recommended a dividend of HK20 cents per share payable in cash for the whole year of 2019 (2018: HK15 cents per share), excluding the interim dividend of HK8 cents per share in cash for 2019 (2018: HK5 cents per share) paid on 18 October 2019, the final dividend of HK12 cents per share in cash for 2019 (2018: HK10 cents per share) will be paid to all shareholders whose names appear on the register of members of the Company on 10 July 2020 (Friday).

The register of members of the Company will be closed from 6 July 2020 (Monday) to 10 July 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 3 July 2020 (Friday). The cheques for dividend payment will be sent to shareholders on or about 20 July 2020 (Monday) if the resolution for the proposed final dividend is passed at the annual general meeting.

2019 Annual General Meeting

The Company will convene the 2019 annual general meeting on 18 June 2020 (Thursday), and the register of members of the Company will be closed from 12 June 2020 (Friday) to 18 June 2020 (Thursday) (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending the 2019 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 11 June 2020 (Thursday).

Principal Risks and Uncertainties

In the course of its production and operation, the Company 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 economic condition and energy demand of China. Affected by global trade conflicts, the economic condition and energy demand of China are filled with uncertainties, which will certainly increase uncertainties in the Group's production and operation.

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 changes in pricing and other management policies of domestic oil and gas industry, would affect the production, operation and profitability of the Company's natural gas pipeline transmission business and crude oil jetty and storage business.

Risks of production operation and natural disasters: The petroleum and petrochemical storage and logistics industry 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 Company and grievous injuries to people. The Company has put much emphasis on production safety and has implemented a strict health, safety, security and environment ("**HSSE**") management system, so as to avoid such risks as much as possible in full effort. However, such measures may not completely shield the Company from financial losses or adverse impact resulting from such contingencies.

Investment risk: The petroleum and petrochemical storage and logistics industry 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 still exist and expected returns may not be achieved, with a certain risk of investment impairment. The Company continuously monitors the operating condition of each investment project and the neighbouring market conditions, conducts in-depth analysis and evaluation of investment value for projects, and carries out cost control measures in order to manage the investment risk.

Report of the Directors

Exchange risk: The Company is engaged in petrochemical storage, jetty 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 may face exchange risk to a certain extent. The Company continuously monitors the exchange rate of major currencies, tracks its impact on the Company's profits, and mitigates exchange risk by fund management. 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 2019, the Group spent approximately HK$68,503,000 (2018: HK$16,780,000) 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 2019 are set out in note 22 to the financial statements.

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

For the year ended 31 December 2019, 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 2019 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 Yaohuan (Chairman, appointed on 20 November 2019)	Mr. Fong Chung, Mark (Chairperson)	Ms. Tam Wai Chu, Maria (Chairlady)	Dr. Wong Yau Kar, David (Chairperson)
Mr. Chen Bo (Chairman, resigned on 20 November 2019)	Ms. Tam Wai Chu, Maria	Mr. Chen Yaohuan (appointed on 20 November 2019)	Mr. Chen Yaohuan (appointed on 20 November 2019)
Mr. Xiang Xiwen (Deputy Chairman, resigned on 25 March 2020)	Dr. Wong Yau Kar, David	Mr. Chen Bo (resigned on 20 November 2019)	Mr. Chen Bo (resigned on 20 November 2019)
Mr. Zhong Fuliang (appointed on 25 March 2020)	Ms. Wong Pui Sze, Priscilla	Mr. Fong Chung, Mark	Ms. Tam Wai Chu, Maria
Mr. Mo Zhenglin (appointed on 25 March 2020)		Dr. Wong Yau Kar, David	Mr. Fong Chung, Mark
Mr. Yang Yanfei (appointed on 25 March 2020)		Ms. Wong Pui Sze, Priscilla	Ms. Wong Pui Sze, Priscilla
Mr. Zou Wenzhi (appointed on 25 March 2020)		Mr. Ye Zhijun	Mr. Ye Zhijun
Mr. Wang Guotao			
Mr. Ye Zhijun (Managing Director)			
Mr. Dai Liqi (resigned on 25 March 2020)			
Mr. Li Jianxin (resigned on 25 March 2020)			
Independent Non-executive Directors			
Ms. Tam Wai Chu, Maria			
Mr. Fong Chung, Mark			
Dr. Wong Yau Kar, David			
Ms. Wong Pui Sze, Priscilla			

Report of the Directors

In accordance with the Company's Bye-laws (the "**Bye-laws**"), Mr. Chen Yaohuan, the Chairman of the Board and an executive Director, Mr. Zhong Fuliang, Mr. Mo Zhenglin, Mr. Yang Yanfei, Mr. Zou Wenzhi and Mr. Ye Zhijun, the executive Directors, and Ms. Tam Wai Chu, Maria and Dr. Wong Yau Kar, David, the independent non-executive Directors, 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 2019, 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 as set out in Appendix 10 of the Listing Rules (the "**Model Code**").

Share Option Scheme

For the year ended 31 December 2019, the Company has not established and implemented any share option scheme.

Directors' Rights to Acquire Shares or Debentures

For the year ended 31 December 2019, the Company, any of its holding companies, subsidiaries or 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 2019, 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 China International United Petroleum & Chemicals Co., Ltd. ("**UNIPEC**"). The controlling interest in the registered capital of UNIPEC is ultimately held by Sinopec Group Company.

Save as disclosed above, the Company has not been notified by any person (other than the Directors 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 2019 or at any time during the Reporting 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 24 to 32 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.

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 12 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 147 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 Liability Insurance of Directors

For the details of the liability insurance of Directors, please refer to paragraph headed "Liability Insurance for Directors" in the Corporate Governance Report on page 50 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 2019 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. Currently, the Audit Committee of the Company (the "**Audit Committee**") comprised 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 Group places great emphasis on safety, environmental protection and compliance in operation in order to promote collective sustainable development with the community.

In 2019, 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 has monitored and been 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 2019, 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 148 to 187 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 2019.

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

Hong Kong, 25 March 2020

CONNECTED *Transactions*

I. Existing Agreements Entered into by the Group 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/connected transactions. Details of which includes:

1. On 11 November 2016, Huade Petrochemical, a wholly-owned subsidiary of the Company, entered into the Sinopec Guangzhou Branch Framework Master Agreement with Guangzhou Petrochemical for the provision of crude oil jetty and storage services to Guangzhou Petrochemical with a term of three financial years ended 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, 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 ended 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 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 Company and its subsidiaries by Century Bright with a term of three financial years ended 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, entered into the Natural Gas Transmission Services Framework Master Agreement with China Petroleum & Chemical Corporation Natural Gas Branch Company ("**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 ended 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, entered into the Yu Ji Pipeline Financial Services Framework Master Agreement with Sinopec Finance for the provision of financial services within the PRC to Yu Ji Pipeline Company by Sinopec Finance with a term of two financial years ended on 31 December 2019;

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

7. On 11 November 2016, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, 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 ended 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 ("**Sinopec Petroleum Engineering**") for the natural gas pipeline compression project. Sinopec Petroleum Engineering 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 or connected transaction contemplated thereunder were approved 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 and connected transaction. 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, 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 ended on 31 December 2019. Sinopec Fuel Oil is a 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 involved in the reconstruction and defect rectification in relation to storage tanks area and pipeline. 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;

Connected Transactions

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 internal labour technical services to Yu Ji Pipeline Company by Zhongyuan Natural Gas Technical Centre with a term of three financial years ended 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 technical services to Yu Ji Pipeline Company by Zhongyuan Electricity Supply Centre with a term of three financial years ended 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 Oil Terminal Entrusted Management Framework Master Agreement with Sinopec Pipeline Storage and Transportation Company Limited for monitoring, facilitating and guiding the daily management of the Six Domestic Terminal Companies of the Group with a term of three financial years ended on 31 December 2019. Sinopec Pipeline Storage and Transportation Company Limited 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, 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 ended on 31 December 2019;

7. On 18 May 2017, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, and Shandong Natural Gas Pipeline Company Limited ("**Shandong Natural Gas Pipeline Company**") entered into the Lease Framework Agreement for the leasing of certain office building to Shandong Natural Gas Pipeline Company with a term of three financial years ended 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;

8. 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 to Sinopec Changcheng Gas with a term of two financial years ended on 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;

9. On 30 August 2018, Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the Natural Gas Pipeline Technical Services Framework Master Agreement with Sinopec Pipeline Technical Services Company Limited ("**Sinopec Pipeline Services Company**") for the provision of natural gas pipeline maintenance works services to Yu Ji Pipeline Company by Sinopec Pipeline Services Company with a term of two financial years ended on 31 December 2019. Sinopec Pipeline Services Company is an indirect subsidiary of Sinopec Group Company, which indirectly controls Kantons International, the controlling shareholder of the Company.

For details of the above continuing connected transactions/connected transactions, please refer to the announcements and circular dated 11 November 2016, 2 December 2016, 18 May 2017 and 30 August 2018 which were published on the websites of the Stock Exchange and the Company.

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

As the framework agreements for the existing continuing connected transactions and connected transactions entered into by the Group expired on 31 December 2019, in order to maintain business continuity and based on the actual needs of the business development of the Group, on 21 October 2019, the Group renewed and entered into framework agreements for existing continuing connected transactions with a term of three financial years ending on 31 December 2022 and connected transaction which constitute continuing connected transactions and connected transaction. Details of which includes:

1. Huade Petrochemical, a wholly-owned subsidiary of the Company, renewed and entered into the Crude Oil Jetty and Storage Services Framework Master Agreement with Guangzhou Petrochemical, Sinopec Petroleum Reserve Company Limited ("**Sinopec Petroleum Reserve Company**") and Sinopec Pipeline Storage and Transportation Company Limited Crude Oil Sales Branch Company ("**Sinopec Pipeline Storage and Transportation Branch Company**") for the provision of crude oil jetty and storage services. Guangzhou Petrochemical is a branch company of Sinopec Corp.; Sinopec Petroleum Reserve Company is a wholly-owned subsidiary of Sinopec Group Company, the holding company of Sinopec Corp.; Sinopec Pipeline Storage and Transportation Branch Company is a branch company of a wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company;

2. Huade Petrochemical, a wholly-owned subsidiary of the Company, renewed and entered into the Sinopec Finance Financial Services Framework Master Agreement with Sinopec Finance Guangzhou Branch for the provision of financial services within the PRC to Huade Petrochemical and its subsidiaries by Sinopec Finance Guangzhou Branch. Sinopec Finance Guangzhou Branch is a branch company of Sinopec Finance, which is owned as to 51% by Sinopec Group Company and 49% by Sinopec Corp. Sinopec Group Company is the holding company of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company;

3. The Company renewed and entered into the Century Bright Financial Services Framework Master Agreement with Century Bright for the provision of financial services such as deposit and settlement outside the PRC to the Group by Century Bright;

Connected Transactions

4. 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, Shanxi Energy Company Limited ("**Shanxi Energy Company**") and Sinopec Changcheng Gas for the provision of natural gas pipeline transmission services. Sinopec Natural Gas Branch Company is a branch company of Sinopec Corp.; Shanxi Energy Company is an associate of Sinopec Natural Gas Limited Company, a wholly-owned subsidiary of Sinopec Corp., Sinopec Changcheng Gas is an indirect wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company;

5. Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, renewed and entered into the Comprehensive Outsourcing Framework Master Agreement with Sinopec Natural Gas Branch Company for the provision of comprehensive services and products outsourcing to Yu Ji Pipeline Company by Sinopec Natural Gas Branch Company;

6. 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 to Yu Ji Pipeline Company and its subsidiaries by Sinopec Finance;

7. Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the new Yu Ji Compression Project Framework Master Agreement with Sinopec Petroleum Engineering for the natural gas pipeline compression works.

The above agreements and the continuing connected transactions/connected transaction contemplated thereunder were approved at the special general meeting of the Company held on 29 November 2019.

In addition, on 21 October 2019, the Group also entered into certain framework agreements constituting continuing connected transactions for the three financial years ending on 31 December 2022. 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 only 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. 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 to Yu Ji Pipeline Company from Sinopec Natural Gas Branch Company;

2. Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, renewed and entered into the Internal Labour Technical Services Framework Master Agreement with Zhongyuan Natural Gas Technical Centre for the provision of labour technical services to Yu Ji Pipeline Company by Zhongyuan Natural Gas Technical Centre;

3. Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, renewed and entered into the Power Technical Services Framework Master Agreement with Zhongyuan Electricity Supply Centre for the provision of substation power station maintenance services to Yu Ji Pipeline Company by Zhongyuan Electricity Supply Centre;

4. Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, renewed and entered into the Lease Framework Agreement with Shandong Natural Gas Pipeline Company for the leasing of property to Shandong Natural Gas Pipeline Company;

5. Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, renewed and entered into the Natural Gas Pipeline Construction and Related Technical Services Framework Master Agreement with Sinopec Pipeline Services Company for the provision of natural gas pipeline construction works and related technical services to Yu Ji Pipeline Company by Sinopec Pipeline Services Company;

6. Sinomart Development, a wholly-owned subsidiary of the Company, renewed and entered into the Oil Terminal Entrusted Management Framework Master Agreement with Sinopec Pipeline Storage and Transportation Company Limited for the supervision, coordination and guidance of the daily operation of the Domestic Six Terminal Companies of the Group;

7. 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 for the provision of fuel oil jetty and storage services to Sinopec Fuel Oil;

8. Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the Labour Technical Services Framework Master Agreement with Shandong Natural Gas Technical Services Jinan Branch Company Limited ("**Shandong Natural Gas Services Jinan Branch Company**") for the provision of labour technical services to Yu Ji Pipeline Company by Shandong Natural Gas Services Jinan Branch Company. Shandong Natural Gas Services Jinan Branch Company is an associate of Sinopec Natural Gas Limited Company, a wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company;

9. Yu Ji Pipeline Company, a wholly-owned subsidiary of the Company, entered into the Natural Gas Pipeline & Station Construction Works Framework Master Agreement with Sinopec Zhongyuan Oil Construction Company Limited ("**Sinopec Construction Company**") for the provision of pipeline construction and emergency protection services to Yu Ji Pipeline Company by Sinopec Construction Company. Sinopec Construction Company is an indirect wholly-owned subsidiary of Sinopec Oilfield Service Corporation ("**Sinopec Oilfield Service Corporation**"), which is a subsidiary of Sinopec Group Company, which indirectly controls Kantons International, the controlling shareholder of the Company;

10. Huade Petrochemical, a wholly-owned subsidiary of the Company, entered into the Oil Product Purchase Framework Master Agreement with China Shipping & Sinopec Shenzhen Marine Bunker Co., Ltd. ("**China Shipping & Sinopec Shenzhen**") for the sale of oil product to Huade Petrochemical from China Shipping & Sinopec Shenzhen. China Shipping & Sinopec Shenzhen is owned as to 50% by each of China Shipping & Sinopec Suppliers Co., Ltd. and Sinopec Fuel Oil. China Shipping & Sinopec Suppliers Co., Ltd. is a joint venture owned by Sinopec Corp. and China Cosco Shipping Corporation Limited. Sinopec Fuel Oil is a subsidiary of Sinopec Corp. which indirectly wholly owns Kantons International, the controlling shareholder of the Company;

For details of the above continuing connected transactions/connected transaction, please refer to the announcements and circular published on 21 October 2019 and 11 November 2019 on the websites of the Stock Exchange and the Company.

Connected Transactions

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

1. For the year ended 31 December 2019, 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 2019 RMB million	**Annual caps for the year 2019** RMB million
Crude oil jetty and storage services income	446.29	700.00
Fuel oil jetty and storage services income	45.08	80.00
Income arising from Sinopec Natural Gas Branch Company for the provision of natural gas transmission services	684.93	1,800.00
Income arising from Sinopec Changcheng Gas for the provision of natural gas transmission services	6.11	15.00
Services outsourcing fees	84.18	170.00
Gas storage facilities lease expenses	0.00	113.00
Building lease income	4.58	5.50
Lands and buildings lease expenses	5.07	12.96
Internal labour technical services expenses	4.91	8.40
Power technical services expenses	4.66	9.68
Natural gas pipeline technical services expenses	0.67	8.00
Terminal entrustment and management expenses	9.68	9.68
Maximum balance of deposits placed by Huade Petrochemical in Sinopec Finance during the Year	83.29	500.00
Maximum balance of deposits placed by Yu Ji Pipeline Company in Sinopec Finance during the Year	310.46	800.00
Maximum balance of deposits placed outside the PRC by the Group in Century Bright during the Year [Note] (HK$ million)	233.95	500.00

Note: Unless specified as HK$, other figures are denominated in RMB.

2. The accumulated transaction amounts for the connected transactions of the Group and its caps as of 31 December 2019 are as follows:

	Accumulated transaction amounts as of 31 December 2019 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 refer to note 31 to the financial statements of this report for further details of the above continuing connected transactions and connected transactions as well as transactions with related parties of the Group for the year ended 31 December 2019. Save as mentioned in this section and therein, there are no continuing connected transactions/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 and approved each of the continuing connected transactions/connected transactions above and confirmed that the continuing connected transactions/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.

Connected Transactions

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 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 14A 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 2019 and up to the date of this report, the Directors and senior management of the Company are as follows:

Executive Directors

Mr. Chen Yaohuan, aged 56, is the Chairman of the Board and Executive Director of the Company. Mr. Chen holds a bachelor's degree in engineering and graduated from the East China Institute of Chemical Technology, majoring in chemical engineering and technology, in July 1985 and is a professor-level senior engineer. From July 1985 to October 2008, Mr. Chen served as the deputy supervisor of the catalytic cracking plant and the heavy oil catalytic cracking plant, the chief of the production technology division, the head engineer and the deputy factory manager, of the refinery of Sinopec Zhenhai Refining & Chemical Co., Ltd. and also served as the supervisor and the deputy chief engineer of refining division I of Sinopec Zhenhai Refining & Chemical Co., Ltd. From September 2006 to March 2015, he served as the deputy supervisor of the refining business division of Sinopec Corp.. From March 2013 to March 2015, he concurrently served as a director of Sinopec Catalyst Co., Ltd. From March 2015 to June 2018, he served as an executive director and the general manager of Sinopec Beihai Refining & Chemical Co., Ltd. From May 2015 to July 2017, he served as a member and a standing committee member (temporary post) of the CPC Beihai Municipal Committee. From June 2018 to July 2019, he served as the general manager of Guangzhou Petrochemical and the general manager of Sinopec Group Asset Management Corporation Guangzhou Branch. Since July 2019, he has been serving as the deputy supervisor (in the capacity as acting supervisor) and the chief engineer of the refining business division of Sinopec Corp.. From December 2018 to November 2019, Mr. Chen concurrently served as the Chairman of Huade Petrochemical, a wholly-owned subsidiary of the Company. Mr. Chen has work experience in the headquarters of major national enterprises and numerous major refinery and chemical enterprises. He has extensive practical experience in the operation and management of businesses, strategic planning and the management of petrochemical production technology. Mr. Chen has been the Chairman of the Board and Executive Director of the Company since November 2019.

Mr. Xiang Xiwen, aged 54, is the Deputy Chairman of the Board and Executive Director 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, assets operation, risk prevention and control 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 has successively held various positions including the 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 resigned as the Deputy Chairman and Executive Director of the Company in March 2020.

Directors *and Senior Management*

Mr. Zhong Fuliang, aged 51, is an Executive Director of the Company. Mr. Zhong graduated with a bachelor's degree majoring in economics and management from Wuhan University in July 1991. He graduated with a master's degree in Business Administration from Staffordshire University in July 2003. He holds a bachelor's degree in Economics and a master's degree in Business Administration. He is a senior economist. From August 1991 to December 1993, Mr. Zhong served as a cadre of Zhenhai Petrochemical General Plant. From December 1993 to March 2015, he successively served as the Deputy Chief and Chief of the Economic and Trade (Second) Division of the Economic and Trade Department, Chief of the Economic and Trade (First) Division of the Economic and Trade Department, the Deputy Head of the Economic and Trade Department, General Manager of International Trade Company, Head of the Economic and Trade Department, Head of Business Planning Department, of Sinopec Zhenhai Refining & Chemical Co., Ltd.; Deputy Chief Economist and Deputy General Manager of Zhenhai Refining & Chemical Branch Company of China Petroleum and Chemical Corporation ("**Sinopec Corp**."). Since March 2015, he has been the Deputy General Manager of China International United Petroleum & Chemicals Company Limited. Since December 2016, he has also served as a director of Sinopec (Shanghai) Energy Trading Co., Ltd.. Since June 2019, Mr. Zhong has successively served as a director of Sinopec Insurance Limited and a director of Sinopec Petroleum Reserve Company Limited. Mr. Zhong has been working within Sinopec Group Company and its subsidiaries ("**Sinopec Group**") since starting his career. He has worked in large national refining and petrochemical companies and oil trading companies. He has more than 20 years of business management experience in large-scale refining and chemical companies, in particular, he has a deep understanding and insights into the crude oil trading pattern of Sinopec Group and the international crude oil trading and transportation market, and enjoys a good reputation in the industry. Mr. Zhong has been an Executive Director of the Company since March 2020.

