中石化冠德控股有限公司

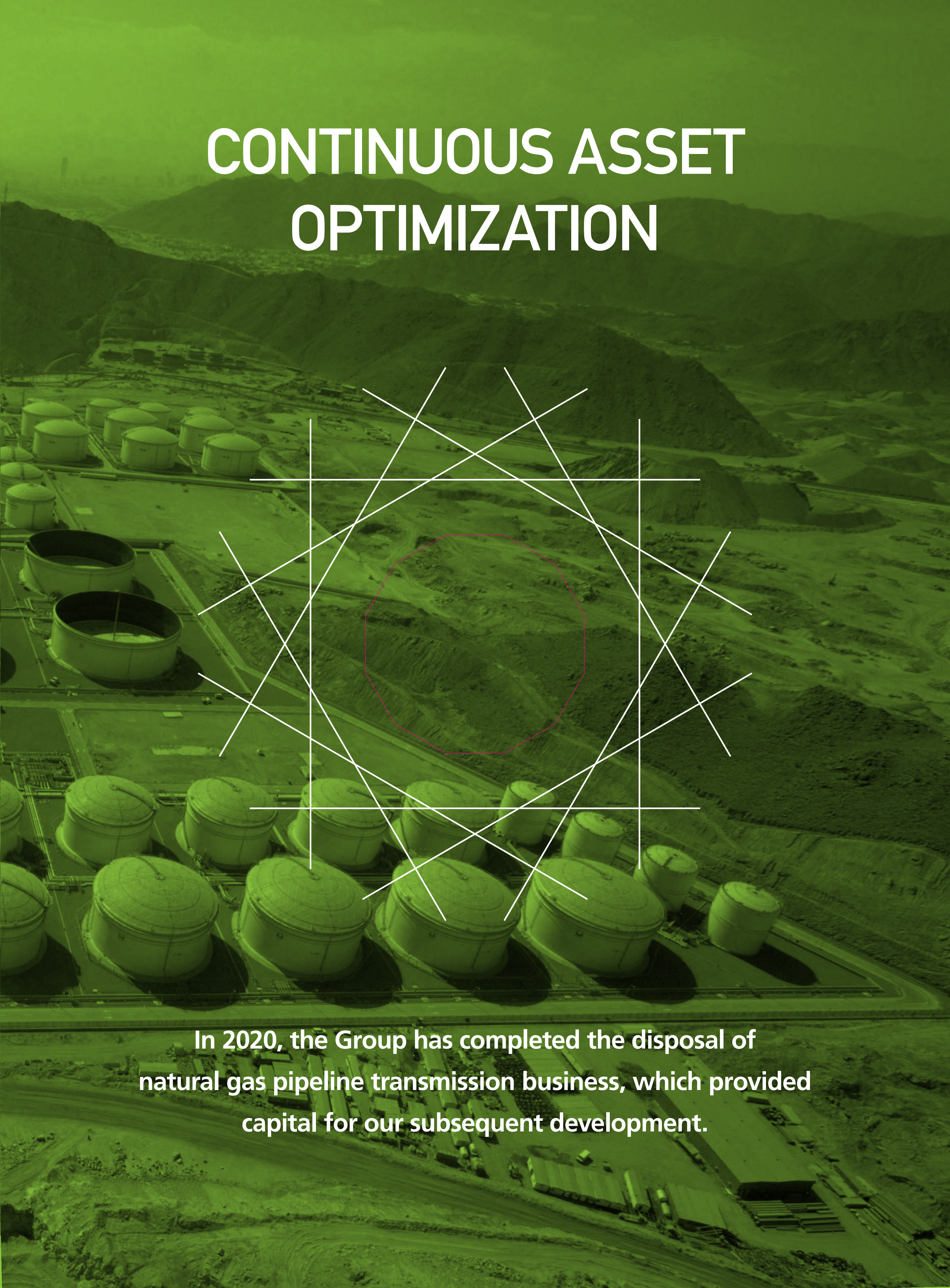
SINOPEC KANTONS HOLDINGS LIMITED

(Incorporated in Bermuda with Limited Liability)

Stock Code: 934

ANNUAL REPORT 2020

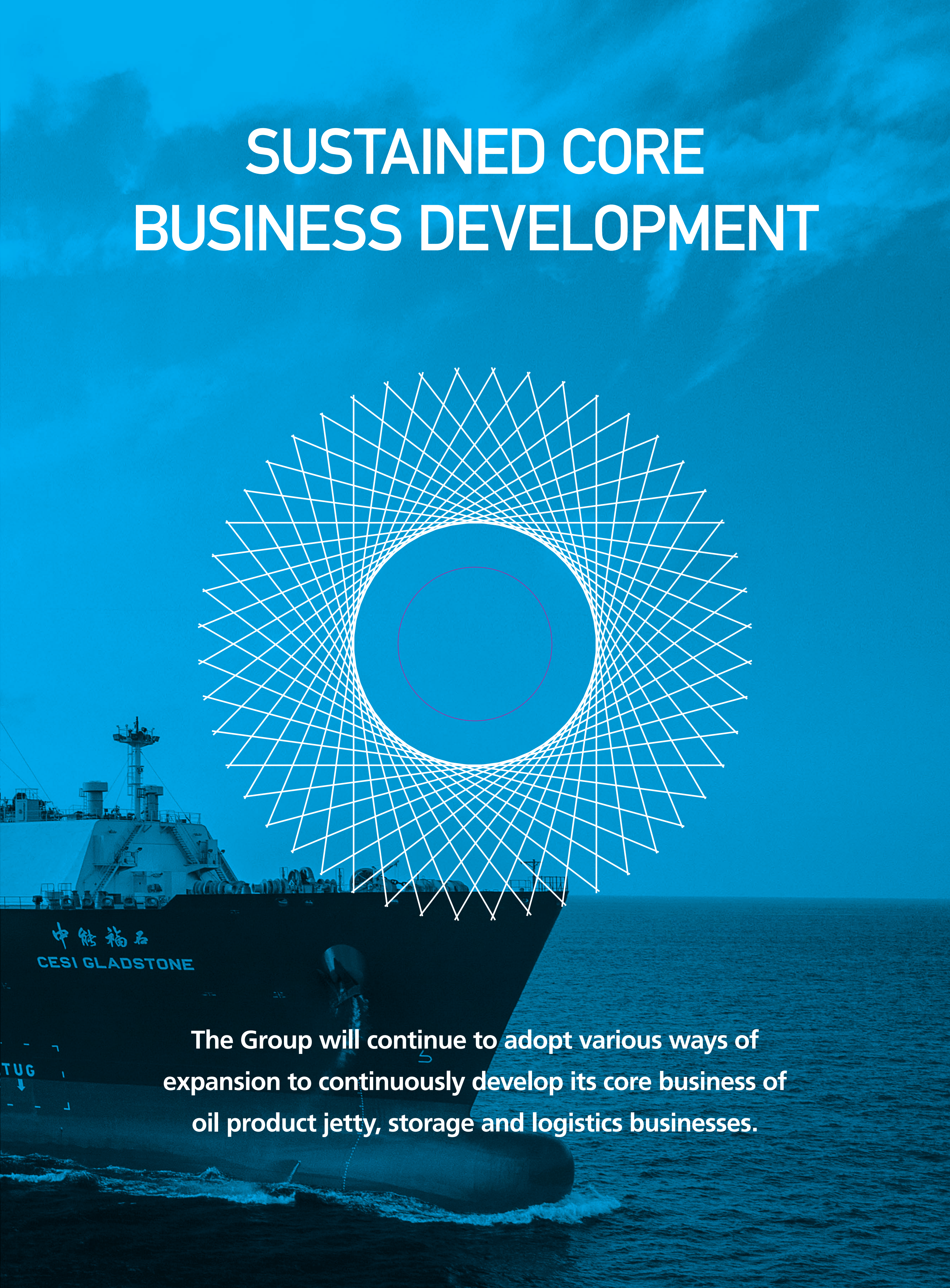
CONTINUOUS ASSET OPTIMIZATION



In 2020, the Group has completed the disposal of natural gas pipeline transmission business, which provided capital for our subsequent development.


TUG

SUSTAINED CORE BUSINESS DEVELOPMENT



The Group will continue to adopt various ways of expansion to continuously develop its core business of oil product jetty, storage and logistics businesses.


COSCO
COSBRIGHT LAKE
PANAMA

CORPORATE VISION

We will strive to become a world-class international petrochemical storage and logistics company.

COMPANY AT A GLANCE

China's Jetty, Storage and Logistics

Crude Oil Jetty Coverage
7
crude oil jetties

Total Designed Annual Throughput Capacity of Jetty
292
mm tons

Total Number of Berths[Note]
39
berths

Total Length of Pipeline
174
km

Note: 2 of the berths were delivered in December 2020, but have not been put into operation yet.

CONTENTS

Storage and Logistics outside China

Total Capacity of Oversea's Storage[Note]

2.73

mm m^3

Storage Facilities Coverage

4

Countries

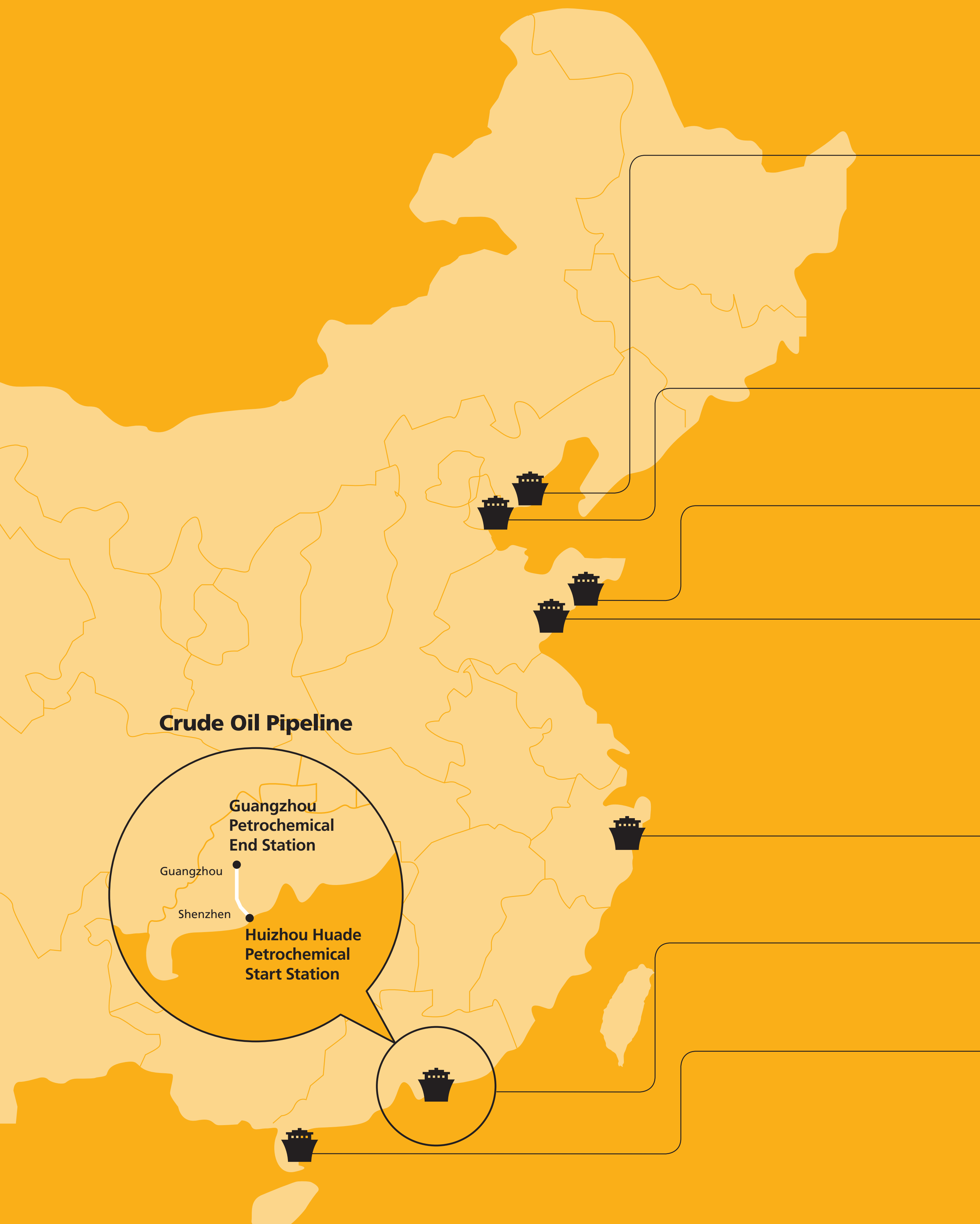
Number of LNG Vessels

8

vessels

Note: Does not include Batam Project, which has not commenced construction currently.

COMPANY AT A GLANCE - China's Jetty, Storage and Logistics



Jetty And Storage

Tangshan Caofeidian Shihua

Berth: **1**

Largest tanker capacity: **300,000 tons**

Designed throughput capacity: **20mm tons p.a.**

Tianjin Shihua

Berth: **1**

Largest tanker capacity: **300,000 tons**

Designed throughput capacity: **20mm tons p.a.**

Qingdao Shihua

Berth: **13**

Largest tanker capacity: **300,000 tons**

Designed throughput capacity: **84mm tons p.a.**

Storage capacity: **1.032mm m^3**

Rizhao Shihua

Berth: **3**

Largest tanker capacity: **300,000 tons**

Designed throughput capacity: **56mm tons p.a.**

Huizhou Huade Petrochemical

Berth: **4**[Note]

Largest tanker capacity: **300,000 tons**

Designed throughput capacity: **31.9mm tons p.a.**

Storage capacity: **1.34mm m^3**

Length of Crude Oil Pipeline: **174 km**

Note: 2 of the berths were delivered in December 2020, but have not been put into operation yet.

Ningbo Shihua

Berth: **3**

Largest tanker capacity: **450,000 tons**

Designed throughput capacity: **35mm tons p.a.**

Zhan Jiang Port Terminal

Berth: **14**

Largest tanker capacity: **300,000 tons**

Designed throughput capacity: **45mm tons p.a.**

Storage capacity: **823,000 m^3**

Storage

Vesta Terminal Tallinn, Estonia, Europe

Storage tank: **35**

Storage capacity: **405,600 m^3**

Vesta Terminal Flushing, the Netherlands, Europe

Storage tank: **27**

Storage capacity: **388,500 m^3**

Vesta Terminal Antwerp, Belgium, Europe

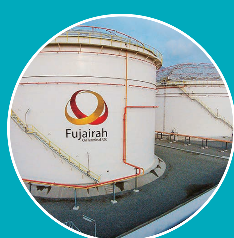
Storage tank: **40**

Storage capacity: **783,000 m^3**

Fujairah Oil Terminal, United Arab Emirates, Middle East

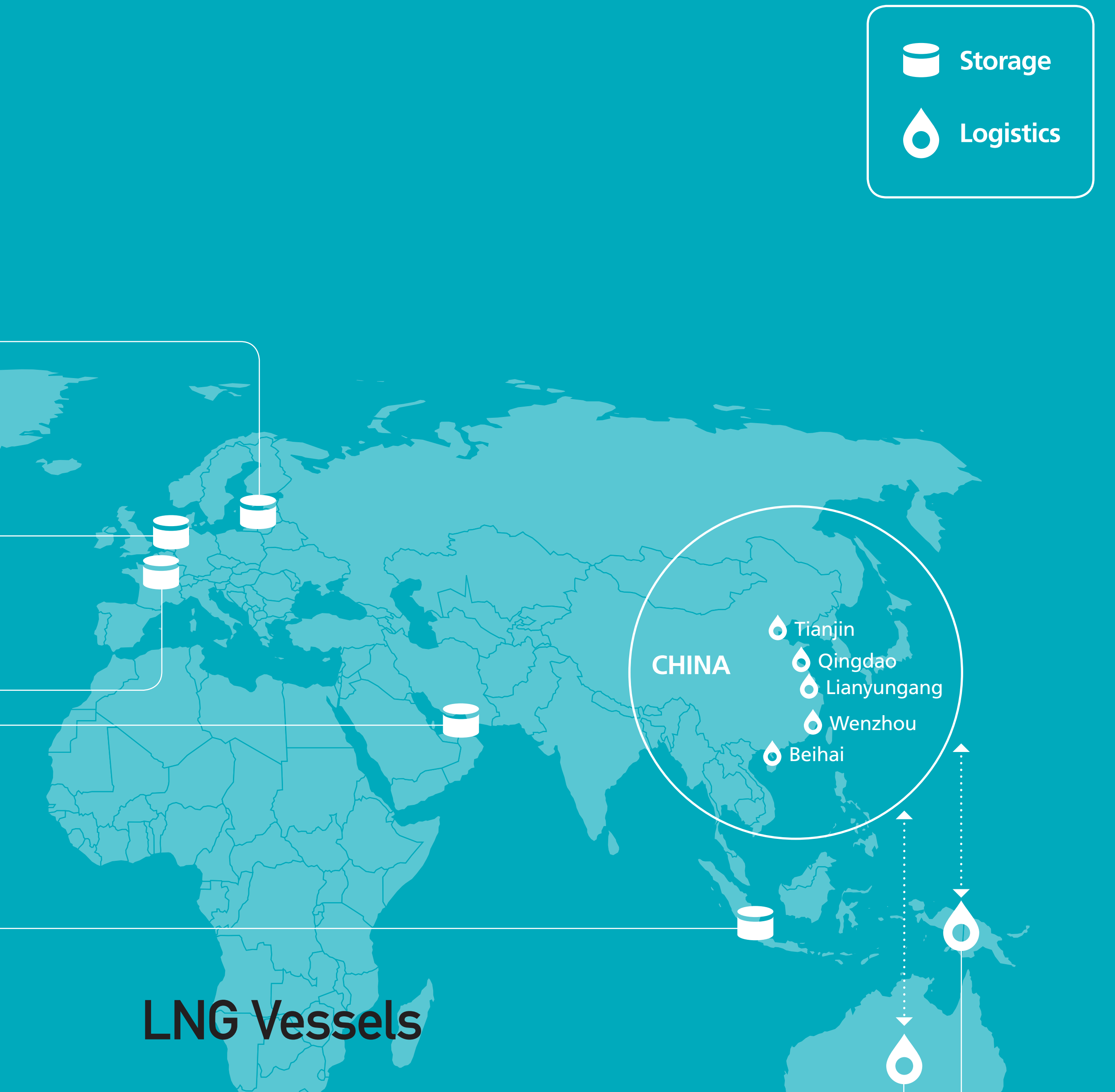
Storage tank: **34**

Storage capacity: **1.155mm m^3**



Batam Island, Indonesia[Note]

Note: Currently, Batam Project has not commenced construction yet.



LNG Vessels

Australia Pacific LNG Project

Vessels: **6**

Each vessel capacity: **174,000 m³**

Papua New Guinea LNG Project

Vessels: **2**

Each vessel capacity: **172,000 m³**

CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2020 was my first year as the Chairman of the board of directors (the "Directors") (the "Board") of Sinopec Kantons Holdings Limited (the "Company") and was a year full of challenges. Thanks to the strong support of shareholders and people from all walks of life, together with the collective efforts from employees, it enabled the Company and its subsidiaries (collectively, the "Group") to weather the tremendous challenges created by the COVID-19 pandemic, maintained stable production and operations, and continued to achieve relatively healthy operating results. With the continuous optimization of asset allocation, the Group also completed the disposal of its natural gas pipeline transmission business during the year, raising capital for future development. On behalf of the Board, I would like to express sincere gratitude to all shareholders for their concern and support, and to all employees for their hard work and dedication.

In 2020, the rapid spread of the COVID-19 pandemic devastated the global economy and international trade. To cope with the strong headwinds brought by the epidemic and the complex and volatile domestic and international situations, the Group introduced differentiated epidemic prevention and control measures according to different characteristics of its terminal and storage and logistics business and strived to implement the measures on a daily basis. The Group recognised the favourable opportunity to resume work and production in light of the PRC's gradual control of the epidemic. The Group continued to be customer-centric and adopted corresponding assistance and preferential measures to address the different levels of impact experienced by the customers during the epidemic in order to increase its total terminal unloading volume during this time, together with active implementation of various cost reduction and efficiency enhancement measures, the Group has worked to minimize the pandemic's impact. In 2020, the Group's total revenue from continuing operations increased by approximately 0.95% year-on-year to approximately HK$601 million. Benefiting from the gain from the completion of disposal of 100% equity interests and relevant assets of Sinopec Yu Ji Pipeline Company Limited ("**Yu Ji Pipeline Company**") and the appreciation of RMB during the year, the Group's consolidated net profit for the year grew by approximately 79.18% year-on-year to approximately HK$2,301 million, translating into an earnings per share of approximately HK92.59 cents. If excluding the profit contribution from the discontinued operation, the Group's profit for the year from continuing operations increased by approximately 16.71% year-on-year to approximately HK$1,267 million, translating into an earnings per share from continuing operations of approximately HK50.97 cents. In view of the Company's needs for future business development and overall cash flow position, the Board has recommended payment of an annual cash dividend of HK20 cents per share for 2020. Excluding the interim cash dividend of HK8 cents per share paid, a final cash dividend of HK12 cents per share for 2020 is recommended, which stays the same as last year.

In 2020, Huizhou Daya Bay Huade Petrochemical Company Ltd. ("**Huade Petrochemical**"), a wholly-owned subsidiary of the Company, on one hand, actively initiated epidemic prevention and control measures aimed at maintaining stable production and operations. On the other hand, Huade Petrochemical was actively engaged in the construction of terminal infrastructure, the upgrading and transformation of related equipment, in which the relocation and capacity expansion of the underwater crude oil pipeline from Mabianzhou Island to Nanbianzao in Huizhou commenced during the year. Two newly built 5,000-tonne fuel oil jetties were also delivered at the end of 2020, creating a solid foundation for future expansion of operation scale. During the year, Huade Petrochemical unloaded approximately 12.22 million tonnes of crude oil from 76 oil tankers and transmitted approximately 12.09 million tonnes of crude oil, representing a year-on-year increase of approximately 2.78% and 2.03%, respectively. This segment generated revenue of approximately HK$601 million, representing a year-on-year increase of approximately 0.95%. The segment results from Huade Petrochemical were approximately HK$232 million during the year. The receipt of one-off government tax rebates accrued in previous years by Huade Petrochemical has resulted in a relatively higher base figure, which led to a year-on-year decrease of approximately 8.44% in the segment results from Huade Petrochemical during the year.

In 2020, after a comprehensive and prudent assessment of results from each business segment, the Board decided to dispose of the Group's natural gas pipeline transmission business in order to continue to optimize asset allocation, continuously increase each business segment's return on assets, and maximize shareholder interests. The Group's natural gas pipeline transmission business was duly terminated following the official completion of the disposal of the entire equity interest of Yu Ji Pipeline Company and relevant assets on 30 September 2020. The Company will continue to use the proceeds from the disposal to develop its oil terminal and storage services and other core business. In 2020, prior to full termination of the aforementioned business, the Group had operated the natural gas pipeline transmission business for a period of nine months. During this period, due to the impact of the pandemic, insufficient supply from the upstream natural gas fields and weak demand from downstream customers, the natural gas pipeline transmission volume of Yu Ji Pipeline Company amounted to approximately 2.917 billion m^3, representing a year-on-year decrease of approximately 1.22%. The revenue from discontinued operation amounted to approximately HK$595 million, representing a decline of approximately 30.18% compared with the full year of 2019. Since the consideration for disposing the equity interests of Yu Ji Pipeline Company and relevant assets was higher than its book value of net assets, the profit from discontinued operation during the year increased by approximately 419.58% year-on-year to approximately HK$1.035 billion.

In 2020, as affected by the outbreak of the COVID-19 epidemic, downstream customers of the Company's crude oil jetty associate and joint ventures once experienced a significant drop in the load on the refining equipment. Since then, the full resumption of work and production at refineries in mainland China coupled with international crude oil prices hovering at low levels has prompted various refineries to increase their crude oil imports. Various crude oil jetty associate and joint ventures of the Company seized on this favourable opportunity; on one hand striving to improve service quality while extending the port service chain and developing a full-process service, while on the other hand, providing preferential measures to help downstream customers resume production and increase the terminal business volume. This led to another record of high terminal throughput. In 2020, 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 255 million tonnes, representing a year-on-year growth of approximately 0.79%. Due to the preferential measures adopted by certain crude oil jetty associate and joint ventures to help downstream customers resume work and production, and the port charges and security rates reduction by national authorities in response to the pandemic, coupled with the receipt of one-off income tax rebates accrued in previous years by the Company's jetty associate in the same period last year, caused the aggregate investment return of the Six Domestic Terminal Companies to drop by a certain extent year-on-year. In 2020, the Six Domestic Terminal Companies generated an aggregate investment return of approximately HK$863 million, representing a year-on-year decrease of approximately 10.66%.

In 2020, Fujairah Oil Terminal FZC ("**FOT**"), a joint venture of the Company in the Middle East, placed great emphasis on effective epidemic prevention and control to ensure stable production and operation while taking full advantage of expected favourable changes in international oil product prices. Marketing efforts contributed to a leap in average rentals of oil tanks, with the annual average occupancy of oil tanks maintained at 100% while the throughput of ports and economic benefits achieved another record high. Also, FOT is actively committed to the development of an international standard management system. After achieving ISO 9001, ISO 14001, OHSAS 18001 and ISO 45001 certifications, FOT took the lead to receive ISO 50001 certification in the Fujairah region during the year. FOT generated an investment return of approximately HK$81.63 million during the year, representing a year-on-year increase of approximately 267.70%. In 2020, Vesta Terminals B.V. ("**Vesta**"), a joint venture of the Company in Europe, also undertook effective epidemic prevention and control while simultaneously expanding its market. The occupancy of oil tanks and average rentals were further improved, with the former reaching 100% at the end of the year. Tracking changes in surrounding markets, Vesta proactively explored the development of the non-oil product storage business and clean fuels storage projects to achieve economies of scale. Vesta generated an investment return of approximately HK$21.82 million during the year, representing a significant improvement in the results performance.

In 2020, the Group adopted a series of stringent measures to address the challenge of preventing and controlling COVID-19 in the confined spaces common to the liquefied natural gas ("**LNG**") vessel transportation business. At the same time, the Group kept a close attention to the vessel movements, through reasonable adjustments to crew working hours and berthing cycles which ensured the vessels' continued smooth operation and physical and mental health of the crews. During the year, the eight LNG vessels completed 109 voyages and generated an aggregate investment return of approximately HK$90.64 million, representing a year-on-year increase of approximately 2.22%.

The year 2020 was the fourth year of arbitrations for the joint investment 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**"). Following the receipt of awards in our favour from the International Court of Arbitration of the International Chamber of Commerce ("**ICC Court**") on 4 December 2019, after serious preparation and active promotion, in 2020, Sinomart KTS Development Limited ("**Sinomart Development**") and PT. West Point Terminal ("**PT. West Point**"), subsidiaries of the Company, completed the registration of arbitral awards in the Indonesian Court in accordance with the laws of Indonesia, and obtained enforcement orders from the Indonesian Court in respect of the arbitrations. The Group will continue to take measures to effectively protect the legitimate rights and interests of the Company and its shareholders.

Looking forward to 2021, it is expected that the COVID-19 pandemic will continue to pose a major challenge to the global economy. Many areas of uncertainty still exist. The Group will review the situation and adopt flexible, effective countermeasures as needed. On the basis of protecting the physical and mental health of all employees, the Group will strive to maintain stable production and operation so as to attend to both smooth operation and epidemic prevention. At the same time, the Group will continue to seek strong support from its parent company, China Petrochemical Corporation ("**Sinopec Group Company**"), to further expand its core business and build the Company into a world-class international petrochemical storage and logistics company as soon as possible.

