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SINOPEC KANTONS HOLDINGS LIMITED

(中石化冠德控股有限公司) *

(incorporated in Bermuda with limited liability)

(Stock Code: 934)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the “**Directors**”) (the “**Board**”) of Sinopec Kantons Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Year**” or the “**Reporting Period**”) together with the comparative figures for the previous financial year. The financial information contained in this announcement (including the comparative figures for the same period of 2020) is extracted from the 2021 consolidated financial statements that have been audited by KPMG and reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

| | Note | 2021 HK\$'000 | 2020 HK\$'000 |
|---|-------|-------------------------|------------------|
| <u>Continuing operations</u> | | | |
| Revenue | 3, 4 | 636,517 | 601,239 |
| Cost of providing services | 6 | <u>(353,253)</u> | <u>(331,147)</u> |
| Gross profit | | 283,264 | 270,092 |
| Other income and other gains, net | 5 | 79,721 | 237,509 |
| Impairment loss on investment in a joint venture | | (156,551) | – |
| Distribution costs | | (18,323) | (21,335) |
| Administrative expenses | 6 | <u>(135,468)</u> | <u>(160,364)</u> |
| Operating profit | | 52,643 | 325,902 |
| Finance income | | 21,952 | 9,990 |
| Finance costs | | (1,147) | (5,342) |
| Share of results of: | | | |
| – Joint ventures | | 901,561 | 886,738 |
| – Associates | | <u>181,934</u> | <u>169,936</u> |
| Profit before income tax | | 1,156,943 | 1,387,224 |
| Income tax expenses | 7 | <u>(107,259)</u> | <u>(120,656)</u> |
| Profit for the year from continuing operations | | 1,049,684 | 1,266,568 |
| <u>Discontinued operation</u> | | | |
| Profit for the year from discontinued operation | 10(a) | <u>–</u> | <u>1,034,802</u> |
| Net profit for the year | | <u>1,049,684</u> | <u>2,301,370</u> |

| | <i>Note</i> | 2021 HK\$'000 | 2020 HK\$'000 |
|--|--------------|--------------------------------|-------------------------|
| Profit attributable to: | | | |
| Equity holders of the Company | | 1,050,396 | 2,302,098 |
| Non-controlling interests | | <u>(712)</u> | <u>(728)</u> |
| | | <u>1,049,684</u> | <u>2,301,370</u> |
| Profit attributable to equity holders of the Company arising from: | | | |
| Continuing operations | | 1,050,396 | 1,267,296 |
| Discontinued operation | <i>10(a)</i> | <u>–</u> | <u>1,034,802</u> |
| | | <u>1,050,396</u> | <u>2,302,098</u> |
| 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 | <i>8</i> | 42.25 | 50.97 |
| Discontinued operation | <i>8</i> | <u>–</u> | <u>41.62</u> |
| | | <u>42.25</u> | <u>92.59</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | 2021 | 2020 |
|--|-------------------------|-------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit for the year | 1,049,684 | 2,301,370 |
| Other comprehensive income for the year: | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Exchange differences on currency translation | | |
| – Subsidiaries | 64,968 | 60,718 |
| – Joint ventures | 43,875 | 410,182 |
| – Associates | 30,400 | 54,820 |
| | <u>139,243</u> | <u>525,720</u> |
| Cash flow hedges | | |
| – Joint ventures | (1,988) | (35,105) |
| – An associate | (5,625) | – |
| | <u>(7,613)</u> | <u>(35,105)</u> |
| Exchange differences on currency translation of discontinued operation | – | 90,184 |
| Release of exchange reserve upon disposal of discontinued operation | – | 115,292 |
| | <u>–</u> | <u>205,476</u> |
| Other comprehensive income for the year, net of nil tax | <u>131,630</u> | <u>696,091</u> |
| Total comprehensive income for the year | <u>1,181,314</u> | <u>2,997,461</u> |
| Total comprehensive income for the year attributable to: | | |
| Equity holders of the Company | 1,182,026 | 2,998,189 |
| Non-controlling interests | (712) | (728) |
| | <u>1,181,314</u> | <u>2,997,461</u> |
| Total comprehensive income for the year attributable to equity holders of the Company arising from: | | |
| Continuing operations | 1,182,026 | 1,757,911 |
| Discontinued operation | – | 1,240,278 |
| | <u>1,182,026</u> | <u>2,998,189</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

| | Note | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------|-------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 1,508,091 | 1,570,308 |
| Right-of-use assets | | 590,985 | 610,916 |
| Investment properties | | 18,575 | 19,813 |
| Prepayment | | 847 | 16,962 |
| Interests in joint ventures | | 6,753,155 | 7,558,826 |
| Interests in associates | | 1,151,511 | 1,041,395 |
| Total non-current assets | | 10,023,164 | 10,818,220 |
| Current assets | | | |
| Inventories | | 4,125 | 4,357 |
| Trade and other receivables | 9 | 1,621,698 | 1,410,882 |
| Cash and cash equivalents | | 4,197,541 | 3,781,081 |
| Total current assets | | 5,823,364 | 5,196,320 |
| Total assets | | 15,846,528 | 16,014,540 |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | | 248,616 | 248,616 |
| Reserves | | 15,116,247 | 14,431,453 |
| Equity attributable to equity holders of the Company | | 15,364,863 | 14,680,069 |
| Non-controlling interests | | 34,310 | 35,022 |
| Total equity | | 15,399,173 | 14,715,091 |