Mr. Mo Zhenglin, aged 55, is an Executive Director of the Company. Mr. Mo graduated from Zhongnan University of Finance and Economics majoring in finance and accounting in July 1986 with a bachelor's degree in Economics and is a senior accountant. From August 1986 to August 2008, Mr. Mo successively served as the Deputy Chief of the Accounting Division, the Chief of the Accounting Division and the Deputy Head of the Accounting Division of Beijing Yanshan Petrochemical Corporation, Deputy Supervisor of the Finance Department and Head of the Accounting Division of Beijing Yanshan Petrochemical Co., Ltd. and Chief Accountant and Head of the Finance Division of its Refinery Department, Deputy Chief Accountant and Chief Accountant of Sinopec Corp. Beijing Yanshan Branch Company. From August 2008 to August 2017, he served as Chief Accountant and Deputy Supervisor of the Chemical Division of Sinopec Corp. From August 2017 to December 2019, he served as Deputy Supervisor of the Finance Department of Sinopec Corp.; from December 2019, he served as Deputy General Manager of Finance Department of Sinopec Corp. Among them, from April 2002 to August 2008, he also served as a director of Beijing Yanshan Petrochemical Co., Ltd; Mr. Mo has been a non-executive director of Sinopec Shanghai Petrochemical Company Limited which is a company listed on the Stock Exchange since June 2014. In addition, since April 2018 and March 2019 Mr. Mo has served as a director of Petro-Cyber Works Information Technology Co., Ltd and Sinopec SABIC Tianjin Petrochemical Company Limited respectively. Mr. Mo has been working in Sinopec Group since starting his career. He has worked in the headquarters of key national enterprises and large-scale refining and chemical companies, and has more than 20 years of rich practical experience in financial accounting management, cost-effective management and control of large enterprises. Mr. Mo has been an Executive Director of the Company since March 2020.

Mr. Yang Yanfei, aged 52, is an Executive Director of the Company. Mr. Yang graduated from East China Institute of Chemical Technology majoring in oil processing with a bachelor of Engineering degree in July 1991 and is a senior engineer. Mr. Yang was a technician of Beijing Yanshan Petrochemical Corporation from August 1991 to May 1993; from May 1993 to August 1998, he successively served as the assistant engineer and engineer of the Production Management Department of China National Petrochemical Corporation; from August 1998 to December 2000, he was an assistant researcher in the Planning and Development Department of the State Petroleum and Chemical Industry Bureau; from December 2000 to March 2003, he successively served as an assistant researcher in the Economic Operation Bureau and the Department of Resource Conservation and Comprehensive Utilization of the State Economic and Trade Commission; from March 2003 to June 2004, he was the assistant researcher of the Environment and Resources Comprehensive Utilization Department of the National Development and Reform Commission; from June 2004 to December 2019, he successively served as Acting Deputy Head, Deputy Head, and Head of the Dispatching Division, Head of Planning Division of the Production and Operation Management Department and Deputy Supervisor of the Production and Operation Management Department of Sinopec Corp.; since December 2019, he has been the Deputy General Manager of the Production and Operation Management Department of Sinopec Corp. Among them, Since March 2019, Mr. Yang has concurrently served as a director of Sinopec Senmei (Fujian) Petroleum Co., Ltd.; since October 2019, Mr. Yang has also served as a director of Sinopec Petroleum Reserve Company Limited. Mr. Yang has worked in the State ministries and commissions administrating energy, chemical, economic and trade related affairs, the headquarters of key national enterprises and large refining and chemical companies. He has extensive practical experience in corporate development planning, production planning and operation, industrial economic research, and petrochemical technology management. Mr. Yang has been an Executive Director of the Company since March 2020.

Mr. Zou Wenzhi, aged 49, is an Executive Director of the Company. Mr. Zou graduated from Tianjin University with a bachelor's degree in Chemical Engineering and Economics in July 1992. He graduated with a master's degree in Business Administration from Stafford University in June 2006, he holds a bachelor of Engineering and master of Business Administration, he is a professor-level senior economist. From August 1992 to July 1999, Mr. Zou successively served as an assistant economist and economist in the Economic Division of Sinopec Beijing Design Institute; from July 1999 to December 2009, he successively served as an economist, senior economist and Deputy Supervisor of the Cost Department of Sinopec Engineering Incorporation; from August 2008 to June 2016, he successively served as the Deputy Head and Head of the Overseas Refining and Chemical Project Cooperation Division of the Development Planning Department of Sinopec Corp.; from June 2016 to August 2019, he was a member of the Management Committee of Russia SIBUR Management Co., Ltd., among them, from June 2016 to June 2018, he was also Deputy Supervisor of the Foreign Cooperation Office of Sinopec Corp.; from June 2018 to December 2019, he served as Deputy Supervisor of International Cooperation Department, Deputy Head of Foreign Affairs Bureau, Deputy Supervisor of Hong Kong, Macao and Taiwan Office of Sinopec Corp.; from December 2019, he has been the Deputy General Manager of the International Cooperation Department, Deputy General Manager of the Foreign Affairs Department, and the Deputy Supervisor of the Hong Kong, Macao and Taiwan Offices of Sinopec Corp. Mr. Zou has been working inside Sinopec Group since he started working. He has worked in the headquarters of key national enterprises, large-scale refining and chemical companies and overseas projects. He also has extensive practical experience in foreign chemical business cooperation management, mergers and acquisitions, foreign affairs management, and project management. Mr. Zou has been an Executive Director of the Company since March 2020.

Directors and Senior Management

Mr. Wang Guotao, aged 54, is an 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 54, is the Managing Director of the Company. Mr. Ye holds a bachelor's degree in chemical engineering and master's degree in 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 has successively held various positions including the 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 Petrochemical. Mr. Ye has been the Managing Director of the Company since January 2002.

Mr. Dai Liqi, aged 52, is an 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 resigned as an Executive Director of the Company in March 2020.

Mr. Li Jianxin, aged 52, is an 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 Petrochemical and he has been the Chief Accountant of Capital and Finance Department of Sinopec Group Company since November 2018. Mr. Li has resigned as an Executive Director of the Company in March 2020.

Independent Non-executive Directors

Ms. Tam Wai Chu, Maria, GBM, JP, aged 74, 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, Wing On Company International Limited, Macau Legend Development Limited and China Shenhua Energy Company Limited, all of which are companies listed on the Hong Kong Stock Exchange. She is also a Director of Green Fun Limited, Love Foundation Limited, Love • Family Foundation Limited and Hong Kong Chronicles Institute Limited. Ms. Tam has been an Independent Non-Executive Director of the Company since June 1999.

Mr. Fong Chung, Mark, aged 68, is an 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 was the Chairman of Audit Committee of the Hong Kong Institute of Certified Public Accountants from February 2016 to January 2019. Mr. Fong is currently an Independent Non-Executive Director of Macau Legend Development Limited and China Oilfield Services Limited, all of which are companies listed 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.

Directors and Senior Management

Dr. Wong Yau Kar, David, GBS, JP, aged 62, is an 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, Guangnan (Holdings) Limited and CSSC (Hong Kong) Shipping Company Limited, all of which are companies listed 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 59, is an 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 Prince of Wales 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 March 2018.

Other Senior Management

Mr. Sang Jinghua, aged 52, is the Executive Deputy General Manager of the Company. Mr. Sang graduated from Dalian University of Technology in July 1990 majoring in polymer chemistry with a professional qualification of senior engineer. From July 1990 to May 2019, Mr. Sang worked in Sinopec Shijiazhuang Engineering Branch Company, the Board Secretariat of Sinopec and Sinopec Engineering. He was the securities affairs representative of Sinopec from May 2012 to January 2013; Board secretary of Sinopec Engineering from August 2012 to May 2019; company secretary of Sinopec Engineering from December 2012 to May 2019; and Deputy General Manager of Sinopec Engineering from May 2014 to May 2019. Mr. Sang has been the Deputy General Manager of the Company since May 2019.

Mr. Li Wenping, aged 56, is the 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 47, is the 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 2018 Annual Report

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

Mr. Chen Yaohuan was appointed as the Chairman of the Board, an Executive Director of the Company, and a member of the Remuneration Committee and the Nomination Committee on 20 November 2019.

Mr. Chen Bo resigned as the Chairman of the Board, an Executive Director of the Company, and a member of the Remuneration Committee and the Nomination Committee on 20 November 2019.

Ms. Tam Wai Chu, Maria resigned as an independent non-executive director, the chairlady of the nomination committee, and a member of the audit committee and the remuneration committee of Sa Sa International Holdings Limited on 2 September 2019; and was appointed as a director of Hong Kong Chronicles Institute Limited, a non-profit organization on 1 November 2019.

Dr. Wong Yau Kar, David was appointed as an independent non-executive director, the chairperson of the remuneration committee, and a member of the audit committee and the nomination committee of CSSC (Hong Kong) Shipping Company Limited on 6 May 2019.

Mr. Zhong Fuliang, Mr. Mo Zhenglin, Mr. Yang Yanfei and **Mr. Zou Wenzhi** were appointed as the Executive Directors of the Company on 25 March 2020.

Mr. Xiang Xiwen resigned as the Deputy Chairman of the Board and an Executive Director of the Company on 25 March 2020. **Mr. Dai Liqi** and **Mr. Li Jianxin** resigned as Executive Directors of the Company on 25 March 2020.

CORPORATE *Governance Report*

Compliance with the Corporate Governance Code

The Company is committed to achieving a high standard of corporate governance to properly safeguard and enhance the interests of its shareholders.

For the year ended 31 December 2019, except Mr. Chen Bo, Chairman of the Board, did not attend and preside the annual general meeting held on 12 June 2019 as required under Code Provision E.1.2 of the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "**Corporate Governance Code**") for reasons of other business engagements, the Company has complied with the applicable code provisions of the Corporate Governance Code.

General Meeting

During the twelve months ended 31 December 2019, the Company has convened one annual general meeting and one special general meeting strictly in accordance with the relevant notice, convening and holding requirements under laws, regulations and the Bye-laws. On 12 June 2019, the Company convened the 2018 annual general meeting at Salon Rooms II-III, 5/F., Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong. Mr. Chen Bo, Chairman of the Board, did not attend and preside the annual general meeting for reasons of other business engagements. Pursuant to Bye-law 71 of the Bye-laws 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 representative of PricewaterhouseCoopers, the auditor, 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 and the Company on 12 June 2019.

On 29 November 2019, the Company convened the special general meeting at Salon Rooms II-III, 5/F., Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong to consider and approve the continuing connected transactions/connected transaction of the Group. Mr. Ye Zhijun, the Managing Director, presided over the special general meeting. Mr. Fong Chung, Mark, the chairperson of the Independent Board Committee established in respect of the above continuing connected transactions/connected transaction, and Ms. Tam Wai Chu, Maria, Ms. Wong Pui Sze, Priscilla, the members of the said committee, and representatives of Somerley Capital Limited, the independent financial adviser, PricewaterhouseCoopers, the auditor, and Stephenson Harwood, the legal adviser, 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 and the Company on 29 November 2019.

Directors' attendance at the general meetings in 2019 is as follows:

Attendance	No. of meetings attended	Attendance %
Mr. Chen Yaohuan (Chairman, appointed on 20 November 2019)	0	0
Mr. Chen Bo (Chairman, resigned on 20 November 2019)	0	0
Mr. Xiang Xiwen (Deputy Chairman, resigned on 25 March 2020)	0	0
Mr. Dai Liqi (resigned on 25 March 2020)	0	0
Mr. Li Jianxin (resigned on 25 March 2020)	0	0
Mr. Wang Guotao	0	0
Mr. Ye Zhijun (Managing Director)	2	100
Ms. Tam Wai Chu, Maria	2	100
Mr. Fong Chung, Mark	2	100
Dr. Wong Yau Kar, David	1	50
Ms. Wong Pui Sze, Priscilla	2	100

The Board of Directors

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

As at the date of this report, the Board comprised seven 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.

Corporate Governance Report

Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors			
Mr. Chen Yaohuan (Chairman, appointed on 20 November 2019)	Mr. Fong Chung, Mark (Chairperson)	Ms. Tam Wai Chu, Maria (Chairlady)	Dr. Wong Yau Kar, David (Chairperson)
Mr. Chen Bo (Chairman, resigned on 20 November 2019)	Ms. Tam Wai Chu, Maria	Mr. Chen Yaohuan (appointed on 20 November 2019)	Mr. Chen Yaohuan (appointed on 20 November 2019)
Mr. Xiang Xiwen (Deputy Chairman, resigned on 25 March 2020)	Dr. Wong Yau Kar, David	Mr. Chen Bo (resigned on 20 November 2019)	Mr. Chen Bo (resigned on 20 November 2019)
Mr. Zhong Fuliang (appointed on 25 March 2020)	Ms. Wong Pui Sze, Priscilla	Mr. Fong Chung, Mark	Ms. Tam Wai Chu, Maria
Mr. Mo Zhenglin (appointed on 25 March 2020)		Dr. Wong Yau Kar, David	Mr. Fong Chung, Mark
Mr. Yang Yanfei (appointed on 25 March 2020)		Ms. Wong Pui Sze, Priscilla	Ms. Wong Pui Sze, Priscilla
Mr. Zou Wenzhi (appointed on 25 March 2020)		Mr. Ye Zhijun	Mr. Ye Zhijun
Mr. Wang Guotao			
Mr. Ye Zhijun (Managing Director)			
Mr. Dai Liqi (resigned on 25 March 2020)			
Mr. Li Jianxin (resigned on 25 March 2020)			
Independent Non-executive Directors			
Ms. Tam Wai Chu, Maria			
Mr. Fong Chung, Mark			
Dr. Wong Yau Kar, David			
Ms. Wong Pui Sze, Priscilla			

The Board sets the Group's strategies and directions and monitors its performance. The Board also decides on significant corporate matters such as annual and interim results, notifiable transactions and connected transactions, director appointments, dividends distribution and accounting policies. The Board has delegated the authority 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 ten Board meetings in 2019. Directors' attendance at the Board meetings is as follows:

Attendance	No. of meetings attended	Attendance %
Mr. Chen Yaohuan (Chairman, appointed on 20 November 2019) Note 1	3	100
Mr. Chen Bo (Chairman, resigned on 20 November 2019) Note 2	1	14.3
Mr. Xiang Xiwen (Deputy Chairman, resigned on 25 March 2020)	7	70
Mr. Dai Liqi (resigned on 25 March 2020)	4	40
Mr. Li Jianxin (resigned on 25 March 2020)	8	80
Mr. Wang Guotao	10	100
Mr. Ye Zhijun (Managing Director)	10	100
Ms. Tam Wai Chu, Maria	10	100
Mr. Fong Chung, Mark	9	90
Dr. Wong Yau Kar, David	10	100
Ms. Wong Pui Sze, Priscilla	10	100

Note 1: During the period from 20 November 2019 on which Mr. Chen Yaohuan was appointed as the Chairman of the Board and an executive Director of the Company to 31 December 2019, the Company only convened three Board meetings; accordingly, the attendance of Mr. Chen Yaohuan at the Board meetings during the period is 100%;

Note 2: During the period from 1 January 2019 to 20 November 2019 on which Mr. Chen Bo resigned as the Chairman of the Board and an executive Director of the Company, the Company convened seven Board meetings in total; accordingly, the attendance of Mr. Chen Bo at the Board meetings during the period is 14.3%.

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. Ms. Tam Wai Chu, Maria, Dr. Wong Yau Kar, David, Ms. Wong Pui Sze, Priscilla and Mr. Fong Chung, Mark, 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 13 June 2017, 13 June 2017, 27 June 2018 and 12 June 2019, respectively, for a term of three years.

Corporate Governance Report

Audit Committee

As at 31 December 2019 and up to the date of this report, the Audit Committee comprised four independent non-executive Directors. The Audit Committee is responsible for reviewing the accounting standards 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 2019, the Audit Committee held three meetings to review the annual results of the Group for the year ended 31 December 2018, consider the revised internal control system and review the interim results of the Group for the six months ended 30 June 2019, 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 2019, 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)	3	100
Ms. Tam Wai Chu, Maria	3	100
Dr. Wong Yau Kar, David	3	100
Ms. Wong Pui Sze, Priscilla	3	100

The Company's annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee.

Remuneration Committee

As at 31 December 2019 and up to the date of this report, 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 2019, the Remuneration Committee convened two meetings, during which the service contracts and director's remuneration of newly appointed executive Directors were considered, the performance of the Company's management staff was evaluated, and rewards were offered in accordance with the relevant assessment and incentive mechanisms.

Attendance	No. of meetings attended	Attendance %
Ms. Tam Wai Chu, Maria (Chairlady)	2	100
Mr. Chen Yaohuan (appointed on 20 November 2019) Note	–	–
Mr. Chen Bo (resigned on 20 November 2019)	0	0
Mr. Fong Chung, Mark	2	100
Dr. Wong Yau Kar, David	2	100
Ms. Wong Pui Sze, Priscilla	2	100
Mr. Ye Zhijun	2	100

Note: During the period from 20 November 2019 on which Mr. Chen Yaohuan was appointed as a member of the Remuneration Committee to 31 December 2019, the Remuneration Committee did not convene any meeting.

Nomination Committee

As at 31 December 2019 and up to the date of this report, 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 members 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.

Corporate Governance Report

In 2019, the Nomination Committee convened two meetings, during which the nomination of Mr. Chen Yaohuan as an executive Director of the Company was discussed, and the structure and composition of the Board were reviewed, and rotation of Directors was discussed. In 2019, 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)	2	100
Mr. Chen Yaohuan (appointed on 20 November 2019) Note	–	–
Mr. Chen Bo (resigned on 20 November 2019)	0	0
Ms. Tam Wai Chu, Maria	2	100
Mr. Fong Chung, Mark	2	100
Ms. Wong Pui Sze, Priscilla	2	100
Mr. Ye Zhijun	2	100

Note: During the period from 20 November 2019 on which Mr. Chen Yaohuan was appointed as a member of the Nomination Committee to 31 December 2019, the Nomination Committee did not convene any meeting.

According to Bye-law 115 of the Bye-laws, any Director appointed by the Board shall hold office only until the next following general meeting of the Company. 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 2020, the term of office of Mr. Chan Yaohuan, the Chairman of the Board of the Company, Mr. Zhong Fuliang, Mr. Mo Zhenglin, Mr. Yang Yanfei, Mr. Zou Wenzhi and Mr. Ye Zhijun, the executive Directors, and Ms. Tam Wai Chu, Maria and Dr. Wong Yau Kar, David, the independent non-executive Directors, 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. Chan Yaohuan, Mr. Zhong Fuliang, Mr. Mo Zhenglin, Mr. Yang Yanfei, Mr. Zou Wenzhi, Mr. Ye Zhijun, Ms. Tam Wai Chu, Maria and Dr. Wong Yau Kar, David for re-election at the forthcoming annual general meeting to be held on 18 June 2020. To avoid conflicts of interest, the Directors who participated in the re-election of the Directors abstained from voting on the resolution for their own 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 2019, all Directors participated in following trainings in respect of corporate governance practices through various ways:

	Types of Training
Executive Directors	
Mr. Chen Yaohuan (Chairman, appointed on 20 November 2019)	A,B
Mr. Chen Bo (Chairman, resigned on 20 November 2019)	B
Mr. Xiang Xiwen (Deputy Chairman, resigned on 25 March 2020)	B
Mr. Dai Liqi (resigned on 25 March 2020)	B
Mr. Li Jianxin (resigned on 25 March 2020)	B
Mr. Wang Guotao	A,B
Mr. Ye Zhijun (Managing Director)	A,B
Independent Non-executive Directors	
Ms. Tam Wai Chu, Maria	A,B
Mr. Fong Chung, Mark	A,B
Dr. Wong Yau Kar, David	A,B
Ms. Wong Pui Sze, Priscilla	A,B

A : attending seminars and/or conferences and/or forums relating to directors' duties or other relevant topics

B : reading newspaper, journals, training materials and/or updates relating to the economy, the industry conditions of the Company or directors' duties and compliance matters etc.

Corporate Governance Report

Chairman of the Board and the Managing Director of the Company

The Chairman of the Board and Managing Director of the Company are held by two different individuals. 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 of the Company:

(1) determining the policy for corporate governance and performing duties under code provision D.3.1 of the Corporate Governance Code;

(2) being responsible for convening general meetings;

(3) executing the resolutions of general meetings;

(4) determining the development plans and operation plans;

(5) preparing the profit distribution plan and loss recovery plan;

(6) preparing material acquisition or disposal plans, as well as the plans for merger, spin-off, change of corporate form and dissolution;

(7) under the authorization of general meeting 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 for approval;

(11) based on the recommendation of the Remuneration Committee, determining the remuneration of Directors and senior management;

(12) finalizing the basic management system;

(13) managing the information disclosure;

(14) proposing to general meeting the appointment or change of the Company's auditor;

(15) formulating the amendment plans of the Bye-laws, and submitting them to general meeting 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 of the Company:

(1) being responsible for the daily operation and management, 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;

(3) formulating the internal management system;

(4) preparing the fundamental management policies and submitting them to the Board for approval;

(5) formulating specific regulations;

(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, 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 operating entities 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 2019.