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

Hong Kong, 23 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

In 2020, the Group overcame the severe challenges brought by the spread of COVID-19 and the sluggish market demand, and maintained stable production and operation. During the year, the Group continued to optimise its asset allocation by completing the disposal of the natural gas pipeline transmission business. The disposal not only generated a favourable return and drove the net profit of this year to a record high, but also prepared capital for further expansion of its core business. In 2020, the Group recognised the expected favourable changes in international crude oil market, and proactively carried out marketing in overseas storage business, of which the average occupancy and rentals of FOT's oil tanks reached its best level since operation.

On 30 September 2020, the Group completed the disposal of 100% equity interests and relevant assets of Yu Ji Pipeline Company and the natural gas transmission business was duly terminated. In accordance with the Hong Kong Financial Reporting Standards, the Group's natural gas pipeline transmission business will be presented as a discontinued operation, while the Group's continuing operations will no longer include the natural gas pipeline transmission business. The comparative financial statements of this annual report have been restated to reflect the impact of the disposal of equity interests of Yu Ji Pipeline Company and relevant assets. Details are set out in note 23 to the financial statements.

Segmental Information

In 2020, the Group disposed of 100% equity interests of Yu Ji Pipeline Company and duly terminated the natural gas pipeline transmission business. The Group currently retains only two business segments, namely the crude oil jetty and storage business and vessel chartering and logistics business. The segment reports of the Group for the year ended 31 December 2020 are set out in note 5 of the financial statement.

For the year ended 31 December 2020 (the "**Year**" or the "**Reporting Period**"), the segment revenue and segment results of the Group's crude oil jetty and storage business were approximately HK$601,239,000 (2019: HK$595,577,000) and HK$1,197,789,000 (2019: HK$1,241,045,000) respectively, representing an increase of approximately 0.95% and a decrease of approximately 3.49% as compared with the same period last year respectively. For the year ended 31 December 2020, the segment results of the Group's vessel chartering and logistics business were approximately HK$90,644,000 (2019: HK$88,678,000), representing a year-on year increase of approximately 2.22%. The crude oil jetty and storage business and vessel chartering and logistics business of the Group were affected to a certain extent by the pandemic. However, with the gradual control of the domestic pandemic in the PRC and the active promotion of resumption of work and production, the two business segments of the Group still operated stably throughout the year.

Other Income and Other Gains, Net and Operating Profit

For the year ended 31 December 2020, the Group's other income and other gains, net was approximately HK$237,509,000 (2019: HK$71,581,000), representing a year-on-year increase of approximately 231.80%; the operating profit was approximately HK$325,902,000 (2019: HK$182,572,000), representing a year-on-year increase of approximately 78.51%. The significant increase in other income and other gains, net and operating profit was both mainly due to the appreciation in RMB against HKD during the year, which led to a corresponding exchange gain generated from the Group's RMB savings. In addition, a minor part of the increase was attributable to the gain generated from the Group's disposal of a Hong Kong property during the Year.

Distribution Costs

For the year ended 31 December 2020, the Group's distribution costs were approximately HK$21,335,000 (2019: HK$13,816,000), representing a year-on-year increase of approximately 54.42%, which was mainly due to the payment and withholding of personal income tax for the remuneration received by the employees who are tax residents working outside the PRC by the Company according to relevant PRC taxation laws.

Finance Income

For the year ended 31 December 2020, the Group's finance income was approximately HK$9,990,000 (2019: HK$367,000), representing a year-on-year increase of approximately 2,622.07%, which was mainly due to the interest income generated from the proceeds which was placed as fixed deposits upon the completion of Group's disposal of equity interests of Yu Ji Pipeline Company and relevant assets.

Finance Costs

For the year ended 31 December 2020, the Group's finance costs were approximately HK$5,342,000 (2019: HK$31,397,000), representing a year-on-year decrease of approximately 82.99%, which was mainly because most of the Group's borrowings were included in and disposed along with the equity interests of Yu Ji Pipeline Company, and part of the proceeds from the disposal were used to repay borrowings. All borrowings were repaid in October 2020, which led to the significant decrease in interest expenses.

Income Tax Expenses

For the year ended 31 December 2020, the Group's income tax expenses were approximately HK$120,656,000 (2019: HK$142,913,000), representing a year-on-year decrease of approximately 15.57%. On one hand, it was mainly due to the excessive provision for dividend income tax in previous years being offset correspondingly upon the completion of disposal of Yu Ji Pipeline Company; on the other hand, it was due to the decrease in taxable profits of Huade Petrochemical.

Profit before Income Tax, Profit for the Year from Continuing Operations

For the year ended 31 December 2020, the Group's profit before income tax was approximately HK$1,387,224,000 (2019: HK$1,228,155,000), representing a year-on-year increase of approximately 12.95%; the profit for the Year from continuing operations was approximately HK$1,266,568,000 (2019: HK$1,085,242,000), representing a year-on-year increase of approximately 16.71%. The significant increase in the profit before income tax and profit for the Year from continuing operations was mainly due to the corresponding exchange gains generated from RMB savings following the RMB appreciation against HK$ in the second half of 2020. In addition, a minor part of the increase was attributable to the gain generated from the Group's disposal of a Hong Kong property during the Year.

Profit for the Year from Discontinued Operation

For the year ended 31 December 2020, the profit for the Year from discontinued operation was approximately HK$1,034,802,000 (2019: HK$199,162,000), representing a year-on-year increase of approximately 419.58%, which was mainly because the consideration for the Group's disposal of equity interests of Yu Ji Pipeline Company and relevant assets was higher than its book value of the net asset.

Property, Plant and Equipment

As at 31 December 2020, the Group's property, plant and equipment was approximately HK$1,570,308,000 (as at 31 December 2019: HK$5,762,627,000), representing a decrease of approximately 72.75% as compared with the end of previous year, which was mainly due to the Group's disposal of equity interests of Yu Ji Pipeline Company and relevant assets during the Year in addition to usual depreciation.

Investment Properties

As at 31 December 2020, the Group's investment properties were approximately HK$19,813,000 (as at 31 December 2019: HK$53,606,000), representing a decrease of approximately 63.04% as compared with the end of previous year. On one hand, it was because certain properties were included in the disposal of equity interests of Yu Ji Pipeline Company and relevant assets during the Year; on the other hand, it was due to the disposal of a Hong Kong property by the Group during the Year.

Prepayment

As at 31 December 2020, the Group's prepayment was approximately HK$16,962,000 (as at 31 December 2019: HK$31,097,000), representing a decrease of approximately 45.45% as compared with the end of previous year, which was mainly because the dredging fees of Huade Petrochemical's navigation channel was included in the long-term deferred expense assets and to be amortized on schedule.

Interests in Joint Ventures

As at 31 December 2020, the Group's interests in joint ventures were approximately HK$7,558,826,000 (as at 31 December 2019: HK$6,813,973,000), representing an increase of approximately 10.93% as compared with the end of previous year. On one hand, it was due to the significant increase in the operating results of joint ventures of the Company, FOT and Vesta; on the other hand, it was due to the appreciation of RMB which resulted in year-on-year increase in the equity value of domestic terminal companies (denominated in RMB) when translating into Hong Kong dollars.

Inventories

As at 31 December 2020, the Group's inventories were approximately HK$4,357,000 (as at 31 December 2019: HK$72,246,000), representing a decrease of approximately 93.97% as compared with the end of previous year, which was mainly due to the Group's cushion gas for natural gas pipeline being included in and disposed along with the equity interests of Yu Ji Pipeline Company.

Trade and Other Receivables

As at 31 December 2020, the Group's trade and other receivables were approximately HK$1,410,882,000 (as at 31 December 2019: HK$1,137,385,000), representing an increase of approximately 24.05% as compared with the end of previous year, which was because part of the consideration for the disposal of equity interests of Yu Ji Pipeline Company by the Group was still classified as other receivables on 31 December 2020. On 21 January 2021, the Group received the entire consideration for the disposal of equity interests of Yu Ji Pipeline Company and relevant assets in cash.

Reserves

As at 31 December 2020, the Group's reserves were approximately HK$14,431,453,000 (as at 31 December 2019: HK$11,930,496,000), representing an increase of approximately 20.96% as compared with the end of previous year. In addition to the Group's profit contribution from usual business during the Year, this is attributable to the gain arising from the disposal of equity interests of Yu Ji Pipeline Company and relevant assets by the Group, as well as appreciation of RMB which resulted in an increase in the equity value of domestic terminal companies (denominated in RMB) when translating into Hong Kong dollars.

Liquidity and Source of Finance

As at 31 December 2020, the Group's cash and cash equivalents were approximately HK$3,781,081,000 (as at 31 December 2019: HK$223,484,000), representing an increase of approximately 1,591.88% as compared with the end of previous year, which was mainly due to the receipt of proceeds after the disposal of equity interests of Yu Ji Pipeline Company and relevant assets by the Group.

Current Ratio and Liabilities to Assets Ratio

As at 31 December 2020, the Group's current ratio (current assets to current liabilities) was approximately 4.74 (as at 31 December 2019: 0.43); and liabilities to assets ratio (total liabilities to total assets) was approximately 8.11% (as at 31 December 2019: 22.18%).

Deferred Income Tax Liabilities

As at 31 December 2020, the Group's deferred income tax liabilities were approximately HK$164,349,000 (as at 31 December 2019: HK$146,724,000), representing an increase of approximately 12.01% as compared with the end of previous year, which was mainly because since 1 January 2020, the dividend payout ratio of Zhan Jiang Port Terminal for calculating the dividend withholding tax has been increased from 50% to 100%, resulting in the increase of the related deferred dividend withholding tax.

Government Grants

As at 31 December 2020, the Group's government grants were approximately HK$15,774,000 (as at 31 December 2019: HK$18,399,000), representing a decrease of approximately 14.27% as compared with the end of previous year, which was mainly because the local government grants received by Huade Petrochemical, a wholly-owned subsidiary of the Company, for the commencement of safety and potential hazard management of crude oil pipeline, have been reduced on an annual basis over the amortization of the relevant assets.

Lease Liabilities

As at 31 December 2020, the Group's lease liabilities were approximately HK$28,420,000 (as at 31 December 2019: HK$18,632,000), representing an increase of approximately 52.53% as compared with the end of previous year, of which approximately HK$21,943,000 (as at 31 December 2019: HK$11,709,000) was non-current lease liabilities, representing an increase of approximately 87.40% as compared with the end of previous year, and approximately HK$6,477,000 (as at 31 December 2019: HK$6,923,000) was current lease liabilities, representing a decrease of approximately 6.44% as compared with the end of previous year. It was mainly because the Group renewed the lease contracts for its office building in Hong Kong after expiry, and made corresponding financial accounting treatments in accordance with Hong Kong Financial Reporting Standards 16 during the Year.

Trade and Other Payables

As at 31 December 2020, the Group's trade and other payables were approximately HK$994,899,000 (as at 31 December 2019: HK$762,557,000), representing an increase of approximately 30.47% 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.

Borrowings

As at 31 December 2020, the Group's borrowings were 0 (as at 31 December 2019: HK$2,518,494,000), which was mainly because most of the Group's borrowings were disposed along with the equity interests of Yu Ji Pipeline Company, and part of the proceeds from the disposal were used to repay all the then existing borrowings.

Income Tax Payable

As at 31 December 2020, the Group's income tax payable was approximately HK$96,007,000 (as at 31 December 2019: HK$17,089,000), representing an increase of approximately 461.81% as compared with the end of previous year, which was mainly because the Group is required to pay the corresponding income tax in the PRC for the disposal of the equity interests of Yu Ji Pipeline Company and relevant assets.

Significant Investment, Acquisition and Disposal

On 21 July 2020, the Company entered into a share purchase agreement with China Oil & Gas Pipeline Network Corporation ("**PipeChina**") regarding the disposal of 100% equity interests in Yu Ji Pipeline Company through its wholly-owned subsidiary Sinomart Development. On the same day, Yu Ji Pipeline Company and China Petroleum & Chemical Corporation Natural Gas Yu Ji Pipeline Branch Company ("**Sinopec Yu Ji Pipeline Branch Company**")entered into another sale and purchase agreement in relation to the disposal of Qingfeng Line and other related assets. The transaction regarding the disposal of 100% equity interests in Yu Ji Pipeline Company and the disposal of Qingfeng Line and other related assets were completed on or before 30 September 2020. For details, please refer to the relevant announcements and circular published by the Company on 21 July 2020, 6 August 2020 and 30 September 2020 respectively 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 2020.

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. In addition, the Group also held certain amount of non-HK$ current assets, which were mainly denominated in RMB. As at 31 December 2020, the Group held approximately RMB1,629,000,000 of bank deposits and held approximately RMB616,258,000 of other receivables. 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 2020, Sinomart Development, the Company's wholly-owned subsidiary, 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 Reporting Period.

Guarantee and Assets Pledged by the Group

As at 31 December 2020, the guarantee 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 2020
The Company	Sinomart Development Note	Sponsor Support Agreement of FOT	Sinomart Development shall make a sponsor support loan to FOT subject to the terms set out in this agreement. Sinomart Development's obligation shall be guaranteed by the Company.	14 June 2015	Until full repayment of the loan in respect of the project	US$30 million
Sinomart Development	PT. West Point	Land Lease Agreement of Batam Project, Indonesia	In the event that PT. West Point fails to pay to lessor any amount of the land lease fee when due under the Land Lease Agreement, Sinomart Development shall pay, on demand, an amount obtained by multiplying such unpaid amount by the percentage representing its shareholding interest in PT. West Point.	9 October 2012	Effective for 30 years after the date of execution	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 other financial assistance or guarantee or pledge of shares for other companies as at 31 December 2020.

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 the minority shareholder from Indonesia, the project entered arbitration. After obtaining the awards in the Group's favour from ICC Court on 4 December 2019, in 2020, Sinomart Development and PT. West Point, subsidiaries of the Company, completed the arbitration registration in Indonesian Court in accordance with the laws of Indonesia, and has obtained enforcement orders from the Indonesian Court in respect of the arbitrations. The Group will continue to take various effective measures to safeguard the legitimate rights and interests of the Company and shareholders in all aspects.

For details, please refer to the relevant announcements dated 25 April 2010, 9 October 2012, 15 November 2016, 21 March 2017 and 6 December 2019 published by the Company on the website of the Stock Exchange and the website of the Company.

Employees and Emolument Policies

As at 31 December 2020, the Group had a total of 233 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 2020.

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 13 to 16 of this report under the section "Chairman's Statement" and pages 17 to 23 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 2020, so far as the Company is aware, the Group has complied with relevant laws and regulations that have material effect to the Group in all significant aspects, including, in particular, the Companies Act of Bermuda, the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as well as the Environmental Protection Law, the Marine Environment Protection Law, the Labour Contract Law, the Production Safety Law and Law on Prevention and Control of Occupational Diseases of the People's Republic of China.

Major Customers and Suppliers

Information in respect of the Group's sales and purchases attributable to the major customers and suppliers of the Group respectively for the year ended 31 December 2020 is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	49%	N/A
Five largest customers in aggregate	98%	N/A
The largest supplier	N/A	19%
Five largest suppliers in aggregate	N/A	58%

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 2020 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 142 of this report.

Transfer to Reserves

For the year ended 31 December 2020, profit attributable to equity holders of the Company, before dividends, of HK$2,302,098,000 (2019: HK$1,285,111,000) 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 2020 (2019: HK20 cents per share), excluding the interim dividend of HK8 cents per share in cash for 2020 (2019: HK8 cents per share) paid on 20 October 2020, the final dividend of HK12 cents per share in cash for 2020 (2019: HK12 cents per share) will be paid to all shareholders whose names appear on the register of members of the Company on 9 July 2021 (Friday).

The register of members of the Company will be closed from 5 July 2021 (Monday) to 9 July 2021 (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 2 July 2021 (Friday). The cheques for dividend payment will be sent to shareholders on or about 20 July 2021 (Tuesday) if the resolution for the proposed final dividend is passed at the annual general meeting.

2020 Annual General Meeting

The Company will convene the 2020 annual general meeting on 15 June 2021 (Tuesday), and the register of members of the Company will be closed from 9 June 2021 (Wednesday) to 15 June 2021 (Tuesday) (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending the 2020 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 8 June 2021 (Tuesday).

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 COVID-19 epidemic, the economic condition and energy demand of China are filled with uncertainties. In terms of international trade, the new US government held its first formal meeting with China after it came into power, however, there are still a lot of differences. Trade frictions may continue, which may lead to a slowdown in the growth of major economies in the world. In addition, the various sanctions imposed by Western countries on China and the Hong Kong SAR may affect the trade exchanges between China and Hong Kong SAR and other countries. The above situations will bring uncertainties to 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 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 economic losses to the Company and grievous injuries to people. The Company has always attached great 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 economic 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.

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 2020, the Group spent approximately HK$223,356,000 (2019: HK$68,503,000) 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 2020 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 2020, 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 2020 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)	Mr. Fong Chung, Mark (Chairperson)	Ms. Tam Wai Chu, Maria (Chairlady)	Dr. Wong Yau Kar, David (Chairperson)
Mr. Xiang Xiwen (Deputy Chairman, resigned on 25 March 2020)	Ms. Tam Wai Chu, Maria	Mr. Chen Yaohuan	Mr. Chen Yaohuan
Mr. Zhong Fuliang (appointed on 25 March 2020)	Dr. Wong Yau Kar, David	Mr. Fong Chung, Mark	Ms. Tam Wai Chu, Maria
Mr. Mo Zhenglin (appointed on 25 March 2020)	Ms. Wong Pui Sze, Priscilla	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. Sang Jinghua (appointed on 19 January 2021)	Mr. Sang Jinghua (appointed on 19 January 2021)
Mr. Ren Jiajun (appointed on 19 January 2021)		Mr. Ye Zhijun (resigned on 19 January 2021)	Mr. Ye Zhijun (resigned on 19 January 2021)
Mr. Sang Jinghua (General Manager, appointed on 19 January 2021)			
Mr. Dai Liqi (resigned on 25 March 2020)			
Mr. Li Jianxin (resigned on 25 March 2020)			
Mr. Wang Guotao (resigned on 19 January 2021)			
Mr. Ye Zhijun (Managing Director, resigned on 19 January 2021)			
Independent Non-executive Directors			
Ms. Tam Wai Chu, Maria			
Mr. Fong Chung, Mark			
Dr. Wong Yau Kar, David			
Ms. Wong Pui Sze, Priscilla			

In accordance with the Company's Bye-laws (the "**Bye-laws**"), Mr. Ren Jiajun, Mr. Sang Jinghua, the executive Directors, and Ms. Wong Pui Sze, Priscilla, the independent non-executive Director, will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Directors' Service Contracts

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

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

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

As at 31 December 2020, 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 2020, the Company has not established and implemented any share option scheme.

Directors' Rights to Acquire Shares or Debentures

For the year ended 31 December 2020, 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 2020, 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 2020 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 31 to 36 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 21 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 143 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 51 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 2020 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.

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 2020, in accordance with the "Working Guidelines for Social Responsibilities" formulated by the Board, the Group continuously improved its policies 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 exhaust 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 2020, 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 144 to 185 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 23 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 2020.

Change of Auditor

Sinopec Group Company, the ultimate controlling shareholder of the Company, is a state-owned enterprise regulated by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (the "**SASAC**"). According to the relevant regulations of the Ministry of Finance of the PRC and the SASAC, an accounting firm is subject to prescribed restriction on the term of continuous financial audit of a state-owned enterprise and its subsidiaries. Due to the above restriction, PricewaterhouseCoopers will retire as the auditor of the Company with effect from the conclusion of the forthcoming annual general meeting of the Company, and will not be re-appointed. Based on the recommendation of the Audit Committee, the Board proposed to appoint KPMG as the auditor of the Company (the "**Proposal**") following the retirement of PricewaterhouseCoopers, which is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on 15 June 2021.

PricewaterhouseCoopers has provided a written confirmation that there were no circumstances connected with their retirement that need to be brought to the attention of the shareholders of the Company. The Board and the Audit Committee further confirmed that there were no disagreements or unresolved matters between the Company and PricewaterhouseCoopers and there were no other matters in connection with the change of auditor that need to be brought to the attention of the shareholders of the Company.

The Board would like to express its appreciation for the services of PricewaterhouseCoopers provided to the Company in the past years.

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

Hong Kong, 23 March 2021

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 and compliance with the relevant requirements of Chapter 14A of the Listing Rules, on 21 October 2019, the Group entered into certain framework agreements with Sinopec Group Company and its subsidiaries for businesses such as crude oil jetty services, natural gas pipeline transmission and financial services which constitute continuing connected transactions/connected transactions for the three financial years ending 31 December 2022. 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 China Petroleum & Chemical Corporation ("**Sinopec Corp.**") Guangzhou Branch ("**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 Company Limited ("**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 Sinopec Century Bright Capital Investment Limited ("**Century Bright**") for the provision of deposit and settlement and similar financial services outside the PRC to the Group by Century Bright. Century Bright is a wholly-owned subsidiary of Sinopec Group Company, which indirectly controls Kantons International, the controlling shareholder of the Company;

4. Yu Ji Pipeline Company, a then 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 Investment Company Limited ("**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 then 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 then 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 then wholly-owned subsidiary of the Company, entered into the new Yu Ji Compression Project Framework Master Agreement with Sinopec Petroleum Engineering Corporation for the natural gas pipeline compression project. Sinopec Petroleum Engineering Corporation is a wholly-owned subsidiary of Sinopec Group Company, which indirectly controls Kantons International, the controlling shareholder of the Company.

The above agreements and the continuing connected transactions/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 correspondingly entered into a number of framework agreements constituting continuing connected transactions for the three financial years ending 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 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 then 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 then wholly-owned subsidiary of the Company, renewed and 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 labour technical services to Yu Ji Pipeline Company by Zhongyuan Natural Gas Technical Centre. 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;

3. Yu Ji Pipeline Company, a then wholly-owned subsidiary of the Company, renewed and entered into the Power Technical Services Framework Master Agreement with Sinopec Zhongyuan Oilfield Company Electricity Supply Centre ("**Zhongyuan Electricity Supply Centre**") for the provision of substation power station maintenance services to Yu Ji Pipeline Company by Zhongyuan Electricity Supply Centre. Zhongyuan Electricity Supply Centre is a wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company;

4. Yu Ji Pipeline Company, a then wholly-owned subsidiary of the Company, and Shandong Natural Gas Pipeline Company Limited ("**Shandong Natural Gas Pipeline Company**") renewed and entered into the Lease Framework Agreement for the leasing of certain properties to Shandong Natural Gas Pipeline Company. Shandong Natural Gas Pipeline Company is a subsidiary of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company;

5. Yu Ji Pipeline Company, a then 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 Technical Services Company Limited ("**Sinopec Pipeline Services Company**") for the provision of natural gas pipeline construction and relevant technical services to Yu Ji Pipeline Company by Sinopec Pipeline Services Company. Sinopec Pipeline Services Company is an indirect subsidiary of Sinopec Group Company, which indirectly controls Kantons International, the controlling shareholder of the 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 ("**Sinopec Pipeline Company**") for monitoring, facilitating and guiding the daily management of the Six Domestic Terminal Companies of the Group. Sinopec Pipeline Company is a then wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company;

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 Sales Company Limited ("**Sinopec Fuel Oil**") for the provision of fuel oil jetty and storage services to Sinopec Fuel Oil. Sinopec Fuel Oil is a subsidiary of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company;

8. Yu Ji Pipeline Company, a then 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 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 then 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 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 an associate of Sinopec Corp., which indirectly wholly owns 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 21 October 2019 and 11 November 2019 which were published on the websites of the Stock Exchange and the Company.

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

1. Agreements Newly Entered into during the Year Constituting Connected Transactions

In order to ensure safe, stable and efficient operation of the natural gas pipeline business, on 25 March 2020, Yu Ji Pipeline Company, a then wholly-owned subsidiary of the Company and Sinopec Petroleum Engineering & Construction Henan Corporation ("**Sinopec Henan Petroleum Engineering & Construction**") entered into the Reconstruction Agreement in relation to the Yulin-Jinan Pipeline valve rooms reconstruction project (the "**Valve Rooms Reconstruction Projects**"). Sinopec Henan Petroleum Engineering & Construction is an indirect subsidiary of Sinopec Group Company. Sinopec Group Company indirectly owns Kantons International, the controlling shareholder of the Company.

Also, on 21 July 2020, Yu Ji Pipeline Company, a then wholly-owned subsidiary of the Company and Sinopec Yu Ji Pipeline Branch Company entered into the Sale and Purchase Agreement in relation to the disposal of Qingfeng Line, the office building properties and the auxiliary facilities of Henan management office to Sinopec

Yu Ji Pipeline Branch Company. Sinopec Yu Ji Pipeline Branch Company is a branch company of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the above connected transactions exceeds 0.1% but all are less than 5%, the above connected transactions are only subject to the reporting, annual review and announcement requirements but is exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. For details regarding the above connected transactions, please refer to the related announcements published on the website of Stock Exchange and the website of the Company on 25 March 2020 and 21 July 2020.

2. Changes in Existing Agreement during the Year Constituting Continuing Connected Transactions

According to the relevant asset restructuring plan of Sinopec Corp. and PipeChina, Sinopec Pipeline Company has been fully incorporated into PipeChina, and Sinopec Pipeline Storage and Transportation Branch Company is a branch company of Sinopec Pipeline Company. Huade Petrochemical, Sinopec Pipeline Storage and Transportation Branch Company and Sinopec Petroleum Marketing Company Limited jointly approved and signed the relevant supplemental agreements, all rights and obligations of Sinopec Pipeline Storage and Transportation Branch Company in the Crude Oil Jetty and Storage Services Framework Master Agreement have been transferred to Sinopec Petroleum Marketing Company Limited starting from 1 October 2020. Save from that, all of the terms in the Crude Oil Jetty and Storage Services Framework Master Agreement remain unchanged.

3. Termination in Existing Agreements during the Year Constituting Continuing Connected Transactions/Connected Transactions

On 30 September 2020, the transaction of disposal of 100% of the equity interests in Yu Ji Pipeline Company to PipeChina by the Company through Sinomart Development, its wholly-owned subsidiary, was officially completed. Starting from the completion date of the transaction, since Yu Ji Pipeline Company has ceased to be a subsidiary of the Company, the transactions as contemplated under the framework agreements entered into between Yu Ji Pipeline Company and the connected persons of the Company as set out above will no longer constitute continuing connected transactions/connected transactions of the Company under Chapter 14A of the Listing Rules.

In addition, according to the relevant asset restructuring plan of Sinopec Corp. and PipeChina, Sinopec Pipeline Company has been fully incorporated into PipeChina. Following the joint negotiation and consensus reached between Sinomart Development and Sinopec Pipeline Company, Sinomart Development has ceased to entrust Sinopec Pipeline Company for managing Six Domestic Terminal Companies, and the Oil Terminal Entrusted Management Framework Master Agreement has been officially terminated since 1 October 2020.