| | <i>Note</i> | 2021 HK\$'000 | 2020 HK\$'000 |
|--|-------------|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | | 177,270 | 164,349 |
| Government grants | | 14,909 | 15,774 |
| Lease liabilities | | 15,943 | 21,943 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 208,122 | 202,066 |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Current liabilities | | | |
| Trade and other payables | <i>12</i> | 213,105 | 994,899 |
| Income tax payable | | 19,259 | 96,007 |
| Lease liabilities | | 6,869 | 6,477 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 239,233 | 1,097,383 |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Total liabilities | | 447,355 | 1,299,449 |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Total equity and liabilities | | 15,846,528 | 16,014,540 |
| | | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |
| Net current assets | | 5,584,131 | 4,098,937 |
| | | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |
| Total assets less current liabilities | | 15,607,295 | 14,917,157 |
| | | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |

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.

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 24 March 2022.

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 BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the consolidated financial statements of the Group for the year ended 31 December 2021, but is extracted from those consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and disclosure requirements under the Hong Kong Companies Ordinance (Cap.622). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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.

2.1 New standards, amendments and interpretations

(a) *New and amended standards adopted by the Group*

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

| | |
|---|---|
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest rate benchmark reform – phase 2 |
| Amendment to HKFRS 16 | Covid-19-related rent concessions beyond 30 June 2021 |

Adoption of the above amendments does not have a material impact on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(b) *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2021 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 | Reference to the conceptual framework | 1 January 2022 |
| Amendments to HKAS 16 | Property, plant and equipment: Proceeds before intended use | 1 January 2022 |
| Annual Improvements | Annual Improvements to HKFRSs 2018-2020 Cycle | 1 January 2022 |
| Amendments to HKAS 37 | Onerous Contracts – cost of fulfilling a contract | 1 January 2022 |
| Amendments to HKAS 1 | Classification of liabilities as current or non-current | 1 January 2023 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of accounting policies | 1 January 2023 |
| Amendments to HKAS 8 | Definition of accounting estimates | 1 January 2023 |
| Amendments to HKAS 12 | Deferred tax related to assets and liabilities arising from a single transaction | 1 January 2023 |
| HKFRS 17 | Insurance contracts | 1 January 2023 |

3 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 ("CODM") for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments, namely, crude oil jetty and storage services and 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 CODM 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 People's Republic of China (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 30 September 2020, the strategic divestment of the Group's natural gas pipeline transmission services segment was completed, which was therefore classified as a discontinued operation. Further details of financial information of the discontinued operation are set out in Note 10.

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM 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 and associates, properties in Hong Kong Special Administrative Region of the PRC ("**Hong Kong**" or "**Hong Kong S.A.R.**") and prepaid land lease payments in Indonesia classified as right-of-use assets, unallocated other receivables and property, plant and equipment. Segment liabilities exclude unallocated other payables, lease liabilities, and deferred income tax liabilities. The Group's CODM 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 interest income, depreciation and additions to non-current segment assets of each segments.

Information regarding the Group's reportable segments as provided to the Group's CODM 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 2021:

For the year ended 31 December 2021

| | Crude oil jetty and storage services <i>HK\$'000</i> | Vessel chartering and logistics services <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|---|--------------------------|
| Continuing operations | | | |
| Segment revenue | 636,517 | – | 636,517 |
| Inter-segment revenue | – | – | – |
| Revenue from external customers | <u>636,517</u> | <u>–</u> | <u>636,517</u> |
| Segment results | | | |
| – Subsidiary | 235,145 | – | 235,145 |
| – Joint ventures (Note) | 650,778 | 94,232 | 745,010 |
| – Associates | <u>176,457</u> | <u>5,477</u> | <u>181,934</u> |
| | <u>1,062,380</u> | <u>99,709</u> | 1,162,089 |
| Unallocated other corporate net expense | | | <u>(5,146)</u> |
| Profit before income tax | | | 1,156,943 |
| Income tax expenses | | | <u>(107,259)</u> |
| Profit for the year | | | <u>1,049,684</u> |

Note: The share of results of joint ventures within crude oil jetty and storage services segment included an impairment loss of HK\$156,551,000 in relation to the Group's interest in Vesta Terminals B.V..

| | Crude oil jetty and storage services <i>HK\$'000</i> | Vessel chartering and logistics services <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|---|--------------------------|
| Other segment items | | | |
| Interest income | 539 | – | 539 |
| Depreciation | | | |
| – Property, plant and equipment | (138,973) | – | (138,973) |
| – Right-of-use assets | (5,637) | – | (5,637) |
| Additions to non-current segment assets | 42,232 | – | 42,232 |
| Impairment loss on trade and other receivables | (4) | – | (4) |
| Impairment loss on investment in a joint venture | <u>(156,551)</u> | <u>–</u> | <u>(156,551)</u> |