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 55 to 63 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 2019, the following fees were paid/payable by the Group to the auditor, PricewaterhouseCoopers, and its network members:

HK$ million

	2019	2018
Audit services		
– the Company	1.60	2.28
– subsidiaries	3.54	3.27
Total	5.14	5.55

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 2019.

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 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 report 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, regulation and the requirements stipulated by regulatory bodies, and conforms to 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 2019, 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 2019. 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 reports, 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 or the Company. Significant information such as announcements, circulars, annual and interim reports can be downloaded from the above websites in accordance with the Listing Rules.

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 54, 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 2019, 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 and the Stock Exchange's website. Shareholders may refer to the Bye-laws for further details of their rights.

INDEPENDENT Auditor's Report

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 64 to 146, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- 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 2019, 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

羅兵咸永道

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

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
Arbitrations and impairment assessment of non-current assets of PT. West Point Terminal Refer to note 4(a) (Critical accounting estimates and judgements), note 16 (Right-of-use assets and prepaid land lease payments), note 17 (Property, plant and equipment) and note 29 (Contingencies) to the consolidated financial statements As at 31 December 2019, the carrying amounts of non-current assets (the "**Assets**") of PT. West Point Terminal ("**PT. West Point**") amounted to HK$669 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 (the "**Project**"). As disclosed in note 29 (Contingencies) of the consolidated financial statements, the arbitration proceedings with PT MAS Capital Trust and PT Batam Sentralindo (the "**Arbitrations**") in respect of the Project had completed in 2019. The Group has received two formal final arbitral awards (the "**Awards**") issued by the arbitral tribunal in the International Chamber of Commerce in Singapore in respect of the Arbitrations. 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.	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 preparation and development plan of the Project, status of the Arbitrations, the enforceability of the Awards, legal procedures subsequent to Awards, and assets impairment assessment. – We obtained and reviewed relevant agreements and documents, including articles of association, shareholders' agreement, land lease agreement, Arbitrations related filings. – Arbitrations: (1) We discussed with the Group's internal and external legal counsel to understand the latest status of the project, Arbitrations proceedings and enforceability of the Awards and compared to our understanding obtained from the management. (2) 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 confirmation of the outcome of the Arbitrations, enforceability of the Awards and legal procedures subsequent to the Awards.

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INDEPENDENT AUDITOR'S REPORT
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Key Audit Matter	How our audit addressed the Key Audit Matter
With the intention of the management to continue the project, 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 operating expenses, forecast gross margin and discount rate. The Company, after taking considerations of the decisions of the Awards issued by the arbitral tribunals and the advice from external legal counsel, concluded that the Arbitrations have no adverse financial impact to the consolidated financial statements of the Group as at 31 December 2019. We focused on this area as the value in use calculations involve significant judgements and estimation uncertainty in respect of available period of operation of the project and key assumptions including forecast revenue, forecast operating expenses, revenue growth rate, utilisation rate and discount rate adopted in the value in use calculations.	(4) We evaluated the disclosure prepared by management relating to 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 flows. (2) We checked mathematical accuracy of the relevant value in use calculations. (3) We checked the key assumptions adopted with the involvement of our valuation experts, 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 and subsequent preparation; ii. forecast revenue, forecast operating expenses, revenue growth rate and utilisation rate, 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.

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INDEPENDENT AUDITOR'S REPORT
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Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of interests in joint ventures and associates Refer to note 4(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 2019, 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$6,814 million and HK$955 million respectively, in aggregate representing approximately 49% of its total assets. A number of factors, including oil price fluctuation, regional oil storage demand and supply, economic conditions, 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 amount of an investment in a joint venture as at 31 December 2019 might be impaired. Where impairment indicators existed, management further assessed the recoverable amounts of investments based on 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 forecast revenue and revenue growth rates, terminal growth rates, forecast capital expenditure and discount rates, in determining the recoverable amount of the investment.	In addressing this matter, we had performed the following procedures: – We understood the industry, understood and evaluate the key processes and controls relating to the identification of potential impairment indicator and the assessment of the recoverable amounts. – For the investment where impairment indicator existed, we obtained the discounted cash flows of the investment from management and understood the key bases and assumptions adopted by management. – We checked mathematical accuracy of the relevant discounted cash flow model. – We checked the key assumptions in the discounted cash flow model with the involvement of our valuation experts, in particular for: i. forecast revenue and revenue growth rates, terminal growth rates and forecast capital expenditure, by checking the bases and assumptions, including approved budget and capital expenditure, available contracts for forecast revenue, and by comparing against designed capacity, external market data 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 and performed our own sensitivities 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.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
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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.

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INDEPENDENT AUDITOR'S REPORT
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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.

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INDEPENDENT AUDITOR'S REPORT
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- 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.

- 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.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SINOPEC KANTONS HOLDINGS LIMITED (Continued)
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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, 25 March 2020

CONSOLIDATED Income Statement

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	5, 6	**1,447,378**	1,655,633
Cost of providing services	8	**(799,653)**	(838,324)
Gross profit		**647,725**	817,309
Other income and other gains, net	7	**113,032**	133,573
Distribution costs		**(13,816)**	(15,094)
Administrative expenses	8	**(213,570)**	(275,417)
Operating profit		**533,371**	660,371
Finance income	10	**2,636**	3,168
Finance costs	10	**(118,870)**	(152,020)
Finance costs, net		**(116,234)**	(148,852)
Share of results of:			
– Joint ventures	13	**891,211**	825,594
– Associates	12	**185,402**	151,289
		1,076,613	976,883
Profit before income tax		**1,493,750**	1,488,402
Income tax expenses	14	**(209,346)**	(226,994)
Profit for the year		**1,284,404**	1,261,408
Profit attributable to:			
Equity holders of the Company		**1,285,111**	1,262,071
Non-controlling interests		**(707)**	(663)
		1,284,404	1,261,408
Basic and diluted earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)	15	**51.69**	50.76

The notes on pages 70 to 146 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF Comprehensive Income

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Profit for the year	**1,284,404**	1,261,408
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on currency translation		
– Subsidiaries	**(107,719)**	(242,187)
– Joint ventures	**(139,154)**	(283,173)
– Associates	**(20,243)**	(38,120)
	(267,116)	(563,480)
Cash flow hedges		
– Joint ventures	**(52,472)**	(67,192)
– An associate	**(1,229)**	(3,518)
	(53,701)	(70,710)
Other comprehensive income for the year, net of tax	**(320,817)**	(634,190)
Total comprehensive income for the year	**963,587**	627,218
Total comprehensive income attributable to:		
Equity holders of the Company	**964,294**	627,881
Non-controlling interests	**(707)**	(663)
Total comprehensive income for the year	**963,587**	627,218

The notes on pages 70 to 146 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF *Financial Position*

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**5,762,627**	6,212,395
Right-of-use assets	16	**647,345**	–
Prepaid land lease payments		**–**	651,206
Investment properties	18	**53,606**	57,299
Prepayment		**31,097**	25,932
Interests in joint ventures	13	**6,813,973**	6,902,973
Interests in associates	12	**954,994**	866,711
Total non-current assets		**14,263,642**	14,716,516
Current assets			
Inventories	20	**72,246**	17,110
Trade and other receivables	19	**1,137,385**	1,042,302
Cash and bank balances	21	**223,484**	320,685
Total current assets		**1,433,115**	1,380,097
Total assets		**15,696,757**	16,096,613
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	22	**248,616**	248,616
Reserves		**11,930,496**	11,413,711
Equity attributable to equity holders of the Company		**12,179,112**	11,662,327
Non-controlling interests		**35,750**	36,457
Total equity		**12,214,862**	11,698,784
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	28	**146,724**	130,299
Government grants		**18,399**	20,136
Lease liabilities	16	**11,709**	–
Total non-current liabilities		**176,832**	150,435
Current liabilities			
Trade and other payables	26	**762,557**	509,596
Borrowings	27	**2,518,494**	3,673,325
Income tax payable		**17,089**	64,473
Lease liabilities	16	**6,923**	–
Total current liabilities		**3,305,063**	4,247,394
Total liabilities		**3,481,895**	4,397,829
Total equity and liabilities		**15,696,757**	16,096,613

The financial statements on pages 70 to 146 were approved by the board of directors on 25 March 2020 and were signed on its behalf:

Chen Yaohuan
Chairman

Ye Zhijun
Managing Director

CONSOLIDATED STATEMENT OF Changes in Equity

For the year ended 31 December 2019

		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)
– Joint ventures		–	–	–	–	–	–	(283,173)	–	(283,173)	–	(283,173)
– Associates		–	–	–	–	–	–	(38,120)	–	(38,120)	–	(38,120)
Net loss on cash flow hedges:												
– Joint ventures		–	–	–	–	–	(67,192)	–	–	(67,192)	–	(67,192)
– Associates		–	–	–	–	–	(3,518)	–	–	(3,518)	–	(3,518)
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

CONSOLIDATED STATEMENT OF *Changes in Equity*

For the year ended 31 December 2019

		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 2019		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
Comprehensive income:												
Profit for the year		-	-	-	-	-	-	-	1,285,111	1,285,111	(707)	1,284,404
Other comprehensive income												
Exchange differences on currency translation:												
– Subsidiaries		-	-	-	-	-	-	(107,719)	-	(107,719)	-	(107,719)
– Joint ventures		-	-	-	-	-	-	(139,154)	-	(139,154)	-	(139,154)
– Associates		-	-	-	-	-	-	(20,243)	-	(20,243)	-	(20,243)
Net loss on cash flow hedges:												
– Joint ventures		-	-	-	-	-	(52,472)	-	-	(52,472)	-	(52,472)
– Associates		-	-	-	-	-	(1,229)	-	-	(1,229)	-	(1,229)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-	(53,701)	(267,116)	-	(320,817)	-	(320,817)
Total comprehensive income for the year		-	-	-	-	-	(53,701)	(267,116)	1,285,111	964,294	(707)	963,587
Transaction with owners												
Appropriation of reserves		-	-	22,110	-	19,915	-	-	(42,025)	-	-	-
Utilisation of specific reserve for the year	23	-	-	(22,391)	-	-	-	-	22,391	-	-	-
Dividends	24	-	-	-	-	-	-	-	(447,509)	(447,509)	-	(447,509)
Total transaction with owners		-	-	(281)	-	19,915	-	-	(467,143)	(447,509)	-	(447,509)
Balance at 31 December 2019		248,616	6,300,684	33	(962,326)	420,405	(215,147)	(574,147)	6,960,994	12,179,112	35,750	12,214,862

The notes on pages 70 to 146 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF Cash Flows

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash generated from operations	25(a)	**1,049,186**	1,118,111
Hong Kong profits tax paid		**–**	(5,783)
The People's Republic of China income tax paid		**(180,198)**	(187,846)
Withholding tax paid		**(56,304)**	(50,877)
Net cash generated from operating activities		**812,684**	873,605
Cash flows from investing activities			
Purchase of property, plant and equipment		**(68,503)**	(16,780)
Repayments of loans to joint ventures		**98,503**	97,044
Repayments of loans to an associate		**5,485**	12,007
Dividend received from joint ventures		**339,332**	879,894
Dividend received from an associate		**73,315**	73,108
Interest income received	10	**2,636**	3,168
Proceeds from disposal of property, plant and equipment		**65**	51
Decrease in amounts due from an immediate holding company and fellow subsidiaries		**–**	(185,969)
Increase in restricted bank balances	21	**–**	(94,472)
Net cash generated from investing activities		**450,833**	768,051
Cash flows from financing activities	25(b)		
Proceeds from borrowings		**1,585,791**	2,285,617
Repayments of borrowings		**(2,697,767)**	(3,670,978)
Repayment of lease liabilities		**(7,959)**	–
Dividends paid to owners of the Company		**(447,509)**	(298,339)
Increase in amounts due to immediate, intermediate holding company and fellow subsidiaries		**314,306**	–
Finance costs paid		**(118,313)**	(152,853)
Net cash used in financing activities		**(1,371,451)**	(1,836,553)
Net increase/(decrease) in cash and cash equivalents		**(107,934)**	(194,897)
Cash and cash equivalents at 1 January	21	**226,213**	409,855
Effect of foreign exchange rate changes		**12,194**	11,255
Cash and cash equivalents at 31 December	21	**130,473**	226,213

The notes on pages 70 to 146 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 25 March 2020.

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 2019, the Group had net current liabilities of approximately HK$1,872 million, which was attributable to short-term borrowings of approximately HK$710 million from Sinopec Century Bright Capital Investment Limited ("**Century Bright**"), and approximately HK$1,808 million of the entrusted loan from China International United Petroleum & Chemicals Co., Ltd ("**Unipec**").

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 (as described below) available to the Group in the adoption of going concern basis in the preparation of the consolidated financial statements.

The Group's entrusted term loan from Unipec has a maturity date on 26 June 2020. The Group has already begun a discussion with another financial institution of Sinopec Group, to arrange for a long-term loan to refinance the entrusted loan from Unipec upon its maturity or on an earlier date.

In addition, the Group successfully renewed the short term revolving facility of US$500 million (equivalent to approximately HK$3,893 million) provided by Century Bright, for a period of 12 months, due to expire on 31 December 2020. Century Bright has confirmed their intention that without unforeseen situation, subject to fulfilment of certain conditions, to approve renewal of the short-term facility upon its expiry. Management is of the view that the unutilised revolving facility of US$409 million (equivalent to approximately HK$3,183 million) available to the Group provided by Century Bright could also be utilised to satisfy the refinancing of the repayment of the entrusted loan from Unipec as mentioned above.

The directors of the Company are of the opinion that, taking into account the anticipated cash flows generated from the Group's operation; the availability of new long-term loan for refinancing of the entrusted loan from Unipec as and when needed; and successful renewal of the short-term revolving loan facility from Century Bright and its financial capacity to make the funding available to the Group as and when needed, the Group will have adequate resources to continue its operations for the foreseeable future and to meet with its financial obligations as and when they fall due for a period that is not less than 12 months from the end of the reporting period.

Accordingly, the directors of the Company have adopted the going concern basis in preparing the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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 2019:

Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRS Standards 2015-2017 Cycle
HK(IFRIC) 23	Uncertainty over income tax treatments
HKFRS 16	Leases

The above new standards, amendments, improvements and interpretation effective for the financial year beginning 1 January 2019 do not have a material impact on the Group, except for HKFRS 16 "Leases" as set out in Note 2.2. Detailed disclosures related to HKFRS 16 "Leases" are set out in Note 16.

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 2019 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 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

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group 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 16 Leases on the Group's consolidated financial statements.

Following the adoption of the above new standards, the Group has elected to use a simplified transition approach and has not restated comparative amounts for the year prior to first adoption. Further details of the nature and impact of the changes are set out below:

(i) Adjustments recognised on adoption of HKFRS 16

Nature of change

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 ranged from 4.35% to 4.90%.

Impact

The financial impact of the adoption of HKFRS 16 to the Group's financial is summarised below.

	2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	33,442
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(7,516)
Lease liability recognised as at 1 January 2019	25,926
Of which are:	
Current liabilities	6,418
Non-current liabilities	19,508
	25,926

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policy (Continued)

(i) Adjustments recognised on adoption of HKFRS 16 (Continued)

Impact (Continued)

The recognised right-of-use assets relate to the following types of assets:

	As at 31 December 2019 HK$'000	As at 1 January 2019 HK$'000
Properties	18,349	25,926
Prepaid land lease payments		
– The People's Republic of China (the "**PRC**")	46,289	51,813
– Indonesia	582,707	599,393
Total right-of-use assets	647,345	677,132

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- Prepaid land lease payments – decrease by HK$651,206,000
- Right-of-use assets – increase by HK$677,132,000
- Lease liabilities – increase by HK$25,926,000

There is no impact on retained earnings on 1 January 2019.

Practical expedients applied

In applying HKFRS 16 for the first time, the following practical expedients permitted by the standard were adopted by the Group:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policy (Continued)

(i) Adjustments recognised on adoption of HKFRS 16 (Continued)

(a) Impact on segment disclosures

As a result of the change in accounting policy, segment results for the end ended 31 December 2019 decreased. Segment assets and segment liabilities as at 31 December 2019 increased. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy.

	Segment results HK$'000	Segment assets HK$'000	Segment liabilities HK$'000
Crude oil jetty and storage services	(184)	13,202	13,444
Natural gas pipeline transmission services	–	65	2

(ii) The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 1 to 32 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Before the adoption of HKFRS 16, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Prepaid land lease payments represent the consideration paid to lease the state-owned land in the PRC and land in Indonesia. Before and after the adoption of HKFRS 16, prepaid land lease payments are carried at cost less the accumulated amortisation. The cost of prepaid land lease payments is charged to profit or loss on a straight-line basis over the respective periods of the rights, which are 50 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policy (Continued)

(ii) The Group's leasing activities and how these are accounted for (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Group has short-term leases with a remaining lease term of less than 12 months for the hire of property, plant and equipment, which are recognised on a straight-line basis as operating lease charges, included in the administrative expenses in profit or loss, as disclosed in Note 8.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policy (Continued)

(ii) The Group's leasing activities and how these are accounted for (Continued)

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 18(a)). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (Continued)

(i) Merger accounting for common control combinations (Continued)

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.

(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 arrangement. 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 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 30 to 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 income 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) 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 fair value through profit or loss ("**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 statement of financial position, 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's certain joint venture and an associate designate 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 interest 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 include natural gas and spare parts, which are initially measured at cost. As at balance sheet date, inventories are stated at the lower of cost and net realisable value. Cost of the spare parts is determined using weighted average cost method and the natural gas is determined using historical cost. 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 2.15.

2.19 Cash and cash equivalents

Cash and cash equivalents include cash on 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 that are 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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;
- 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Revenue recognition (Continued)

(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.

2.27 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.

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

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy and the impact of the change is described in note 2.2.

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, interest rate 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 ("**USD**") and Singapore dollars ("**SGD**"), respectively.

A 3% strengthening/weakening of Hong Kong dollars ("**HK$**") against the following currencies would have decreased/increased 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.

	2019 **HK$'000**	2018 HK$'000
RMB	**13,400**	1,150
SGD	**843**	853
USD	**2,637**	86

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Interest rate risk

The Group's interest rate risk exposure arises primarily from its 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 2019, 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$7,101,000 (2018: decrease/increase by approximately HK$25,515,000). 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.

(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.

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.

As at 31 December 2019, 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 2019, the maximum credit risk exposure in respect of the financial guarantee is approximately HK$234 million (2018: 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 bank balances and trade and other receivables, represent the Group's maximum exposure to credit risk in relation to financial assets.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(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.

At 31 December 2019, the Group has standby credit facilities with Century Bright, amounting to US$500 million, equivalent to approximately HK$3,893 million (2018：US$500 million, equivalent to approximately HK$3,915 million) on an unsecured basis, at a weighted average interest rate of 2.59% per annum (2018: 2.74%). At 31 December 2019, the Group's outstanding borrowings under these facilities were US$91 million, equivalent to approximately HK$710 million (2018: US$207 million, equivalent to approximately HK$1,619 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	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying values HK$'000
At 31 December 2019					
Trade and other payables	676,925	–	–	676,925	676,925
Lease liabilities	7,188	7,240	7,242	21,670	18,632
Borrowings	2,574,768	–	–	2,574,768	2,518,494
Financial guarantee against bank loans of joint ventures	234,000	–	–	234,000	234,000
At 31 December 2018					
Trade and other payables	393,340	–	–	393,340	393,340
Borrowings	3,811,973	–	–	3,811,973	3,811,973
Financial guarantee against bank loans of joint ventures	352,000	–	–	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.

	2019 **HK$'000**	2018 HK$'000
Current ratio	**0.43**	0.32
Gearing ratio	**22%**	27%
Net debt		
Trade and other payables (Note 26)	**762,557**	509,596
Borrowings (Note 27)	**2,518,494**	3,673,325
Lease liabilities (Note 16)	**18,632**	–
Less: Cash and cash equivalents (Note 21)	**(130,473)**	(226,213)
Net debt	**3,169,210**	3,956,708
Total equity	**12,214,862**	11,698,784
Net debt-to-capital ratio	**26%**	34%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

(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**") continued to delay the PT. West Point project. 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 amounted to approximately HK$86 million and HK$583 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 including a preparation period of 2.5 years based on management's expectation and the feasibility report, (ii) forecast revenue, revenue growth rate, forecast operating expenses and utilisation rate based on management's expectation (iii) post-tax discount rate of 14.1% per annum.