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

1. For the year ended 31 December 2020, 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 2020 RMB million	Annual caps for the year 2020 RMB million
Crude oil jetty and storage services income		450.95	650.00
Fuel oil jetty and storage services income		48.51	70.00
Oil product purchase expenditure		3.08	10.00
Income arising from the provision of natural gas pipeline transmission services		524.93	900.00
Services and products outsourcing fees		19.20	70.00
Natural gas pipeline and gas transmission station inspection and maintenance project construction expenditure		0.05	10.00
Building lease income		2.62	5.00
Lands and buildings lease expenses		3.62	6.10
Labour technical services expenses	Zhongyuan Natural Gas Technical Centre	3.71	6.40
	Shandong Natural Gas Services Jinan Branch Company	24.34	40.00
Power technical services expenses		3.72	6.00
Natural gas pipeline technical services expenses		1.62	15.00
Terminal entrustment and management expenses		7.26	9.68
Maximum balance of deposits placed by Huade Petrochemical in Sinopec Finance during the Year		50.13	400.00
Maximum balance of deposits placed by Yu Ji Pipeline Company in Sinopec Finance during the Year		389.44	700.00
Maximum balance of deposits placed outside the PRC by the Group in Century Bright during the Year (HK$ million) Note		412.32	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 2020 are as follows:

	Accumulated transaction amounts as of 31 December 2020 RMB million	Caps of the aggregate amounts of the connected transactions RMB million
Expenses arising from the natural gas pipeline compression project	1.22	155.00
Valve rooms reconstruction project expenses	4.72	7.00

Please refer to note 30 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 2020. 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.

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 2020 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 57, 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 petroleum refining, in July 1985 and is a senior engineer. From July 1985 to October 2008, Mr. Chen served at different positions in Sinopec Zhenhai Refining & Chemical Co., Ltd. From September 2006 to March 2015, he served as the deputy director general 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 director general (director general level) and the chief engineer of the refining business division of Sinopec Corp. Since December 2019, he has been serving as the general manager and the chief engineer of the refining business division of Sinopec Corp. Since December 2019, he has been serving as the vice chairman of Yanbu Aramco Sinopec Refining Company Ltd. Since August 2020, he has been serving concurrently as an executive director and secretary of CPC Committee of Sinopec Petroleum Marketing Company Limited and chairman of Sinopec Petroleum Storage and Reserve Limited. From December 2018 to November 2019, Mr. Chen concurrently served as the chairman of Huade Petrochemical, a wholly-owned subsidiary of the Company. Since January 2021, Mr. Chen has been serving as an employee's representative supervisor of the seventh session of the board of supervisors of Sinopec Corp. Mr. Chen has been the Chairman of the Board and Executive Director of the Company since November 2019.

Mr. Zhong Fuliang, aged 52, 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 March 2015, Mr. Zhong successively held positions in Zhenhai Petrochemical General Plant, Sinopec Zhenhai Refining & Chemical Co., Ltd., and Zhenhai Refining & Chemical Branch Company of 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 an executive 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 an Executive Director of the Company since March 2020.

Mr. Mo Zhenglin, aged 56, 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 May 1995 to August 2008, Mr. Mo successively held positions in Beijing Yanshan Petrochemical Corporation, Beijing Yanshan Petrochemical Co., Ltd. and Sinopec Corp. Beijing Yanshan Branch Company. From August 2008 to August 2017, he served as chief accountant and deputy director general of the Chemical Division of Sinopec Corp. From August 2017 to December 2019, he served as deputy director general 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 an Executive Director of the Company since March 2020.

Mr. Yang Yanfei, aged 53, 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 economist. From August 1991 to December 2019, Mr. Yang successively held positions in Beijing Yanshan Petrochemical Corporation, China Petrochemical Corporation, relevant State ministries and Sinopec Group Company. 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 been an Executive Director of the Company since March 2020.

Mr. Zou Wenzhi, aged 50, 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 June 2016, Mr. Zou successively held positions in Sinopec Beijing Design Institute, Sinopec Engineering Incorporation and 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.. 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 director general 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 an Executive Director of the Company since March 2020.

Mr. Ren Jiajun, aged 53, is an Executive Director of the Company, is a professor-level senior engineer graduated from East China Petroleum Institute with a bachelor's degree in petroleum processing in July 1989. He also holds a bachelor's degree in engineering. From July 1989 to November 2010, Mr. Ren held positions in Sinopec Great Wall Advanced Lubricant Company, the production department and the refining and chemical management department of Sinopec Group and oil refining business division of Sinopec Corp.. From November 2010 to September 2018, he served as the deputy director general of oil refining business division of Sinopec Corp.. From September 2018 to August 2020, he served as the deputy director general and the deputy general manager of department of production, operation and management of Sinopec Group (Sinopec Corp.). From August 2020, he has been serving as the general manager of Sinopec Petroleum Marketing Company Limited, as well as the general manager of Sinopec Petroleum Reserve Company Limited since September 2018. From March 2015 to June 2017, Mr. Ren Jiajun also served as a director of Sinopec Catalyst Company Limited. From September 2018 to August 2020, he served as an executive director and chairman of Sinopec Petroleum Reserve Company Limited. Since November 2018, he has been serving as an executive director and general manager of Sinopec Petroleum (Shanghai) Reserve Company Limited. Since June 2019, Mr. Ren Jiajun has been serving as a director of Shanghai Zheshi Futures Co., Ltd.. Since November 2018, he has also been serving as a director of Rizhao Shihua Crude Oil Terminal Co., Ltd., and Zhan Jiang Port Petrochemical Jetty Co., Ltd.. From November 2018 to April 2020, he has served as a director of Zhoushan Shihua Crude Oil Terminal Co., Ltd.. Mr. Ren has been an Executive Director of the Company since January 2021.

Mr. Sang Jinghua, aged 53, is an Executive Director and the General Manager of the Company, is a senior engineer graduated from the Dalian University of Technology in July 1990 with a bachelor's degree in macromolecule chemical engineering. From July 1990 to May 2019, Mr. Sang held positions in Shijiazhuang Refinery Branch Company of China Petroleum & Chemical Corporation, the board secretariat of Sinopec Corp. and SINOPEC Engineering (Group) Co., Ltd. ("**Sinopec Engineering**"). From May 2012 to January 2013, he served as the securities representative of Sinopec Corp.. From August 2012 to May 2019, he was the secretary to the board of directors of Sinopec Engineering. From December 2012 to May 2019, he was the company secretary of Sinopec Engineering. From May 2014 to May 2019, he was a vice president of Sinopec Engineering. From May 2019 to January 2021, Mr. Sang Jinghua was the executive deputy general manager of the Company. Mr. Sang Jinghua has been an Executive Director and the General Manager of the Company since January 2021.

Mr. Wang Guotao, aged 55, has resigned as an Executive Director of the Company since January 2021. Mr. Wang graduated from Huazhong University of Science and Technology in July 1988 majoring in applied chemistry and obtained a master's degree in petroleum and natural gas engineering from China University of Petroleum (Beijing) in January 2008, and is a senior engineer. From July 1988 to August 2001, Mr. Wang successively held positions in Huangdao Oil Tanks of Shengli Oil Transmission Company of Pipeline Bureau, Shouguang Station of Shengli Oil Transmission Company and Weifang Pipeline Division 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 and the Standing Committee Member of CPC of Pipeline Storage & Transportation Branch Company; from September 2014 to July 2017, he was deputy general manager and the Standing Committee Member of the CPC Committee of Sinopec Pipeline Storage & Transportation Company. Since July 2017, he has been general manager and deputy secretary to the CPC 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 was an Executive Director of the Company from December 2015 to January 2021.

Mr. Ye Zhijun, aged 55, has resigned from the position of Executive Director and the Managing Director of the Company since January 2021. 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 was an Executive Director and the Managing Director of the Company from March 2002 to January 2021.

Independent Non-executive Directors

Ms. Tam Wai Chu, Maria, GBM, JP, aged 75, 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 and Macau Legend Development 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, Hong Kong Chronicles Institute Limited and The Academy of Chinese Studies Limited. Ms. Tam has been an Independent Non-Executive Director of the Company since June 1999.

Mr. Fong Chung, Mark, aged 69, 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 China Oilfield Services Limited, which is a listed company on the Hong Kong Stock Exchange. He is also a non-executive director of Worldsec Limited, a company listed on the London Stock Exchange. Mr. Fong has been an Independent Non-Executive Director of the Company since September 2004.

Dr. Wong Yau Kar, David, GBS, JP, aged 63, 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 (retired on 16 March 2021). Dr. Wong is currently an independent non-executive director of Huayi Tencent Entertainment Company Limited, Shenzhen Investment Limited, Redco Properties Group Limited and Guangnan (Holdings) Limited, all of which are 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 60, 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, a member of the Hospital Authority Board, the chairman of the Development Committee of Hospital Authority General Assembly Medical Service, a trustee of the Board of Trustees of the Hospital Authority Charitable Foundation, the chairman of Prince of Wales Hospital Governing Committee, a member of the Council and the Court of the University of Hong Kong, the convener of the Financial Reporting Review Panel of the Hong Kong Special Administrative Region. 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. Li Wenping, aged 57, 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 48, 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 2019 Annual Report

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

Ms. Tam Wai Chu, Maria, resigned as an independent non-executive director, chairlady of the remuneration committee, member of the audit committee and member of the safety, health and environment protection committee of China Shenhua Energy Company Limited on 29 May 2020; and appointed as the director of The Academy of Chinese Studies Limited on 22 February 2021.

Mr. Fong Chung, Mark, resigned as an independent non-executive director, chairman of the audit committee, member of the nomination committee and the remuneration committee of Macau Legend Development Limited on 24 November 2020.

Dr. Wong Yau Kar, David, resigned as an independent non-executive director, chairman of the remuneration committee, member of the audit committee and the nomination committee of CSSC (Hong Kong) Shipping Company Limited on 10 November 2020.

Ms. Wong Pui Sze, Priscilla, resigned as the chairman of Employees Compensation Assistance Fund Board on 30 June 2020; and appointed as the chairman of Prince of Wales Hospital Governing Committee on 1 April 2020.

Mr. Ren Jiajun, appointed as an Executive Director of the Company on 19 January 2021.

Mr. Sang Jinghua, appointed as an Executive Director, General Manager, and member of the Remuneration Committee and the Nomination Committee of the Company on 19 January 2021.

Mr. Wang Guotao, resigned as an Executive Director of the Company on 19 January 2021.

Mr. Ye Zhijun, resigned as an Executive Director, Managing Director, and member of the Remuneration Committee and the Nomination Committee of the Company on 19 January 2021.

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.

On 18 June 2020, the Company convened the annual general meeting. Mr. Chen Yaohuan, Chairman of the Board was not able to come to Hong Kong to attend and preside the annual general meeting 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**") due to the impact of the COVID-19 pandemic control measures. Pursuant to Bye-law 71 of the Bye-laws and according to the election by the attending Directors, Mr. Ye Zhijun, the then Managing Director, presided over the annual general meeting. In addition, Ms. Tam Wai Chu, Maria, the Chairlady of the remuneration committee of the Company (the "**Remuneration Committee**") did not attend the annual general meeting held on 18 June 2020 for the reasons of other personal affairs arrangements.

Save as disclosed above, the Company had complied with the applicable provisions of the Corporate Governance Code for the year ended 31 December 2020.

General Meeting

During the twelve months ended 31 December 2020, the Company has convened one annual general meeting strictly in accordance with the relevant notice, convening and holding requirements under laws, regulations and the Bye-laws. On 18 June 2020, the Company convened the 2019 annual general meeting at Salon Rooms II-III, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong. Mr. Chen Yaohuan, Chairman of the Board was not able to attend and preside the annual general meeting as required under Code Provision E.1.2 of the Corporate Governance Code due to the impact of the COVID-19 pandemic control measures. Pursuant to Bye-law 71 of the Bye-laws and according to the election by the attending Directors, Mr. Ye Zhijun, the then Managing Director, presided over the annual general meeting, and Ms. Tam Wai Chu, Maria, the Chairlady of the Remuneration Committee, did not attend the annual general meeting for reasons of personal affairs arrangements. Mr. Fong Chung, Mark, the Chairman of the Audit 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 18 June 2020.

Directors' attendance at the general meetings in 2020 is as follows:

Attendance	No. of meetings attended	Attendance %
Mr. Chen Yaohuan (Chairman)	0	0
Mr. Zhong Fuliang	0	0
Mr. Mo Zhenglin	0	0
Mr. Yang Yanfei	0	0
Mr. Zou Wenzhi	0	0
Mr. Wang Guotao (resigned on 19 January 2021)	0	0
Mr. Ye Zhijun (Managing Director, resigned on 19 January 2021)	1	100
Ms. Tam Wai Chu, Maria	0	0
Mr. Fong Chung, Mark	1	100
Dr. Wong Yau Kar, David	1	100
Ms. Wong Pui Sze, Priscilla	1	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 of 31 December 2020 and as of 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.

Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors			
Mr. Chen Yaohuan (Chairman)	Mr. Fong Chung, Mark (Chairperson)	Ms. Tam Wai Chu, Maria (Chairlady)	Dr. Wong Yau Kar, David (Chairperson)
Mr. Xiang Xiwen (Deputy Chairman, resigned on 25 March 2020)	Ms. Tam Wai Chu, Maria	Mr. Chen Yaohuan	Mr. Chen Yaohuan
Mr. Zhong Fuliang (appointed on 25 March 2020)	Dr. Wong Yau Kar, David	Mr. Fong Chung, Mark	Ms. Tam Wai Chu, Maria
Mr. Mo Zhenglin (appointed on 25 March 2020)	Ms. Wong Pui Sze, Priscilla	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. Sang Jinghua (appointed on 19 January 2021)	Mr. Sang Jinghua (appointed on 19 January 2021)
Mr. Ren Jiajun (appointed on 19 January 2021)		Mr. Ye Zhijun (resigned on 19 January 2021)	Mr. Ye Zhijun (resigned on 19 January 2021)
Mr. Sang Jinghua (General Manager, appointed on 19 January 2021)			
Mr. Dai Liqi (resigned on 25 March 2020)			
Mr. Li Jianxin (resigned on 25 March 2020)			
Mr. Wang Guotao (resigned on 19 January 2021)			
Mr. Ye Zhijun (Managing Director, resigned on 19 January 2021)			

Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee
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 six Board meetings in 2020. Directors' attendance at the Board meetings is as follows:

Attendance	No. of meetings attended	Attendance %
Mr. Chen Yaohuan (Chairman)	4	66.7
Mr. Xiang Xiwen (Deputy Chairman, resigned on 25 March 2020) Note 1	0	0
Mr. Zhong Fuliang (appointed on 25 March 2020) Note 2	4	100.0
Mr. Mo Zhenglin (appointed on 25 March 2020) Note 2	3	75.0
Mr. Yang Yanfei (appointed on 25 March 2020) Note 2	3	75.0
Mr. Zou Wenzhi (appointed on 25 March 2020) Note 2	2	50.0
Mr. Dai Liqi (resigned on 25 March 2020) Note 1	0	0
Mr. Li Jianxin (resigned on 25 March 2020) Note 1	2	100.0
Mr. Wang Guotao (resigned on 19 January 2021)	2	33.3
Mr. Ye Zhijun (Managing Director, resigned on 19 January 2021)	6	100.0
Ms. Tam Wai Chu, Maria	6	100.0
Mr. Fong Chung, Mark	6	100.0
Dr. Wong Yau Kar, David	6	100.0
Ms. Wong Pui Sze, Priscilla	6	100.0

Note 1: During the period from 1 January 2020 to 25 March 2020, the Board of the Company convened a total of two Board meetings.

Note 2: During the period from 26 March 2020 to 31 December 2020, the Board of the Company convened a total of four Board meetings.

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 new Directors. Ms. Tam Wai Chu, Maria, Dr. Wong Yau Kar, David, Mr. Fong Chung, Mark and Ms. Wong Pui Sze, Priscilla, as independent non-executive Directors, were re-elected and approved to serve as independent non-executive Directors at the annual general meetings of the Company held on 18 June 2020, 18 June 2020, 12 June 2019 and 27 June 2018, respectively, for a term of three years.

Audit Committee

As at 31 December 2020, 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 2020, the Audit Committee held two meetings to review the annual results of the Group for the year ended 31 December 2019, consider the revised internal control system and review the interim results of the Group for the six months ended 30 June 2020, 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 2020, the attendance of members of the Audit Committee at the Audit Committee meetings is as follows:

Attendance	No. of meetings attended	Attendance %
Mr. Fong Chung, Mark (Chairperson)	2	100.0
Ms. Tam Wai Chu, Maria	2	100.0
Dr. Wong Yau Kar, David	2	100.0
Ms. Wong Pui Sze, Priscilla	2	100.0

The Company's annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee.

Remuneration Committee

As at 31 December 2020, 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 2020, the Remuneration Committee convened one meeting, during which the service contracts and director's remuneration of newly appointed executive Directors and director's fees of independent non-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)	1	100.0
Mr. Chen Yaohuan	1	100.0
Mr. Fong Chung, Mark	1	100.0
Dr. Wong Yau Kar, David	1	100.0
Ms. Wong Pui Sze, Priscilla	1	100.0
Mr. Ye Zhijun (resigned on 19 January 2021)	1	100.0

Nomination Committee

As at 31 December 2020, 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, 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 or advising thereon; (iii) making proposals to the Board on the appointment or re-appointment of Directors and succession planing for Directors (in particular the Chairman and the General Manager); (iv) evaluating independence of independent non-executive Directors; and (v) in the event that the Board intends to propose a resolution in relation to the appointment of a particular person as independent non-executive Director at a general meeting, the circular and/or explanatory letter to shareholders attached to the notice convening the meeting shall state the reasons for the appointment of such person and for such person being deemed to be an independent party.

In 2020, the Nomination Committee convened one meeting, during which the nomination of Mr. Zhong Fuliang, Mr. Mo Zhenglin, Mr. Yang Yanfei and Mr. Zou Wenzhi as executive Directors of the Company were discussed, and the structure and composition of the Board were reviewed, and rotation of Directors was discussed. In 2020, the attendance of members of the Nomination Committee at the Nomination Committee meeting is as follows:

Attendance	No. of meetings attended	Attendance %
Dr. Wong Yau Kar, David (Chairperson)	1	100.0
Mr. Chen Yaohuan	1	100.0
Ms. Tam Wai Chu, Maria	1	100.0
Mr. Fong Chung, Mark	1	100.0
Ms. Wong Pui Sze, Priscilla	1	100.0
Mr. Ye Zhijun (resigned on 19 January 2021)	1	100.0

According to Bye-law 115 of the Bye-laws, any new 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 2021, the term of office of Mr. Ren Jiajun and Mr. Sang Jinghua, the executive Directors and Ms. Wong Pui Sze, Priscilla, the independent non-executive Director, will expire at the conclusion of the forthcoming annual general meeting. Taking into account the factors such as cultural and educational background, professional experience, knowledge, skills, ethnicity and age of such Directors with due regard for the benefits of the diversity and their contributions to the Board, as well as their dedication to duties and qualifications, the Nomination Committee nominated Mr. Ren Jiajun and Mr. Sang Jinghua, the executive Directors and Ms. Wong Pui Sze, Priscilla, the independent non-executive Director for re-election at the forthcoming annual general meeting to be held on 15 June 2021. 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 2020, all Directors participated in trainings in respect of corporate governance practices through various ways:

	Types of Training
Executive Directors	
Mr. Chen Yaohuan (Chairman)	B
Mr. Xiang Xiwen (Deputy Chairman, resigned on 25 March 2020)	B
Mr. Zhong Fuliang (appointed on 25 March 2020)	A,B
Mr. Mo Zhenglin (appointed on 25 March 2020)	B
Mr. Yang Yanfei (appointed on 25 March 2020)	B
Mr. Zou Wenzhi (appointed 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 (resigned on 19 January 2021)	B
Mr. Ye Zhijun (Managing Director, resigned on 19 January 2021)	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.

Chairman of the Board and the General Manager of the Company

The Chairman of the Board and General Manager 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 General Manager'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 2020.

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 56 to 63 of this report.

Liability Insurance for Directors

The Company has arranged appropriate directors' liability insurance for the Directors of the Company, such arrangements remain in force as at 31 December 2020 and the date of this report.

Auditor's Remuneration

For the year ended 31 December 2020, the following fees were paid/payable by the Group to the auditor, PricewaterhouseCoopers, and its network members:

	2020 HK$ million	2019 HK$ million
Audit services		
– the Company	2.10	1.60
– subsidiaries	3.47	3.54
Non-audit services[Note]	1.00	–
Total	6.57	5.14

Note: Non-audit services relate to the non-audit assurance services and other related services for the disposal transaction of Yu Ji Pipeline Company

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 2020.

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 2020, 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 2020. 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. All significant information such as announcements, circulars, annual and interim reports can be downloaded from the above websites.

Shareholders' Rights

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

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

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

Pursuant to the Companies Act of Bermuda, shareholders can submit a written requisition to propose a resolution at a general meeting. The number of shareholders necessary for a requisition shall represent not less than one-twentieth of the total voting rights at the general meeting, or a number of no less than one hundred shareholders.

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

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

(c) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's branch share registrar, Tricor Secretaries Limited, at Level 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 2020, 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.

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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 142, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- 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 flow 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 2020, 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.

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.

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
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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:

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

Key Audit Matter	How our audit addressed the Key Audit Matter
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 lease liabilities) and note 17 (Property, plant and equipment) to the consolidated financial statements As at 31 December 2020, the carrying amounts of non-current assets (the "**Assets**") of PT. West Point Terminal ("**PT. West Point**") amounted to HK$757 million, representing approximately 5% of 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**"). 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 Court of Arbitration of the International Chamber of Commerce in Singapore in respect of the Arbitrations.	In addressing this matter, we had performed the following procedures: (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 occupancy 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
The construction of the project has not been commenced up to the date of this report. In view of this, 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. We focused on the impairment assessment of Assets and related disclosures in the consolidated financial statement as the impairment assessment involves 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, occupancy rate and discount rate adopted in the value-in-use calculations.	(4) We evaluated management's sensitivity calculation over the recoverable amount and the impact on potential downside movement of key assumptions. (5) We assessed the adequacy of the disclosures related to the impairment assessment of Assets in the context of the applicable financial reporting framework. (6) We also considered whether the judgements made in selecting the methods, significant assumptions and data would give rise to indicators of possible management bias and the implications for the audit when indicators of possible management bias are identified. Based on the above, we found the key assumptions and estimates adopted by management and judgement made in the impairment assessment of the Assets were supportable by the evidence obtained and procedures performed.
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 2020, 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$7,559 million and HK$1,041 million respectively, in aggregate representing approximately 54% of its total assets.	In addressing this matter, we had performed the following procedures: – We understood the industry, understood and evaluated 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 investments from management and understood the key bases and assumptions adopted by management.

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INDEPENDENT AUDITOR'S REPORT
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Key Audit Matter	How our audit addressed the Key Audit Matter
A number of factors, including oil price fluctuation, regional crude oil 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 amounts of an investment in a joint venture as at 31 December 2020 might be impaired. Where impairment indicators existed or recoverable amount is sensitive and significant, management further assessed the recoverable amounts of investments in joint ventures and associates based on the higher of value in use and fair value less cost of disposal. The Company adopted value-in-use approach in determining the recoverable amounts, which is the present value of the future cash flows expected to be derived from the investments. We focused on the impairment assessment of interests in joint ventures and associates and related disclosures in the consolidated financial statement 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.	– We checked mathematical accuracy of the relevant discounted cash flow models. – We evaluated the key assumptions in the discounted cash flow models 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, price and benchmarking to industry norm, and ii. discount rates, by comparing the underlying assumptions adopted against external market data and published information of comparable companies. – We evaluated management's sensitivity calculation and performed our own sensitivities over the recoverable amounts and the impact on potential downside movement of key assumption. – We assessed the adequacy of the disclosures related to the impairment assessment of the interests in joint ventures and associates in the context of the applicable financial reporting framework. – We also considered whether the judgements made in selecting the methods, significant assumptions and data would give rise to indicators of possible management bias and the implications for the audit when indicators of possible management bias are identified. Based on the above, we found the key assumptions and estimates adopted by management and judgement made in the impairment assessment of the interests in joint ventures and associates were supportable by the evidence obtained and procedures performed.

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INDEPENDENT AUDITOR'S REPORT
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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 AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

羅兵咸永道

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

- 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, actions taken to eliminate threats or safeguards applied.

羅兵咸永道

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

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, 23 March 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Note	**2020** **HK$'000**	2019 HK$'000 (Restated)
Continuing operations			
Revenue	5, 6	**601,239**	595,577
Cost of providing services	8	**(331,147)**	(323,151)
Gross profit		**270,092**	272,426
Other income and other gains, net	7	**237,509**	71,581
Distribution costs		**(21,335)**	(13,816)
Administrative expenses	8	**(160,364)**	(147,619)
Operating profit		**325,902**	182,572
Finance income	10	**9,990**	367
Finance costs	10	**(5,342)**	(31,397)
Finance income/(costs), net		**4,648**	(31,030)
Share of results of:			
– Joint ventures	13	**886,738**	891,211
– Associates	12	**169,936**	185,402
		1,056,674	1,076,613
Profit before income tax		**1,387,224**	1,228,155
Income tax expenses	14	**(120,656)**	(142,913)
Profit for the year from continuing operations		**1,266,568**	1,085,242
Discontinued operation			
Profit for the year from discontinued operation	23(a)	**1,034,802**	199,162
Net profit for the year		**2,301,370**	1,284,404
Profit attributable to:			
Equity holders of the Company		**2,302,098**	1,285,111
Non-controlling interests		**(728)**	(707)
		2,301,370	1,284,404
Profit attributable to equity holders of the Company arising from:			
Continuing operations		**1,267,296**	1,085,949
Discontinued operation	23(a)	**1,034,802**	199,162
		2,302,098	1,285,111
Basic and diluted earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share) arising from:			
Continuing operations	15	**50.97**	43.68
Discontinued operation	15	**41.62**	8.01

The notes on pages 70 to 142 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000 (Restated)
Profit for the year	**2,302,098**	1,285,111
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on currency translation		
– Subsidiaries	**60,718**	(48,038)
– Joint ventures	**410,182**	(139,154)
– Associates	**54,820**	(20,243)
	525,720	(207,435)
Cash flow hedges		
– Joint ventures	**(35,105)**	(52,472)
– An associate	**–**	(1,229)
	(35,105)	(53,701)
Exchange differences on currency translation of discontinued operation	**90,184**	(59,681)
Release of exchange reserve upon disposal of discontinued operation	**115,292**	–
	205,476	(59,681)
Other comprehensive income/(loss) for the year, net of tax	**696,091**	(320,817)
Total comprehensive income for the year	**2,998,189**	964,294
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**2,998,189**	964,294
Non-controlling interests	**(728)**	(707)
	2,997,461	963,587
Total comprehensive income for the year attributable to equity holders of the Company arises from:		
Continuing operations	**1,757,911**	824,813
Discontinued operation	**1,240,278**	139,481
	2,998,189	964,294

The notes on pages 70 to 142 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**1,570,308**	5,762,627
Right-of-use assets	16	**610,916**	647,345
Investment properties	18	**19,813**	53,606
Prepayment		**16,962**	31,097
Interests in joint ventures	13	**7,558,826**	6,813,973
Interests in associates	12	**1,041,395**	954,994
Total non-current assets		**10,818,220**	14,263,642
Current assets			
Inventories	20	**4,357**	72,246
Trade and other receivables	19	**1,410,882**	1,137,385
Cash and cash equivalents	21	**3,781,081**	223,484
Total current assets		**5,196,320**	1,433,115
Total assets		**16,014,540**	15,696,757
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	22	**248,616**	248,616
Reserves		**14,431,453**	11,930,496
Equity attributable to equity holders of the Company		**14,680,069**	12,179,112
Non-controlling interests		**35,022**	35,750
Total equity		**14,715,091**	12,214,862
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	28	**164,349**	146,724
Government grants		**15,774**	18,399
Lease liabilities	16	**21,943**	11,709
Total non-current liabilities		**202,066**	176,832
Current liabilities			
Trade and other payables	27	**994,899**	762,557
Borrowings		**–**	2,518,494
Income tax payable		**96,007**	17,089
Lease liabilities	16	**6,477**	6,923
Total current liabilities		**1,097,383**	3,305,063
Total liabilities		**1,299,449**	3,481,895
Total equity and liabilities		**16,014,540**	15,696,757

The consolidated financial statements on pages 64 to 142 were approved by the board of directors on 23 March 2021 and were signed on its behalf:

Chen Yaohuan	**Sang Jinghua**
Chairman	*Executive 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$'000 (Note 24c)	Merger reserve HK$'000 (Note 24a)	General reserves HK$'000 (Note 24b)	Hedging reserve HK$'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	24	–	–	(22,391)	–	–	–	–	22,391	–	–	–
Dividends	25	–	–	–	–	–	–	–	(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 142 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

		Attributable to equity holders of the Company										
	Note	Share capital HK$'000	Share premium HK$'000	Specific reserve HK$'000 (Note 24c)	Merger Reserve HK$'000 (Note 24a)	General reserves HK$'000 (Note 24b)	Hedging reserve HK$'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 2020		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
Comprehensive income:												
Profit for the year		–	–	–	–	–	–	–	2,302,098	2,302,098	(728)	2,301,370
Other comprehensive income												
Exchange differences on currency translation:												
– Subsidiaries		–	–	–	–	–	–	150,902	–	150,902	–	150,902
– Joint ventures		–	–	–	–	–	–	410,182	–	410,182	–	410,182
– Associates		–	–	–	–	–	–	54,820	–	54,820	–	54,820
Net loss on cash flow hedges:												
– Joint ventures		–	–	–	–	–	(35,105)	–	–	(35,105)	–	(35,105)
Transfer of reserve upon disposal of a subsidiary	23	–	–	(7,128)	985,770	(124,326)	–	115,292	(854,316)	115,292	–	115,292
Other comprehensive income for the year, net of tax		–	–	(7,128)	985,770	(124,326)	(35,105)	731,196	(854,316)	696,091	–	696,091
Total comprehensive income for the year		–	–	(7,128)	985,770	(124,326)	(35,105)	731,196	1,447,782	2,998,189	(728)	2,997,461
Transaction with owners												
Appropriation of reserves		–	–	16,712	–	–	–	–	(16,712)	–	–	–
Utilisation of specific reserve for the year	24	–	–	(9,593)	–	–	–	–	9,593	–	–	–
Dividends	25	–	–	–	–	–	–	–	(497,232)	(497,232)	–	(497,232)
Total transaction with owners		–	–	7,119	–	–	–	–	(504,351)	(497,232)	–	(497,232)
Balance at 31 December 2020		248,616	6,300,684	24	23,444	296,079	(250,252)	157,049	7,904,425	14,680,069	35,022	14,715,091

The notes on pages 70 to 142 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash generated from operations	26(a)	**792,896**	1,049,186
The People's Republic of China income tax paid		**(78,722)**	(180,198)
Withholding tax paid		**(55,316)**	(56,304)
Net cash generated from operating activities		**658,858**	812,684
Cash flows from investing activities			
Purchase of property, plant and equipment		**(223,356)**	(68,503)
Repayments of loans from joint ventures		**87,071**	98,503
Repayments of loans from an associate		**5,549**	5,485
Dividend received from joint ventures		**929,632**	339,332
Dividend received from an associate		**135,886**	73,315
Interest income received		**10,971**	2,636
Proceeds from disposal of property, plant and equipment		**160,003**	65
Proceeds from disposal of right-of-use assets		**43,079**	–
Proceeds from disposal of investment property		**18,000**	–
Proceeds from disposal of discontinued operation, net of cash disposed	23(a)	**3,028,898**	–
Government grant received		**37,223**	–
Decrease in restricted bank balances		**91,738**	–
Net cash generated from investing activities		**4,324,694**	450,833
Cash flows from financing activities	26(b)		
Proceeds from borrowings		**4,413,751**	1,585,791
Repayments of borrowings		**(5,555,828)**	(2,697,767)
Repayment of lease liabilities		**(7,542)**	(7,959)
Dividends paid to owners of the Company		**(497,232)**	(447,509)
Increase in amounts due to immediate, intermediate holding company and related parties		**299,887**	314,306
Finance costs paid		**(58,514)**	(118,313)
Net cash used in financing activities		**(1,405,478)**	(1,371,451)
Net increase/(decrease) in cash and cash equivalents		**3,578,074**	(107,934)
Cash and cash equivalents at 1 January	21	**130,473**	226,213
Effect of foreign exchange rate changes		**72,534**	12,194
Cash and cash equivalents at 31 December	21	**3,781,081**	130,473

The notes on pages 70 to 142 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. The discontinued operation of the Group was engaged in the provision of natural gas pipeline transmission services. 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 23 March 2021.

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.

On 21 July 2020, Sinomart KTS Development Limited ("**Sinomart Development**"), a wholly-owned subsidiary of the Company, entered into a share sales and purchase agreement (the "**Sales and Purchase Agreement**") with China Oil & Gas Pipeline Network Corporation (the "**Purchaser**"), whereby Sinomart Development conditionally agreed to sell the shares, representing 100% equity interest, in Sinopec Yu Ji Pipeline Company Limited ("**Yu Ji Pipeline Company**"), a 100% subsidiary of the group, to the Purchaser. The transaction was completed on 30 September 2020. The presentation of comparative information in respect of the consolidated income statement and the consolidated statement of comprehensive income for the year ended 31 December 2019 has been restated in order to disclose the discontinued operations separately from continuing operations. As the restatement does not affect the consolidated statement of financial position, it is not necessary to disclose comparative information as at 31 December 2019.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and disclosure requirements under the Hong Kong Companies Ordinance Cap.622. 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 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 2020:

Amendments to HKFRS 3	Definition of a business
Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The above new standards, amendments, improvements and interpretation effective for the financial year beginning 1 January 2020 do not have a material impact on the Group.

2.1.2 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments	1 January 2022
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HK Interpretation 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

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

(i) Merger accounting for common control combinations

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

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

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

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

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

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

(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 2.2(i)), the Group applies the acquisition method of accounting to account for non-common control business combinations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

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

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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 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.

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.

2.4 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Joint arrangements (Continued)

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.

2.5 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.

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (Continued)

(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 income statement 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.

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.

2.7 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (Continued)

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.

2.8 Investment properties

Investment properties, comprising buildings are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. The Group accounts for its investment properties under the cost method and investment properties are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on the straight-line basis so as to amortise the cost of investment property over its estimated useful life of 30 to 40 years.

2.9 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 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.

2.11 Discontinued operation

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement and in note 23.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

(i) Classification (Continued)

Debt instruments (Continued)

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Derivatives and hedging activities (Continued)

Cash flow hedges (Continued)

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.

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 recognises a loss allowance for expected credit losses ("**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loans to joint ventures and associates and cash and cash equivalents.

The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. To measure ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL on these assets are assessed using simplified expected credit loss model.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Impairment of financial assets (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor; or

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers the cash and cash equivalents to have a low credit risk because the majority of the counterparties are banks with sound external credit rating of "investment grade" as per globally understood definitions.

(ii) Definition of default and credit-impaired financial assets

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Impairment of financial assets (Continued)

(ii) Definition of default and credit-impaired financial assets (Continued)

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the borrower;

– a breach of contract, such as a default or past due event;

– the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

– the disappearance of an active market for that financial asset because of financial difficulties; or

– the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iii) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the money market rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective probability of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

The Group considers the expected credit loss is immaterial on the basis that the counterparties are mainly related parties, state-owned entities and banks with sound external credit rating and no losses experienced in the past as well as no adverse change is anticipated in the business environment. No provision was made as at 31 December 2020 and 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Inventories

Inventories include 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. 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.

Inventories for natural gas were initially measured at cost, and were stated at the lower of cost and net realisable value as at prior year's balance sheet date.

2.17 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Over the terms of the financial guarantees, the Group accounts for its credit risk by appropriately providing for the expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for the financial guarantees, and adjusts for forward looking macroeconomic data. No provision was made as at 31 December 2020 and 2019.

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 loss allowance. 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.21 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.

2.24 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 the Hong Kong Special Adminstrative Region of the PRC ("**Hong Kong**" or "**Hong Kong S.A.R.**"). 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Provisions

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

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

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

2.26 Revenue recognition

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Revenue recognition (Continued)

(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. Natural gas pipeline transmission service was provided by Yu Ji Pipeline Company and had discontinued due to its disposal during the year.

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 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.

2.29 Dividend income

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

2.30 Leases

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Leases (Continued)

Prepaid land lease payments represent the consideration paid to lease the state-owned land in the PRC and land in Indonesia. Prepaid land lease payments are carried at cost less the accumulated depreciation. 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.

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)

2.30 Leases (Continued)

Lease income from operating leases where the Group is a lessor is recognised in income statement 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.

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.

2.31 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.

2.32 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

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

	2020 **HK$'000**	2019 HK$'000
RMB	**78,918**	13,400
SGD	**1,090**	843
USD	**5,869**	2,637

(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 Group had fully repaid all borrowings during the year and the carrying value of its borrowings as at 31 December 2020 is nil.

(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 substantially to related parties.

The Group considers the expected credit loss is immaterial on the basis that the counterparties are mainly related parties, state-owned entities and banks with sound external credit rating and no losses experienced in the past as well as no adverse change is anticipated in the business environment. No provision was made as at 31 December 2020 and 2019.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

As at 31 December 2020, no single customer accounted for greater than 10% of total accounts receivable, except the amounts due from Sinopec Corp., an intermediate holding company and related parties. 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 2020, the maximum credit risk exposure in respect of the financial guarantee is approximately HK$233 million (2019: approximately HK$234 million). Details of the financial guarantee are set out in Note 13 to the financial statements.

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

(d) Liquidity risk

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

At 31 December 2020, the Group has standby credit facilities with Century Bright, amounting to US$500 million, equivalent to approximately HK$3,876 million (2019: US$500 million, equivalent to approximately HK$3,893 million) on an unsecured basis, at a weighted average interest rate of 1.91% per annum (2019: 2.59%).

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:

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying values
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2020						
Trade and other payables	**993,754**	**–**	**–**	**–**	**993,754**	**993,754**
Lease liabilities	**7,188**	**7,688**	**11,291**	**5,782**	**31,949**	**28,420**
Financial guarantee against a bank loan of a joint venture	**233,000**	**–**	**–**	**–**	**233,000**	**233,000**
At 31 December 2019						
Trade and other payables	676,925	–	–	–	676,925	676,925
Lease liabilities	7,188	1,810	5,430	7,242	21,670	18,632
Borrowings	2,574,768	–	–	–	2,574,768	2,518,494
Financial guarantee against a bank loan of a joint venture	234,000	–	–	–	234,000	234,000

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, adjust 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) 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 and net debt-to-capital ratio at a range considered reasonable. The net debt-to-capital ratio of the Group is negative as at 31 December 2020 (2019: 26%).

	2020	2019
Current ratio	**4.74**	0.43

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 Group has been working on the enforcement of the arbitral awards of PT. West Point Terminal ("**PT. West Point**") and Sinomart Development. Up to the date of this report, the enforcement of the arbitral awards has not been completed.

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 together as one cash-generating unit, amounted to a total of approximately HK$653 million, 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 1.5 years based on management's expectation and a feasibility study, (ii) forecast revenue, revenue growth rate, forecast operating expenses and utilisation rate based on management's expectation, (iii) pre-tax discount rate of 15.6% 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$66 million (US$9 million)
- A 50 basis points increase in the discount rate would decrease the recoverable amount by HK$191 million (US$25 million)
- A delay in project commencement by 1 year would decrease the recoverable amount by HK$139 million (US$18 million)

These sensitivities are based on a change in the relevant assumption while holding other assumptions constant.

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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. Due to the uncertainties of the global business environment under the pandemic, the Group continued to assess the recoverable amount in Vesta Terminal B.V. ("**Vesta**"), a joint venture, amounted to HK$1,623 million (Euro 170 million) based on value in use amounts estimated using discounted cash flow model due to its financial significance and sensitivity to key assumptions. 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 rate of 2%, and terminal growth rate of 2% with reference to relevant market indexes, (iii) pre-tax discount rate of 8% per annum which is based on estimated cost of capital reflecting the current market assessment of the time value of money.

The results of the value-in-use calculation indicates a positive 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 would reduce the headroom to HK$52 million (Euro 5 million)

- A 10 basis points increase in the discount rate would reduce the headroom to HK$127 million (Euro 13 million)

Based on the impairment assessment, the recoverable amount of the investment in Vesta is higher than its carrying amount.

(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 two reportable segments under continuing operations, namely, rendering of crude oil jetty and storage services and rendering of vessel chartering and logistics services. All operating segments which fulfill 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.

– 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.

On 21 July 2020, the Board of Directors of the Group approved the sale of the natural gas pipeline transmission services segment pursuant to the share sales and purchase agreement as detailed in Note 2 of these financial statements. The strategic divestment was completed on 30 September 2020. The natural gas pipeline transmission services segment is classified as a discontinued operation and its net results for the period and the comparatives are presented separately as one-line item below net profit of the continuing operations. Further details of financial information of the discontinued operation are set out in Note 23 to the financial statements.

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

Segment assets included all assets, except for cash and cash equivalents, investment properties, dividend receivables from joint ventures, properties in Hong Kong classified as right-of-use assets 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 continuing operations and the expenses incurred by those continuing operations or which otherwise arise from the depreciation of assets attributable to those continuing operations.

The measure used for reporting segment profit under continuing operations is "segment results". Segment results include the operating profit generated by continuing operations and finance costs directly attributable to the continuing operations. Items that are not specifically attributed to individual segments, such as unallocated other income, unallocated other finance income, unallocated depreciation 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 capital expenditures used by the segments.

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 2020:

Year ended 31 December 2020

	Crude oil jetty and storage services HK$'000	Vessel chartering and logistics services HK$'000	Total HK$'000
Continuing operations			
Segment revenue			
– Recognised at a point in time	**474,920**	**–**	**474,920**
– Recognised over time	**126,319**	**–**	**126,319**
	601,239	**–**	**601,239**
Inter-segment revenue	**–**	**–**	**–**
Revenue from external customers	**601,239**	**–**	**601,239**
Segment results			
– Subsidiary	**231,759**	**–**	**231,759**
– Joint ventures	**796,094**	**90,644**	**886,738**
– Associates	**169,936**	**–**	**169,936**
	1,197,789	**90,644**	**1,288,433**
Unallocated other corporate net income			**98,791**
Profit before income tax			**1,387,224**
Income tax expenses			**(120,656)**
Net profit for the year from continuing operations			**1,266,568**
Discontinued operation			
Net profit for the year from discontinued operation			**1,034,802**
Profit for the year			**2,301,370**

5 SEGMENT REPORTING (CONTINUED)

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

(i) As at and for the year ended 31 December 2020: (Continued)

Year ended 31 December 2020

	Crude oil jetty and storage services HK$'000	Vessel chartering and logistics services HK$'000	Total HK$'000
Other segment items			
Continuing operations			
Bank interest income	421	–	421
Depreciation			
– Property, plant and equipment	(121,365)	–	(121,365)
– Right-of-use assets	(1,447)	–	(1,447)
Capital expenditures	(189,372)	–	(189,372)
Discontinued operation			
Bank interest income			981
Depreciation			
– Property, plant and equipment			(189,540)
– Investment properties			(1,198)
– Right-of-use assets			(408)
Capital expenditures			(33,757)

5 SEGMENT REPORTING (CONTINUED)

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

(i) As at and for the year ended 31 December 2020: (Continued)

As at 31 December 2020

	Crude oil jetty and storage services HK$'000	Vessel chartering and logistics services HK$'000	Total HK$'000
Segment assets			
– Subsidiary	**2,189,185**	**–**	**2,189,185**
– Joint ventures	**6,812,182**	**746,644**	**7,558,826**
– Associates	**977,299**	**64,096**	**1,041,395**
	9,978,666	**810,740**	**10,789,406**
Unallocated assets			
– Cash and cash equivalents			**3,781,081**
– Trade and other receivables			**757,119**
– Investment properties			**19,813**
– Right-of-use assets			
• properties in Hong Kong			**15,164**
• prepaid land lease payments in Indonesia			**566,896**
– Property, plant and equipment			**85,061**
			5,225,134
Total assets			**16,014,540**
Segment liabilities	**175,855**	**–**	**175,855**
Unallocated liabilities			
– Trade and other payables			**943,828**
– Lease liabilities			**15,417**
– Deferred income tax liabilities			**164,349**
			1,123,594
Total liabilities			**1,299,449**

5 SEGMENT REPORTING (CONTINUED)

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

(ii) 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	Total HK$'000 (Restated)
Continuing operations			
Segment revenue			
– Recognised at a point in time	479,058	–	479,058
– Recognised over time	116,519	–	116,519
	595,577	–	595,577
Inter-segment revenue	–	–	–
Revenue from external customers	595,577	–	595,577
Segment results			
– Subsidiary	253,110	–	253,110
– Joint ventures	806,678	84,533	891,211
– Associates	181,257	4,145	185,402
	1,241,045	88,678	1,329,723
Unallocated other corporate expenses			(101,568)
Profit before income tax			1,228,155
Income tax expenses			(142,913)
Net profit for the year from continuing operations			1,085,242
Discontinued operation			
Net profit for the year from discontinued operation			199,162
Profit for the year			1,284,404

5 SEGMENT REPORTING (CONTINUED)

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

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

Year ended 31 December 2019 (Continued)

	Crude oil jetty and storage services HK$'000	Vessel chartering and logistics services HK$'000	Total HK$'000 (Restated)
Other segment items			
Continuing operations			
Bank interest income	337	–	337
Depreciation			
– Property, plant and equipment	(125,746)	–	(125,746)
– Right-of-use assets	(3,837)	–	(3,837)
Capital expenditures	(47,360)	–	(47,360)
Discontinued operation			
Bank interest income			2,268
Depreciation			
– Property, plant and equipment			(262,155)
– Investment properties			(1,643)
– Right-of-use assets			(629)
Capital expenditures			(21,143)

5 SEGMENT REPORTING (CONTINUED)

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

(ii) 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	Total HK$'000
Segment assets			
– Subsidiary	1,969,974	–	1,969,974
– Joint ventures	6,035,441	778,532	6,813,973
– Associates	888,355	66,639	954,994
	8,893,770	845,171	9,738,941
Assets of discontinued operation			4,545,362
Unallocated assets			
– Cash and cash equivalents			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	–	79,802
Liabilities of discontinued operation			1,963,260
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)

(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

	2020 **HK$'000**	2019 HK$'000 (Restated)
Continuing operations		
The People's Republic of China (the "**PRC**")	**601,239**	595,577
Discontinued operation		
The PRC	**594,756**	851,801
Total revenue	**1,195,995**	1,447,378

Capital expenditures

	2020 **HK$'000**	2019 HK$'000 (Restated)
Continuing operations		
The PRC	**189,372**	47,360
Hong Kong	**227**	–
Discontinued operation		
The PRC	**33,757**	21,143
Total capital expenditures	**223,356**	68,503

Non-current assets

	2020 **HK$'000**	2019 HK$'000 (Restated)
Continuing operations		
The PRC	**7,325,362**	6,458,766
Europe	**1,471,174**	1,332,031
Indonesia	**652,656**	668,846
Hong Kong	**845,380**	872,430
United Arab Emirates	**523,009**	523,727
Other regions	**639**	688
	10,818,220	9,856,488
Discontinued operation		
The PRC	**–**	4,407,154
Total non-current assets	**10,818,220**	14,263,642

5 SEGMENT REPORTING (CONTINUED)

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

Total assets

	2020 HK$'000	2019 HK$'000 (Restated)
Continuing operations		
The PRC	**8,020,030**	7,065,013
Hong Kong	**5,243,132**	1,328,796
Europe	**1,471,174**	1,332,031
Indonesia	**756,556**	774,073
United Arab Emirates	**523,009**	523,727
Other regions	**639**	688
	16,014,540	11,024,328
Discontinued operation		
The PRC	**–**	4,672,429
Total assets	**16,014,540**	15,696,757

(c) Major customers

Continuing operations

For the purpose of disclosure under segment reporting, several customers (including China Petroleum & Chemical Corporation Guangzhou Branch and Sinopec Fuel Oil Sales Corporation Limited) from crude oil jetty services have transactions that exceeded 93% (2019: 94%) of the Group's revenue from continuing operations, amounted to approximately HK$561,163,000 (2019: HK$558,059,000). These customers mainly operate in the PRC.

Discontinued operation

For the purpose of disclosure under segment reporting, one customer (Sinopec Natural Gas Branch Company) from natural gas pipeline transmission services has transactions that exceeded 98% (2019: 92%) of the Group's revenue from discontinued operation, amounted to approximately HK$583,272,000 (2019: HK$785,548,000) for the 9 months ended 30 September 2020. This customer mainly operates in the PRC.

6 REVENUE FROM CONTINUING OPERATIONS

	2020 HK$'000	2019 HK$'000 (Restated)
Provision of services:		
– Crude oil jetty and storage services	**601,239**	595,577

7 OTHER INCOME AND OTHER GAINS, NET, FROM CONTINUING OPERATIONS

	2020 HK$'000	2019 HK$'000 (Restated)
Other income:		
– Rental income from investment properties	**1,713**	1,679
– Government grants:		
– Value-added tax refund	**6,263**	23,276
– Amortisation of deferred government grant	**1,220**	1,232
– Employment Support Scheme in Hong Kong	**1,321**	–
– Interest income from loans to:		
– Joint ventures	**57,800**	52,477
– An associate	**3,303**	3,540
– Management fee income from a joint venture	**3,418**	3,396
	75,038	85,600
Other gains/(losses):		
– Net foreign exchange gain/(loss)	**143,747**	(15,304)
– Net loss on disposal of property, plant and equipment	**(340)**	(420)
– Net gain on disposal of investment property	**16,474**	–
– Others	**2,590**	1,705
	162,471	(14,019)
	237,509	71,581

8 EXPENSES BY NATURE FROM CONTINUING OPERATIONS

	2020 HK$'000	2019 HK$'000 (Restated)
Depreciation		
– property, plant and equipment	**121,549**	126,442
– investment properties	**1,298**	1,350
– right-of-use assets (Note 16)	**24,028**	24,151
Employee benefit expenses, including directors' remuneration (Note 9)	**131,704**	105,750
Auditor's remuneration		
– the Company	**2,100**	2,240
– subsidiaries	**3,464**	3,468
– under/(over)-provisions of prior years	**80**	(459)
– non-audit services	**1,031**	–
Expenses relating to short-term leases		
– hire of a property	**1,775**	1,363

9 EMPLOYEE BENEFIT EXPENSES

	2020 HK$'000	2019 HK$'000
Wages, salaries and other benefits (Note)	**125,720**	96,038
Retirement benefit scheme contributions	**5,984**	9,712
	131,704	105,750

Note: Relevant employee costs relating to natural gas pipeline operations are charged by the intermediate holding company in form of subcontracting charges, details of which are set out in Note 30(a) outsourcing fees to the intermediate holding company from discontinued operation.

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

The Group's subsidiaries established in the PRC 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 2020, there was no material outstanding contribution to employee retirement benefits. The Group does not have any other obligations other than the contributions described above.

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

On 17 January 2020, the Ministry of Finance ("**MOF**") and the State Taxation Administration jointly issued the Public Notice on Individual Income Tax Policy Concerning Foreign Income (the MOF and the STA Public Notice [2020] No. 3, PN 3). PN 3 policy is related to foreign income derived by individuals under the new IIT regime and is applicable to tax matters taking place in the tax year 2019 and onwards. The Group had paid the relevant PRC Individual Income Tax for the employees for the period from 1 April 2018 to 31 March 2019.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2020 and 2019 are as follows:

	Number of individuals	
	2020	2019
Directors	**1**	1
Non-director individuals	**4**	4
	5	5

Details of emoluments to non-director individuals:

	2020	2019
	HK$'000	HK$'000
Salaries and other benefits in kind	**13,013**	5,606
Bonuses	**4,202**	4,254
	17,215	9,860

	Number of individuals	
	2020	2019
Emolument bands		
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$3,000,000	**–**	4
HK$3,000,001 – HK$4,000,000	**2**	–
HK$4,000,001 – HK$5,000,000	**2**	–
HK$5,000,001 – HK$6,000,000	**1**	–
	5	5

10 FINANCE COSTS, NET, FROM CONTINUING OPERATIONS

	Note	2020 HK$'000	2019 HK$'000 (Restated)
Finance income:			
– Deposits at banks and related financial institutions		**9,990**	367
Finance costs:			
– from borrowings		**(4,585)**	(30,391)
– from lease liabilities	16	**(757)**	(1,006)
		(5,342)	(31,397)

11 SUBSIDIARIES

The following is a list of subsidiaries as at 31 December 2020 and 2019:

	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 2020	% held by the Group in 2019	% held by non-controlling interests in 2020	% held by non-controlling interests in 2019
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 ("**Yu Ji Pipeline Company**") (中石化榆濟管道有限責任公司) (Note (c))	The PRC/Limited liability company	Natural gas pipeline transmission services	Registered capital RMB1,000,000,000	**–**	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.

(c) During the year, Sinomart Development disposed of 100% equity interest in Yu Ji Pipeline Company for a consideration of approximately HK$3,999 million pursuant to the Sales and Purchase Agreement. The transaction was completed on 30 September 2020.

There was 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

	2020 **HK$'000**	2019 HK$'000
Cost of unlisted investments	**419,030**	419,030
Share of:		
– Post-acquisition results	**1,207,664**	1,037,728
– Other comprehensive loss	**(39,494)**	(94,314)
Dividend received	**(594,117)**	(458,231)
Share of net assets	**993,083**	904,213
Loan to an associate	**48,312**	50,781
	1,041,395	954,994

Loan to an associate is 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. Principal and interest of the loan is repayable quarterly. The Group considers the expected credit loss is immaterial on the basis that no losses related to the counterpart were experienced in the past and no adverse change is anticipated in the business environment.

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 2020**	 % held by the Group in 2019
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 consolidated financial statements.

12 INTERESTS IN ASSOCIATES (CONTINUED)

Summarised Statement of Financial Position

	Zhan Jiang Port Petrochemical Terminal 2020 HK$'000	2019 HK$'000
Current		
Cash and cash equivalents	**206,169**	185,239
Other current assets	**21,727**	24,500
Total current assets	**227,896**	209,739
Financial liabilities (excluding trade payables)	**(62,797)**	(114,542)
Other current liabilities	**(46,922)**	(33,442)
Total current liabilities	**(109,719)**	(147,984)
Non-current		
Assets	**1,931,506**	1,803,110
Financial liabilities	**(95,085)**	(88,153)
Total non-current assets	**1,836,421**	1,714,957
Net assets	**1,954,598**	1,776,712

Summarised Income Statement and Statement of Comprehensive Income

	Zhan Jiang Port Petrochemical Terminal 2020 HK$'000	2019 HK$'000
Revenue	**668,056**	660,395
Depreciation and amortisation	**(55,755)**	(47,902)
Interest income	**2,457**	1,073
Interest expense	**(495)**	(178)
Other expenses	**(214,339)**	(229,332)
Profit before income tax	**399,924**	384,056
Income tax expense	**(60,053)**	(21,541)
Profit after tax	**339,871**	362,515
Other comprehensive income/(loss)	**109,787**	(40,264)
Total comprehensive income	**449,658**	322,251
Dividends received from the associate	**135,886**	68,838

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.