The valuation is sensitive to certain key assumptions, in particular, revenue and discount rate. Delay in project commencement, whilst driven by different assumptions, would also have an impact.

- A 1% decrease in revenue would decrease the recoverable amount by HK$59 million (US$8 million)
- A 50 basis points increase in the discount rate would decrease the recoverable amount by HK$193 million (US$25 million)
- A delay in project commencement by 1 year would decrease the recoverable amount by HK$138 million (US$18 million)

These sensitivities are based on a change in the relevant assumption while holding other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Impairment assessment of non-current assets of PT. West Point Terminal (Continued)

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

Interests in joint ventures and associates are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Given a number of internal and external impairment indicators identified in the investment in Vesta Terminal B.V. ("**Vesta**"), a joint venture, the Group further assessed the recoverable amount in Vesta amounted to HK$1,392 million (Euro 159 million) based on value in use amounts estimated using discounted cash flow model. The value-in-use calculation was based on the key assumptions, including (i) forecast revenue which was mainly based on committed revenue contracts, (ii) revenue growth rates ranged from 2% to 5% for the first five years and a terminal growth rate of 2% have been used in estimating cash flows beyond a period of ten years with reference to relevant market indexes, (iii) post-tax discount rate of 6.3% per annum which is based on estimated cost of capital reflecting the current market assessment of the time value of money.

Management projected the cash flows based on a financial projection of 10 years which incorporated the cash flows from a future committed capital investment project in a more accurate manner. In the first five years of the model, free cash flows are based on approved budget and plan. For the subsequent five years of the model, data is extrapolated generally using simplified assumptions such as capital expenditure and terminal growth rate. Cash flows after the first ten-year period are extrapolated generally using terminal growth rate, in order to calculate the terminal value.

The results of the value-in-use calculation indicates a minimal headroom remains. The valuation is highly sensitive to certain key assumptions, in particular, revenue and discount rate. The valuation will further reduce the headroom following the changes of certain key assumptions such as:

- A 2% decrease in revenue will result in an impairment of HK$36 million (Euro 4 million)

- A 10 basis points increase in the discount rate would reduce the headroom to HK$30 million (Euro 3 million)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

These sensitivity analysis are based on a change in the relevant assumption while holding other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated.

No impairment indicators were identified by the management for the investments in joint ventures and associates other than Vesta.

(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 have been identified by the Group's chief operating decision-maker and 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.

5 SEGMENT REPORTING (CONTINUED)

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

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

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

Segment assets included all assets, except for cash and bank balances, investment properties, dividend receivables from joint ventures, right-of-use assets – properties in Hong Kong and prepaid land lease payments in Indonesia, unallocated trade and other receivables and property, plant and equipment. Segment liabilities exclude unallocated trade and other payables, lease liabilities, 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.

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

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

In addition to receiving segment information concerning segment results, management is also provided with segment information concerning bank interest income, depreciation and amortisation and capital expenditures used by the segments in their operations.

5 SEGMENT REPORTING (CONTINUED)

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 follows:

(a) Segment results, assets and liabilities

(i) As at and for the year ended 31 December 2019:

Year ended 31 December 2019

	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	479,058	–	851,801	1,330,859
– Recognised over time	116,519	–	–	116,519
	595,577	–	851,801	1,447,378
Inter-segment revenue	–	–	–	–
Revenue from external customers	595,577	–	851,801	1,447,378
Segment results				
– Company and subsidiaries	253,110	–	265,592	518,702
– Joint ventures	806,678	84,533	–	891,211
– Associates	181,257	4,145	–	185,402
	1,241,045	88,678	265,592	1,595,315
Unallocated other corporate expenses				(101,565)
Profit before income tax				1,493,750
Income tax expenses				(209,346)
Profit for the year				1,284,404
Other segment items				
Bank interest income	337	–	2,268	2,605
Depreciation and amortisation	(129,583)	–	(264,427)	(394,010)
Capital expenditures	(47,360)	–	(21,143)	(68,503)

5 SEGMENT REPORTING (CONTINUED)

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

(i) As at and for the year ended 31 December 2019: (Continued)

As at 31 December 2019

	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	1,969,974	–	4,545,362	6,515,336
– Joint ventures	6,035,441	778,532	–	6,813,973
– Associates	888,355	66,639	–	954,994
	8,893,770	845,171	4,545,362	14,284,303
Unallocated assets				
– Cash and bank balances				223,484
– Trade and other receivables				15,668
– Investment properties				43,329
– Right-of-use assets				
• properties in Hong Kong				5,081
• prepaid land lease payments in Indonesia				582,707
– Dividend receivable from joint ventures				446,540
– Property, plant and equipment				95,645
				1,412,454
Total assets				15,696,757
Segment liabilities	79,802	–	1,963,260	2,043,062
Unallocated liabilities				
– Trade and other payables				576,836
– Borrowings				710,088
– Lease liabilities				5,185
– Deferred income tax liabilities				146,724
				1,438,833
Total liabilities				3,481,895

5 SEGMENT REPORTING (CONTINUED)

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

(ii) 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
– Joint ventures	746,968	78,626	–	825,594
– Associates	143,958	7,331	–	151,289
	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)

(ii) 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
– Joint ventures	6,072,477	830,496	–	6,902,973
– Associates	796,069	70,642	–	866,711
	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)

(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

	2019 **HK$'000**	2018 HK$'000
The People's Republic of China (the "**PRC**")	**1,447,378**	1,655,633

Capital expenditures

	2019 **HK$'000**	2018 HK$'000
The PRC	**68,503**	15,594

Non-current assets

	2019 **HK$'000**	2018 HK$'000
The PRC	**10,865,920**	11,188,093
Europe	**1,332,031**	1,371,309
Indonesia	**668,846**	686,020
Hong Kong	**872,430**	924,871
United Arab Emirates	**523,727**	545,485
Other regions	**688**	738
	14,263,642	14,716,516

5 SEGMENT REPORTING (CONTINUED)

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

Total assets

	2019 HK$'000	2018 HK$'000
The PRC	**11,737,442**	12,399,061
Europe	**1,332,031**	1,371,309
Indonesia	**774,073**	792,775
Hong Kong	**1,328,796**	987,245
United Arab Emirates	**523,727**	545,485
Other regions	**688**	738
	15,696,757	16,096,613

(c) Major customers

For the purpose of disclosure under segment reporting, one customer (including Sinopec Natural Gas Branch Company, China Petroleum & Chemical Corporation Guangzhou Branch and Sinopec Fuel Oil Sales Corporation Limited) from crude oil jetty services and natural gas pipeline transmission services has transactions that exceeded 93% (2018: 92%) of the Group's revenue, amounted to approximately HK$1,343,607,000 (2018: HK$1,528,036,000). This customer mainly operates in the PRC.

6 REVENUE

	2019 HK$'000	2018 HK$'000
Provision of services:		
– Crude oil jetty and storage services	**595,577**	655,699
– Natural gas pipeline transmission services	**851,801**	999,934
	1,447,378	1,655,633

7 OTHER INCOME AND OTHER GAINS, NET

	2019 HK$'000	2018 HK$'000
Other income:		
– Rental income from investment properties	**6,885**	7,433
– Government grants:		
– Value-added tax refund	**59,521**	52,875
– Amortisation of deferred government grant	**1,232**	280
– Interest income from loans to:		
– Joint ventures	**52,477**	47,137
– An associate	**3,540**	3,722
– Management fee income from a joint venture	**3,396**	3,484
	127,051	114,931
Other gains/(losses):		
– Net foreign exchange (loss)/gain	**(15,304)**	20,364
– Net loss on disposal of property, plant and equipment	**(420)**	(1,673)
– Others	**1,705**	(49)
	(14,019)	18,642
	113,032	133,573

NOTES TO THE *Financial Statements*

8 EXPENSES BY NATURE

	2019 HK$'000	2018 HK$'000
Depreciation and amortisation		
– properties, plant and equipment (Note 17)	**388,596**	418,628
– investment properties (Note 18)	**2,994**	3,066
– right-of-use assets (Note 16)	**25,080**	–
Amortisation of prepaid land lease payments	**–**	18,059
Employee benefit expenses, including directors' remuneration (Note 9)	**105,750**	99,377
Auditor's remuneration		
– the Company	**2,240**	2,275
– subsidiaries	**4,361**	4,356
– over-provisions of prior years	**(459)**	–
Operating lease charges: minimum lease payments		
– hire of a property	**1,363**	9,804

9 EMPLOYEE BENEFIT EXPENSES

	2019 HK$'000	2018 HK$'000
Wages, salaries and other benefits (Note)	**96,038**	91,312
Retirement benefit scheme contributions	**9,712**	8,065
	105,750	99,377

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.

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

The Group's subsidiaries established in the PRC 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 2019, 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 2019 and 2018 are as follows:

	Number of individuals	
	2019	2018
Directors	**1**	1
Non-director individuals	**4**	4
	5	5

Details of emoluments to non-director individuals:

	2019	2018
	HK$'000	HK$'000
Salaries and other benefits in kind	**5,606**	4,820
Bonuses	**4,254**	3,140
	9,860	7,960

	Number of individuals	
	2019	2018
Emolument bands		
HK$1,500,001 –HK$2,000,000	**1**	2
HK$ 2,000,001 – HK$ 3,000,000	**4**	2
	5	4

NOTES TO THE *Financial Statements*

10 FINANCE COSTS, NET

	Note	2019 HK$'000	2018 HK$'000
Finance income:			
– Deposits at bank and related financial institutions		**2,636**	3,168
Finance costs:			
– from borrowings		**(117,855)**	(152,020)
– from lease liabilities	16	**(1,015)**	–
		(118,870)	(152,020)

11 SUBSIDIARIES

The following is a list of subsidiaries as at 31 December 2019 and 2018:

	Place of incorporation/ establishment and type 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 2019	% held by the Group in 2018	**% held by non-controlling interests in 2019**	% held by non-controlling interests in 2018
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%
Sinopec Yu Ji Pipeline Company Limited ("**Yuji Pipeline Company**") (中石化榆濟管道有限責任公司)	The PRC/Limited liability company	Natural gas pipeline transmission services	Registered capital RMB1,000,000,000	**100%**	100%	**–**	–

11 SUBSIDIARIES (CONTINUED)

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

	2019 **HK$'000**	2018 HK$'000
Cost of unlisted investments	**419,030**	419,030
Share of:		
– Post-acquisition results	**1,037,728**	852,326
– Other comprehensive income	**(94,314)**	(72,842)
Dividend received	**(458,231)**	(384,916)
Share of net assets	**904,213**	813,598
Loan granted to an associate	**50,781**	53,113
	954,994	866,711

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.

12 INTERESTS IN ASSOCIATES (CONTINUED)

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

	Note	Principal activities	Place of incorporation/ establishment	Particulars of issued and paid up capital/ registered capital	Proportion of ordinary shares and voting powers at 31 December **% held by the Group in 2019**	 % held by the Group in 2018
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	Ordinary shares of US$5,000,000	**30%**	30%

(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.

12 INTERESTS IN ASSOCIATES (CONTINUED)

Summarised Statement of Financial Position

	Zhan Jiang Port Petrochemical Terminal	
	2019	2018
	HK$'000	HK$'000
Current		
Cash and cash equivalents	**185,239**	99,996
Other current assets	**24,500**	32,709
Total current assets	**209,739**	132,705
Financial liabilities (excluding trade payables)	**(114,542)**	(163,777)
Other current liabilities	**(33,442)**	(104,236)
Total current liabilities	**(147,984)**	(268,013)
Non-current		
Assets	**1,803,110**	1,817,720
Financial liabilities	**(88,153)**	(90,275)
Total non-current assets	**1,714,957**	1,727,445
Net assets	**1,776,712**	1,592,137

NOTES TO THE *Financial Statements*

12 INTERESTS IN ASSOCIATES (CONTINUED)

Summarised Income Statement and Statement of Comprehensive Income

	Zhan Jiang Port Petrochemical Terminal	
	2019	2018
	HK$'000	HK$'000
Revenue	**660,395**	665,751
Depreciation and amortisation	**(47,902)**	(47,015)
Interest income	**1,073**	831
Interest expense	**(178)**	(7,684)
Other expenses	**(229,332)**	(229,510)
Profit before income tax	**384,056**	382,373
Income tax expense	**(21,541)**	(95,426)
Profit after tax	**362,515**	286,947
Other comprehensive loss	**(40,264)**	(76,278)
Total comprehensive income	**322,251**	210,669
Dividends received from the associate	**68,838**	70,452

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	
	2019	2018
	HK$'000	HK$'000
Net assets	**1,776,712**	1,592,137
Interest in an associate (%)	**50%**	50%
Group's share of net assets in an associate	**888,356**	796,069
Carrying value	**888,356**	796,069

12 INTERESTS IN ASSOCIATES (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.

	2019 HK$'000	2018 HK$'000
Share of profit	**4,144**	7,332
Share of other comprehensive income	**(1,340)**	(3,500)
Share of total comprehensive income	**2,804**	3,832
Carrying amount of interest in the associate	**15,857**	17,529

13 INTERESTS IN JOINT VENTURES

	2019 HK$'000	2018 HK$'000
Cost of unlisted investments	**4,468,763**	4,468,763
Share of:		
– post-acquisition results	**4,620,687**	3,729,476
– other comprehensive income	**(832,602)**	(640,976)
Dividend received/receivable	**(2,499,902)**	(1,765,390)
Share of net assets	**5,756,946**	5,791,873
Loans granted to joint ventures	**1,057,027**	1,111,100
	6,813,973	6,902,973

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.

NOTES TO THE *Financial Statements*

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 2019	Proportion of ordinary shares and voting powers at 31 December: % held by the Group in 2018
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 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 had conducted a fair value assessment of identifiable assets of the investment and goodwill, totalled HK$55,844,000 was recognised in the interests in joint ventures in year 2013.

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 Euro 128,600,000 (equivalent to approximately HK$1,377,682,000). The acquisition was completed in April 2013. The directors of the Company had conducted a fair value assessment of identifiable assets of the investment and goodwill, totalled HK$493,400,000 was recognised in the interests in joint ventures in year 2013.

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 Statement of Financial Position

	Vesta		Qingdao Shihua		Rizhao Shihua		Caofeidian Shihua	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current								
Cash and cash equivalents	**90,960**	144,521	**910,562**	343,974	**83,704**	321,632	**40,811**	99,562
Other current assets	**21,578**	26,864	**73,523**	107,998	**178,446**	386,413	**4,149**	17,819
Total current assets	**112,538**	171,385	**984,085**	451,972	**262,150**	708,045	**44,960**	117,381
Financial liabilities (excluding trade payables)	**(1,757)**	(69,439)	**(156,212)**	(314,413)	**(123,277)**	(923,471)	**(3,521)**	(3,581)
Other current liabilities	**(77,281)**	(12,883)	**(590,957)**	(100,964)	**(19,030)**	(97,234)	**(8,922)**	(90,020)
Total current liabilities	**(79,038)**	(82,322)	**(747,169)**	(415,377)	**(142,307)**	(1,020,705)	**(12,443)**	(93,601)
Non-current								
Assets	**2,024,580**	1,785,418	**2,994,113**	3,299,401	**2,754,467**	2,915,755	**458,940**	522,870
Financial liabilities	**(328,927)**	(59,650)	**–**	–	**–**	–	**–**	–
Other liabilities	**(51,890)**	(59,011)	**–**	–	**–**	–	**–**	–
Total non-current net assets	**1,643,763**	1,666,757	**2,994,113**	3,299,401	**2,754,467**	2,915,755	**458,940**	522,870
Net assets	**1,677,263**	1,755,820	**3,231,029**	3,335,996	**2,874,310**	2,603,095	**491,457**	546,650

13 INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised Income Statement and Statement of Comprehensive Income

	Vesta		Qingdao Shihua		Rizhao Shihua		Caofeidian Shihua	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Revenue	**367,789**	432,580	**1,995,427**	2,308,979	**595,507**	638,356	**207,240**	225,625
Depreciation and amortisation	**(137,665)**	(139,778)	**(152,980)**	(180,778)	**(71,831)**	(49,182)	**(35,266)**	(35,479)
Interest income	**546**	258	**10,171**	5,545	**–**	5,598	**837**	277
Interest expense	**(8,636)**	(6,651)	**–**	–	**(7,373)**	–	**–**	–
Other expenses	**(212,061)**	(261,014)	**(719,100)**	(1,100,154)	**(128,878)**	(202,460)	**(66,092)**	(55,328)
Profit before income tax	**9,973**	25,395	**1,133,518**	1,033,592	**387,425**	392,312	**106,719**	135,095
Income tax expense	**(10,531)**	(18,405)	**(254,206)**	(239,736)	**(52,491)**	(64,181)	**(26,453)**	(33,698)
Profit/(loss) after tax	**(558)**	6,990	**879,312**	793,856	**334,934**	328,131	**80,266**	101,397
Other comprehensive losses	**(69,248)**	(113,886)	**(91,199)**	(206,332)	**(63,719)**	(125,868)	**(11,788)**	(27,202)
Total comprehensive income	**(69,806)**	(106,896)	**788,113**	587,524	**271,215**	202,263	**68,478**	74,195

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).

Reconciliation of summarised financial information

	Vesta		Qingdao Shihua		Rizhao Shihua		Caofeidian Shihua	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Opening net assets	**1,755,820**	1,871,630	**3,335,996**	3,480,691	**2,603,095**	2,400,830	**546,650**	626,648
Profit for the year	**(558)**	6,990	**879,312**	793,856	**334,934**	328,131	**80,266**	101,397
Other comprehensive income	**(69,248)**	(113,885)	**(91,199)**	(206,332)	**(63,719)**	(125,866)	**(11,788)**	(27,202)
Dividend declared	**(8,752)**	(8,915)	**(893,080)**	(732,219)	**–**	–	**(123,671)**	(154,193)
Closing net assets	**1,677,262**	1,755,820	**3,231,029**	3,335,996	**2,874,310**	2,603,095	**491,457**	546,650
Interests in Joint Ventures (%)	**50%**	50%	**50%**	50%	**50%**	50%	**90%**	90%
Group's share of net assets in joint ventures	**838,631**	877,910	**1,615,515**	1,667,998	**1,437,155**	1,301,547	**442,311**	491,985
Goodwill	**493,400**	493,400	**7,609**	7,609	**4,237**	4,237	**8,829**	8,829
Carrying value	**1,332,031**	1,371,310	**1,623,124**	1,675,607	**1,441,392**	1,305,784	**451,140**	500,814

13 INTERESTS IN JOINT VENTURES (CONTINUED)

Reconciliation of summarised financial information (Continued)

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

	2019 **HK$'000**	2018 HK$'000
Share of profit	**212,128**	169,848
Share of other comprehensive income	**(68,934)**	(114,389)
Share of total comprehensive income	**143,194**	55,459
Carrying amount of interests in these joint ventures	**909,259**	938,358

Commitments and contingent liabilities in respect of joint ventures

The Group has the following commitments relating to its joint ventures as at 31 December 2019 and 2018:

	2019 **HK$'000**	2018 HK$'000
Share of joint ventures' capital commitments		
– Contracted for	**6,552**	2,901

As at 31 December 2019, the Group provided a guarantee of US$30 million (equivalent to approximately HK$234 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.

Other than those disclosed above, there were no contingent liabilities relating to the Group's interests in the joint ventures as at 31 December 2019 (2018: Nil).

14 INCOME TAX EXPENSES

	Note	2019 HK$'000	2018 HK$'000
Current income tax:			
– Hong Kong profits tax	(b)	**4,230**	4,248
– PRC corporate income tax	(c)	**129,204**	162,186
		133,434	166,434
Deferred income tax charged	(d), 28	**75,912**	60,560
		209,346	226,994

(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% (2018: 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 (2018: 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% (2018: 5%).

14 INCOME TAX EXPENSES (CONTINUED)

(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:

	2019 **HK$'000**	2018 HK$'000
Profit before income tax	**1,493,750**	1,488,402
Less: Share of results of joint ventures	**(891,211)**	(825,594)
Share of results of associates	**(185,402)**	(151,289)
	417,137	511,519
Tax calculated at domestic tax rates applicable to profits in the respective tax jurisdictions	**115,249**	142,226
Income not subject to tax	**(5,685)**	(5,732)
Expenses not deductible for tax purposes	**17,218**	20,126
Deferred income tax on undistributed profits	**75,177**	57,127
Over-provision in prior years	**492**	(3)
Tax losses not recognised	**6,895**	13,250
Income tax expenses	**209,346**	226,994

15 EARNINGS PER SHARE

	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	**1,285,111**	1,262,071
Weighted average number of ordinary shares in issue (shares '000)	**2,486,160**	2,486,160
Basic earnings per share (HK cents per share)	**51.69**	50.76

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 RIGHT-OF-USE ASSETS AND PREPAID LAND LEASE PAYMENTS

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2019 HK$'000	As at 1 January 2019 HK$'000
Right-of-use assets		
Properties	**18,349**	25,926
Prepaid land lease payments	**628,996**	651,206
Total right-of-use assets	**647,345**	677,132

	As at 31 December 2019 HK$'000	As at 1 January 2019 HK$'000
Lease liabilities		
Current	**6,923**	6,418
Non-current	**11,709**	19,508
	18,632	25,926

For adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to Note 2.2

(ii) Amounts recognised in the consolidated statement of comprehensive income

	Notes	2019 HK$'000	2018 HK$'000
Amortisation of right-of-use assets by class of underlying asset			
Properties		**7,304**	–
Prepaid land lease payments		**17,776**	–
	8	**25,080**	–
Finance costs		**1,015**	–

The total cash outflow for leases in 2019 was HK$7,959,000 (see Note 25(b)).