12 INTERESTS IN ASSOCIATES (CONTINUED)

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	
	2020	2019
	HK$'000	HK$'000
Net assets	**1,954,598**	1,776,712
Interest in an associate (%)	**50%**	50%
Group's share of net assets in an associate	**977,299**	888,356
Carrying value	**977,299**	888,356

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

	2020	2019
	HK$'000	HK$'000
Share of profit	**–**	4,144
Share of other comprehensive loss	**(74)**	(1,340)
Share of total comprehensive (loss)/income	**(74)**	2,804
Carrying amount of interest in the associate	**15,784**	15,857

13 INTERESTS IN JOINT VENTURES

	2020	2019
	HK$'000	HK$'000
Cost of unlisted investments	**4,468,763**	4,468,763
Share of:		
– post-acquisition results	**5,507,425**	4,620,687
– other comprehensive loss	**(457,525)**	(832,602)
Dividend received	**(2,982,993)**	(2,499,902)
Share of net assets	**6,535,670**	5,756,946
Loans to joint ventures	**1,023,156**	1,057,027
	7,558,826	6,813,973

Certain loans 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. The Group considers the expected credit loss is insignificant on the basis that no losses related to the counterparts were experienced in the past and no adverse change is anticipated in the business environment.

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 2020**	 % held by the Group in 2019
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 and Rizhao Shihua which are considered material to the Group's consolidated financial statements.

Summarised Statement of Financial Position

	Vesta		Qingdao Shihua		Rizhao Shihua	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current						
Cash and cash equivalents	**176,576**	90,960	**1,464,601**	910,562	**72,122**	83,704
Other current assets	**15,558**	21,578	**86,429**	73,523	**304,469**	178,446
Total current assets	**192,134**	112,538	**1,551,030**	984,085	**376,591**	262,150
Financial liabilities						
(excluding trade payables)	**(1,452)**	(1,757)	**(39,409)**	(156,212)	**(49,425)**	(123,277)
Other current liabilities	**(75,566)**	(77,281)	**(200,613)**	(590,957)	**(38,196)**	(19,030)
Total current liabilities	**(77,018)**	(79,038)	**(240,022)**	(747,169)	**(87,621)**	(142,307)
Non-current						
Assets	**2,198,029**	2,024,580	**2,936,940**	2,994,113	**2,857,642**	2,754,467
Financial liabilities	**(311,965)**	(328,927)	**–**	–	**–**	–
Other liabilities	**(45,630)**	(51,890)	**–**	–	**–**	–
Total non-current net assets	**1,840,434**	1,643,763	**2,936,940**	2,994,113	**2,857,642**	2,754,467
Net assets	**1,955,550**	1,677,263	**4,247,948**	3,231,029	**3,146,612**	2,874,310

13 INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised Income Statement and Statement of Comprehensive Income

	Vesta		Qingdao Shihua		Rizhao Shihua	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**431,059**	367,789	**1,896,398**	1,995,427	**649,573**	595,507
Depreciation and amortisation	**(135,370)**	(137,665)	**(148,335)**	(152,980)	**(71,079)**	(71,831)
Interest income	**–**	546	**9,863**	10,171	**3,566**	(7,373)
Interest expense	**(18,298)**	(8,636)	**–**	–	**–**	–
Other expenses	**(214,546)**	(212,061)	**(737,487)**	(719,100)	**(134,505)**	(128,878)
Profit before income tax	**62,845**	9,973	**1,020,439**	1,133,518	**447,555**	387,425
Income tax expense	**(19,196)**	(10,531)	**(259,162)**	(254,206)	**(73,891)**	(52,491)
Profit/(loss) after tax	**43,649**	(558)	**761,277**	879,312	**373,664**	334,934
Other comprehensive income/(loss)	**248,210**	(69,248)	**255,642**	(91,199)	**181,281**	(63,719)
Total comprehensive income	**291,859**	(69,806)	**1,016,919**	788,113	**554,945**	271,215

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	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Opening net assets	**1,677,262**	1,755,820	**3,231,029**	3,335,996	**2,874,311**	2,603,095
Profit for the year	**43,649**	(558)	**761,277**	879,312	**373,664**	334,934
Other comprehensive income	**248,210**	(69,248)	**255,642**	(91,199)	**181,281**	(63,719)
Dividend declared	**(13,571)**	(8,752)	**–**	(893,080)	**(282,644)**	–
Closing net assets	**1,955,550**	1,677,262	**4,247,948**	3,231,029	**3,146,612**	2,874,310
Interests in Joint Ventures (%)	**50%**	50%	**50%**	50%	**50%**	50%
Group's share of net assets in joint ventures	**977,775**	838,631	**2,123,974**	1,615,515	**1,573,306**	1,437,155
Goodwill	**493,400**	493,400	**7,609**	7,609	**4,237**	4,237
Carrying value	**1,471,175**	1,332,031	**2,131,583**	1,623,124	**1,577,543**	1,441,392

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.

13 INTERESTS IN JOINT VENTURES (CONTINUED)

Reconciliation of summarised financial information (Continued)

	2020 **HK$'000**	2019 HK$'000
Share of profit	**297,443**	284,367
Share of other comprehensive income/(loss)	**32,510**	(79,543)
Share of total comprehensive income	**329,953**	204,824
Carrying amount of interests in these joint ventures	**1,355,369**	1,360,399

Commitments and contingent liabilities in respect of joint ventures

The Group has the following commitments relating to its joint ventures as at 31 December 2020 and 2019:

	2020 **HK$'000**	2019 HK$'000
Share of joint ventures' capital commitments		
– Contracted for	**8,104**	6,552

As at 31 December 2020, the Group provided a guarantee of US$30 million, equivalent to approximately HK$233 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, amounting to US$226 million, equivalent to approximately HK$1,752 million.

Other than those disclosed above, there were no contingent liabilities relating to the Group's interests in the joint ventures as at 31 December 2020 (2019: Nil).

14 INCOME TAX EXPENSES

	Note	**2020** **HK$'000**	2019 HK$'000 (Restated)
Continuing operations			
Current income tax:			
– Hong Kong profits tax	(b)	**5,947**	4,230
– PRC corporate income tax	(c)	**51,737**	62,771
		57,684	67,001
Deferred income tax charged	(d), 28	**62,972**	75,912
		120,656	142,913

(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% (2019: 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 (2019: 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% (2019: 5%).

14 INCOME TAX EXPENSES (CONTINUED)

(e) The tax on the Group's profit from continuing operations 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:

	2020 **HK$'000**	2019 HK$'000 (Restated)
Profit before income tax	**1,387,224**	1,228,155
Less: Share of results of joint ventures	**(886,738)**	(891,211)
Share of results of associates	**(169,936)**	(185,402)
	330,550	151,542
Tax calculated at domestic tax rates applicable to profits in the respective tax jurisdictions	**76,643**	48,851
Income not subject to tax	**(28,469)**	(5,535)
Expenses not deductible for tax purposes	**9,604**	17,033
Deferred income tax on undistributed profits	**56,335**	75,177
Under-provision in prior years	**2,169**	492
Tax losses not recognised	**4,374**	6,895
Income tax expenses	**120,656**	142,913

15 EARNINGS PER SHARE

	2020	2019 (Restated)
Profit attributable to equity holders of the Company from continuing operations (HK$'000)	**1,267,296**	1,085,949
Profit attributable to equity holders of the Company from discontinued operation (HK$'000)	**1,034,802**	199,162
Weighted average number of ordinary shares in issue (shares '000)	**2,486,160**	2,486,160
Basic earnings from continuing operations per share (HK cents per share)	**50.97**	43.68
Basic earnings from discontinued operation per share (HK cents per share)	**41.62**	8.01

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 LEASE LIABILITIES

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

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

The consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Right-of-use assets		
Properties	**27,683**	18,349
Prepaid land lease payments	**583,233**	628,996
Total right-of-use assets	**610,916**	647,345

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Lease liabilities		
Current	**6,477**	6,923
Non-current	**21,943**	11,709
	28,420	18,632

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

	Notes	**2020 HK$'000**	2019 HK$'000 (Restated)
Depreciation of right-of-use assets by class of underlying assets			
Properties		**6,971**	7,004
Prepaid land lease payments		**17,057**	17,147
	8	**24,028**	24,151
Finance costs	10	**757**	1,006

The total cash outflow for leases in 2020 was HK$9,317,000 (2019: HK$9,322,000).

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 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

	Buildings held for own use and 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 2020									
Opening net book amount	**28,326**	**565,376**	**604,746**	**3,309,958**	**742,421**	**35,114**	**17,814**	**458,872**	**5,762,627**
Currency translation differences	**1,676**	**30,523**	**33,599**	**61,611**	**19,823**	**23**	**405**	**22,128**	**169,788**
Additions	**–**	**–**	**–**	**–**	**–**	**240**	**339**	**222,777**	**223,356**
Disposals	**(6,701)**	**–**	**(205)**	**(3,260,160)**	**(680,445)**	**(69)**	**(6,748)**	**(322,350)**	**(4,276,678)**
Transfers	**–**	**96**	**–**	**–**	**974**	**4,758**	**–**	**(5,828)**	**–**
Depreciation charge	**(1,769)**	**(56,721)**	**(48,905)**	**(111,409)**	**(79,879)**	**(3,912)**	**(6,190)**	**–**	**(308,785)**
Closing net book amount	**21,532**	**539,274**	**589,235**	**–**	**2,894**	**36,154**	**5,620**	**375,599**	**1,570,308**
At 31 December 2020									
Cost	**58,954**	**1,772,899**	**1,673,812**	**–**	**159,133**	**189,731**	**118,530**	**375,599**	**4,348,658**
Accumulated depreciation	**(37,422)**	**(1,233,625)**	**(1,084,577)**	**–**	**(156,239)**	**(153,577)**	**(112,910)**	**–**	**(2,778,350)**
Net book amount	**21,532**	**539,274**	**589,235**	**–**	**2,894**	**36,154**	**5,620**	**375,599**	**1,570,308**

18 INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
At 1 January	**53,606**	57,299
Disposal	**(31,865)**	–
Depreciation charge for the year	**(2,501)**	(2,994)
Currency translation difference	**573**	(699)
At 31 December	**19,813**	53,606

As at 31 December 2020, the Group had no contractual obligations for future repairs and maintenance (2019: Nil).

All investment properties of the Group are carried at their costs less accumulated depreciation and any accumulated impairment losses as at 31 December 2020. 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 2020 is estimated to be approximately HK$95,300,000 (2019: HK$186,312,000). 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 2020 and 2019. The following table analyses the investment properties measured at fair value, by valuation method.

Fair value hierarchy

	Fair value measurements As at 31 December 2020 using		
	Quoted prices in active markets for identical assets (Level 1) HK$'000	**Significant other observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**
Description			
Fair value measurements			
Investment properties:			
– Residential (HK and Macau)	**–**	**–**	**95,300**

18 INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

	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
Description			
Fair value measurements			
Investment properties:			
– Residential (HK and Macau)	–	–	117,100
– Commercial (PRC)	–	–	69,212
	–	–	186,312

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

	2020 **HK$'000**	2019 HK$'000 (Restated)
Rental income	**1,713**	1,679
Direct operating expenses from property that generated rental income	**(326)**	(92)
	1,387	1,587

19 TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables		
– Related parties	**634,503**	627,489
– Others	**2,517**	3,064
	637,020	630,553
Other receivables		
– Consideration receivables from the Purchaser of Yu Ji Pipeline Company	**732,213**	–
– Dividend receivables from a joint venture	**–**	446,540
– Others	**41,649**	60,292
	773,862	506,832
	1,410,882	1,137,385

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

The consideration receivable from the Purchaser of Yu Ji Pipeline Company was settled on 21 January 2021.

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

	2020 HK$'000	2019 HK$'000
Within 1 month	**53,053**	111,691
1 to 2 months	**62,546**	38,513
2 to 3 months	**48,461**	29,972
3 to 12 months	**414,474**	450,377
Over 12 months	**58,486**	–
	637,020	630,553

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

	2020 HK$'000	2019 HK$'000
HK$	**13,758**	4,632
RMB	**1,385,561**	1,121,718
US$	**11,563**	11,035
	1,410,882	1,137,385

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 considers the expected credit loss is immaterial on the basis that the counterparties are mainly related parties or state-owned entities with no losses experienced in the past as well as no adverse change is anticipated in the business environment. The Group does not hold any collateral as security.

20 INVENTORIES

	2020	2019
	HK$'000	HK$'000
Natural gas	**–**	53,618
Spare parts	**4,357**	18,628
	4,357	72,246

21 CASH AND CASH EQUIVALENTS

	2020	2019
	HK$'000	HK$'000
Cash at bank and on hand	**1,734,043**	4,276
Deposits at bank	**1,615,185**	–
Deposits at related financial institutions at call	**431,853**	126,197
Cash and cash equivalents	**3,781,081**	130,473
Restricted bank balances	**–**	93,011
Total cash and bank balances	**3,781,081**	223,484

21 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	2020 HK$'000	2019 HK$'000
RMB	**1,935,339**	124,153
HK$	**1,642,338**	4,187
US$	**195,051**	94,927
Euro	**7,185**	38
Others	**1,168**	179
	3,781,081	223,484

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

22 SHARE CAPITAL

	2020		2019	
	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

23 DISCONTINUED OPERATION

On 30 September 2020, the Group disposed of its 100% equity interest in Yu Ji Pipeline Company to China Oil & Gas Pipeline Network Corporation ("**PipeChina**"). This subsidiary is reported in the current year as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(a) Financial performance and cash flow information

	For the nine months ended 30 September 2020 HK$'000	For the year ended 31 December 2019 HK$'000
Revenue	**594,756**	851,801
Cost of providing services	**(315,633)**	(476,502)
Gross profit	**279,123**	375,299
Other income and other gains, net	**53,796**	41,451
Administrative expenses	**(68,771)**	(65,951)
Operating profit	**264,148**	350,799
Finance income	**981**	2,269
Finance costs	**(52,468)**	(87,473)
Finance costs, net	**(51,487)**	(85,204)
Profit before income tax	**212,661**	265,595
Income tax expenses	**(54,898)**	(66,433)
Profit after income tax of discontinued operation	**157,763**	199,162
Gain on disposal of the discontinued operation, net of tax	**877,039**	–
Profit from discontinued operation	**1,034,802**	199,162
Net cash inflow from operating activities	**555,776**	435,384
Net cash outflow from investing activities	**(16,688)**	(15,978)
Net cash outflow from financing activities	**(499,162)**	(510,745)
Net increase/(decrease) in cash generated by the discontinued operation	**39,926**	(91,339)

23 DISCONTINUED OPERATION (CONTINUED)

(a) Financial performance and cash flow information (Continued)

Analysis of net cash flow in respect of the disposal of discontinued operation is as follows:

	2020 HK$'000
Cash consideration received	3,166,792
Cash and cash balances disposed of	(137,894)
Total cash inflow from disposal	3,028,898

(b) Details of the disposal of discontinued operation

	2020 HK$'000
Cash consideration received or receivable	3,999,388
Carrying amount of net assets sold	(2,900,153)
Gain on disposal of discontinued operation before income tax and reclassification of foreign currency translation reserve	1,099,235
Reclassification of foreign currency translation reserve	(115,292)
Income tax expense	(106,904)
Gain on disposal of discontinued operation after income tax	877,039

Due to the disposal of discontinued operation, withholding income tax has been provided at a tax rate of 10% based on the excess of the consideration of the disposal of discontinued operation over the consideration paid when the Group acquired Yu Ji Pipeline Company in 2015.

23 DISCONTINUED OPERATION (CONTINUED)

(b) Details of the disposal of discontinued operation (Continued)

The carrying amounts of assets and liabilities in relation to the discontinued operation as at 30 September 2020, the date of disposal, were:

	2020 HK$'000
Non-current assets	
Property, plant and equipment	**4,173,987**
Right-of-use assets	**85**
Deferred tax assets	**703**
	4,174,775
Current assets	
Inventories	**65,179**
Trade and other receivables	**93,894**
Cash and cash equivalents	**137,894**
	296,967
Total assets	**4,471,742**
Non-current liabilities	
Borrowings	**1,399,795**
Deferred revenue	**37,233**
	1,437,028
Current liabilities	
Trade and other payables	**78,521**
Borrowings	**86**
Income tax payables	**55,954**
	134,561
Total liabilities	**1,571,589**

24 RESERVES

(a) The merger reserve of the Group represents 1) 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; 2) the difference between the consideration paid by the Group and the existing book value of the net assets of Yu Ji Pipeline Company at the time of common control combination occurred in 2015.

The merger reserve resulted from the common control combination of Yu Ji Pipeline Company was transferred to retained earnings during the year, together with the balance of Yu Ji Pipeline Company's general reserve and specific reserve due to the disposal of the 100% equity interest in Yu Ji Pipeline Company.

(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.

25 DIVIDENDS

	2020 **HK$'000**	2019 HK$'000
Interim dividend declared and paid of HK$8 cents (2019: HK$8 cents) per ordinary share	**198,893**	198,893
Final dividend proposed of HK$12 cents (2019: HK$12 cents) per ordinary share	**298,339**	298,339
	497,232	497,232

A final dividend in respect of the year ended 31 December 2020 of HK$12 cents per share, amounting to a total dividend of HK$298,339,000 is to be proposed at the annual general meeting on 15 June 2021. These consolidated financial statements do not reflect this dividend payable.

26 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Note	2020 HK$'000	2019 HK$'000 (Restated)
Profit before income tax from:			
Continuing operations		**1,387,224**	1,228,155
Discontinued operation		**1,196,604**	265,595
Profit before income tax including discontinued operation		**2,583,828**	1,493,750
Adjustments for:			
Depreciation			
– Property, plant and equipment	17	**308,785**	388,596
– Investment properties	18	**2,501**	2,994
– Right-of-use assets		**25,411**	25,080
Amortisation of deferred government grant		**(1,316)**	(1,232)
Finance costs		**57,810**	118,870
Interest income		**(10,971)**	(2,636)
Net (gain)/loss on disposal of property, plant and equipment		**(53,125)**	420
Net gain on disposal of right-of-use assets		**(15,380)**	–
Net loss on disposal of investment property		**15,098**	–
Net gain on disposal of discontinued operation	23	**(877,039)**	–
Share of results of joint ventures	13	**(886,738)**	(891,211)
Share of results of associates	12	**(169,936)**	(185,402)
Proceeds from disposal of inventory		**925**	–
Changes in working capital:			
Decrease/(increase) in inventories		**1,407**	(56,477)
(Increase)/decrease in trade and other receivables		**(142,277)**	213,617
Decrease in trade and other payables		**(46,087)**	(57,183)
Cash generated from operations		**792,896**	1,049,186

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

	2020 HK$'000	2019 HK$'000
Net book amount	**106,878**	485
Gain/(loss) on disposal of property, plant and equipment	**53,125**	(420)
Proceeds from disposal of property, plant and equipment	**160,003**	65

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

(b) Reconciliation of liabilities arising from financing activities

	Trade and other payables HK$'000	Loans and borrowings (Note) HK$'000	Finance cost payable HK$'000	Dividend payable HK$'000	Lease liabilities HK$'000	Total HK$'000
Balance at 1 January 2020	314,306	2,518,494	2,525	25	18,632	2,853,982
Proceeds from borrowings	–	4,413,751	–	–	–	4,413,751
Repayments of borrowings	–	(5,555,828)	–	–	–	(5,555,828)
Repayment of lease liabilities	–	–	–	–	(7,542)	(7,542)
Finance cost paid	–	–	(58,514)	–	–	(58,514)
Dividend paid	–	–	–	(497,232)	–	(497,232)
Net settlement of amount due to an immediate holding company	299,887	–	–	–	–	299,887
Total changes from financing cash flows	299,887	(1,142,077)	(58,514)	(497,232)	(7,542)	(1,405,478)
Non-cash changes						
Acquisition – leases	–	–	–	–	15,788	15,788
Net exchange and translation difference	–	23,378	108	–	781	24,267
Finance cost charged to profit or loss	–	–	57,049	–	761	57,810
Dividend declared	–	–	–	497,232	–	497,232
Disposal of discontinued operation	–	(1,399,795)	(1,168)	–	–	(1,400,963)
Balance at 31 December 2020	614,193	–	–	25	28,420	642,638

Note:

In April 2020, the Group entered into a 3-year loan agreement with a related financial institution, Sinopec Finance Co., Ltd. Shandong Branch. This loan was unsecured, bore interest at a fixed rate of one year Loan Prime Rate set at 20 March 2020 minus 0.135%, at 3.915% per annum and was wholly repayable by 6 April 2023. The outstanding borrowing of approximately HK$1,400 million as at 30 September 2020 was fully disposed as disclosed in Note 23 (b).

As at 31 December 2020, the Group has standby credit facilities with Century Bright, amounting to US$500 million, equivalent to approximately HK$3,875 million on an unsecured basis, at a weighted average interest rate of 1.91% per annum. During the year, the group had fully repaid all outstanding borrowings under these facilities.

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

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

	Trade and other payables HK$'000	Loans and borrowings HK$'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	–	–	–	–	(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

27 TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables		
– Related parties	**930**	83,403
– Others	**93,745**	51,540
	94,675	134,943
Other payables		
– Amounts due to immediate, intermediate holding companies and related parties	**800,046**	541,982
– Accrued charges	**100,178**	85,632
	900,224	627,614
	994,899	762,557

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

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

	2020 HK$'000	2019 HK$'000
Current to 30 days	**89,762**	116,970
31 to 60 days	**4,913**	17,973
	94,675	134,943

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

	2020 HK$'000	2019 HK$'000
HK$	**812,788**	506,524
RMB	**134,630**	208,823
US$	**10,973**	18,943
SGD	**36,508**	28,267
	994,899	762,557

28 DEFERRED INCOME TAX LIABILITIES

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

	Undistributed profits of subsidiaries in the PRC HK$'000	Undistributed profits of joint ventures in the PRC HK$'000	Undistributed profits of an associate in the PRC HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
Deferred income tax liabilities					
At 1 January 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
At 1 January 2020	**30,154**	**75,616**	**4,431**	**36,523**	**146,724**
Reversal upon the disposal of discontinued operation (Note 14)	**(9,791)**	**–**	**–**	**–**	**(9,791)**
Charged to income statement (Note 14)	**7,651**	**28,311**	**30,164**	**6,637**	**72,763**
Withholding tax	**(8,322)**	**(40,200)**	**(6,794)**	**–**	**(55,316)**
Exchange differences	**1,231**	**4,646**	**1,363**	**2,729**	**9,969**
At 31 December 2020	**20,923**	**68,373**	**29,164**	**45,889**	**164,349**

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$502,341,000 (2019: HK$473,900,000), 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 COMMITMENTS

(a) As at 31 December 2020, the outstanding capital commitments not provided for in the financial statements were as follows:

	2020 HK$'000	2019 HK$'000
Contracted for but not provided for	**82,240**	253,601

29 COMMITMENTS (CONTINUED)

(b) As at 31 December 2020, the total future minimum lease payments under non-cancellable operating leases were receivable as follows:

	2020 **HK$'000**	2019 HK$'000
Within 1 year	**245**	1,467

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with intermediate holding company and related parties

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

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

	2020 **HK$'000**	2019 HK$'000
Continuing operations:		
Sinomart KTS Development Limited ("Sinomart Development")		
Fees for oil terminals entrusted management to a related party	**(8,202)**	(10,755)
Interest expenses to a related party	**(3,930)**	(30,576)
Interest income from a related party	**324**	19
Kantons International Investment Limited ("KII")		
Interest income from a related party	**18**	12
Huade Petrochemical Company Limited ("Huade Petrochemical")		
Jetty service fees from intermediate holding company (Note (i)(a))	**507,079**	506,863
Fuel oil jetty service fees from intermediate holding company (Note (i)(b))	**54,552**	51,196
Insurance premium paid to a related party (Note (i)(c))	**(4,651)**	(4,742)
Interest income from a related party	**412**	317
Oil products purchased from a related party (Note (i)(d))	**(3,465)**	–
Joint ventures and an associate		
Interest income from:		
– Joint ventures (Note 7)	**57,800**	52,477
– An associate (Note 7)	**3,303**	3,540
Management fees income from a joint venture (Note 7)	**3,418**	3,396

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with intermediate holding company and related parties (Continued)

	2020 HK$'000	2019 HK$'000
Discontinued operation:		
Sinopec Yu Ji Pipeline Company Limited ("Yu Ji Pipeline Company")		
Natural gas transmission income from intermediate holding company and related parties (Note (ii)(a))	**582,414**	792,483
Outsourcing fees to intermediate holding company (Note (ii)(b))	**(25,328)**	(47,750)
Purchase of natural gas from intermediate holding company (Note (ii)(b))	**–**	(53,618)
Rental income from leasing of land and building to intermediate holding company	**2,904**	4,197
Interest income from a related party	**977**	2,263
Technical service fees to related parties (Note (ii)(c))	**(37,044)**	(11,633)
Maintenance service fees to a related party	**(52)**	–
Construction and emergency protection service fees to a related party (Note (ii)(d))	**(5,238)**	–
Gain on disposal of assets to intermediate holding company (Note (ii) (e))	**40,391**	–

The balances with related parties are disclosed in Notes 19, 21 and 27 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 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.

(d) The transaction price for purchasing oil products shall be determined in accordance with the state-prescribed prices of diesel published by the National Development and Reform Commission.

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with intermediate holding company and related parties (Continued)

(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 Comprehensive Outsourcing Framework Master Agreement for the purchase of natural gas in 2019.

(c) The Technical services fees (including labour technical services expenses, 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 Labour Technical Services Framework Master Agreement, Internal Labour Technical Services Framework Master Agreement and Power Technical Services Framework Master Agreement.

(d) Construction and emergency protection service 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 Natural Gas Pipeline & Station Construction Works Framework Master Agreement.

(e) On 21 July 2020, Yu Ji Pipeline Company and Sinopec Yu Ji Pipeline Branch Company entered into a sales and purchase agreement in relation to the disposal of Qingfeng Line, the office building properties and the auxiliary facilities of Henan Management Office (collectively, the "**Disposed Assets**") held by Yu Ji Pipeline Company to Sinopec Yu Ji Pipeline Branch Company. The transaction was completed on 15 September 2020.

The consideration by Sinopec Yu Ji Pipeline Branch Company for the acquisition of the Disposed Assets was arrived at after arm's length negotiation between Yu Ji Pipeline Company and Sinopec Yu Ji Pipeline Branch Company and was determined with reference to the fair value of the Disposed Assets based on the valuation conducted by an independent valuer.

(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:

	2020 **HK$'000**	2019 HK$'000
Compensations to key management personnel		
Directors' fees (Note 31(a))	**1,520**	1,440
Salaries, allowances and benefits-in-kind (Note 31(a))	**3,113**	1,334
Bonuses (Note 31(a))	**1,267**	1,387
Total	**5,900**	4,161

30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

The Group operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred to as "**state-controlled entities**").

Apart from transactions with the Group's intermediate holding company and related parties as set out in Note 30(a), the Group has entered into transactions with other state-controlled entities including but not limited to the following:

– construction work;
– rendering and receiving services;
– use of public utilities; and
– sale of equity interest of a wholly-owned subsidiary (Note 23)

(i) Transactions with other state-controlled entities

	2020 **HK$'000**	2019 HK$'000
Jetty service fees received by the Group	**26,102**	24,332

	2020 **HK$'000**	2019 HK$'000
Prepayment to/amounts due from other state-controlled entities	**2,382**	10,632
Amounts due to other state-controlled entities	**23,384**	34,844

(ii) Transactions with state-controlled banks

The Group deposits its cash with several state-controlled banks in the PRC and in the Hong Kong S.A.R.. 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 and in the Hong Kong S.A.R. is as follows:

	2020 **HK$'000**	2019 HK$'000
Interest income	**9,058**	25

The amounts of cash deposited at state-controlled banks in the PRC and in the Hong Kong S.A.R. are summarised as follows:

	2020 **HK$'000**	2019 HK$'000
Cash and cash equivalents	**3,257,373**	4,077

31 BENEFITS ON INTERESTS OF DIRECTORS

(a) Directors' and chief executives emoluments

The remuneration of the directors for the years ended 31 December 2020 and 2019 are set out below:

2020

	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)	–	–	–	–	–	–
Zhong Fuliang (Note (ii))	–	–	–	–	–	–
Mo Zhenglin (Note (ii))	–	–	–	–	–	–
Yang Yanfei (Note (ii))	–	–	–	–	–	–
Zou Wenzhi (Note (ii))	–	–	–	–	–	–
Wang Guotao	–	–	–	–	–	–
Ye Zhijun (Managing Director) (Note (iii))	–	975	1,267	2,138	–	4,380
Independent non-executive directors						
Tam Wai Chu, Maria	380	–	–	–	–	380
Fong Chung, Mark	380	–	–	–	–	380
Wong Yau Kar, David	380	–	–	–	–	380
Wong Pui Sze	380	–	–	–	–	380
	1,520	975	1,267	2,138	–	5,900

31 BENEFITS ON INTERESTS OF DIRECTORS (CONTINUED)

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

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 (i))	–	–	–	–	–	–
Chen Bo (Chairman) (Note (i))	–	–	–	–	–	–
Xiang Xiwen (Deputy Chairman) (Note (ii))	–	–	–	–	–	–
Dai Liqi (Note (ii))	–	–	–	–	–	–
Li Jianxin (Note (ii))	–	–	–	–	–	–
Wang Guotao	–	–	–	–	–	–
Ye Zhijun (Managing Director) (Note (iii))	–	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

Note:

(i) 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.

(ii) On 25 March 2020, Xiang Xiwen resigned as executive director and deputy chairman of the Board, and Dai Liqi and Li Jianxin resigned as executive directors of the Board. On the same date, Zhong Fuliang, Mo Zhenglin, Yang Yanfei and Zou Wenzhi were appointed as executive directors of the Board.

(iii) On 19 January 2021, Ye Zhijun resigned as executive director and managing director and Sang Jinghua was appointed as executive director and general manager. The remuneration of Sang Jinghua for the year ended 31 December 2020 includes salary of HK$939,000, discretionary bonus of HK$1,250,000, and allowances and benefits in kind of HK$765,000.

(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 (2019: nil).

31 BENEFITS ON INTERESTS OF DIRECTORS (CONTINUED)

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

During the years ended 31 December 2020 and 2019, 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.

(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.

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of Financial Position of the Company

	Note	As at 31 December	
		2020	2019
		HK$'000	HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**6,299,712**	6,819,772
Current assets			
Dividend receivables	(b)	**3,900,000**	3,900,000
Cash and cash equivalents		**34**	28
Total assets		**10,199,746**	10,719,800
Equity and liabilities			
Equity attributable to owners of the company			
Share capital		**248,616**	248,616
Reserves	(a)	**9,946,973**	10,465,882
Total equity		**10,195,589**	10,714,498
Liabilities			
Current liabilities			
Trade and other payables		**4,157**	5,302
Total liabilities		**4,157**	5,302
Total equity and liabilities		**10,199,746**	10,719,800

The statement of financial position of the Company was approved by the Board of Directors on 23 March 2021 and was signed on its behalf:

Chen Yaohuan	**Sang Jinghua**
Chairman	Executive Director

32 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 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
At 1 January 2020	**6,300,684**	**242,397**	**3,922,801**	**10,465,882**
Interim dividends declared in respect of the current year	**–**	**–**	**(198,893)**	**(198,893)**
Total comprehensive income for the year	**–**	**–**	**(21,677)**	**(21,677)**
Final dividends declared in respect of the current year	**–**	**–**	**(298,339)**	**(298,339)**
At 31 December 2020	**6,300,684**	**242,397**	**3,403,892**	**9,946,973**

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 2020, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including the contributed surplus and retained earnings, was HK$3,646,289,000 (2019: HK$4,165,198,000). After the end of the reporting period, the directors proposed a final dividend of HK$12 cents (2019: HK12 cents) per ordinary share, amounting to HK$298,339,000 (2019: HK$298,339,000). 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

	2016 HK$'000 (Unrestated) (note b)	2017 HK$'000 (Unrestated) (note b)	2018 HK$'000 (Unrestated) (note b)	2019 HK$'000 (Restated) (note a)	**2020** **HK$'000**
Results					
Continuing operations					
Revenue	1,766,590	1,729,239	1,655,633	595,577	**601,239**
Operating profit	553,961	747,638	660,371	182,572	**325,902**
Finance income	10,421	3,833	3,168	367	**9,990**
Finance costs	(203,756)	(166,279)	(152,020)	(31,397)	**(5,342)**
Share of results of associates	135,549	143,331	151,289	185,402	**169,936**
Share of results of joint ventures	644,128	699,178	825,594	891,211	**886,738**
Profit before income tax	1,140,303	1,427,701	1,488,402	1,228,155	**1,387,224**
Income tax expenses	(135,317)	(221,045)	(226,994)	(142,913)	**(120,656)**
Discontinued operation					
Profit for the year from discontinued operation	–	–	–	199,162	**1,034,802**
Net profit for the year	1,004,986	1,206,656	1,261,408	1,284,404	**2,301,370**
Assets and liabilities (As at 31 December)					
Fixed assets	7,616,749	7,700,893	6,946,832	6,494,675	**2,217,999**
Interests in associates	710,784	838,256	866,711	954,994	**1,041,395**
Interests in joint ventures	6,460,197	7,118,721	6,902,973	6,813,973	**7,558,826**
Net current assets/(liabilities)	(1,720,189)	(1,381,029)	(2,867,297)	(1,871,948)	**4,098,937**
Deferred income tax liabilities	(99,800)	(109,993)	(130,299)	(146,724)	**(164,349)**
Non-current borrowings	(3,353,791)	(2,775,452)	–	–	**–**
Government grants	(13,178)	(21,491)	(20,136)	(18,399)	**(15,774)**
Non-current lease liabilities	–	–	–	(11,709)	**(21,943)**
Net assets	9,600,772	11,369,905	11,698,784	12,214,862	**14,715,091**
Equity (As at 31 December)					
Share capital	248,616	248,616	248,616	248,616	**248,616**
Reserves	9,313,764	11,084,169	11,413,711	11,930,496	**14,431,453**
Non-controlling interests	38,392	37,120	36,457	35,750	**35,022**
Total equity	9,600,772	11,369,905	11,698,784	12,214,862	**14,715,091**
Basic earnings per share for profit attributable to equity holders of the Company	HK40.43 cents	HK48.59 cents	HK50.76 cents	HK51.69 cents	**HK92.59 cents**

Notes:

(a) Due to the disposal of a subsidiary, Sinopec Yu Ji Pipeline Company Limited, completed on 30 September 2020, the comparative financial information for the year ended 31 December 2019 of the Group has been restated to reflect the exclusion of financial information of the disposed subsidiary.

(b) The financial information of the Group has not been restated as the Directors consider that the unrestated financial information is more appropriate to reflect year-on-year comparison of the change in the Group's business operation.

SHAPING THE FUTURE

Operating in compliance with the law and regulations

Committed to developing together

Continuous performance improvement

Respect all stakeholders

Focus on safety and environmental protection

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Report has been prepared with reference to the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules of the Stock Exchange.

Reporting Period

This Report covers the year ended 31 December 2020, in line with the Company's 2020 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 Sinomart KTS Development Limited ("**Sinomart Development**"), the Company's wholly-owned subsidiary, entered into the share purchase agreement with China Oil & Gas Pipeline Network Corporation ("**PipeChina**"), regarding the disposal of 100% equity interests in Yu Ji Pipeline Company on 21 July 2020, and the relevant transaction was duly completed on 30 September 2020. Therefore, the data of Yu Ji Pipeline Company included in this Report only cover those for the nine months ended 30 September 2020. In addition, 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.

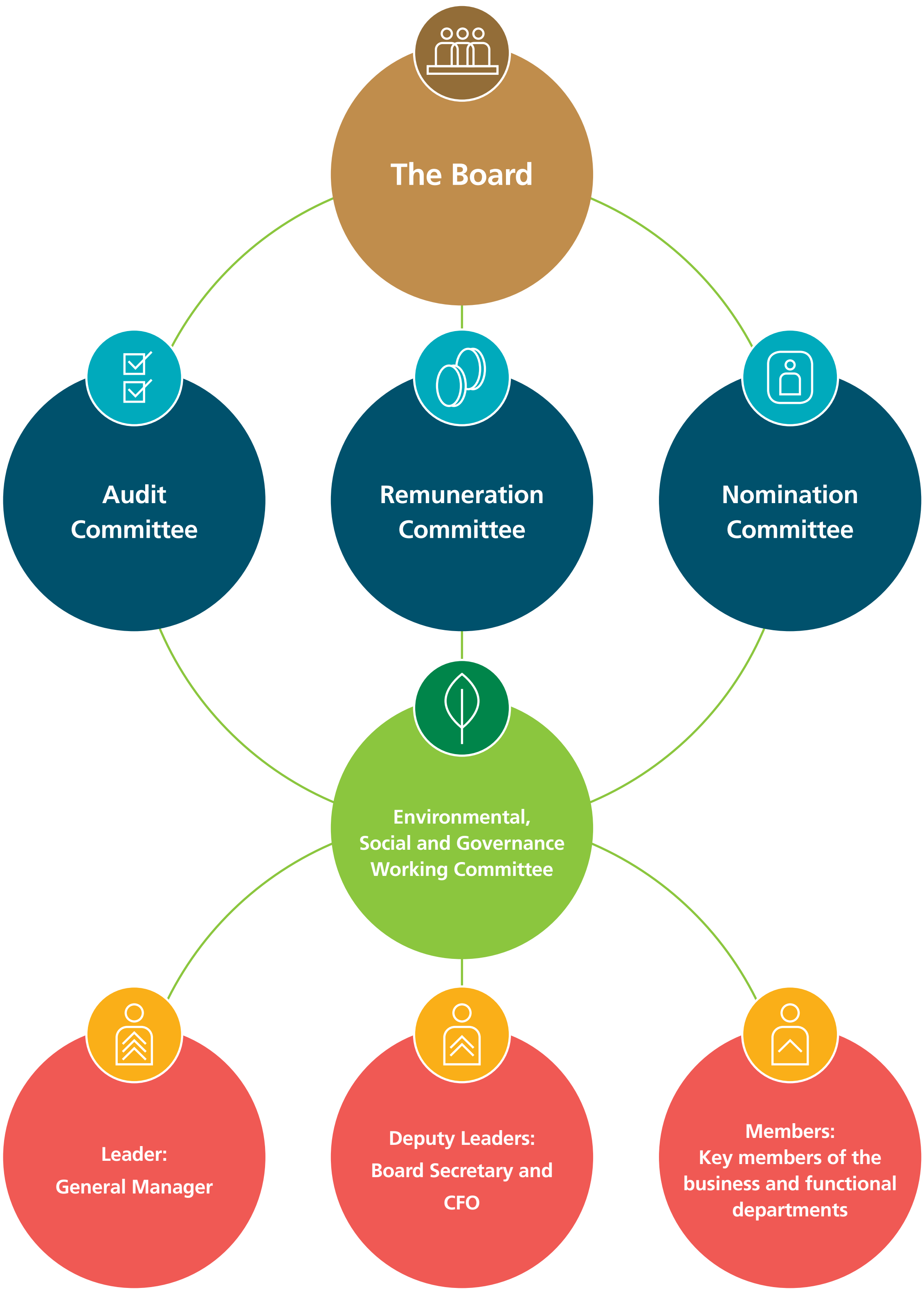
Supervision by the Board

In 2020, the Group continued to focus 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 the society. Accordingly, the Group established the Environmental, Social and Governance Working Committee in 2020 to strengthen the management of sustainable development. The committee comprises the Group's senior management, including the General Manager, the Board Secretary, the Chief Financial Officer, and key members of the business and functional departments of the Company. It develops and implements an environmental, social and governance vision, objectives, strategies and structure based on the actual situation of the Group; facilitates communication with stakeholders; identifies risk factors in environmental, social and governance aspect, etc.; and takes counter measures and reports the implementation to the Board on a regular basis. The Board reviews the Group's environmental, social and governance policies and strategies, evaluates environmental and social related objectives and regularly reviews and evaluates their progresses in achieving such objectives when necessary.

The Group recognizes that, in addition to creating financial value, stakeholders such as investors, customers, suppliers and the public also have expectations for our environmental and social performance. Accordingly, the Board is fully responsible for assessing the risks to be taken in achieving the Group's operating objectives, including overseeing environmental, social and governance strategies, as well as related risks and opportunities. The Board, through its audit committee, regularly meets with the relevant risk management personnel to review the Group's policies in the areas of "Health, Safety, Security and Environment (HSSE)" risks, legal compliance risks, etc., to ensure that the Group takes appropriate measures to strive to minimize environmental, social and governance risks. For details of risk management approach, major risks and related risk mitigation measures, please refer to the section headed "Risk Management and Internal Control" in the Corporate Governance Report in the 2020 Annual Report.

The Board is fully responsible for the Group's environmental, social and governance strategies and reporting. This Report has been reviewed and approved by the Board.

Environmental, Social and Governance Structure of the Group




Operating in compliance with the law and regulations
Committed to developing together
Our Commitments
Continuous performance improvement
Respect all stakeholders
Focus on safety and environmental protection

Our Action Objectives

The Group has been committed to expanding its scale of operation and striving to develop the Group into a world-class international petrochemical storage and logistics company as soon as possible. According to the development plan for the next five years, we strive to achieve the Group's environmental protection objectives by adopting various emission reduction and conservation measures, despite an expected increase in scale of operation of the Group by 2025.

2025 Objectives

Gas Emission Objectives

Emissions per kilotonne (kt) business volume

2020 Figures
Greenhouse gas 3.24 tonnes
Nitrogen Oxides 1.98 kg
Particulate matter 0.035 kg
A decline objective in 2025

2020 Figures
Sulphur oxides 0.086 kg
2025 objective
↓10%

Energy Conservation Objectives

Energy consumption per kt business volume

2020 Figures
Electricity: 3.7 MWh
A decline objective in 2025

2020 Figures
Diesel: 0.049 tonnes
2025 objective
↓5%

Water Saving Objective

Water consumption per kt business volume

2020 Figures
$4.67\ m^3$
2025 objective
↓15%

Waste Reduction Objectives

2020 Figures
Hazardous waste generated from repair of each oil tank
88.2 tonnes
2025 objective
↓15%

2020 Figures
Non-hazardous waste generated from repair of each oil tank
134 tonnes
2025 objective
↓15%

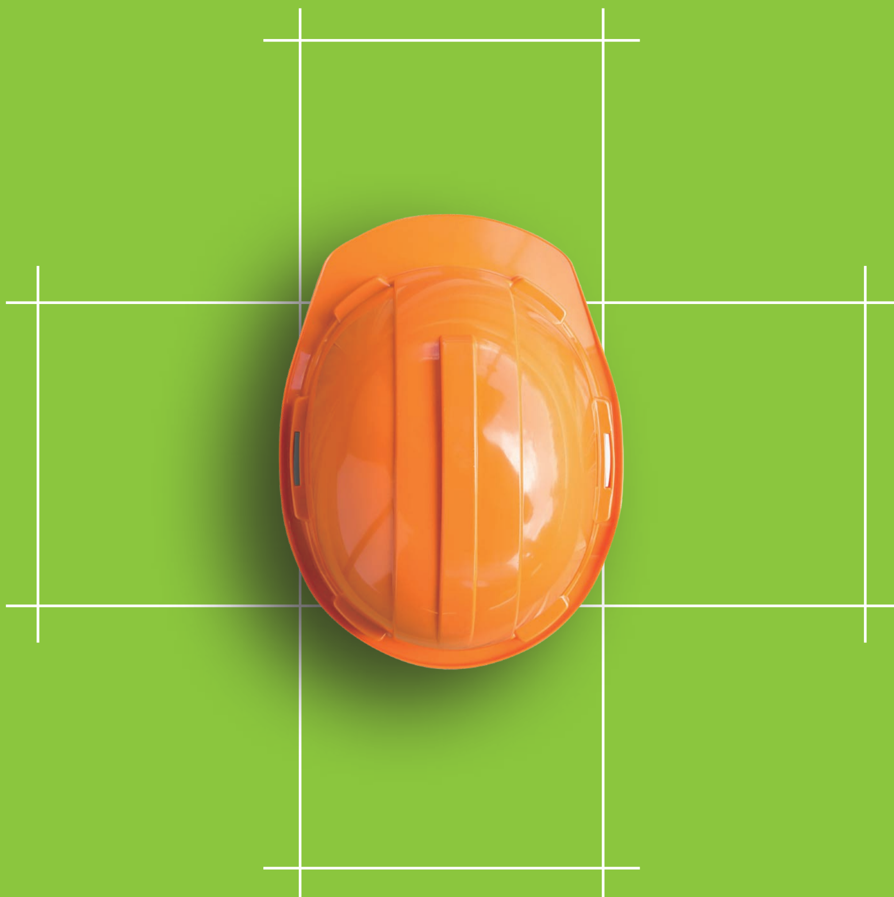
* Note: Due to the relatively small greenhouse gas emissions, energy consumption, water consumption and waste generated by the Hong Kong office and the completion of the disposal of Yu Ji Pipeline Company on 30 September 2020, the 2020 data and the 2025 Action Objectives set out above only cover the relevant key performance indicators of Huade Petrochemical.

Our Communications with Key Stakeholders

The sustainable development of the Group depends on the participation of different 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 in the long-term development, the Group strives to maintain good communications with stakeholders through a range of channels and methods.

Key Stakeholders	Focus of Concerns	Major Means of Communication and Actions
Government and regulatory bodies	• Compliance and legal operation • Responsibility for production safety • Economic contribution • Level of corporate governance	• Reporting to relevant government departments regularly • Inviting representatives from government departments to conduct on-site inspection of production units or office sites
Employees	• Remuneration and benefits • Career development and training • Occupational health and safety	• Regular appraisal and feedback • Providing various types of training • Organizing team building activities • Regular work meetings • Participating in human resource policy related charter organized by government department • Suggestion boxes and questionnaires
Investors	• Long-term development strategy • Profitability • Dividend policy	• Regular results announcements • Disclosure of company operations under the Listing Rules • Active participation in investor conferences through different channels despite COVID-19 • Annual general meeting
Suppliers	• Stable partnerships • The mode of win-win cooperation	• A strict, standardized, fair, just and open selection • Business negotiations • Industry exchanges
Customers	• Service safety • Pricing • Quality assurance and management	• Business negotiations • Client visits • Daily communications and exchanges
Public and Communities	• Support community services and public welfare projects • Environmental impact of operations	• Active participation in public welfare activities • Energy and water saving in production processes and in offices • Participating in energy saving and waste reduction plan

PEOPLE ORIENTED



Work-related fatalities, serious injuries **0**

Working days lost as a result of work injuries **0**

People Oriented

The Group has always adhered to the development philosophy of "people oriented" and has 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 as usual. In addition, the Group has established a series of employment-related systems to effectively safeguard the rights and interests of employees, comply with labour standards and create a safe and healthy working environment. In 2020, with the outbreak of COVID-19 epidemic, the Group formulated and implemented contingency plans in relation to the epidemic in a timely manner, striving to safeguard the production and operation as well as the safety and health of the staff. At the same time, the Group established a corporate culture by organizing different activities to unite employees; provide career planning and diversified training for employees so that employees can develop their strengths on the job platform to improve their vocational skills and strengthen the competitiveness of the enterprise. There was no illegal employment in the Group in 2020.

Protecting Employee Rights

Employees are the important cornerstone of corporate development. In terms of protecting the rights and interests of employees, the Group has formulated a series of relevant human resources policies, including the Management System for Employees Attendance and Holidays of Sinopec Kantons, the Management System for External Employment of Sinopec Kantons, the Management System for Internship of Sinopec Kantons, the Management System for Employee Training of Sinopec Kantons and the Measures for Employees Performance Appraisal of Sinopec Kantons. When an employee is dismissed or when his/her employment contract is terminated, the Company strictly abides by relevant laws and pays the required compensation. In accordance with local laws and regulations, production units have formulated policies such as salary management regulations and labor contract management regulations to regulate the recruitment, dismissal, working hours, remuneration, promotion and other benefits of employees.

In addition to complying with the relevant employment-related laws and regulations, the Group also consciously resists any act of ignoring and trampling on the human rights of employees. Strictly complying with the Sinopec Code of Conduct for Integrity and Compliance, the employment of child labor is strictly prohibited, the personal freedom of employees in accordance with the law is respected and forced labor for any reason is eliminated. To this end, during the recruitment process, the Group keeps abreast of the relevant circumstances and will make timely rectification in accordance with the relevant human resources management measures and requirements once relevant violations are found. In 2020, the Group did not find any non-compliance with the laws and regulations in relation to child labour and forced labour.

The Group has always advocated the principle of meritocracy and equal opportunity, and opposes employment discrimination of any kind, including gender, race, religion, nationality, region, etc. to create a diversified workforce. In accordance with the relevant legal requirements and the relevant corporate human resources policies, the Group brings all employees into an integrated assessment system to implement performance-based incentives and ensure that all employees are treated fairly and impartially to motivate them to contribute to the development of the enterprise , regardless of their gender, race, religion, nationality, family status and cultural background.

Number of Employees of the Group classified by Gender, Types of employment, Age, Region, and Employee Category

As at 31 December 2020

Total headcounts 232

Gender	Type of Employment	Age	Region	Employee Category
Male 190	Full-time employees 232	40 years old or less 121	Mainland China 206	Senior Management 7
Female 42	Part-time/ Contract staff 0	Over 40 years old 111	Hong Kong 26	Middle Management 19
				General Staff 206

Note: As Yu Ji Pipeline Company has been disposed to PipeChina, the above data only covers those of Huade Petrochemical and Hong Kong office.

CASE

The Group has been committed to providing employees with an ideal working environment all along. In addition to the benefits stipulated by the laws, the Group also provides employees with annual leave, group medical insurance, travel insurance, medical check-up allowances and work lunches which are more favourable than legal requirements. In 2020, Sinomart Development, a wholly-owned subsidiary of the Company, participated in the "Good Employer Charter 2020" organized by the Labour Department of the Hong Kong Government, with the commitment of adopting employee-oriented policy and implementing good human resource management practices.

Staff Cohesion

Corporate Culture Building

CASE

In January 2020, the Hong Kong office, together with Huade Petrochemical and other operating entities of the Group, held a team building event before the Lunar New Year. A professional company was specially engaged for the team building activities to tailor-make a series of game activities for staff. Not only did it deepen the cooperation between staff, but also promoted the understanding between the management and staff.

CASE

In January 2020, the Hong Kong office held its annual gathering to review the work of the past year and envision the future development of the enterprise. Our staff also took the opportunity to organize entertainment performances and participate in game sessions, creating a happy atmosphere.

CASE

In the first half of 2020, when the epidemic in Hong Kong was relieved, the Hong Kong office encouraged staff to do exercises, build up their bodies and strengthen their cohesion by organizing a healthy hiking activity on Lamma Island.

Competing for Excellence

CASE

Employees quarterly nomination → Nomination of Quarterly Star was submitted to the management for review and rating → Quarterly Star winners will be shortlisted for Outstanding Employee of the Year → Awards will be presented at the annual gathering

In January 2020, the management of the Company presented the Annual Outstanding Staff Award to Hong Kong office staff with outstanding performance in 2019 in recognition of their efforts and achievements over the past year and encouraged other staff members to catch up with them.

Staff Turnover Rate of the Group for the Year Ended 31 December 2020 by Gender, Age and Region

Total Turnover Rate 2.16%

Gender	Age	Region
Male **1.58%**	40 years old or less **0.80%**	Mainland China **1.46%**
Female **4.76%**	Over 40 years old **3.74%**	Hong Kong **7.55%**

Note: As Yu Ji Pipeline Company has been disposed to PipeChina, the above data only covers those of Huade Petrochemical and Hong Kong office.

Anti-epidemic Support

In 2020, with the spread of the novel coronavirus, Hong Kong also experienced local outbreak of different scales. The Group actively responded by not only providing all employees with relevant anti-epidemic items, but also arranging employees for participating in various anti-epidemic trainings in a timely manner to enhance their awareness of epidemic prevention.

Date	Theme	Content
28 March	Caring for family and working together to defeat the epidemic	Psychological institute specialists lectured on how to correctly understand the impact of the epidemic on their own and family members' mental health, how to scientifically balance their work and life under abnormal conditions, and how to care for their families and accompany their parents and children etc.
27 April	Seminar on epidemic prevention and control for overseas State-owned Enterprises	Academician Li Lanjuan, academician of the Chinese Academy of Engineering, member of high-level expert group of the National Health Commission of the PRC, was invited to share her views on the diagnosis and treatment protocol for COVID-19, status of the epidemic in China and the world, epidemic prevention and control and personal daily protection measures for overseas personnel.

In addition to distributing epidemic prevention items to employees, the Group also distributed epidemic prevention products such as masks and disinfectant to family members of employees under the age of 12 and over the age of 65.

Continuing Training

In 2020, the Group continued to provide a series of training opportunities for its staff focusing on operating in compliance with laws and regulations, continuous improvement of performance and paying attention to safety and environmental protection. In addition to organising physical training activities, we also produced various types of training materials for our staff to enhance their knowledge in various business areas in response to the actual needs of epidemic prevention and control during the year. During the year ended 31 December 2020, 100% of the Group's employees received training, with total training hours reaching 17,500 hours.

Percentage of Trained Employees and Average Training Hours of the Group by Gender and Employee Category for 2020

	Trained Employees	% of Trained Employees	Total Training Hours	Average Training Hours
Gender				
Male	190	100%	14,847	78
Female	42	100%	2,677	64
Employee Category				
Senior Management	7	100%	471	67
Middle Management	19	100%	1,126	59
General Staff	206	100%	15,923	77

Note: As Yu Ji Pipeline Company has been disposed to PipeChina, the above data only covers those of Huade Petrochemical and Hong Kong office.

Safety Training

The Group attaches great importance to the production safety and the personal safety of its employees and provides various safety trainings every year to enrich the knowledge and raise the awareness of occupational safety of its employees, including those responsible for safety supervision.

CASE

In June 2020, the management of the Group completed the HSSE Online Special Training Course of Sinopec i-Academy and obtained the relevant professional safety qualifications. Training can enhance the Group's management' s ability to coordinate safety training and manage the safety production of the Group's operating entities.

CASE

In November 2020, the Group pushed forward the petrochemical firefighting and rescue drills conducted by Huade Petrochemical and joint port facility security and maritime oil the joint spill drills, which further enhanced Huade Petrochemical's coordination and emergency response capabilities. The Hong Kong office has also been active in mobilizing its staff in remote participation to successfully upgrade its emergency response capacity under the epidemic.

Business Training

The Group provides business trainings to its employees from time to time to enable them to keep abreast of the latest development of the industry in order to adapt to the continuous development of business and industry changes.

CASE

In June 2020, the Hong Kong office conducted a business training on the development of the LNG transportation industry to introduce the characteristics, development history and operation and maintenance system of the LNG vessels to the staff and to enhance their understanding of the related business.

Practical Training

In addition to providing business and safety training, the Group also attaches great importance to skill enhancement of back office staff. In 2020, they were provided with practical trainings to enhance their understanding of the latest developments in relevant fields.

CASE

In May 2020, Huade Petrochemical arranged personnel from the Operation Department to attend the "Training Course on Supplementary Provisions of Monthly Trading Rules for Price Spread in Guangdong Power Market" and receive relevant training online to further keep up to date with new policy information.