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 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

	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 2019										
Opening net book amount	**30,953**	**–**	**635,645**	**668,400**	**3,537,206**	**870,829**	**37,832**	**26,269**	**405,261**	**6,212,395**
Currency translation differences	**(731)**	**–**	**(12,863)**	**(13,869)**	**(74,853)**	**(17,960)**	**12**	**(403)**	**(8,523)**	**(129,190)**
Additions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**68,503**	**68,503**
Disposals	**–**	**–**	**–**	**(56)**	**–**	**(77)**	**(160)**	**(192)**	**–**	**(485)**
Transfers	**–**	**–**	**–**	**2,350**	**–**	**2,545**	**1,474**	**–**	**(6,369)**	**–**
Depreciation charge	**(1,896)**	**–**	**(57,406)**	**(52,079)**	**(152,395)**	**(112,916)**	**(4,044)**	**(7,860)**	**–**	**(388,596)**
Closing net book amount	**28,326**	**–**	**565,376**	**604,746**	**3,309,958**	**742,421**	**35,114**	**17,814**	**458,872**	**5,762,627**
At 31 December 2019										
Cost	**67,549**	**477**	**1,665,859**	**1,573,190**	**5,259,389**	**1,565,925**	**177,938**	**148,158**	**458,872**	**10,917,357**
Accumulated depreciation	**(39,223)**	**(477)**	**(1,100,483)**	**(968,444)**	**(1,949,431)**	**(823,504)**	**(142,824)**	**(130,344)**	**–**	**(5,154,730)**
Net book amount	**28,326**	**–**	**565,376**	**604,746**	**3,309,958**	**742,421**	**35,114**	**17,814**	**458,872**	**5,762,627**

18 INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
At 1 January	**57,299**	61,988
Depreciation charge for the year	**(2,994)**	(3,066)
Currency translation difference	**(699)**	(1,623)
At 31 December	**53,606**	57,299

As at 31 December 2019, the Group had no contractual obligations for future repairs and maintenance (2018: Nil).

All investment properties of the Group are carried at their costs less accumulated depreciation and any accumulated impairment losses as at 31 December 2019. 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 2019 is estimated to be HK$186,312,000 (2018: HK$187,860,000). 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 2019 and 2018. The following table analyses the investment properties measured at fair value, by valuation method.

Fair value hierarchy

	Fair value measurements As at 31 December 2019 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
Investment properties:			
– Residential (HK and Macau)	–	–	117,100
– Commercial (PRC)	–	–	69,212
	–	–	186,312

18 INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

	Fair value measurement 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
Investment properties:			
– Residential (HK and Macau)	–	–	117,100
– Commercial (PRC)	–	–	70,760
	–	–	187,860

For office units, the valuation was determined using the direct 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. Leases run mostly for a period of two years. None of the leases includes contingent rentals.

(a) Amounts recognised in income statement for investment properties

	2019 HK$'000	2018 HK$'000
Rental income	6,885	7,432
Direct operating expenses from property that generated rental income	(92)	(203)
	6,793	7,229

19 TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables		
– An intermediate holding company and a fellow subsidiary	**627,489**	923,937
– Bills receivables	**–**	18,261
– Others	**3,064**	2,543
	630,553	944,741
Other receivables		
– Dividend receivables from joint ventures	**446,540**	51,360
– Others	**60,292**	46,201
	506,832	97,561
	1,137,385	1,042,302

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

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

	2019 HK$'000	2018 HK$'000
Within 1 month	**111,691**	143,720
1 to 2 months	**38,513**	71,830
2 to 3 months	**29,972**	10,094
3 to 12 months	**450,377**	334,037
Over 12 months	**–**	385,060
	630,553	944,741

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

	2019 HK$'000	2018 HK$'000
HK$	**4,632**	4,589
RMB	**1,121,718**	1,024,773
US$	**11,035**	12,940
	1,137,385	1,042,302

NOTES TO THE *Financial Statements*

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables are due from subsidiaries of Sinopec Group and a number of state-controlled customers which have no recent history of default.

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

	2019 HK$'000	2018 HK$'000
Natural gas (Note)	**53,618**	–
Spare parts	**18,628**	17,110
	72,246	17,110

Note:

On 18 November 2019, Sinopec Yu Ji Pipeline Company Limited entered into a supplement agreement to the Services Outsourcing Framework Master Agreement with Sinopec Natural Gas Branch Company for the purchase of 23.33 million cubic meter of natural gas, amounted to RMB52 million (equivalent to approximately HK$58 million), with 9% VAT inclusive, as a minimum amount of natural gas necessary to permit the production facility to maintain its operation.

Such minimum amount of natural gas which used to be carried by Sinopec Natural Gas Branch Company as inventory was transferred to the Group by reference to industry practices, to pursue a better management of such inventory for the provision of natural gas pipeline transmission service.

21 CASH AND BANK BALANCES

	2019 HK$'000	2018 HK$'000
Cash at bank and on hand	**4,276**	2,018
Deposits at related financial institutions at call	**126,197**	224,195
Cash and cash equivalents	**130,473**	226,213
Restricted bank balances	**93,011**	94,472
Total cash and bank balances	**223,484**	320,685

Deposits at related financial institutions primarily represent deposits placed at Century Bright and Sinopec Finance Co., Ltd, 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 in Indonesia. As of 31 December 2019, no authorised person can access the relevant bank balances until the establishment of the new board of directors of PT. West Point.

21 CASH AND BANK BALANCES (CONTINUED)

In January 2020, the first meeting of the new board of directors of PT. West Point has been held and management has gained access to part of the bank balances of PT. West Point of HK$10.7 million. The remaining balances of HK$82.3 million deposited at China Citic Bank International remain restricted as of the date of this report.

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

	2019 **HK$'000**	2018 HK$'000
RMB	**124,153**	220,506
US$	**94,927**	98,675
HK$	**4,187**	1,406
Euro	**38**	64
Others	**179**	34
	223,484	320,685

22 SHARE CAPITAL

	2019		2018	
	Number of Shares '000	**Amounts HK$'000**	Number of Shares '000	Amounts HK$'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

NOTES TO THE *Financial Statements*

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 were 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 reserve 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 amounted 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 annual turnover of crude oil jetty services and natural gas pipeline transmission services in the PRC.

24 DIVIDENDS

	2019 **HK$'000**	2018 HK$'000
Interim dividend declared and paid of HK8 cents (2018: HK5 cents) per ordinary share	**198,893**	124,308
Final dividend proposed of HK12 cents (2018: HK10 cents) per ordinary share	**298,339**	248,616
	497,232	372,924

A final dividend in respect of the year ended 31 December 2019 of HK12 cents per share, amounting to a total dividend of HK$298,339,000 is to be proposed at the annual general meeting on 18 June 2020. These financial statements do not reflect this dividend payable.

25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Note	2019 HK$'000	2018 HK$'000
Profit before income tax		**1,493,750**	1,488,402
Adjustments for:			
Depreciation and amortisation			
– Property, plant and equipment	17	**388,596**	418,628
– Investment properties	18	**2,994**	3,066
– Right-of-use assets	16	**25,080**	–
Amoritsation of deferred government grant		**(1,232)**	(280)
Amortisation of prepaid land lease payments	8	**–**	18,059
Finance costs	10	**118,870**	152,020
Interest income	10	**(2,636)**	(3,168)
Net loss on disposal of property, plant and equipment	7	**420**	1,673
Share of results of joint ventures	13	**(891,211)**	(825,594)
Share of results of associates	12	**(185,402)**	(151,289)
Changes in working capital:			
Increase in inventories		**(56,477)**	(2,611)
Decrease in trade and other receivables		**213,617**	37,131
Decrease in trade and other payables		**(57,183)**	(17,926)
Cash generated from operations		**1,049,186**	1,118,111

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

	2019 HK$'000	2018 HK$'000
Net book amount (Note 17)	**485**	1,724
Loss on disposal of property, plant and equipment	**(420)**	(1,673)
Proceeds from disposal of property, plant and equipment	**65**	51

NOTES TO THE *Financial Statements*

25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Trade and other payables HK$'000	Borrowings HK$'000	Finance cost payable HK$'000	Dividend payable HK$'000	Lease liabilities HK$'000	Total HK$'000
Balance at 1 January 2019	–	3,673,325	3,072	25	–	3,676,422
Recognition on adoption of HKFRS 16	–	–	–	–	25,926	25,926
Changes from financing cash flows	–					
Proceeds from borrowings	–	1,585,791	–	–	–	1,585,791
Repayments of borrowings	–	(2,697,767)	–	–	–	(2,697,767)
Repayment of lease liabilities (Note 16)	–	–	–	–	(7,959)	(7,959)
Finance cost paid	–	–	(118,313)	–	–	(118,313)
Dividend paid	–	–	–	(447,509)	–	(447,509)
Net settlement of amount due to an immediate holding company	314,306	–	–	–	–	314,306
Total changes from financing cash flows	314,306	(1,111,976)	(118,313)	(447,509)	(7,959)	(1,371,451)
Non-cash changes	–					
Acquisition – leases	–	–	–	–	286	286
Net exchange and translation difference	–	(42,855)	(89)	–	(636)	(43,580)
Finance cost charged to profit or loss	–	–	117,855	–	1,015	118,870
Dividend declared	–	–	–	447,509	–	447,509
Balance at 31 December 2019	314,306	2,518,494	2,525	25	18,632	2,853,982

25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	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 costs 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

26 TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables		
– Fellow subsidiaries	**83,403**	37,686
– Others	**51,540**	81,999
	134,943	119,685
Other payables		
– Amounts due to immediate, intermediate holding companies and fellow subsidiaries	**541,982**	273,655
– Accrued charges	**85,632**	116,256
	627,614	389,911
	762,557	509,596

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:

	2019 HK$'000	2018 HK$'000
Current to 30 days	**116,970**	91,145
31 to 60 days	**17,973**	28,540
	134,943	119,685

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

	2019 HK$'000	2018 HK$'000
HK$	**506,524**	274,659
RMB	**208,823**	186,451
US$	**18,943**	20,059
SGD	**28,267**	28,427
	762,557	509,596

27 BORROWINGS

	Note	2019 HK$'000	2018 HK$'000
Current			
– Entrusted loan	(a)	**1,808,406**	2,054,325
– A related financial institution	(b)	**710,088**	1,619,000
		2,518,494	3,673,325

At 31 December 2019 and 2018, the borrowings were repayable as follows:

	2019 HK$'000	2018 HK$'000
Within 1 year	**2,518,494**	3,673,325

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

	2019 HK$'000	2018 HK$'000
HK$	**710,088**	1,619,000
RMB	**1,808,406**	2,054,325
	2,518,494	3,673,325

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 a fixed rate of 4.275% (2018: floating 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 is wholly repayable by 26 June 2020.

(b) As at 31 December 2019, the Group has standby credit facilities with Century Bright, amounting to US$500 million, equivalent to approximately HK$3,893 million on an unsecured basis, at a weighted average interest rate of 2.59% per annum. At 31 December 2019, the Group's outstanding borrowings under these facilities were US$91 million, equivalent to approximately HK$710 million and were included in short-term borrowings. As at 31 December 2019, the undrawn borrowing facilities provided by a related financial institution was US$409 million, equivalent to approximately HK$3,183 million.

28 DEFERRED INCOME TAX LIABILITIES

The gross movements on the deferred income tax account is 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 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
At 1 January 2019	32,396	55,555	5,745	36,603	130,299
Charged to income statement (Note 14)	38,191	34,758	2,228	735	75,912
Withholding tax	(39,750)	(13,112)	(3,442)	–	(56,304)
Exchange differences	(683)	(1,585)	(100)	(815)	(3,183)
At 31 December 2019	30,154	75,616	4,431	36,523	146,724

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$473,900,000 (2018: HK$431,178,000), 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 ("**ICC Court**"). The requests for arbitration had been filed respectively 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 land use rights leased to PT. West Point. The claimants' requests arose respectively, from a shareholders' agreement ("**SHA**") dated 9 October 2012 entered into between Sinomart Development, a subsidiary of the Group and PT. MAS for the establishment of PT. West Point, and from a land lease agreement ("**LLA**") dated 9 October 2012 entered into between PT. West Point and PT. BS.

Since then, the arbitral tribunal was established and certain submissions were filed by the parties in the arbitration. Starting from 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 filed replies to these post-hearing briefs in early March 2019. An additional day of closing hearing was held on 20 April 2019, during which the parties addressed the Tribunal's questions. Subsequent to the closing hearing on 20 April 2019, both parties filed their statements of costs on 5 July 2019.

On 4 December 2019, Sinomart Development and PT.West Point received two notification of arbitral awards issued by the ICC Court. In the arbitral award concerning the LLA, the arbitral tribunal decided to dismiss all of PT. BS' claims and held that PT. West Point had the right to terminate the LLA due to PT. BS's material breaches of the LLA. The arbitral tribunal also ruled that, upon termination of the LLA, PT. West Point will be entitled to a refund of the unused portion of the lease fee that it paid to PT. BS under the LLA, which amounts to S$79 million, assuming a termination date as at 31 December 2019.

Furthermore, in the arbitral award concerning the SHA, the arbitral tribunal dismissed all of PT. MAS's claims and held that Sinomart Development and PT. West Point had the right to terminate the SHA due to PT. MAS's repudiatory breaches of the SHA. The arbitral tribunal also ordered PT. MAS to refrain from bringing any proceedings in national courts in breach of the SHA's arbitration agreement contained in the SHA.

Finally, in both awards, the arbitral tribunal ordered PT. BS and PT. MAS to bear all of the arbitration costs of the arbitral tribunal and the ICC in administering the arbitration, as well as 80% of Sinomart Development and PT. West Point's legal costs in connection with the arbitrations, as well as PT. MAS's and PT. BS's own legal costs.

29 CONTINGENCIES (CONTINUED)

Subsequent to the year end in January 2020, to enforce the arbitral awards in the jurisdiction where PT. MAS and PT. BS may have assets, Sinomart Development and PT. West Point have registered the arbitral awards with the District Court of Central Jakarta in accordance with Indonesia Law, which stipulate the procedures of registration and enforcement of the arbitral award in Indonesia.

After taking into consideration of advices provided by the Group's legal counsel, the directors believe that the termination of the LLA and SHA is at the discretion of Sinomart Development and PT.West Point and the arbitral awards are unlikely to be set aside by PT. MAS and PT. BS. Therefore, the directors are of the opinion that the formal arbitral awards received in December 2019 are favorable to the Group. The directors also believe that the favorable arbitral awards would facilitate the commencement of the construction of the project as soon as possible.

Concurrently, management has reached out to Indonesia Government, who is the ultimate owner of the land, aiming to obtain guarantee from relevant authorities on the continuance of the project. With the support from the Indonesian Government, the directors are confident with the continuance of the project and have resolved to continue with the project, barring any unforeseen and uncontrollable circumstances. Accordingly, management has prepared a value-in-use calculation of PT. West Point Terminal project (Note 4(a)) and are of the opinion that no provision is presently required with respect to the arbitrations and the investment.

30 COMMITMENTS

(a) As at 31 December 2019, the outstanding capital commitments not provided for in the financial statements were as follows:

	2019 **HK$'000**	2018 HK$'000
Contracted for but not provided for	**253,601**	237,503

(b) As at 31 December 2019, the total future minimum lease payments under non-cancellable operating leases were receivable as follows:

	2019 **HK$'000**	2018 HK$'000
Within 1 year	**1,467**	952

31 MATERIAL RELATED PARTY TRANSACTIONS

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

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

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

	2019 HK$'000	2018 HK$'000
Sinomart KTS Development Limited ("Sinomart Development")		
Fees for oil terminals entrusted management to a fellow subsidiary	**(10,755)**	(9,923)
Interest expenses to a fellow subsidiary	**(30,576)**	(41,346)
Interest income from a fellow subsidiary	**19**	19
Kantons International Investment Limited ("KII")		
Interest expenses to a fellow subsidiary	**–**	(1,787)
Interest income from a fellow subsidiary	**12**	2
Huizhou Daya Bay Huade Petrochemical Company Limited ("Huade Petrochemical")		
Jetty service fees from an intermediate holding company (Note (i)(a))	**506,863**	564,369
Fuel oil jetty service fees from an intermediate holding company (Note (i)(b))	**51,196**	51,230
Insurance premium paid to a fellow subsidiary (Note (i)(c))	**(4,742)**	(3,945)
Interest income from a fellow subsidiary	**317**	411
Sinopec Yu Ji Pipeline Company Limited ("Yu Ji Pipeline Company")		
Natural gas transmission income from an intermediate holding company and fellow subsidiaries (Note (ii)(a))	**792,483**	810,833
Outsourcing fees to an intermediate holding company (Note (ii)(b))	**(47,750)**	(52,078)
Purchase of natural gas from an intermediate holding company (Note (ii)(b))	**(53,618)**	–
Rental income from leasing of land and building to an intermediate holding company	**4,197**	4,381
Interest income from a fellow subsidiary	**2,263**	2,108
Technical service fees to fellow subsidiaries (Note (ii)(c))	**(11,633)**	(16,918)
Joint venture and associate		
Interest income from:		
– An associate (Note 7)	**3,540**	3,722
– A joint ventures (Note 7)	**52,477**	47,137
Management fees income from a joint venture (Note 7)	**3,396**	3,484

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

The balances with related parties are disclosed in Notes 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) 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 New Sinopec Fuel Oil Sales Company Limited Framework Master Agreement, with reference to, among other factors, law and regulations, market conditions, normal commercial terms, trade customs and the principle of fairness.

(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.

(ii) Yu Ji Pipeline Company

(a) The price for provision of natural gas transmission services were charged by Yu Ji Pipeline Company in accordance with the State-prescribed prices under the Natural Gas Transmission Services Framework Master Agreement.

(b) 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. The Company had entered into a supplemental agreement to the Services Outsourcing Framework Master Agreement for the purchase of natural gas in 2019.

(c) Technical services fees (including internal labour technical services expenses and power technical services expenses) were charged on arm's length negotiation on normal commercial terms with reference to the costs of provision of services and products, and taxes in accordance with the Internal Labour Technical Services Framework Master Agreement and Substation Power Technical Services Framework Master Agreement.

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(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:

	2019 HK$'000	2018 HK$'000
Compensations to key management personnel		
Directors' fees (Note 32(a))	**1,440**	1,361
Salaries, allowances and benefits-in-kind (Note 32(a))	**1,334**	1,370
Bonuses (Note 32(a))	**1,387**	970
Total	**4,161**	3,701

	2019 HK$'000	2018 HK$'000
Rental income received from a director	**–**	48

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

(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

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(i) Transactions with other state-controlled entities

	2019 HK$'000	2018 HK$'000
Jetty service fees received by the Group	**24,332**	26,117

	2019 HK$'000	2018 HK$'000
Prepayment to/amounts due from other state-controlled entities	**10,632**	5,774
Amounts due to other state-controlled entities	**34,844**	27,866

(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:

	2019 HK$'000	2018 HK$'000
Interest income	**25**	659

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

	2019 HK$'000	2018 HK$'000
Cash and cash equivalents	**4,077**	1,844

32 BENEFITS ON INTERESTS OF DIRECTORS

(a) Directors' and chief executives emoluments

The remuneration of the directors for the years ended 31 December 2019 and 2018 are set out below:

2019

	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 Yaohuan (Chairman) (Note)	–	–	–	–	–	–
Chen Bo (Chairman) (Note)	–	–	–	–	–	–
Xiang Xiwen (Deputy Chairman)	–	–	–	–	–	–
Dai Liqi	–	–	–	–	–	–
Li Jianxin	–	–	–	–	–	–
Wang Guotao	–	–	–	–	–	–
Ye Zhijun (Managing Director)	–	993	1,387	341	–	2,721
Independent non-executive directors						
Tam Wai Chu, Maria	360	–	–	–	–	360
Fong Chung, Mark	360	–	–	–	–	360
Wong Yau Kar, David	360	–	–	–	–	360
Wong Pui Sze	360	–	–	–	–	360
	1,440	993	1,387	341	–	4,161

32 BENEFITS ON INTERESTS OF DIRECTORS (CONTINUED)

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

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

Note:

On 20 November 2019, Mr. Chen Bo resigned as executive director and chairman of the Board while Mr. Chen Yaohuan was appointed as executive director and chairman of the Board.