Occupational Health and Safety

The Group always puts employees' health first, ensuring the health and safety of all employees at work.

Prevention and Control of Epidemic

In 2020, in order to actively cope with the spread of the COVID-19 pandemic, the Group adopted various measures during the year to reduce the chance of staff contracting disease, and formulated the "COVID-19 Epidemic Prevention and Control Emergency Response Plan of Sinopec Kantons". During the period of serious outbreak, employees are specially arranged to go to work at staggered rush hour, work on rotation basis and work from home to strictly control the number of staff at the office. At the same time, each operating entity of the Company is required to formulate prevention and control emergency response plan adapted to the characteristics of the enterprise, and take all feasible measures to prevent the workplace from becoming a breeding ground for spreading the virus.

CASE

In line with local development of the epidemic, the Hong Kong office has tightened the management of social distancing, strictly controlled the number and distance of people in the office during several peak periods of epidemic outbreak, and adopted various flexible office measures, including flexible working hours and work shifts, to reduce the congregation of employees in the office premises. Meanwhile, we strengthened the clean-up of office premises, and required employees to carry out daily declaration of health status, and measured the temperature of all employees and visitors before entering the office to reduce the risk of virus transmission.

CASE

In terms of production units, each operating entity of the Company also formulated various epidemic prevention measures according to the actual business situation. As a terminal company, Huade Petrochemical is required to provide loading and unloading services for oil tankers from different regions. During the global epidemic outbreak period, in order to avoid the port becoming a breakthrough point for COVID-19 from overseas, Huade Petrochemical focused on preventing the docking of ships from countries with serious epidemic outbreak, tracking down the origin of ship docking ports, following up the health status of crew members, and strictly carrying out disinfection, streamlining boarding personnel, and upgrading personnel protection.

Prevention and Cure of Occupational Diseases

In addition to active prevention and control of epidemic, the Group also attached great importance to the occupational health and safety of its employees on a regular basis. In 2020, the operating entities of the Company formulated the corresponding occupational health management provisions strictly in line with Law on Prevention and Cure of Occupational Diseases of the People's Republic of China, which managed the protection, education, declaration, monitoring and evaluation, filing, emergency rescue and accident handling etc.. The management provisions also cover occupational health operational procedures for various operating positions to ensure that employees have knowledge of occupational disease prevention and systematically implement and manage occupational safety and health matters. Over the years, the Group has not experienced any death, material injury or loss of working days due to work-related reasons.

The Group	Work-Related Factalities		Lost Days due to Work Injury	
Year	Number	Ratio	Working Days	Ratio
2020[Note]				
2019	0	0%	0	0%
2018				

Note: As Yu Ji Pipeline Company has been officially disposed to PipeChina on 30 September 2020, the above data only covers those of Yu Ji Pipeline Company for the nine months ended 30 September 2020.

CASE

Huade Petrochemical engages professional institutions to carry out test for occupational health hazards in the workplace annually. From the test results, the physical, chemical and other hazards of each station did not exceed the limits. Huade Petrochemical has also set up occupational health monitoring records for each employee. Every year, it organizes health checkups for employees, and arranges treatment in a timely manner once abnormalities are discovered. The Company organizes occupational health protection knowledge learning every quarter and carries out inspection of labor protective gears from time to time.

CASE

To enhance the knowledge and self-care ability of the staff in eye care, in June 2020, the Hong Kong office invited medical staff of the Department of Ophthalmology and Visual Sciences of the Chinese University of Hong Kong to give a "Seminar on Eye Care for Staff", lecturing on the prevention and treatment of eye diseases and correct eye use.

GREEN BUSINESS

The Group has set greenhouse gas and air pollutant emission targets for 2025

Green Business

The Group is engaged in the logistics and storage business of petrochemical products, and careless treatment of petrochemical products and waste generated from operations may pose a serious threat to the environment. As such, we always persist in fulfilling the obligations of environmental protection, devoted to reduce the hazards to the natural environment and lower the consumption of natural resources. In addition to strict compliance with environmental laws and regulations in the place where the Group operates, the Group has also established an internal HSSE system which includes environmental protection supervision procedures to protect and improve the ecological environment, prevent and control contamination and other environmental hazards. In 2020, the Group has complied with the relevant laws and regulations. In addition, a good natural environment is the foundation for the development of the crude oil terminal and storage business, therefore climate change is closely related to the Group's business operations. Given the above, the operation entities of the Group have adopted a systematic policy to identify and respond to the risks arising from climate change.

Management of Atmospheric Pollution and Emissions of Greenhouse Gases

It is inevitable that some natural gas will be vented during the operation of the Group's natural gas pipeline transmission business. In addition, it must involve energy consumption during the processes of the Group's business, resulting in a certain degree of exhaust or greenhouse gases emissions. In 2020, the Group's production units complied with the laws and regulations on air pollution, including the Law on the Prevention and Control of Atmospheric Pollution of the People's Republic of China and the Emission Standard of Air Pollutants for Boiler (GB13271-2014 and DB44/765-2010), and continued to reduce natural gas venting by adjusting and optimizing the operating conditions and operation methods of equipment to reduce air pollutant emissions.

In 2020, Huade Petrochemical set the targets of greenhouse gas emission and air pollutants emission, respectively. Such targets include a decrease in greenhouse gas emissions, nitrogen oxide emissions and particulate matter emissions per kilotonne of business volume of Huade Petrochemical by 2025 as compared to 2020, and a decrease in sulphur oxide emissions per kilotonne of business volume by 10% as compared with 2020.

2025 Objectives

Emissions per kilotonne of business volume

2020 Figures
Greenhouse gas 3.24 tonnes
Nitrogen Oxides 1.98 kg
Particulate matter 0.035 kg
A decline objective in 2025

2020 Figures
Sulphur oxide 0.086 kg

2025 objective
↓10%

* Note: Due to the relatively small greenhouse gas emissions, energy consumption, water consumption and waste generated by the Hong Kong office and the completion of the disposal of Yu Ji Pipeline Company on 30 September 2020, the 2020 data and the 2025 Action Objectives set out above only cover the relevant key performance indicators of Huade Petrochemical.

CASE

Natural gas venting occurs when Yu Ji Pipeline Company is undertaking the change of pipeline operation. In order to reduce the venting of natural gas, Yu Ji Pipeline Company adjusted its process parameter to minimize the venting volume of natural gas. During the pipeline change operation outside Xuanzhang station in April 2020, the pressure in the valve rooms section from Xuanzhang to Biao Bai Si town was lowered ahead of schedule to reduce the venting volume of the pipeline section by over 50,000 cubic metres.

CASE

One of the sources of air pollutant emissions from Huade Petrochemical is exhaust emissions from its self-owned cars. To meet established greenhouse gas emission reduction targets, Huade Petrochemical is replacing transportation and company vehicles with new energy vehicles to reduce the pollution from the use of vehicles to the atmosphere.

Exhaust gas and pollutant emissions (Including emissions from boilers, vessels and motor vehicle)

	Nitrogen oxides (kg)	Sulphur oxides (kg)	Particulate matter (kg)
Hong Kong Office	0.81	0.03	0.06
Huade Petrochemical	25,747.59	1,114.98	451.41
Yu Ji Pipeline Company	83.98	1.90	6.10
Total	25,832.38	1,116.90	457.57

Note: The exhaust gas and pollutants of Yu Ji Pipeline Company are mainly from natural gas, liquefied petrochemical gas and power petroleum. As Yu Ji Pipeline Company was officially disposed to the PipeChina on 30 September 2020, the above figures only cover those of Yu Ji Pipeline Company for the nine months ended 30 September 2020;

The exhaust gas and pollutants of Huade Petrochemical are mainly from gasoline, marine and boiler diesel, of which the data of marine and boiler diesel are newly included in 2020, with emissions of approximately 25,000 kg of nitrogen oxides, approximately 1,100 kg of Sulphur oxides and approximately 450 kg of particulate matter in 2020, respectively;

The exhaust gas and pollutants of the Hong Kong office are mainly from gasoline.

Greenhouse Gas Emissions

CO_2 Equivalent Emissions (Tonnes)

Note: (1) Scope I: Direct emissions from fuel combustion from mobile sources (e.g. vessels and vehicles) and stationary sources (e.g. boilers and stoves). Greenhouse gas emissions from both mobile and stationary sources are derived from the Greenhouse Gas Agreement Calculation Tool.

(2) Scope II: Indirect emissions from electricity purchase. Emission factors are made with reference from the website of HK Electric Investments Limited and the benchmark emission factors of the PRC regional grid for emission reduction projects in 2017.

(3) Scope III: Other indirect emissions outside the Company (e.g., business flights and paper waste disposal). Flight emissions are based on International Civil Aviation Organization carbon emissions calculators.

(4) As Yu Ji Pipeline Company has been officially disposed to PipeChina as at 30 September 2020, the above data only covers those of Yu Ji Pipeline Company for the nine months ended 30 September 2020.

Waste Management

In providing crude oil terminal and natural gas pipeline transmission services, it is inevitable that certain wastes will be generated, including oily sludge, waste rubber, waste paint barrels, pipe cleaning residues and other hazardous wastes. In addition, general household wastes will be generated in stations, offices and dormitories. In order to effectively prevent and control environmental pollution, the production units of the Group have strictly complied with the relevant laws and regulations such as the Law on Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China and National Catalog of Hazardous Wastes, strengthened the supervision over the whole process of solid waste, effectively put in place prevention and control environmental risks, centrally managed solid waste with control from the source, and improved the comprehensive utilization rate of waste to reduce the amount of waste generated. The solid waste pollution prevention and control regulations has been formulated to manage hazardous and non-hazardous waste, and third-party qualified entities were engaged for disposal and treatment with an aim to prevent secondary pollution. In addition, the Group has also reduced waste from the source to reduce the amount of waste. Following the implementation of the Law on Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China (2020 Revision) on 1 September 2020, the production units of the Group have completed the modification to the solid waste management regulations accordingly and implemented them.

In 2020, Huade Petrochemical has set five-year waste reduction targets. As the generation of hazardous and non-hazardous waste is closely related to the number of oil tanks repaired each year, in 2025, Huade Petrochemical aims to reduce the amount of hazardous and non-hazardous waste generated by each oil tanker repaired by 15% respectively as compared to 2020.

2025 Objectives

2020 Figures
Hazardous waste generated from each oil tank repaired
88.2 tonnes
2025 objective
↓15%

2020 Figures
Non-hazardous waste generated from each oil tank repaired
134 tonnes
2025 objective
↓15%

* Note: Due to the relatively small greenhouse gas emissions, energy consumption, water consumption and waste generated by the Hong Kong office and the completion of the disposal of Yu Ji Pipeline Company on 30 September 2020, the 2020 data and the 2025 Action Objectives set out above only cover the relevant key performance indicators of Huade Petrochemical.

CASE

In order to strengthen solid waste management, Huade Petrochemical has conducted a review of the solid waste generated from its operations, for identifying the type of waste, name, content, physical form and hazard characteristics of hazardous substances and formulating corresponding treatment methods.

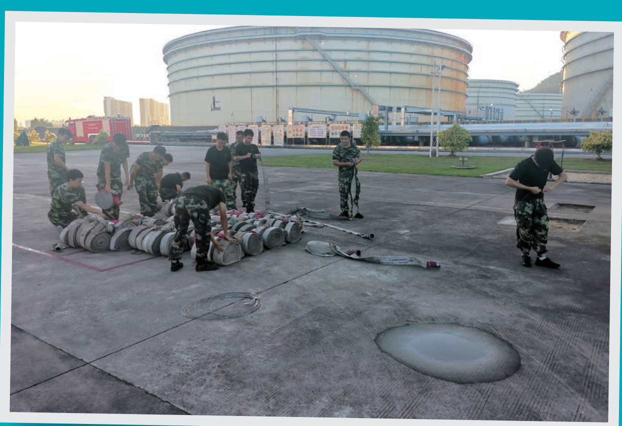
Production process

Mechanical cleaning for oil tank and routine maintenance	Laboratory analysis/sewage disposal and treatment
oily sludge	waste acid/alkali
hazardous	corrosivity

Qualified third-party units are engaged for disposal and treatment

CASE

Huade Petrochemical managed to regulate the management of solid waste at source, and launched a special inspection campaign on solid waste in order to reduce waste through proper waste sorting. In June 2020, the Fire Brigade of Huade Petrochemical repaired the obsolete on-duty water belts at Mabianzhou start station and the oil storage area respectively, and the repaired water belts were suitable for daily training of the firefighters, thus reducing the number of newly purchased training water belts. More than 200 sets of water belts were repaired and the amount of solid waste generated was reduced at source.



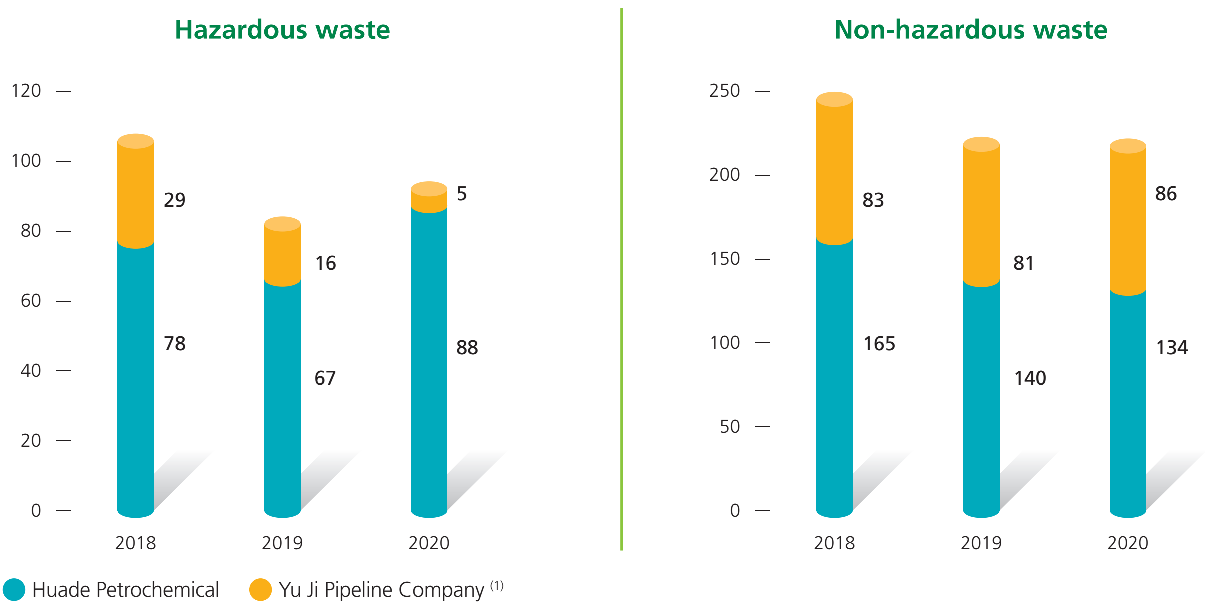
CASE

Following the concept of green office, the Hong Kong office continued to work on waste recycling in 2020 by setting up separate recycling containers or bins to collect recyclable materials such as plastic bottles, waste paper, glass bottles and energy-saving bulbs to reduce the pressure on landfills. In 2020, the Hong Kong office continued to participate in the waste reduction programme and successfully renewed its certification as a "Hong Kong Green Organisation," demonstrating its continued commitment to environmental protection.

CASE

In June 2020, Yu Ji Pipeline Company carried out hazardous waste inventory inspection, unified requirements for hazardous waste warning signs and various records data, and engaged qualified third-party units to handle hazardous waste after filing five copies of transfer forms issued by five different departments as required, which will be monitored by responsible person during the whole process. The emergency drills on the leakage of hazardous waste and fire were also carried out to mitigate the exposures of the hazardous waste to the environment.

Waste (Tonnes)



Note: (1) As Yu Ji Pipeline Company has been officially disposed to PipeChina as at 30 September 2020, the above data only covers those of Yu Ji Pipeline Company for the nine months ended 30 September 2020.

(2) No hazardous waste was generated in the Hong Kong office. In addition, the Hong Kong office is not included in the non-hazardous waste data as there is minimal non-hazardous waste in the Hong Kong office and the building where the Hong Kong office is located is unable to provide an independent statistic of non-hazardous waste.

Water Resources Management

Although the Group has not experienced any problems in obtaining suitable water sources, we are aware of the scarcity of water resources and therefore our production units carry out rational planning and use of water resources every year, formulate water conservation management measures; set annual water consumption targets based on actual production conditions; and repair leaking facilities in a timely manner. In addition, in respect of sewage discharge, the Group's production units have complied with the regulations on sewage discharge, including the water pollutant discharge limits (DB 44/26-2001) Class I standard (Period I), and have put in place sewage management measures to reduce the volume of sewage discharge.

2025 Objective

Water consumption per kt of business volume

2020 Figures

4.67 m^3

2025 objective

↓15%

* Note: Due to the relatively small greenhouse gas emissions, energy consumption, water consumption and waste generated by the Hong Kong office and the completion of the disposal of Yu Ji Pipeline Company on 30 September 2020, the 2020 data and the 2025 Action Objectives set out above only cover the relevant key performance indicators of Huade Petrochemical.

In 2020, Huade Petrochemical set a five-year water consumption target and the water consumption per kilotonne of business volume by 2025 is expected to decrease by 15% as compared with 2020.

Water Conservation

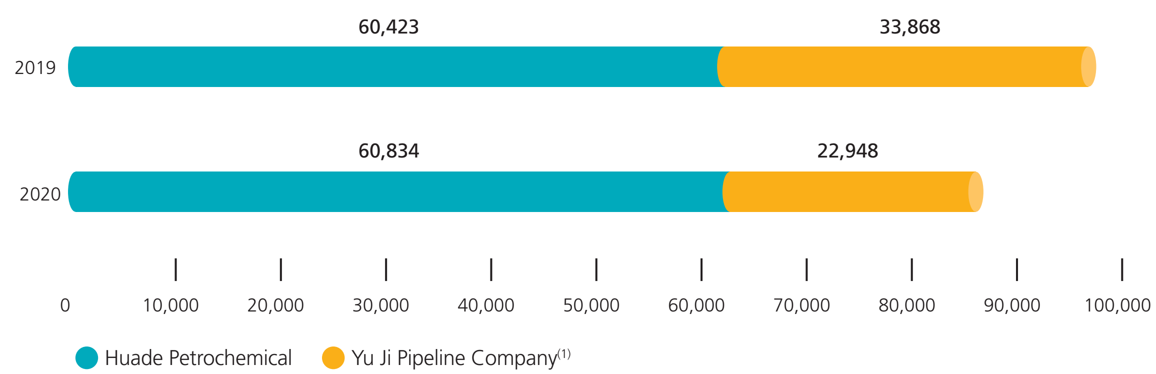
CASE

The management offices of Yu Ji Pipeline Company regularly carry out maintenance work on water facilities and equipment to ensure that they are in good condition, and enhance the awareness of water conservation among all staff to prevent the phenomenon of "constant flow of water in a wasting manner" and report water leaks for repair in a timely manner.

CASE

Huade Petrochemical strictly monitors the water use situation, carries out the leakage point detection in the underground fire control pipe network from time to time, and analyses monthly water consumption at each station to avoid the waste of water.

Water Consumption (m^3)



Note: (1) As Yu Ji Pipeline Company has been officially disposed to PipeChina as at 30 September 2020, the above data only covers those of Yu Ji Pipeline Company for the nine months ended 30 September 2020.

(2) Water consumption in the Hong Kong office is not included as water consumption in the Hong Kong office is insignificant and water consumption in the building where the Hong Kong office is located is calculated on an apportionment basis and does not reflect actual usage.

Sewage Treatment

CASE

In 2020, Yu Ji Pipeline Company inspected and tested the performance of the integrated sewage treatment facility, carried out repair and replacement of fittings for the malfunction, so that the sewage disposal plant reached the optimal operation condition and the domestic sewage at the station was effectively treated. The treated water was reused for green irrigation and other uses, which effectively improved the utilization rate of water resources and reduced the consumption of water resources.

CASE

In addition to treating domestic and production waste water and applying it to the greening of Mabianzhou Island after laboratory analysis meeting the standards, Huade Petrochemical has divided the sewage in Nanbianzao into different storage and treatment areas to reduce the volume of sewage for outward transport.

Energy Management

Energy is an essential resource for economic activities; however, many energy sources are not renewable and their extraction and use may have an impact on the environment. Therefore, the Group's production units have established energy conservation management practices to manage energy use, in order to reduce the impact of energy use on the earth, and reduce operating expenses. At the same time, the Group's production units also set out annual energy consumption targets, which are included in the economic responsibility assessment, and adjust the operating parameters of their equipment in response to changes in business volume in order to achieve optimal energy efficiency.

In 2020, Huade Petrochemical set a five-year energy consumption target. The major energy sources of Huade Petrochemical are electricity and diesel. For these two types of energy sources, Huade Petrochemical is expected to have a lower electricity consumption per kilotonne of business volume by 2025 as compared with 2020; and diesel consumption per kilotonne of business volume by 2025 is expected to be 5% lower than that in 2020.

2025 Objectives

Energy consumption per kt of business volume

2020 Figures
Electricity: 3.7 MWh
A decline objective in 2025

2020 Figures
Diesel: 0.049 tonnes
2025 objective
↓5%

* Note: Due to the relatively small greenhouse gas emissions, energy consumption, water consumption and waste generated by the Hong Kong office and the completion of the disposal of Yu Ji Pipeline Company on 30 September 2020, the 2020 data and the 2025 Action Objectives set out above only cover the relevant key performance indicators of Huade Petrochemical.

CASE

Yu Ji Pipeline Company adjusted the process parameters of the compressor natural gas pipeline in order to optimize the operation of the compressor and reduce the energy consumption of the compressor. In April 2020, in response to changes in gas volumes from the gas field in Northern China, the pipeline operation was adjusted to reduce the pipeline inventory of the Yu Ji West Pipeline and lower the compressor outlet pressure, switching from double to single compressor operation, which improved the compressor operation efficiency and reduced compressor energy consumption.

CASE

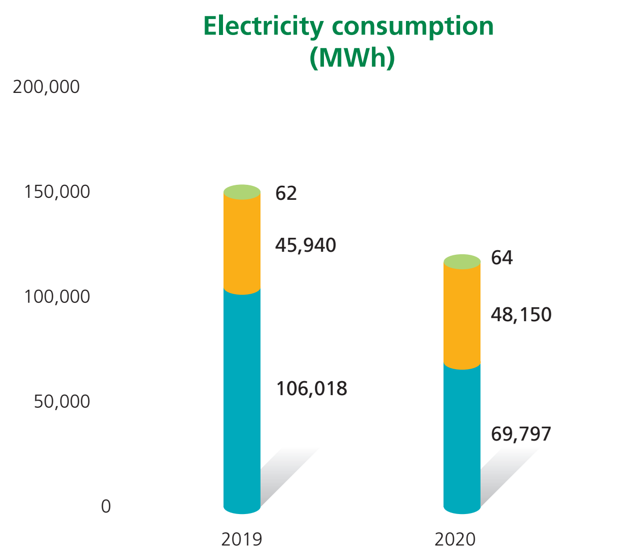
↓26 kWh/hour

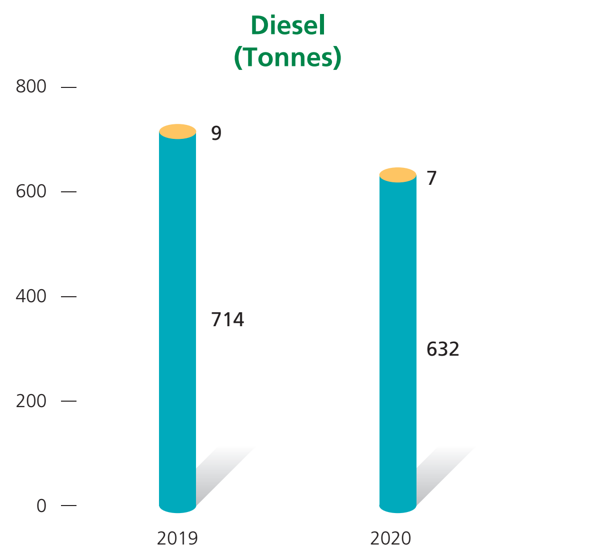
In order to improve energy efficiency, Huade Petrochemical has optimized the operation of existing equipment to achieve energy saving and efficiency gains. For example, the frequency conversion of frequently operating pumps and motors has resulted in an average of 26 kWh of electricity being saved per hour by actively running the variable frequency pumps and motors in daily production operations.

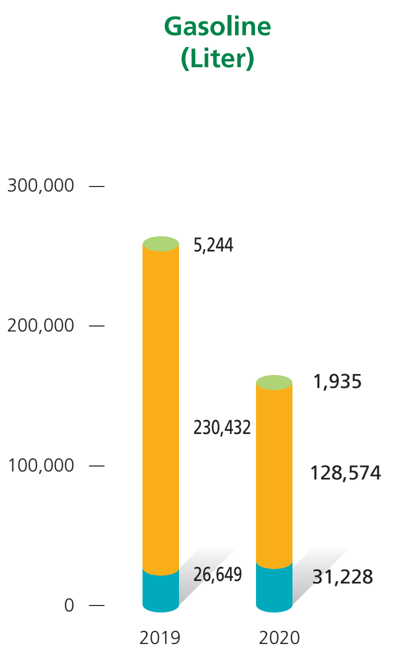
CASE

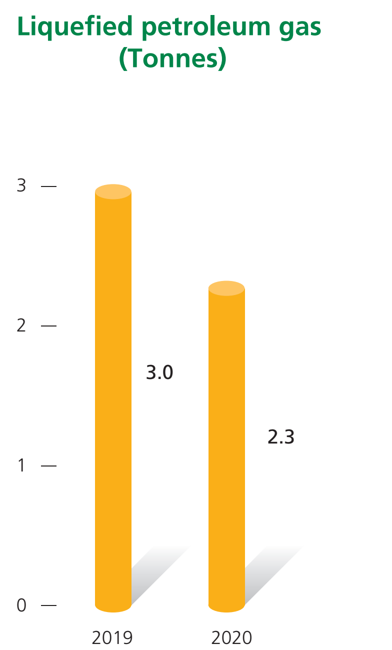
Huade Petrochemical has reduced the running time of the pumps and motors by improving the operation of the equipment, such as using the tank level difference or elevation difference for loading or emptying of fuel oil. In addition, the transmission at Mabianzhou Start Station was optimized to reduce the number of operating pumps, effectively reducing energy consumption during operation.

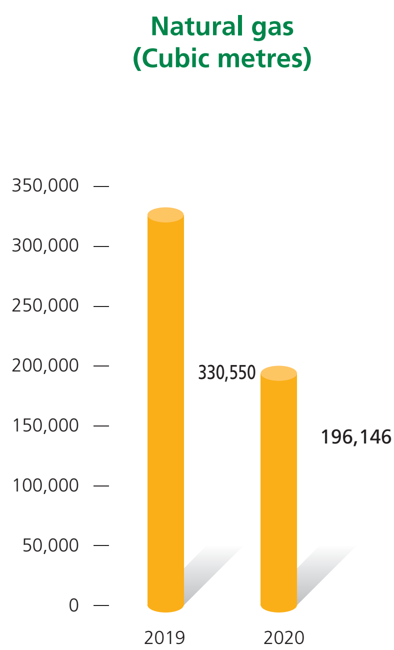
Energy Usage











Huade Petrochemical   Yu Ji Pipeline Company   Hong Kong Office

Note: As Yu Ji Pipeline Company has been officially disposed to PipeChina as at 30 September 2020, the above data only covers those of Yu Ji Pipeline Company for the nine months ended 30 September 2020.