(b) Directors' retirement benefits

No retirement benefits was paid to any director and the chief executive of the Company or its subsidiary undertaking during the year (2018: nil).

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

During the years ended 31 December 2019 and 2018, no emoluments was paid to any director of the Company and the Group as an inducement to join or upon joining the Group, or as compensation for loss of office.

32 BENEFITS ON INTERESTS OF DIRECTORS (CONTINUED)

(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 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of Financial Position of the Company

	Note	As at 31 December 2019 HK$'000	2018 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**6,819,772**	7,290,086
Current assets			
Dividend receivables	(b)	**3,900,000**	–
Cash and cash equivalents		**28**	30
Total assets		**10,719,800**	7,290,116
Equity and liabilities			
Equity attributable to owners of the company			
Share capital		**248,616**	248,616
Reserves	(a)	**10,465,882**	7,034,652
Total equity		**10,714,498**	7,283,268
Liabilities			
Current liabilities			
Trade and other payables		**5,302**	6,848
Total liabilities		**5,302**	6,848
Total equity and liabilities		**10,719,800**	7,290,116

The statement of financial position of the Company was approved by the Board of Directors on 25 March 2020 and was signed on its behalf:

Chen Yaohuan
Chairman

Ye Zhijun
Managing Director

33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
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
At 1 January 2019	**6,300,684**	**242,397**	**491,571**	**7,034,652**
Interim dividends declared in respect of the current year	**–**	**–**	**(198,893)**	**(198,893)**
Total comprehensive income for the year	**–**	**–**	**3,878,739**	**3,878,739**
Final dividends declared in respect of the current year	**–**	**–**	**(248,616)**	**(248,616)**
At 31 December 2019	**6,300,684**	**242,397**	**3,922,801**	**10,465,882**

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 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including the contributed surplus and retained earnings, was HK$4,165,198,000 (2018: HK$733,968,000). After the end of the reporting period the directors proposed a final dividend of HK12 cents (2018: HK10 cents) per ordinary share, amounting to HK$298,339,000 (2018: HK$248,616,000). The dividend has not been recognised as a liability at the end of the reporting period.

(b) Dividend receivable

On 2 September 2019, the subsidiaries of the Company, Sinomart Development and KII, had resolved, to respectively distribute special dividends of HK$3,000 million and HK$900 million to the Company. The dividends had not been paid at the end of the reporting period.

FIVE YEAR *Financial Summary*

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Results					
Revenue	2,043,630	1,766,590	1,729,239	1,655,633	**1,447,378**
Operating profit	730,373	553,961	747,638	660,371	**533,371**
Finance income	14,649	10,421	3,833	3,168	**2,636**
Finance costs	(198,140)	(203,756)	(166,279)	(152,020)	**(118,870)**
Share of results of associates	117,865	135,549	143,331	151,289	**185,402**
Share of results of joint ventures	553,901	644,128	699,178	825,594	**891,211**
Profit before income tax	1,218,648	1,140,303	1,427,701	1,488,402	**1,493,750**
Income tax expenses	(191,730)	(135,317)	(221,045)	(226,994)	**(209,346)**
Profit for the year	1,026,918	1,004,986	1,206,656	1,261,408	**1,284,404**
Assets and liabilities					
Fixed assets	8,489,723	7,616,749	7,700,893	6,946,832	**6,494,675**
Interests in associates	678,586	710,784	838,256	866,711	**954,994**
Interests in joint ventures	6,378,616	6,460,197	7,118,721	6,902,973	**6,813,973**
Net current assets/ (liabilities)	(2,095,487)	(1,720,189)	(1,381,029)	(2,867,297)	**(1,871,948)**
Deferred income tax liabilities	(95,695)	(99,800)	(109,993)	(130,299)	**(146,724)**
Non-current borrowings	(3,938,982)	(3,353,791)	(2,775,452)	–	**–**
Government grants	(4,667)	(13,178)	(21,491)	(20,136)	**(18,399)**
Lease liabilities	–	–	–	–	**(11,709)**
Net assets	9,412,094	9,600,772	11,369,905	11,698,784	**12,214,862**
Equity					
Share capital	248,616	248,616	248,616	248,616	**248,616**
Reserves	9,124,813	9,313,764	11,084,169	11,413,711	**11,930,496**
Non-controlling interests	38,665	38,392	37,120	36,457	**35,750**
Total equity	9,412,094	9,600,772	11,369,905	11,698,784	**12,214,862**
Basic earnings per share for profit attributable to equity holders of the Company	HK41.30 cents	HK40.43 cents	HK48.59 cents	HK50.76 cents	**HK51.69 cents**

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 2019, in line with the Company's 2019 Annual Report.

Reporting Scope

This Report covers Sinopec Kantons Holdings Limited (the "**Company**") and its wholly-owned subsidiaries and controlled subsidiaries (the "**Group**" or "**we**"), namely the Group's Hong Kong headquarters ("**Hong Kong office**"), the Company's wholly-owned subsidiaries — 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 subsidiary of the Company, had not yet commenced construction and commercial operations during the reporting period, it is not included in this Report. Associates and joint ventures of the Company are also outside the scope of this Report.

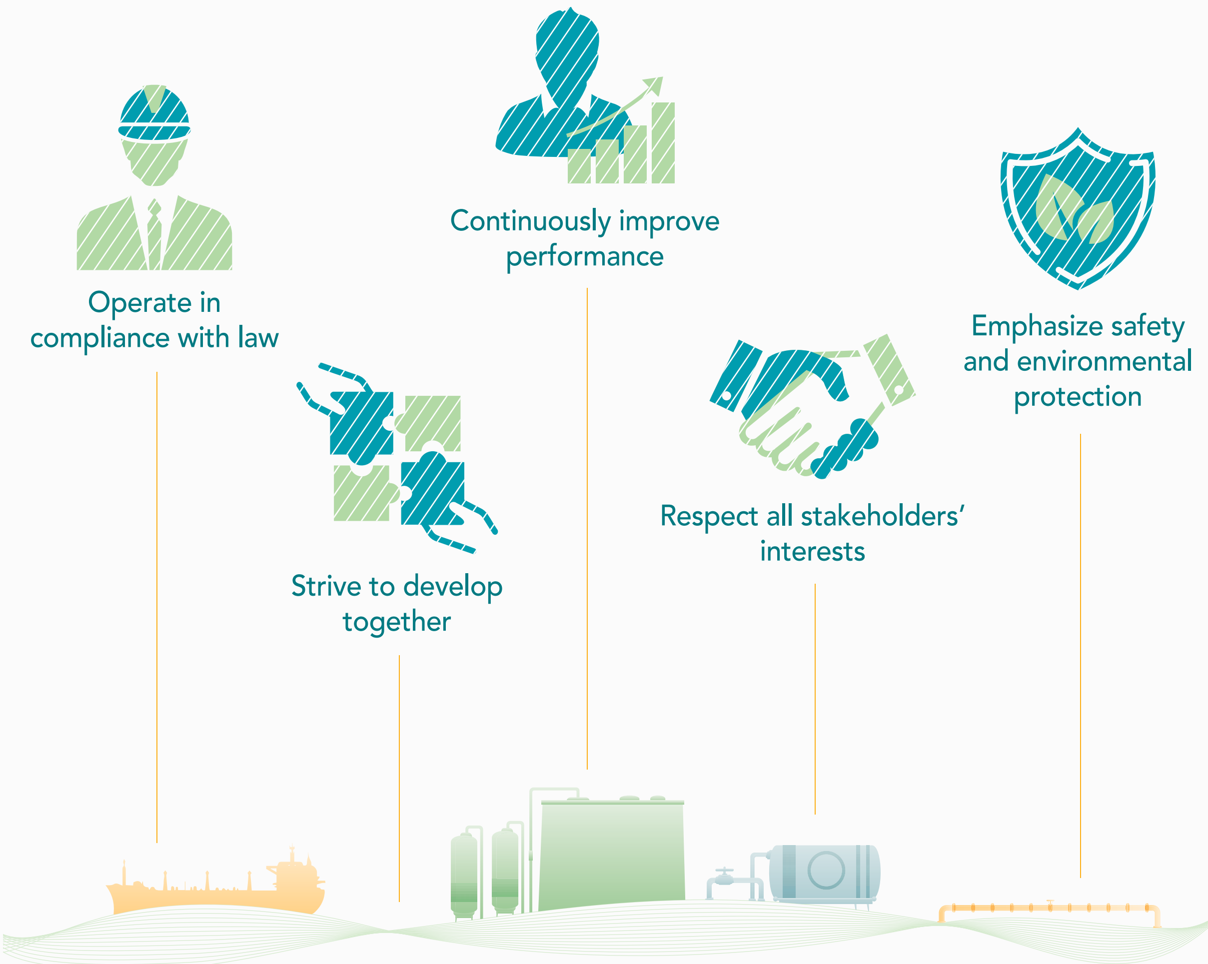
Overview

The Group focuses on the logistics and storage business of oil products and natural gas. The Group is committed to developing into a world-class international petrochemical storage and logistics company, and ensuring a stable supply of energy and petrochemical products for downstream customers. To realise this long-term goal and achieve high-quality sustainable development, the Group relies on support from all segments of society. Therefore, not only does the Group focus on its results performance, but also responds to the interests of all stakeholders, including complying with laws and regulations formulated by the government and regulatory authorities, fostering a fair and just business environment for suppliers, providing customers with efficient and high-quality services, creating satisfactory career development channels and a safe and harmonious working environment for employees, creating value for investors, and contributing to a better society through investment in neighbouring communities. The Group also prizes the natural environment and resources, and ensures that the environmental impact of its operations is minimized. The Group promotes resource conservation, environmental protection and recycling. In 2019, in consideration of “safety, quality and performance”, the Group incorporated the opinions of different stakeholders into its business operations, to bring the corporate development to a new level.

The Board has formulated Working Guidelines for Social Responsibilities which established a work policy of “safety first, people-oriented, environmentally-friendly, sustainable development, and everyone is responsible” with the aim of realizing the harmonization and unification of enterprise development, society and the environment. The Board regularly reviews the Group’s environmental, social and corporate governance works, and meets with relevant risk management and control personnel through the audit committee to review policies pertaining to “Health, Safety, Security and Environment (HSSE)” risk and legal compliance risk, and to ensure that appropriate measures have been taken by the Group to reduce environmental, social and corporate governance risks and achieve high-quality sustainable development.

Environmental, Social and Governance Report

Our Commitments



In 2019, the Group was named the "Capital Outstanding China Crude Oil Jetty and Storage Enterprise" at the 14th Capital Outstanding Chinese Enterprise Award ceremony sponsored by Capital magazine, in recognition of the Group's achievements in the industry.

Highlights in 2019

Annual electricity consumption decreased by 11%	Annual water consumption decreased by 26%	Total annual waste production decreased by 14%
Average training hours per employee 92	Staff members participating in volunteer work 268	Work-related serious injuries and deaths 0
Working Days lost due to work injuries 0	Service complaint rate 0	Corruption cases 0

Achievements

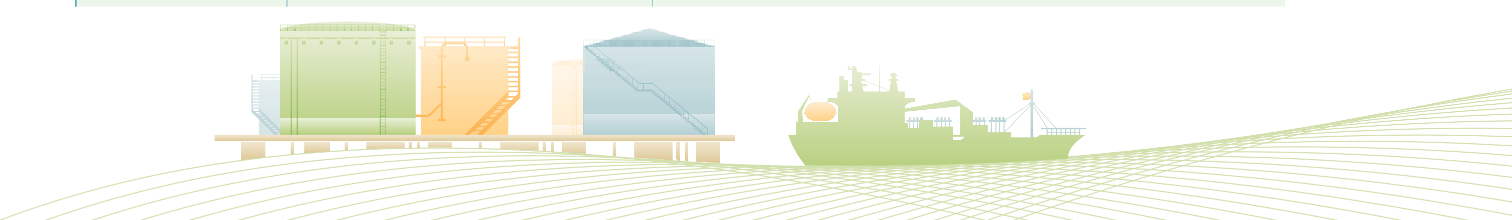
Since its listing, the Group has been committed to fulfilling its corporate social responsibilities. In 2019, the Group was recognized by the Chinese monthly magazine The Mirror and was awarded the eighth "Outstanding Corporate Social Responsibility Award" in recognition of achievements in shareholder commitment, employee care, social connection, environmental protection, leadership and customer commitment.

Environmental, Social and Governance Report

Communicating with Key Stakeholders

Key stakeholders of the Group include the government and regulatory bodies, investors, employees, suppliers and customers, as well as the public and communities. To take the opinions of all stakeholders into consideration, the Group strives to maintain good communications with stakeholders, with stakeholders. The Group collects stakeholders' feedback through a range of channels and incorporates their expectations and evaluations into its routine operations, its rules and regulations and corporate development strategy. Collecting feedback from stakeholders also enhances the planning, management and implementation of the Group's sustainable development strategy.

Stakeholder	Concerns	Major means of communication and action
Government and regulatory bodies	• Compliance and legal operation • Production safety responsibility • Economic contribution • Corporate governance	• Regular reporting to relevant authorities • Site inspection of production units or office sites conducted by government departments representatives
Employees	• Remuneration and benefits • Career development and training • Occupational health and safety	• Regular appraisal and feedback • Regular direct conversations between employees and management • Providing various types of training • Organizing visits and team building activities • Organizing recreational events • Regular work meetings • Setting up of suggestion boxes and conducting surveys to elicit employees' opinions
Investors	• Long-term development strategy • Profitability • Dividend policy	• Regular results announcements • Disclosure of information of company operations in accordance with the Listing Rules • Participation in investor conferences • Annual general meeting and special general meetings • Site visits for investors
Suppliers	• Stable partnerships • Win-win cooperation	• Strict, fair, just and open selection process • Business negotiations • Industry exchanges
Customers	• Production safety • Pricing • Quality assurance and management	• Business negotiations • Customer visits • Daily communication and information exchange
Public and communities	• Support for community construction and public welfare projects • Environmental impact of operations	• Active participation in public welfare activities • Saving energy and reducing resource consumption during production process • Participation in energy saving and waste reduction plans



PRODUCTION SAFETY

The Group is principally engaged in the logistics and storage of oil products and natural gas, and often deals with inflammable, explosive and pollutive petrochemical products. If handled improperly, such products can pose a major threat to the safety of employees, communities and the environment. Production safety is therefore a cornerstone of the Group's operation and development. The Group has formulated an HSSE supervision system with reference to the ISO 14000 environmental management system and ISO 18000 occupational health and safety management system standards, and will continue to improve the system as it establishes the concept of "safety first, priority to environmental protection, physically and mentally healthy, strictness and persistence".

Environmental, Social and Governance Report

In 2019, the Group consistently focused on "risk prevention, harzard elimination, and accident containment" and attained an excellent work safety performance in accordance with its safety management policy "Safety First, Prevention as the key". The Group fully complies with the laws and regulations of its places of operation, and has implemented the safety management rules and regulations of China Petrochemical Corporation ("**Sinopec Group Company**") in combination with the latest safety supervision standards of international oil storage enterprises. The Group's aim is to comprehensively improve its safety risk management while strengthening the checking and handling of safety hazards, and upgrading and rebuilding safety facilities.

During 2019, the Group recorded no work-related fatalities, serious injuries and working days lost as a result of work injuries.

0 Work-related fatalities, serious injuries

0 working days lost as a result of work injuries

Strengthened Safety Controls

To enhance its comprehensive safety management, the Group continued to implement the safety committee system in 2019, including formulating an annual plan, holding monthly meetings and executing day-to-day control. Accordingly, safety committee meetings are convened by the general manager every month to make decisions or issue instructions pertaining to major safety issues, and to ensure their effective implementation at such operating entities. The production unit also organises regular safety production education activities and alert to give employees the latest industry safety information, disseminate production safety knowledge, and engage employees and contractors in safety training organized by the government, Sinopec Group Company or the Group. Besides of strictly implementing internal safety systems, the Group relies on external professional teams to enhance its risk management and control capabilities.

To ensure that safety and environmental protection responsibilities are fulfilled in each position, the Group continued to promote "Production Safety Responsibility" for all employees. It also arranged for employees to sign a "Letter of Commitment on HSSE Targets for 2019" which clarified HSSE management responsibilities, assessment and accountability, and established appropriate key performance indicators (KPIs). In 2019, the Group's production units continued to engage in training activities such as obtaining and renewing certificates of safety inspection by safety management personnel, and organised "five-minute accident warning experience sharing" and "all-staff safety diagnosis" competition.

CASE

On 3 December 2019, Huade Petrochemical invited experts from Shanghai Maritime University to check and evaluate its standardized system for port safety production. The system subsequently passed the assessment for Grade Two standards. This achievement reflects the system's solid foundation of the standardization management, its standardized site management, comprehensive recordkeeping, and the effective implementation of safety responsibilities by Huade Petrochemical.

Safety Hazards Investigation and Management

The Group conducts investigation and management of safety harzards to analyze their causes and trends, further implement the accountability system for production safety, identify points of weakness, and effectively resolve prominent issues. The Group has also established a monitoring mechanism for major sources of hazards, an investigation and management mechanism for major hazards, and a classification management system. Together, these actions effectively prevent the occurrence of major accidents. In 2019, the production units discovered and rectified hidden dangers through self-inspection and correction, inspections by the Sinopec Group Company, and inspections by government departments.

CASE

In May 2019, Yu Ji Pipeline Company conducted an HSSE inspection and a detailed troubleshooting of the management office, maintenance and repair center, gas transmission stations, and valve rooms along the pipeline. During the same month, the Sinopec Group Company's equipment inspection panel also scrutinized equipment management at Qihe Station and different departments of Yu Ji Pipeline Company, and implemented rectifications for the problems found.

Safety Equipment Purchasing

The Group places a heavy emphasis on workplace safety and continues to invest in installing and upgrading safety facilities.

CASE

In 2019, Huade Petrochemical invested RMB920,000 to set up a safety alert and response system for the surrounding area of Mabianzhou Start Station Storage area, and carried out update and maintenance for fire equipment. It also invested nearly RMB200,000 to upgrade mobile fire extinguishers, foam liquid and water hoses, joints and other fire equipment, and spent approximately RMB150,000 on regular inspections of respirators and maintenance and repair of firefighting vehicles to ensure that all fire equipment are intact.

Environmental, Social and Governance Report

Emergency Drills

In 2019, the Group continued to improve the effectiveness of its emergency management system in dealing with emergencies, and specifically ensured that the leading emergency team could provide timely guidance and record important information. The Group's production units conducted regular emergency drills to enhance the staff's emergency response ability.

CASE

On 23 August 2019, Huade Petrochemical held a comprehensive tank fire and emergency evacuation drill at Nanbianzao oil storage area. The fire brigades of neighbouring enterprises were also invited to participate. A total of six firefighting vehicles (including three water tower fire trucks) and more than 80 personnel took part in the drill. The drill led to further improvement in the joint firefighting technological and tactical abilities of the enterprises in the vicinity, as well as the capability of all staff to handle fires and emergency evacuations.

Occupational Health and Safety

Adhering to the principle of people-orientation, the Group is dedicated to safeguard the occupational health of its employees. The HSSE system which includes the "Occupational Health Supervision Procedures of Sinopec Kantons" stipulates the implementation of an annual budget, training plan and operating procedures for employees' occupational health as well as workplace occupational safety needs such as protective and rescue facilities. According to their respective business characteristics, the operating entities may conduct the detection of occupational hazards in the workplace, distribute labor protection supplies, equip employees with safety facilities and equipment, provide training and health checks, and conduct evacuation drills. In 2019, the Group continued to strictly conform with occupational health and safety laws and regulations, including the Law on Prevention and Cure of Occupational Diseases of the People's Republic of China and The Production Safety Law of the People's Republic of China.

Formulated occupational health supervision procedure to safeguard occupational health of employees

The Group also attaches great importance to public security of places where employees and businesses are situated. To this end, the Group makes safety warnings as appropriate to local conditions while also providing public security training.

CASE

Yu Ji Pipeline Company spared no effort to improve its employees' awareness of occupational health. In May 2019, it organized a promotion week and held learning lessons on the Law on Prevention and Cure of Occupational Diseases. Yu Ji Pipeline Company required staff to wear protective clothings while on duty. Employees can also learn about occupational diseases and preventative measures through a WeChat knowledge quiz and special featured seminars.

CASE

In September 2019, Huade Petrochemical held an emergency evacuation drill for a crowded area in its general office building. The exercise assessed employees' safe escape awareness and ability to organize evacuations orderly, as well as encouraged vigilance and effectiveness in following directions. The drill was predicated with the aims of ensuring personal safety and implementing effective disaster prevention and control measures to reduce property damage.

CASE

In July 2019, staff at Hong Kong office organized a "Public Open Day for Production Safety" event at its associate company, Zhan Jiang Port Petrochemical Jetty Co., Ltd. Trainings on the use of fire extinguishers and CPR were given to the participants to ensure all the staff members regardless of their duties are well-equipped for rescuing the needy and providing disaster relief.

GREEN DEVELOPMENT

The Group regards protecting the natural environment and minimizing waste of resources indispensable to its sustainable development. As such the Group has implemented an in-depth green development strategy to minimize its impact on the natural environment and reduce its consumption of resources. With the promulgation of the new "Environmental Protection Law" of the People's Republic of China, environmental protection laws and regulations are becoming more stringent and efforts of supervision and inspection are getting stronger. This has prompted the Group to further increase investment in environmental protection. The Group's HSSE system also includes environmental protection supervision procedures to protect and improve the ecology and prevent pollution and other environmental hazards. In 2019, the Group implemented relevant systems and was in compliance with the environmental protection laws and regulations of the People's Republic of China and Hong Kong. These laws and regulations include the Environmental Protection Law of the People's Republic of China, the Environmental Impact Assessment Law of the People's Republic of China, the Law on the Prevention and Control of Atmospheric Pollution of the People's Republic of China, the Law on Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China, the Emission Standard of Air Pollutants for Coal-burning, Oil-burning Gas-fired Boiler (GB13271- 2014 and DB44/765-2010), First Grade of Discharge Limits of Water Pollutants (DB 44/26-2001) (session I), and National Catalog of Hazardous Wastes.

Energy Saving and Emissions Reduction

It is inevitable that some natural gas will be vented during the operation of the Group's natural gas pipeline transportation business. The Group's business processes also requires the use of vehicles, electricity, etc. These generate certain emissions of exhaust or greenhouse gases. In 2019, the Group's natural gas business unit communicated with customers and adjusted its operational plan to ensure that exhaust emissions were reduced to a minimum while making a minimal impact on the business. The Group also strictly controlled production indicators, built a green energy system, and reduced the use of energy and vehicles. Meanwhile, the Group planted trees in the factory area to reduce carbon emissions and achieve a greening effect.

CASE

Yu Ji Pipeline Company has tightened up its control of natural gas venting during major operations. To reduce natural gas venting losses, in July 2019 as part of its pipeline replacement project, Yu Ji Pipeline Company negotiated with upstream and downstream users to adjust the operating mode in advance and exhaust the natural gas in the pipeline after reducing the pressure. This measure saved a total 286,000 cubic meters of natural gas loss.

CASE

Under Huade Petrochemical's motor vehicle safety management regulations, an electronic application must be made and approval must be obtained for the use of any company vehicle (except line patrol vehicles). Similar applications have been combined to reduce the use of vehicles and save costs and energy. Huade Petrochemical has also encouraged the use of videoconferencing as an energy saving alternative to vehicular travel.

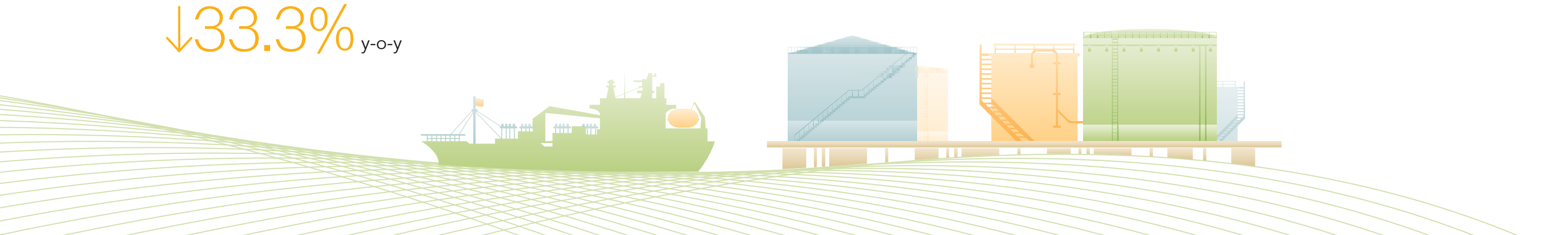
NO_x Emission
↓29.5% y-o-y

SO_x Emission
↓33.3% y-o-y

PM Emission
↓33.3% y-o-y

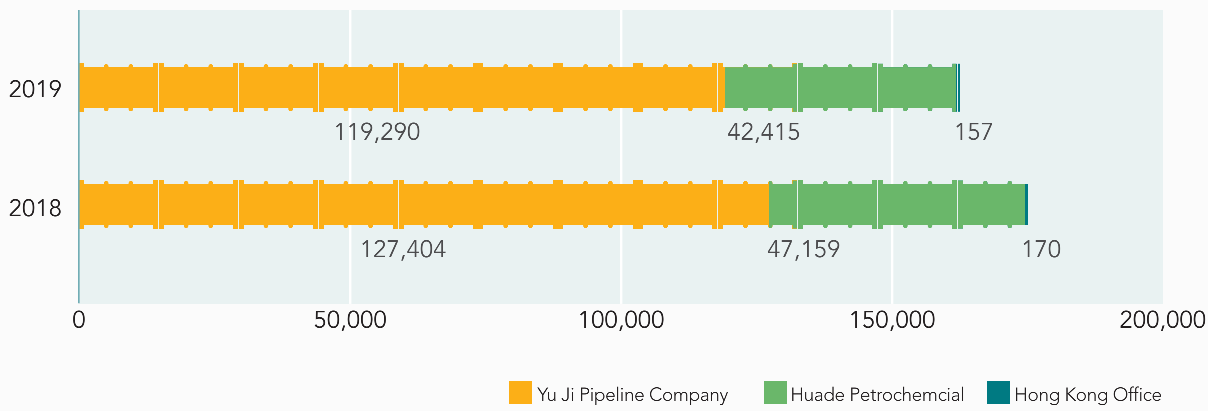
Exhaust Gas and Pollutant Emissions (including gaseous fuel consumption and vehicle emissions)

	NOx Nitrogen oxides	SOx Sulphur oxide	PM Particulate matter
2017	272kg	6kg	20kg
2018	241kg	6kg	18kg
2019	170kg	4kg	12kg

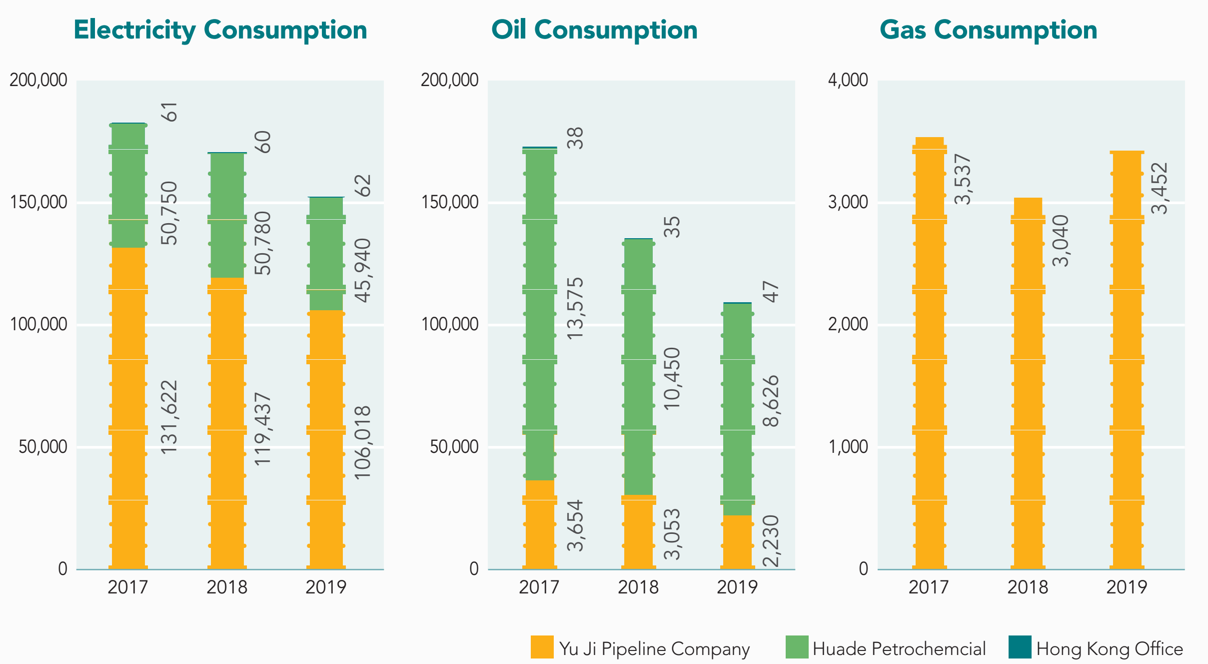


Environmental, Social and Governance Report

Carbon Dioxide Equivalent Emissions (tons)



Energy Consumption (MWh)



Note: The Group's increased gas consumption in 2019 was mainly due to an increase in construction projects by Yu Ji Pipeline Company, which resulted in an increase in the pipeline's natural gas venting. Yu Ji Pipeline Company had adjusted its operational mode in advance to minimize venting during construction.

Handling rate of solid waste and sewage reached

100%

Disposal of Solid Waste and Sewage

In accordance with its environmental protection supervision procedures and relevant laws and regulations, the Group continuously improves its waste and sewage collection processes related to industrial, and has hired external professional environmental protection companies to dispose of the hazardous and non-hazardous wastes and sewage generated in the production process. In 2019, the Group's handling rate of solid waste and sewage reached 100%.

CASE

In 2019, Yu Ji Pipeline Company continued to sign agreements with qualified units for the disposal of hazardous wastes – such as waste liquid from pigging and condensate tanks – in accordance with the law. Yu Ji Pipeline Company also conducted investigations on major hazardous wastes. The station's local environmental sanitation department is also entrusted to regularly transport and dispose of general waste such as domestic garbage. In 2019, all solid waste generated was legally disposed of in accordance with regulations.

CASE

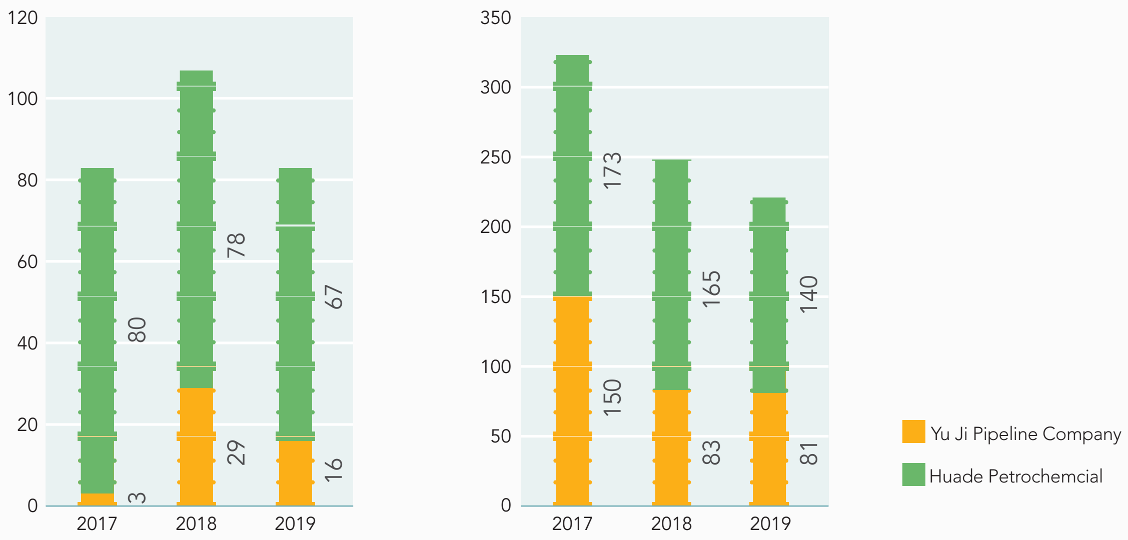
In 2019, Huade Petrochemical invited environmental protection units to its site to investigate industrial solid waste, and signed a contract with an environmental protection company for garbage collection and transportation. Huade Petrochemical hired an external qualified third-party company to ensure that its industrial waste was disposed of in a timely and legally compliant manner.

CASE

Yu Ji Pipeline Company engaged a professional company to maintain its integrated sewage treatment equipment and facilities on a twice-yearly basis, and replaced parts as needed to keep the sewage treatment system running smoothly. These measures ensured that domestic sewage from the production site meets all discharge standards.

Environmental, Social and Governance Report

Total Waste Generated (tons)



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

The 3Rs Environmental Protection Concept

The Group follows a green mode of living and practices the '3Rs' (reduction, reuse and recycling) concept during its routine operations. These practices help to reduce demand for natural resources.

CASE

The Hong Kong office continues to carry out environmental recycling work. Staff members are encouraged to dispose of waste materials such as plastic and glass bottles, paper, aluminium boxes, light tubes and red pockets in the appropriate recycling bin. In 2019, the Hong Kong office obtained an "Excellent Level" Wastewi$e Certificate. It was awarded with a "Hong Kong Green Organisation" Certification, reflecting the Group's efforts in reducing waste.

Treasuring Natural Resources

The Group's principal business does not involve the production of finished products or use of packaging materials. The Group's operating entities have adopted various methods for the rational use of resources. For example, sewage is discharged and recycled when practicable to promote water conservation awareness among employees. In 2019, the Group encountered no problems in obtaining suitable sources of water. In addition, in order to promote low-carbon concepts, the Group implemented digital office measures to reduce the demand for paper and wood during the year.

Water recycled from wastewater in Huade Petrochemical

1,350 tons

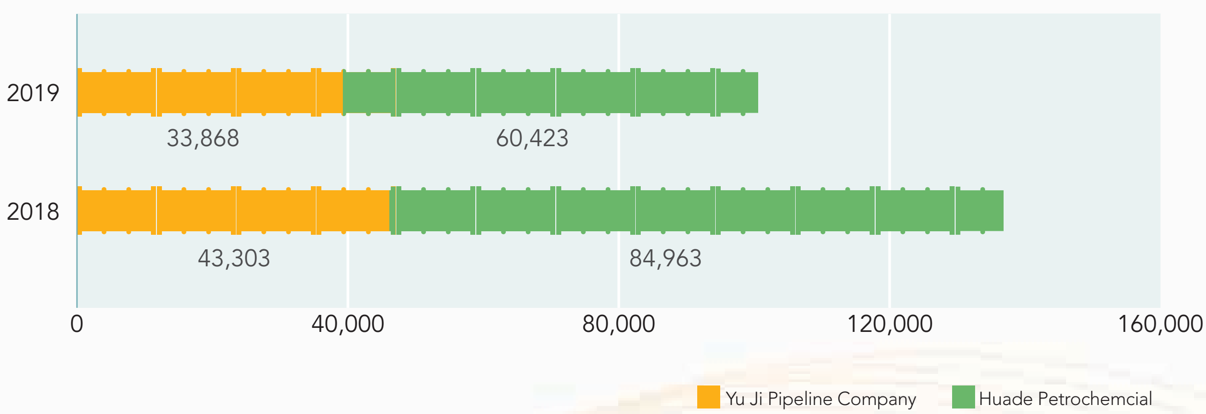
CASE

In 2019, Yu Ji Pipeline Company continued to improve operating procedures for its sewage treatment equipment to ensure that water meets certain quality standards. Treated water is used to clean equipment and pipelines at the gas transmission station, and water the plants to reduce fresh water consumption. Wastewater generated from operation at the Mabianzhou Start Station of Huade Petrochemical is recycled for watering purposes after being treated, tested and analyzed for meeting safety standards. In 2019, the amount of water recycled from wastewater at the Mabianzhou Start Station and used for greening was approximately 1,350 tons.

CASE

To further reduce its paper consumption, in 2019 the Hong Kong office purchased a number of tablet computers for use in meetings. This measure has reduced demand for printed meeting materials and helped the office's transition to paperless operation.

Water Consumption (cubic meters)



Note: As the Hong Kong office consumed little water and the methods applied by the building in which the Hong Kong office is situated in calculating water consumption do not reflect actual consumption by individual premises, the Hong Kong office was excluded from the above statistics.

Environmental, Social and Governance Report

Environmental Protection and Prevention Measures

As part of its day-to-day operations, the Group regularly monitors and tracks environmental changes to improve environment management. It has also formulated emergency plans for oil spills and other environmental emergencies, and conducts regular drills to ensure that the impact on the environment is minimized in the event of an emergency. In addition to practicing green concepts in its offices and routine production operations, the Group also considers the environmental impact of related projects prior to their construction. In accordance with the Law of the People's Republic of China on Environmental Impact Assessment, in 2019 the Group completed environmental impact assessments for project construction, and ensured that its projects met relevant requirements before proceeding with each phase of construction.

Formulate emergency plans for oil spills and other environmental emergencies, and conducts regular drills

CASE

Yu Ji Pipeline Company promoted the identification and assessment of environmental risks and began the revision of environmental emergency plans in accordance with the revised "Environmental Emergency Assessment Guide of Sinopec" in 2019. It also monitored air, sewage and level of noises of 10 production sites.

CASE

Huade Petrochemical's crude oil terminal unloading operations inherently face a risk of oil spill. Accordingly, it formulated a special emergency plan to minimize the environmental damage that offshore oil spills can potentially cause. In November 2019, Huade Petrochemical conducted joint emergency drills for port facility security and offshore oil spills based on simulated oil spills, fires and oil diffusion. The exercise checked the operability and practicability of Huade Petrochemical's "Emergency Plan" along with the integrity of its emergency equipment. This also further improved coordination and capabilities of emergency response groups.

CASE

In 2019, construction plans for Huade Petrochemical's 5,000-ton terminal project were thoroughly reviewed and approved by experts. The process included on-site investigation and document review by the Huizhou Municipal Transportation Bureau's expert review committee. The relevant government departments and experts participating in the meeting agreed that the construction drawing fully met the requirements of the "Rules for the Preparation of Construction Drawing Documents for Waterway Engineering Projects". The expert approval serves as the basis for the next stage of construction.

Environmental Protection Education

The Group frequently organizes seminars and activities to provide employees with environmental protection-related information and knowledge. Employees are encouraged to practice green concept both in the workplace and in other areas of life.

CASE

In June 2019, Yu Ji Pipeline Company hosted Energy Conservation Publicity Week 2019 and National Low Carbon Day activities on the occasion of World Environment Day. Meanwhile, it also established an activity group to help employees learn about such matters as green travel, water and energy conservation, and low-carbon production, consumption and lifestyle.

CASE

On 28 January 2019, the Hong Kong office invited the Director General of Greeners Action to provide training on "Environmental Protection Regulations and Low-Carbon Living". The session also provided staff with information on Hong Kong and international environmental protection management and low-carbon lifestyles.

PEOPLE-ORIENTED

The Group's "people-oriented" philosophy recognizes that employees are an important asset and are indispensable to its development. The Group is therefore committed to protecting the rights and welfare of its employees, providing a fair, healthy and safe working environment, and enabling employees to develop their strengths on the corporate platform. The Group brings all employees into an integrated assessment system in which incentive is linked to performance. The Company also communicates the assessment results and personal awards face-to-face with employees, and ensures that employees are treated fairly regardless of gender, race, nationality, family position and cultural background. The Group frequently organizes group activities to strengthen staff cohesion, and also provides employees with opportunities to grow with the Company via various training and career planning.

When an employee is dismissed or when his/her employment contract is terminated, the Company fully abides with relevant laws and pays the required compensation. The Group provides employees with annual leave, group medical insurance, travel insurance, medical check-up allowances and work lunches which is not less favourable than legal requirements. In order to avoid child or forced labour, the Group will collect the necessary information of the job candidates during recruitment. In 2019, the Group complied with the relevant laws and regulations in the locations where it operates, such as the Labor Law of the PRC, the Employment Ordinance and the Mandatory Provident Fund Schemes Ordinance of Hong Kong in respect of staff recruitment, remuneration, working hours, leave taking, dismissal and retirement. There was no illegal employment in the Group in 2019.

Number of Employees of the Group by Gender, Age, Region and Types of Employment

Gender

Male 192

Female 42

Age

Over 40 104

40 or under 130

Region

Mainland China 207

Hong Kong 27

Types of Employment

Full-time 232

Contract 2

Total 234

Creating a Harmonious Work Atmosphere

Enriching Spare Time

The Group strives to allow each employee to strike a healthy work-life balance. This includes annual leave, marital leave, maternity, breastfeeding leave, compassionate leave, official leave and public holidays which are not less favourable than those required by the relevant laws. The Group also offers a variety of frequent employee activities from time to time to encourage both relaxation after work and team-building.

CASE

On 8 March 2019, Huade Petrochemical organized a garden visit and flower arrangement class for more than 20 female employees. The flower-arranging event encouraged employees to use their creativity and exchange ideas, while the Huizhou Botanical Garden visit on the same day enabled them to experience and learn about nature.