Environmental Protection and Prevention Measures

In the daily operation, the Group organizes environmental monitoring every year to continuously raise the standard of environmental management. In addition, the production units of the Group have formulated environmental incident management rules and relevant contingency plans and installed alarm devices based on their business characteristics, and have conducted regular inspections to ensure that the environmental impact is minimised in the event of an accident.

CASE

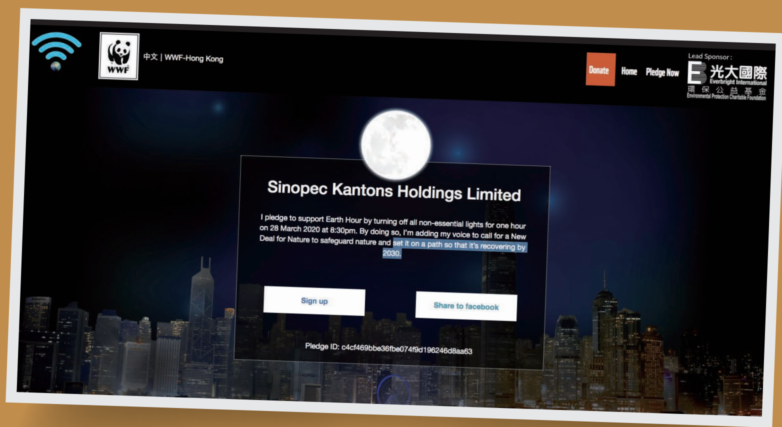
Huade Petrochemical addresses the major environmental risks of production operations, including leakage of oil products from terminals, oil tanks and pipelines. Huade Petrochemical has oil spill monitoring and alarm devices at the crude oil and fuel oil terminals. The oil transmission arms of the terminals are equipped with emergency release device. The crew also patrol and inspect terminals, storage tanks and oil pipelines regularly. In addition, emergency equipment and supplies are provided in accordance with "Requirements on Emergency Response Equipment/Facilities for Oil Spill in Terminals and Ports "(JTT 451 -2009).

CASE

In June 2020, Huade Petrochemical conducted a two-day on-site supervision and audit of the Environmental Management System (EMS), the operating of which was recognized by the certification authority. EMS system certification audit is to ensure enterprises operation to be in accordance with laws and regulations, with an aim to realise safety and environmental protection.

CASE

In 2020, the Hong Kong Office participated in the Earth Hour Campaign organised by the World Wide Fund for Nature and the "2020 No Air Con Night" Campaign organised by Green Sense, and encouraged staff to turn off lights, air conditioning and unnecessary appliances during the event to arouse staff's concern about climate change and reflect on their daily lifestyles.



Climate Change

The climate is closely related to the operation of the Group's terminal business. For instance, heavy rain and typhoon caused by El Nino phenomenon may lead to landslides and mudslides, which will affect the safe and smooth operation of the terminal and crude oil pipeline. At the same time, a typhoon or rainstorm may cause silting of the waterway and require additional dredging works, which on one hand may affect the terminal operation, and on the other hand may require additional maintenance and engineering expenses, which in turn may affect the financial performance of the Company. The Group is fully aware of the increasing climate change problems, which will have an impact on its business and the environment where its operations are located. We actively take measures in two aspects to mitigate the Group's impact on climate and respond to the concerns of stakeholders, including: (i) to plan ahead by optimising the management of our operating entities to identify and protect against operational risks associated with climate change; and (ii) to take different measures to reduce greenhouse gas emissions, as detailed in the other sections of "Green Business" in this report. Among them, Huade Petrochemical has formulated the emergency response plan for typhoon prevention, establishing the three-level typhoon prevention deployment plan and the implementation checklist of typhoon prevention measures.

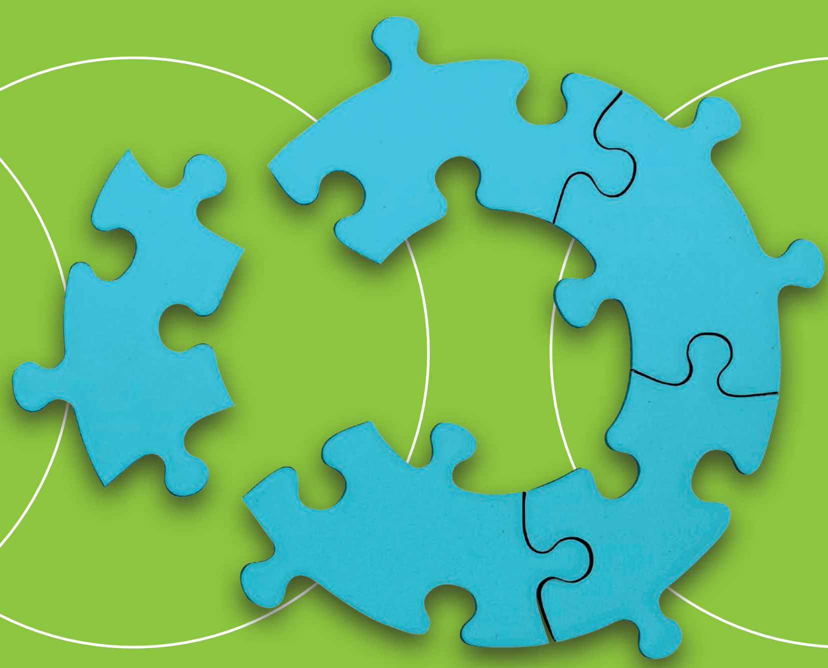
CASE

Huade Petrochemical has long-term cooperation with meteorological departments, and will receive warnings before bad weather condition. A special inspection of potential hazards before the flooding season will be launched, focusing on lightning protection grounding, wave protection dykes, pipelines through the dykes, hydraulic protection of the "Ma- Guang (Mabianzhou Island – Guangzhou)" long-distance pipeline, sewage cleaning and diversion, sewage collection facilities, water body prevention and control facilities, central drainage of storage tanks and water sealing of the underground pipeline network at each station. The problems identified were rectified in accordance with the "Four Confirmations (e.g. confirmations of the plan of rectification, the funding source, the responsible person of project and the completion date of project), to prepare ahead and ensure the safe and stable operation of terminals, storage areas and oil and gas pipelines.

CASE

In May 2020, Huade Petrochemical conducted a typhoon prevention emergency plan drill at Mabianzhou Start Station and launched a typhoon prevention emergency plan of Level 3. All personnel of each post and construction and safety staff at the Start Station prepared for typhoon prevention and protection, implemented typhoon prevention measures item by item according to the typhoon prevention record form, notified fire brigade and protection unit to fully implement typhoon prevention measures, and notified vessels to take shelter from wind and waves at the harbor dock. Through typhoon prevention drills, the staff of Huade Petrochemical further enhanced their emergency response capabilities to reduce the impact of typhoons on terminal operations.

WIN-WIN COMPLIANCE MANAGEMENT



Long-term cooperation relationships

Sustainable Development

Mutual Benefits

The Group believes that sustainable development can be achieved by establishing good and long-term cooperation and communication channels with various stakeholders, including suppliers, contractors, business partners and customers. In order to protect the interests of various stakeholders, the Group has formulated different management methods and measures for each stage of the value chain to prevent social and environmental risks. These management methods are generally applied to the suppliers of the Group. At the same time, the Group also attaches importance to doing business with various stakeholders in an open, honest and transparent environment. As a result, an anti-corruption system, confidentiality measures and a whistleblowing mechanism have been put in place to ensure that the business operates in a compliant manner.

Supply Chain

The Group purchases products and services required for its operations from external business partners and engages contractors to carry out engineering projects. During the procurement process, the Group establishes cooperation relationships and conducts fair transactions with compliant, honest and law-abiding business partners in accordance with laws and regulations to achieve equality, mutual benefits and win-win cooperation.

In accordance with the Sinopec Integrity and Compliance Management Manual, the Group has established a series of compliance control procedures for business partners in investigation, audit, approval, execution, supervision and training to have a full understanding of and strictly reviews its relevant qualifications, integrity and compliance, environmental awareness and social responsibilities of business partners to reduce risks to safety of personnel, the environment and the society in the production or provision of services in the supply chain. The Group has formulated such policies as the "Administrative System on Implementing Projects", "Administrative Measures for Selection and Engagement of Intermediary Organizations", "Administrative System on Fixed Assets" and "Administrative Measures for Offshore Business Compliance". The production units of the Group have also formulated administrative measures for supplier network due to their own business needs, strictly requiring suppliers and contractors to hold relevant qualifications, and conduct regular review to ensure they are qualified.

In addition to professional qualifications, the Group also considers the performance of social responsibility of suppliers when selecting suppliers. In terms of social responsibilities , suppliers are required to pay social security contributions and fulfill their tax responsibilities in accordance with the law; comply with laws and regulations on legal employment, labour protection, occupational health and safety and environmental protection; the employment of child labour as defined by the law is strictly prohibited, no forced or compulsory labour and no physical and mental abuse of employees are allowed, and no illegal discrimination is allowed . The wages, benefits, working hours, overtime working hours, hygiene and safety conditions in the workplace of suppliers shall be in compliance with national and local laws and regulations, and all applicable environmental protection regulations shall be observed, etc. In 2020, the Group strengthened due diligence and third-party control of business partners, examined and assessed the compliance of trading activities on all fronts and established a blacklist system for non-compliance in accordance with the "Administrative Measures of compliance for overseas Businesses of Sinopec Kantons ".

In 2020, number of Suppliers of the Group by region

Mainland China

539

Hong Kong, Macau, Taiwan

18

Overseas

9

CASE

Access

For equipment or bulk materials of larger value in a single purchase, Huade Petrochemical adopts a secondary price negotiation with the successful suppliers after the tender opening in Sinopec's e-commerce system. Suppliers and contractors accepted by Sinopec's e-business system must undergo a series of access checks and post-use assessments to meet the relevant requirements.

Evaluation

In 2020, Huade Petrochemical strictly implemented the contractor management and carried forward the contractor management accumulative scoring. The contractor's workforce, management and the contractor itself are assessed for accumulative scoring in the production safety area. According to the deduction of scoring points, the practitioners must participate in off-the-job training, be refrained from entering the production site, redo the production site entry education, or even be blacklisted. In the event of an accident, the contractor has the possibility to be permanently disqualified from undertaking the project. A total of 8 contractors were deducted with scoring points in 2020.

Training

In 2020, Huade Petrochemical has provided contractors with over 900 safety training opportunities of three-level safety education in total. Based on the construction characteristics and needs of contractors, in the first half of the year, special training was also conducted for the resumption of work after the Chinese New Year, including the coronavirus protection training, guardianship training, fire and gas protection training and self-help and mutual aid. In addition, in March 2020, the Security Department organised training on fire protection and occupational health protection for all staff and contractors in batches for 2020 to solidify their fire safety and occupational health knowledge and practical skills.

Green Supply Chain

The Group believes that green procurement is an important part of the sustainable development of enterprises and therefore extends the green concept to suppliers and contractors in addition to its own green production and office policies. In 2020, the Group refined the selection and engagement policy for suppliers by including the elements of green procurement. Among the consideration conditions for selecting suppliers or contractors, the Group also included the past performance of potential suppliers or contractors in the environment area. It also proposed environmental policies and green requirements for shortlisted suppliers, which clearly indicated that the environmental qualification of suppliers, environmental protection and green elements of products and/or services were important reference factors for the selection and engagement, and referred to the "150 Green Procurement " prepared by the Environmental Protection Department of Hong Kong in the procurement process.

Product Responsibility

Quality First

"Quality is always the first priority " is the Group's commitment to customers. As the Group strives to move in the direction of world-class international petrochemical storage and logistics enterprises, it is our mission to provide our customers with stable and safe services and guarantee the energy supply to our downstream customers. To this end, the Group strives to improve its operational efficiency and create value for its customers.

In order to provide quality services, the production units of the Group have been keeping close communication with downstream customers and other parties of the logistics chain to coordinate production scheduling in a timely manner. In 2020, the Group received no complaints about products and services.

CASE

Even during the outbreak of the COVID-19 pandemic, the dispatching posts at Huade Petrochemical are available 24 hours a day, and can always be contacted by telephone, for following up the production schedule of downstream customers and other production coordination and feedback.

CASE

In order to ensure the quality control of incoming crude oil, Huade Petrochemical dehydrates crude oil for customers before transporting crude oil to the plant, especially for high water content crude oil such as Basra crude oil, when providing crude oil loading, unloading and delivery services to downstream customers. The distillation device of Huade Petrochemical is stable in operation, with 16,300 tonnes of crude oil dehydrated in 2020.

Stable Services

The production enterprises of the Group are committed to providing smooth and stable logistics services to downstream customers. In 2020, despite the outbreak of the coronavirus, Huade Petrochemical followed up the transfer plan and blended ratio in real time, and managed to ensure the supply of crude oil. During the year, Huade Petrochemical transmitted approximately 12.09 million tonnes of crude oil and achieved 100% accuracy of transmission. During the first nine months ended 30 September 2020, Yu Ji Pipeline Company also successfully completed the gas transmission production tasks, carrying a total of 2,917 million cubic metres of natural gas, making contributions to the guaranteed energy supply for downstream customers.

Production Safety

The Group attaches great importance to production safety and has established a comprehensive health, safety, security and environmental management system, which is perfected from time to time with reference to international advanced industry management experience. On this basis, the Company actively procured its subordinate enterprises to jointly establish an integrated safety management system to strengthen safety management and strive to standardize the safety supervision of the Group. In 2020, the Group further refined its safety operating procedures and strengthened its safety management. During the year, a series of equipment inspections were conducted to ensure the safe and effective operation of production facilities. At the same time, the Group constantly raised the awareness of production safety of all staff and firmly engrained the awareness of safety in the daily work of staff.

CASE

In June 2020, the Group launched the "Safe Production Month" and "Ten Thousand Miles of Safe Production" Campaigns with the theme of "Reinforcing Intrinsic Safety and Eliminating Accident Hazards" during the World Safety Month. Through the "Talk on Safety Management", the safety education competition in which the staff participated in and the sharing of the experiences and lessons on major industry safety incidents were conducted, so as to enhance the safety awareness of the staff in an all-round way, so that the Group's safety management work shall embrace a long-term stability.

CASE

In 2020, Yu Ji Pipeline Company organized pipeline protection volunteer teams to carry out patrol and successfully handled a few third-party constructions in the vicinity of pipelines to prevent accidents. In the first half of the year, a large-scale spring inspection was carried out to check and repair the valves and other equipment, and the equipment was inspected by Sinopec Group to ensure the smooth and safe operation of natural pipelines.

CASE

In May 2020, Yu Ji Pipeline Company held the HSSE Management System Document Review Meeting, and the experts attending the meeting made amendments and suggestions on the HSSE Management Manual. After the revision and improvement, Yu Ji Pipeline Company released and implemented the relevant HSSE management system, and carried out the promotion and publicity and implementation of the system after its release.

Compliance Operation

The Group conducts its business activities with compliance as the bottom line and firmly believes that "compliance creates value," and continuously enhances the level of compliance operations under the laws and regulations, strives to improve the business compliance management system, and effectively mitigates the compliance risks of operation to ensure the continuous and healthy development of the Group. The Group formulated the "Administrative Measures of compliance for overseas Businesses of Sinopec Kantons ", which focus on the compliances in the areas of anti-corruption, anti-commercial bribery, international sanctions and anti-money laundering. At the same time, the Group has formulated the "Administrative Measures against Corruption". In 2020, the Group strictly complied with the laws and regulations of the place where it operated, including the "Law against Unfair Competition of the People's Republic of China", "The Eight-point Decision on Improving Party and Government Conduct and Building Closer Ties with the People " and the "Prevention of Bribery Ordinance" of Hong Kong. No corruption cases occurred during the year.

Anti-Corruption

The Group has established sound internal control and anti-corruption compliance systems. Internally, the Group has definite requirements on hospitality and souvenir exchange standards and rules, and requires employees to make undertakings of integrity and self-discipline and develops and strictly implements systematic training programs to ensure that employees understand and comply with relevant compliance targets and requirements and that compliance is not only the responsibility of the legal compliance department but also the responsibility of each employee. Externally, before signing major contracts such as long-term contracts and agency agreements, we will negotiate with our partners to include anti-corruption and anti-commercial bribery compliance provisions or sign a "Statement of Integrity in Practice" to safeguard fair competition and prevent commercial bribery. In addition, the Group also communicates fully with business partners through forum, discussion, training and on issuance of statements of integrity and other activities to convey the concept and requirements of compliance to business partners.

The Group has also opened channels for reporting non-compliance to prevent and detect non-compliance in a timely manner. The Group encourages business partners, suppliers and other third parties to whistleblowing such misconduct, fraud and non-compliant activities directly to the Company through email or other channels. The risk control department of the Company is responsible for handling the relevant whistleblowing, ensuring that the whistleblowers are free from retaliation, and keeping the name of the whistleblowers strictly confidential. Once the matter reported is found to be true and material losses of the Company are avoided, the whistleblower will be rewarded.

CASE

In September 2020, the Hong Kong Office organised an anti-corruption seminar to invite the Senior Community Relations Officer of the Hong Kong Independent Commission Against Corruption (ICAC) to brief staff on corruption cases in the business sector, introduce the common corruption risks and discuss relevant treatment methods, and promote integrity among staff.

CASE

In April 2020, Huade Petrochemical held its annual Anti-Corruption Work Conference. In addition to issuing risk alerts for integrity to attendees, an educational film on alerts of integrity was showed and the Letter of Undertaking for Integrity and Self-discipline of Management of Huade Petrochemical was signed by the attendees.

Data Confidentiality

The Group attaches great importance to the protection of the privacy of its employees, customers, business partners, suppliers, investors and other relevant parties, including data collection, use, disclosure, storage, access or processing, and strives to protect the privacy of personal data and trade secrets involving business partners and customers in accordance with relevant local laws and regulations. Pursuant to the requirements of the Sinopec Integrity and Compliance Management Manual, the Group and its employees are not allowed to use the data and information of others without permission or beyond the permitted scope, and may not illegally obtain, disclose, use or permit third parties to use the trade secrets and data of others. In addition, the Group has entered into confidentiality agreements with persons who have access to personal privacy data to prevent breaches of disclosure of information. In 2020, the Group continued to enhance staff training on confidentiality of information.

Respect for Intellectual Property Rights

The Group respects and protects intellectual property rights, upholds a zero-tolerance attitude towards infringement, complies with the laws, regulations and regulatory requirements for intellectual property rights protection in the PRC and the regions where its businesses are located, effectively carries out the uses, authorization, licenses, trades and disposal of intellectual property rights. Any infringement of our intellectual property rights is combated in accordance with the laws and regulations, and the infringement of the creative work of others will be stopped.

CASE

In November 2020, the Company invited its legal counsel to provide training to the directors of the Company, including the on-going responsibilities of the directors, the updates on the Listing Rules and the latest guidelines for environmental, social and governance reports, as well as anti-corruption policies, in order to enhance the level of corporate governance of the Company.

CASE

In September 2020, the Hong Kong office organised compliance training on the protection of trade secrets for all staff and put forward guidelines on the conduct of staff in four areas, namely work, life, external communication and information security, to ensure that trade secrets and data of business partners and customers are properly protected to safeguard the interests of enterprises and partners.

COMMUNITY INVESTMENT

The Group organized approximately

240

person-times volunteer activities

Provided nearly

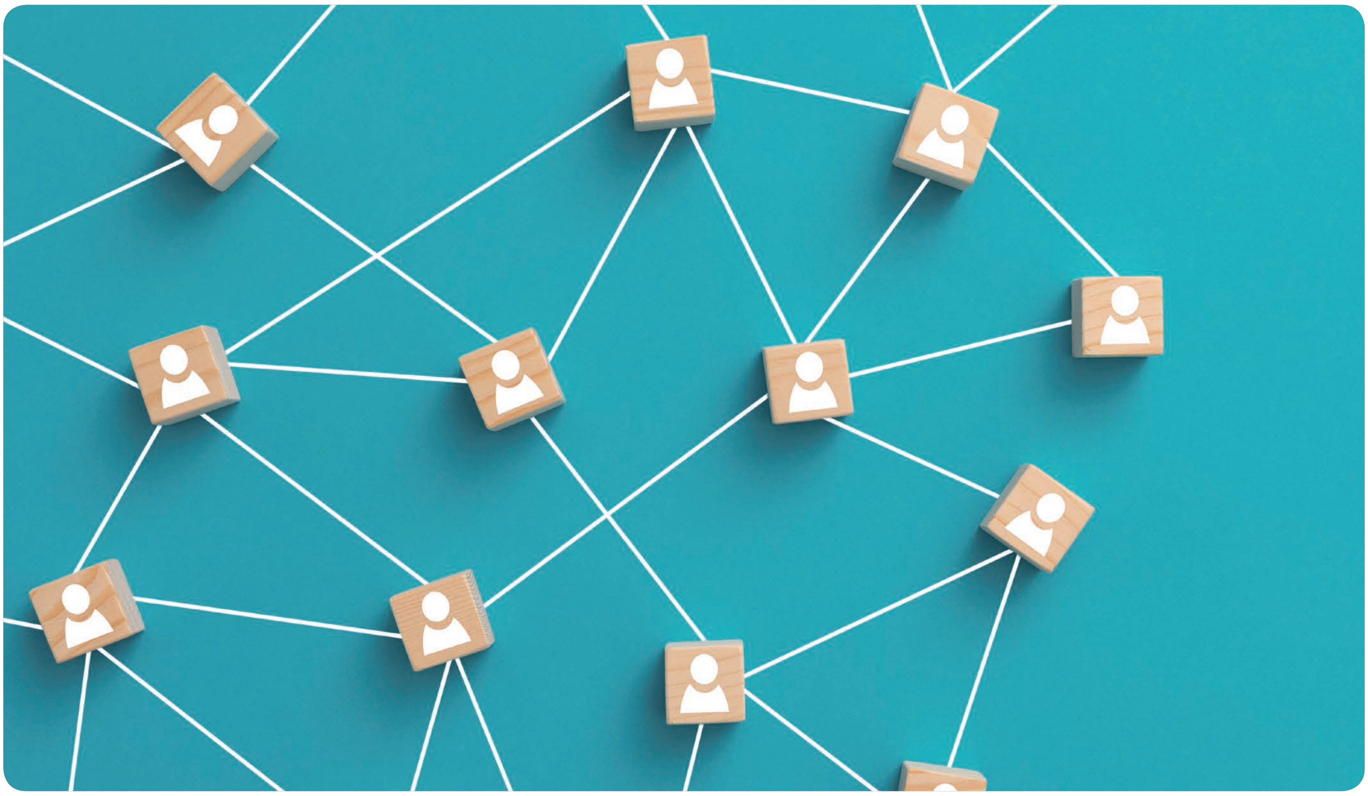
3,000

hours of service to the community

More than

200

person-times participated in the donation activities



Community Commitment

In 2020, despite the impact of the pandemic, the Group continued to fulfill its responsibility as a corporate citizen and give back to the community. We actively encouraged staff to participate in social services and work with non-profit organisations in the places where we operate to help communities in need, particularly those affected by the pandemic, namely the children, the elderly and needy families. The Group attaches great importance to environmental protection of the surroundings of its operations and encourages its employees to contribute to environmental cleanliness.

In 2020, the Group organized volunteer activities with approximately 240 person-times to provide nearly 3,000 hours of service to the community, and there were more than 200 person-times participated in the donation activities.

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Charity and Public Welfare

CASE

In January 2020, the Hong Kong office organised staff to attend the "Hong Kong & Kowloon Walk for Millions" campaign organized by the Community Chest of Hong Kong to subsidize 24 social welfare member organisations providing "family and child welfare services." At the same time, it took the opportunity to arouse our staff's concern for the community and the spirit of charity. The staff participating in the event started the walk in the Hong Kong Stadium, passed through Wong Nai Chung Gap Road, Black's Link, Aberdeen Reservoir Road and ended at the Visitor Centre of Aberdeen Country Park, with a total length of about 10 km and about four hours' walk.

Working together to defeat the epidemic

CASE

In order to win the epidemic prevention and control battle, the staff from Hong Kong office and Huade Petrochemical supported the consoling frontline medical staff, rank and file staff, the masses, public security police and community workers on the front line of epidemic prevention and control as well as those who had difficulties due to infection of COVID-19 and the families of those who died of COVID-19 by donating a total of about HK$50,000 to fight epidemic in Hubei, a move of contributing actual effort. In addition, during the period of epidemic, the Youth Volunteer Team set up by Yu Ji Pipeline Company comprising its staff not only cleaned the office buildings thoroughly and improved the sanitary environment of the office premises, but also volunteered to work for the epidemic prevention of their community.

Environmental Protection Activities

CASE

In May 2020, the Hong Kong office organised a Hong Kong Island Hiking Cleaning activity for staff and their families, which not only fostered the staff's awareness of environmental protection, but also made due contributions to the maintenance of a green and beautiful Hong Kong.

In October 2020, Huade Petrochemical organized the voluntary service activity of "Protecting Ecological Environment, Practising Civilized Behaviors" for mountain climbing and environmental protection. Employees wearing volunteer clothing started mountain climbing and litters collection along the way to protect the ecological environment by actual actions, performing their social responsibility.

Caring for the Underprivileged

CASE

In June 2020, Huade Petrochemical and the property owners' committee of the petrochemical district jointly launched a "Love and Care for Poverty" comfort campaign to help the needy families of Haihui community with humble effort and care and make them feel the care and warmth from the community.

CASE

In September 2020, during the Mid-Autumn Festival, for a second consecutive year, staff of the Hong Kong office were organized to bring festive food and anti-epidemic materials to the Methodist Epworth Village Community Centre, Social Welfare – Siu Sai Wan Day Care Centre for the Elderly, presenting festival greetings to the elderly.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Chen Yaohuan *(Chairman)*
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. Ren Jiajun *(appointed on 19 January 2021)*
Mr. Sang Jinghua *(General Manager, appointed on 19 January 2021)*
Mr. Dai Liqi *(resigned on 25 March 2020)*
Mr. Li Jianxin *(resigned on 25 March 2020)*
Mr. Wang Guotao *(resigned on 19 January 2021)*
Mr. Ye Zhijun *(Managing Director, resigned on 19 January 2021)*

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
Mr. Fong Chung, Mark
Dr. Wong Yau Kar, David
Ms. Wong Pui Sze, Priscilla
Mr. Sang Jinghua *(appointed on 19 January 2021)*
Mr. Ye Zhijun *(resigned on 19 January 2021)*

NOMINATION COMMITTEE MEMBERS

Dr. Wong Yau Kar, David *(Chairperson)*
Mr. Chen Yaohuan
Ms. Tam Wai Chu, Maria
Mr. Fong Chung, Mark
Ms. Wong Pui Sze, Priscilla
Mr. Sang Jinghua *(appointed on 19 January 2021)*
Mr. Ye Zhijun *(resigned on 19 January 2021)*

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. Sang Jinghua *(appointed on 19 January 2021)*
Mr. Li Wenping
Mr. Ye Zhijun *(resigned on 19 January 2021)*

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
10 Chater Road
Central, Hong Kong

LEGAL ADVISER

Norton Rose Fulbright Hong Kong
38/F Jardine House
1 Connaught Place
Central
Hong Kong

STATUTORY ADDRESS

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

34/F, Citicorp Centre
18 Whitfield Road
Causeway Bay, Hong Kong
Tel: +852-25080228
Fax: +852-25086075
Website: www.sinopec.com.hk

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 934

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SINOPEC

中石化冠德控股有限公司
SINOPEC KANTONS HOLDINGS LIMITED

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