Environmental, Social and Governance Report

Rewarding Outstanding Employees

CASE

Every quarter, the Hong Kong office rewards outstanding employees to inspire others to learn from role models and improve their contributions to the development of the Company. On 29 January 2019, the Hong Kong office's annual dinner included recognition of the "Outstanding Employees of the Year", lauding their hard work and contributions during the previous year.

CASE

In January 2019, Yu Ji Pipeline Company held an employee knowledge contest to further improve skills of workers in the maintenance and repair center. Winning participants who went through an exciting quiz contest were granted awards and praised for their professional excellence.

Staff Turnover Rate for the 2019, by Gender, Age and Region

Gender

Male 2.59%

Female 2.41%

Age

Over 40 2.26%

40 or under 2.94%

Region

Mainland China 2.40%

Hong Kong 3.85%

Total

2.56%

Enhancing Team Cohesion

The Group believes that team spirits are the foundation of a healthy corporate culture, and accordingly organized regular cultural and recreational activities during the year to encourage employees to relax, interact and share ideas.

CASE

In April 2019, a team of 37 employees from the Hong Kong office visited Ji'nan University in Zhuhai to participate in a seminar hosted by the university's former president on "Culture and Management". It helped promote cross cultural management skills and build team cooperation.

Environmental, Social and Governance Report

CASE

From November to December 2019, the Hong Kong office organized a Sinopec Kantons basketball team which participated in the SINO X POWER 2019 Basketball Tournament for Sinopec Hong Kong Units organized by the Sinopec Hong Kong Representative Office. The Sinopec Kantons team passed through the group stage, semi-final and final to emerge as the winner.

CASE

On 13 March, to promote the physical well-being of its employees, Yu Ji Pipeline Company held its fifth employee table tennis tournament of 2019, with a total of 45 participants in team and individual events for men and women. The event demonstrated the healthy and positive spirit of its employees.

Festival Celebrations

CASE

During the Chinese New Year, Yu Ji Pipeline Company held a cultural and sports event to celebrate the festival and prepare festive food. Employees were able to get together and enjoy the festive atmosphere.

CASE

Huade Petrochemical organized a variety of Dragon Boat Festival activities, including rice dumpling-making, and fun quizzes.

Environmental, Social and Governance Report

Employee Care

The Group reviews employee welfare policies at regular intervals and strives to improve employee benefits so that employees can devote themselves to work in a stable environment. The member companies of the Group also offer condolences to sick employees and their families, and distribute relief funds to employees in need.

CASE

Starting from 2019, to offer a more comprehensive medical coverage, the Hong Kong office switched from providing fixed medical subsidies to the employees to providing group medical insurance. In January 2019, the Hong Kong office invited insurance company personnel to explain the coverage to employees.

Training and Development Policies

The Group encourages employees to engage in personal career training to achieve on-the-job learning so as to improve their job satisfaction through on-going training and job enrichment. To this end, the Group has formulated rules and regulations such as the Employee Training Management System of Sinopec Kantons and the Interim Measures for Annual Performance Assessment of Sinopec Kantons to encourage employees to learn, enrich themselves and contribute to the Company.

Total training hours reached

21,542

In 2019, the Group invited internal professionals and external experts to provide employees with training opportunities. These included site visits, seminars, job rotations, overseas internships and drills. The Group paid the training expenses for individual employees according to their professional needs. The training content covers safety, finance, environmental protection, compliance, law, business and corporate management. In 2019, 96% of the Group's employees received training, and total training hours reached 21,542.

At the same time, the Group strengthened its manpower development work, reformed and built new talent team system and mechanism to smooth the career path for talents and enable employees to develop their strengths with the Group.

Percentage of Trained Employees and Average Training Hours Completed in 2019

96% of employees received training

	Gender		Employment category		
	Male	Female	General staff	Middle management	Senior management
Employees attending training	182	42	197	20	7
Percentage of employees attending training	94.8%	100%	96.1%	90.9%	100%
Average training hours	95.04	78.46	97.67	52.27	61.68

Safety Training

The Group attaches great importance to production and personnel safety and hence incorporates production and personnel safety training in its annual training plan. In 2019, each unit of the Group held a number of training sessions and practical exercises to strengthen employee awareness and production safety skills.

CASE

The Group organised its first HSSE management technology training course for Sinopec Kantons' crude oil terminal for a week in August 2019. The course was sponsored by Southwest Petroleum University and covered the topics such as potential HSSE-related problems encountered in the day-to-day operation of crude oil terminals, their impact and emergency responses.

Environmental, Social and Governance Report

CASE

Yu Ji Pipeline Company organized 57 personnel for training in obtaining, renewing and review of the certificate for the assessment of safety production knowledge and management ability. The training covered the laws and regulations on the safe production of hazardous chemicals, safety knowledge and safety management knowledge. All the trainees passed the assessment and met the expected goals.

Business Training

CASE

In January 2019, the Hong Kong office invited the management of Fujairah Oil Terminal FZC ("**FOT**") to explain FOT's local market situation in recent years to relevant personnel, exchange operational experience and opinions on future developments, and deepen business personnel's understanding of the project in Middle East.

Legal Compliance Training

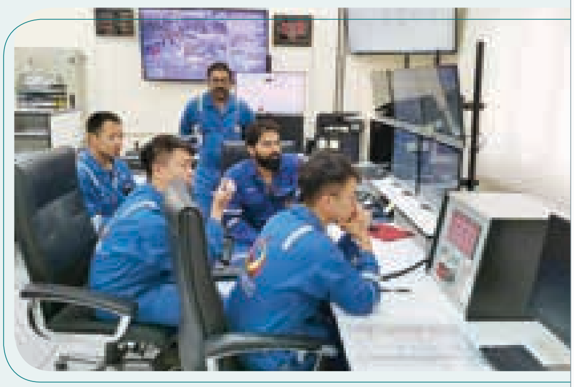
CASE

The Hong Kong office invited an external lawyer to give a talk on the "Compliance Management of Listed Companies" and explain relevant laws and regulations concerning listed companies such as Listing Rules, the Companies Ordinance and the Securities and Futures Ordinance. The lecture helped relevant management and employees to ensure corporate compliance operations.

Management Trainee Program

CASE

The Hong Kong office launched a management trainee program since 2017. In 2019, management trainees were appointed after one and a half year's of job rotation and sent to overseas frontline business for internships. Two trainees were sent to FOT, a joint venture of the Group in the Middle East, for two months of overseas training in skills such as storage area operation, storage area safety, equipment maintenance, customer service and project development. The training combined theory with practical operation, with several department managers in the storage area offering on-the-spot explanations.



OPERATING PRACTICES

The Group believes that sustainable development relies on good and long-term cooperative relationships with business partners, suppliers, contractors and customers. Therefore, it has formulated management methods and measures for each link in the value chain. Meanwhile, to protect the interests of partners, the Group also implements data confidentiality measures, anti-corruption systems and reporting mechanisms to enable the Company and its partners to conduct business in an open, transparent and honest environment.

Supply Chain Management

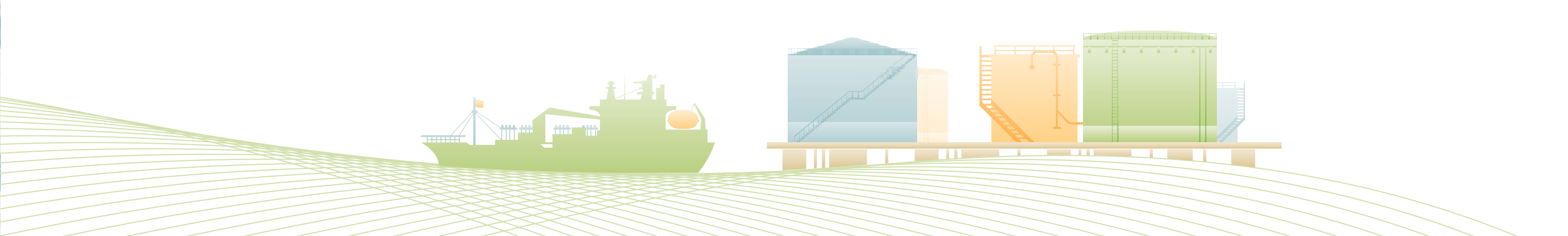
The safe, stable and legally compliant operations of the Group's businesses depend on the support of a number of suppliers and contractors. In procurement, the Group strictly requires suppliers and contractors to hold valid project or service-related qualifications in accordance with the "Administrative System on Implementing Projects", "Administrative Measures for Selection and Engagement of Intermediary Organizations" and "Administrative System on Fixed Assets", and regularly reviews supplier and contractor qualifications to ensure that they meet qualification requirements. The Group transmits its emphasis on safety and environmental protection to suppliers and contractors via screening and review, and the provision of three-tier safety training before commencement of the project. The Group also implements full-process monitoring and quality supervision. If any violations are found, the Group will suspend or terminate the services of the supplier in question to reduce the risk to personnel safety, the environment and society during the process of production or service provision by the supply chain.

Group Suppliers by Region in 2019

Strict Contractor Qualification Management

The Group checks the construction and installation qualifications of various contractors to ensure that they can meet the needs of the project, and reviews the qualification certificates of on-site management personnel and workers to ensure that they have the required capabilities for the job.

In 2019, Yu Ji Pipeline Company continued with the formulation of a safety risk management plan. It also inspected the construction, installation and safety qualifications of its 55 contractors which were engaged in engineering construction, inspection and maintenance, and commissioning.



Environmental, Social and Governance Report

Reinforcing Contractor Assessment

The Group has created an assessment mechanism for suppliers and contractors. With the aim of strengthening contractor safety management, in February 2019 Huade Petrochemical issued and implemented "Contractor Management Regulations of Huade" based on the "Contractor Assessment Rules of Huade". During the year, Huade Petrochemical deducted points for contractors and staff members who violated safety rules as outlined in the abovementioned regulations, and even blacklisted and removed them from the list of qualified contractors.

Quality First

The Group has a policy of "Quality is always the priority". In addition to providing stable and safe customer services and guaranteeing an energy supply for downstream customers in the crude oil terminal and natural gas pipeline transportation business, the Group strives to improve its own operating efficiency and create value for its customers. In 2019, the Group received no complaints regarding its products or services.

Ensuring Stable, Safe Services

In 2019, Huade Petrochemical unloaded and transmitted 11.89 million and 11.85 million tons of crude oil respectively. Yu Ji Pipeline Company completed its annual gas transmission tasks for 2019, with a total natural gas transmission volume of 3,999 million m^3, making a great contribution to downstream customers' energy supply. During the year, the smooth operation of various facilities depended on the consistent implementation of production safety concepts, pre-scheduled production plans, frequent equipment inspections, patrols and maintenance, and production units' total preparedness for disasters.

3.999 billion m^3

of natural gas was transmitted by Yu Ji Pipeline Company in 2019

CASE

In 2019, Yu Ji Pipeline Company developed specific operational plans catering for major holidays, periods of pipeline replacement and major operations, to ensure smooth year-round operation. On the other hand, the basic pipeline patrol work was carried out smoothly as scheduled. In terms of pipeline patrols, total mileage for the year was 1.7 million km, with 6,830 "must pass points" recorded and an average arrival rate of 94.5%.

CASE

The Mabianzhou Start Station of Huade Petrochemical carried out the maintenance work on dry-pack pumps, cleaned up and rectified field equipment, and spared no effort to ensure the complete safety of field equipment. As a part of the activity, more than 800 manual valves were maintained, six storage tanks cleaned, an open ditch was cleaned twice, more than 300 media flow signs posted, and more than 200 equipment bit numbers were sprayed.

Creating Value for Customers

As a part of its commitment to service quality, the Group strives to maintain good communications with downstream customers. Under the concept of "Total Commitment to Quality" to enhance value for downstream customers, Huade Petrochemical implements special operating requirements for unloading various oil products, reduces residual oil by strengthening control of tank washing and purge pipelines, reinforces the key aspects of the tanker operation, and optimizes coordination of berthing sequences and administrative authorities, tank capacity arrangements, and the unloading speed of oil to effectively reduce laytime. Yu Ji Pipeline Company continuously optimizes its management of measurement to ensure that the difference between meter-reading and transmission volume is controlled within a reasonable range.

CASE

In 2019, Huade Petrochemical communicated with the joint inspection units and various government departments as well as optimized the oil tanker berthing plan. Huade Petrochemical attained a total of 25 "one leave, one berthing" operations (19 in 2018) and achieved three "one leave, two berthing" operations and four "two berthing" operations. These reduced oil tankers' auxiliary operation time and improved terminal turnover rates.

Environmental, Social and Governance Report

CASE

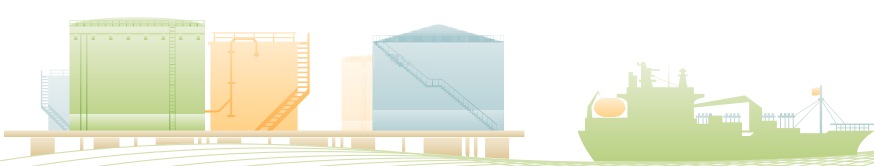
Yu Ji Pipeline Company strengthened the examination and assessment of its operation with downstream users and rectified the relevant issues found. In 2019, the Yu Ji Pipeline Company improved the transmission and automatic collection functions of measurement data, investigated the needs of 36 downstream users, and strengthened data monitoring and analysis to effectively control the measurement discrepancy.

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 and 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. Additionally, the Group will sign confidentiality agreements with those who have access to personal privacy information to prevent information disclosure violations. In 2019, the Group strengthened its documentation management system and continued to enhance employee training in confidentiality of information.

CASE

Huade Petrochemical implemented communication system access and commissioning in 2019, and made various communications with Sinopec Guangzhou Office, confidential room, information center and other units to understand the process, provide training, conduct trials and enter the formal operation phase. Through improvement of information management, the risk of confidential information leakage was reduced.



ANTI-CORRUPTION

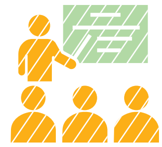
The Group strives to protect the interests of the Company and its suppliers and customers in the course of operations. Through the methods of system construction, ideological education and other methods, the employees "dare not, cannot and do not want to corrupt". The Group has formulated and continuously improved its "Anti-corruption Management Code" to thwart all unscrupulous business practices and define penalties. It also organizes activities to promote a sense of integrity in employees and improve the compliance operation and management. In 2019, the Group fully complied with the laws and regulations of its operating locations, including the "Law against Unfair Competition of the People's Republic of China" and the "Prevention of Bribery Ordinance" of Hong Kong. No corruption cases occurred during the year.

Environmental, Social and Governance Report

In 2019, 10 anti-corruption conferences and seminars were held, with a total of 236 employees participating.

CASE

The Hong Kong office conducted an "Introduction to the Anti-Corruption System of Hong Kong" in May 2019. By explaining relevant local laws and past cases and discussing common practical problems, employees raised their anti-corruption awareness to prevent business frauds.



236
employees participated the anti-corruption conferences and seminars

CASE

In June 2019, Yu Ji Pipeline Company management staff visited the Shandong Province Education Base of Anti-corruption of the Jinan Procuratorate. Huade Petrochemical held a themed education event in July 2019, and visited the Anti-corruption and Education Base in Daya Bay District, Huizhou, where employees watched an anti-corruption film to further demonstrate the importance of integrity in the workplace.

In addition, the Group has set up whistleblowing channels and business partners, suppliers and other third parties are encouraged to directly report issues relating to misconduct, fraud and violations of laws. The Company's risk control department is responsible for handling such reports, and keeps the identity of the reporting person strictly confidential. The Company's affiliated units also have petition reporting channels, including e-mail, physical mailboxes, and specific fax and telephone lines. All reporting channels are publicized on the portal websites of relevant units.

The Group also has whistleblowing channels, including e-mail, physical mailboxes, and specific fax and telephone lines.

SOCIAL COMMITMENT

"Giving back to society" is part of the Group's corporate mission. We are fully aware of the principle of "what's taken from society is used for society", and we exert our corporate influence to encourage employees to engage in social service activities, provide support to communities and the underpriviledged including the sick and elderly, and contribute to environmental conservation. The Group maintains communication with non-governmental organisations or communities in areas where it operates, strives to understand the needs of local communities, and lends a helping hand wherever possible.

Environmental, Social and Governance Report

In 2019, 268 employees contributed a total of 4,577 hours to community services.

CASE

On 6 July 2019, employees of the Hong Kong office sold charitable gift coupons for the Ronald McDonald House Charity Fund at McDonald's in Taikoo Shing City Centre and Festival Walk, raising approximately HK$7,000 for the organisation. The donations would be used as operating funds for the Ronald McDonald House Charities' services for sick children and their families.

CASE

In April 2019, Huade Petrochemical participated in "Windy or Rainy, I Am Waiting for You in the Smile Public Welfare Fair" Daya Bay District Volunteer Service Organization activities. Huade Petrochemical made use of the event launched by Daya Bay District Committee to explain its own voluntary contributions to society.

CASE

On 20 March 2019, 23 Yu Ji Pipeline Company employees in eight groups devoted five hours to creating a footpath between its start station and nearby residents, and improving the existing muddy and uneven road.

CASE

In early 2019, dry weather and excessive flammable materials caused fires in many areas near Yu Ji Pipeline Company's Henan Management Office. Employees of the office used their emergency rescue knowledge to assist local fire and rescue services to extinguish the fire while avoiding casualties and minimizing financial losses.

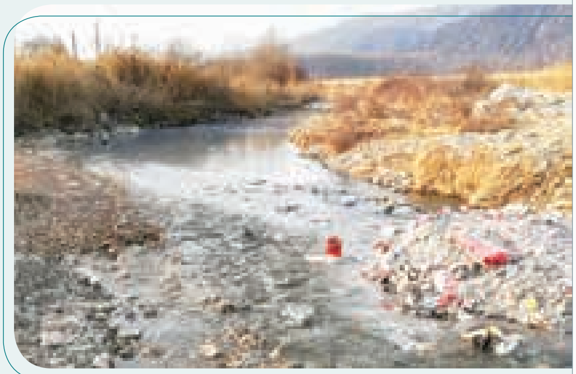
CASE

Different units of the Group brought festive blessings to nearby communities on the occasion of the Mid-Autumn Festival. On 5 September 2019, the Huade Petrochemical Volunteer Association visited seven poor families with the Sharing Sunshine Charity Service Center. On 10 September 2019, Hong Kong office staff visited the Siu Sai Wan Day Care Centre for the Elderly to offer festive food and sincere holiday wishes.

Environmental, Social and Governance Report

CASE

On 9 March 2019, Yu Ji Pipeline Company launched a "Protection of Mother River" activity along the Beichuan River to clear garbage and debris on "National Mother River Protection Day". At the same time, staff members carried out other activities to raise public awareness of environmental protection knowledge, including a call for everyone to beautify their hometowns.



CASE

On 11 March 2019, as Arbor Day approached, employees of Yu Ji Pipeline Company took time out to plant saplings in the nearby community to add more greenery in urban areas.

CASE

In May and October 2019, young employees of Huade Petrochemical participated in "building a healthy body, promoting harmony and protecting our green mountains and waters" environmental protection activities at the Sharing Sunshine Charity Service Center in Huiyang District, Huizhou. While getting close to nature and keeping healthy, participants picked up trash found along the way, leaving the mountains and forests cleaner.

CORPORATE *Information*

EXECUTIVE DIRECTORS

Mr. Chen Yaohuan *(Chairman, appointed on 20 November 2019)*
Mr. Chen Bo *(Chairman, resigned on 20 November 2019)*
Mr. Xiang Xiwen *(Deputy Chairman, resigned on 25 March 2020)*
Mr. Zhong Fuliang *(appointed on 25 March 2020)*
Mr. Mo Zhenglin *(appointed on 25 March 2020)*
Mr. Yang Yanfei *(appointed on 25 March 2020)*
Mr. Zou Wenzhi *(appointed on 25 March 2020)*
Mr. Wang Guotao
Mr. Ye Zhijun *(Managing Director)*
Mr. Dai Liqi *(resigned on 25 March 2020)*
Mr. Li Jianxin *(resigned on 25 March 2020)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE MEMBERS

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

REMUNERATION COMMITTEE MEMBERS

Ms. Tam Wai Chu, Maria *(Chairlady)*
Mr. Chen Yaohuan *(appointed on 20 November 2019)*
Mr. Chen Bo *(resigned on 20 November 2019)*
Mr. Fong Chung, Mark
Dr. Wong Yau Kar, David
Ms. Wong Pui Sze, Priscilla
Mr. Ye Zhijun

NOMINATION COMMITTEE MEMBERS

Dr. Wong Yau Kar, David *(Chairperson)*
Mr. Chen Yaohuan *(appointed on 20 November 2019)*
Mr. Chen Bo *(resigned on 20 November 2019)*
Ms. Tam Wai Chu, Maria
Mr. Fong Chung, Mark
Ms. Wong Pui Sze, Priscilla
Mr. Ye Zhijun

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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Mr. Li Wenping

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LISTING INFORMATION

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