As at 31 December 2021

| | Crude oil jetty and storage services <i>HK\$'000</i> | Vessel chartering and logistics services <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|---|----------------------------------|
| Segment assets | | | |
| – Subsidiary | 2,121,215 | – | 2,121,215 |
| – Joint ventures | 6,032,256 | 720,899 | 6,753,155 |
| – Associates | 1,093,181 | 58,330 | 1,151,511 |
| | <u>9,246,652</u> | <u>779,229</u> | <u>10,025,881</u> |
| Unallocated assets | | | |
| – Cash and cash equivalents | | | 4,197,541 |
| – Other receivables | | | 15,983 |
| – Investment properties | | | 18,575 |
| – Right-of-use assets | | | |
| • properties in Hong Kong | | | 9,962 |
| • prepaid land lease payments in Indonesia | | | 556,937 |
| – Dividend receivable from a joint venture | | | 936,192 |
| – Property, plant and equipment | | | 85,457 |
| | | | <u>5,820,647</u> |
| Total assets | | | <u><u>15,846,528</u></u> |
| Segment liabilities | <u>176,461</u> | <u>–</u> | <u>176,461</u> |
| Unallocated liabilities | | | |
| – Other payables | | | 82,838 |
| – Lease liabilities | | | 10,786 |
| – Deferred income tax liabilities | | | 177,270 |
| | | | <u>270,894</u> |
| Total liabilities | | | <u><u>447,355</u></u> |

(ii) *As at and for the year ended 31 December 2020:*

For the year ended 31 December 2020

| | Crude oil jetty and storage services <i>HK\$'000</i> | Vessel chartering and logistics services <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|---|--------------------------|
| <u>Continuing operations</u> | | | |
| Segment revenue | 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 |
| | <u>1,197,789</u> | <u>90,644</u> | 1,288,433 |
| Unallocated other corporate net income | | | <u>98,791</u> |
| Profit before income tax | | | 1,387,224 |
| Income tax expenses | | | <u>(120,656)</u> |
| Net profit for the year from continuing operations | | | 1,266,568 |
| <u>Discontinued operation</u> | | | |
| Net profit for the year from discontinued operation | | | <u>1,034,802</u> |
| Profit for the year | | | <u>2,301,370</u> |

| | Crude oil jetty and storage services <i>HK\$'000</i> | Vessel chartering and logistics services <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|---|--------------------------|
| Other segment items | | | |
| <u>Continuing operations</u> | | | |
| Interest income | 421 | – | 421 |
| Depreciation | | | |
| – Property, plant and equipment | (121,365) | – | (121,365) |
| – Right-of-use assets | (1,447) | – | (1,447) |
| Additions to non-current segment assets | <u>189,372</u> | <u>–</u> | <u>189,372</u> |
| <u>Discontinued operation</u> | | | |
| Interest income | | | 981 |
| Depreciation | | | |
| – Property, plant and equipment | | | (186,258) |
| – Investment properties | | | (1,198) |
| – Right-of-use assets | | | (408) |
| Additions to non-current segment assets | | | <u><u>33,757</u></u> |

As at 31 December 2020

| | Crude oil jetty and storage services <i>HK\$'000</i> | Vessel chartering and logistics services <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|---|--------------------------|
| 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 |
| | <u>9,978,666</u> | <u>810,740</u> | <u>10,789,406</u> |
| | ----- | ----- | ----- |
| Unallocated assets | | | |
| – Cash and cash equivalents | | | 3,781,081 |
| – 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 |
| | | | <u>5,225,134</u> |
| | | | ----- |
| Total assets | | | <u><u>16,014,540</u></u> |
| Segment liabilities | <u>175,855</u> | – | 175,855 |
| | ----- | ----- | ----- |
| Unallocated liabilities | | | |
| – Other payables | | | 943,828 |
| – Lease liabilities | | | 15,417 |
| – Deferred income tax liabilities | | | 164,349 |
| | | | <u>1,123,594</u> |
| | | | ----- |
| Total liabilities | | | <u><u>1,299,449</u></u> |

(b) Analysis of information by geographical regions

During the years ended 31 December 2021 and 2020, all of the Group's revenue was generated from the customers located in the PRC.

The following tables set out information about the geographical information of the Group's non-current assets and total assets which are based on the geographical location of the assets.

Non-current assets

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|----------------------|-------------------------|-------------------------|
| The PRC | 6,909,708 | 7,325,362 |
| Europe | 1,156,526 | 1,471,174 |
| Indonesia | 643,207 | 652,656 |
| Hong Kong | 807,364 | 845,380 |
| United Arab Emirates | 505,771 | 523,009 |
| Other regions | 588 | 639 |
| | <u>10,023,164</u> | <u>10,818,220</u> |

Total assets

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|----------------------|-------------------------|-------------------------|
| The PRC | 7,611,003 | 8,020,030 |
| Hong Kong | 5,829,432 | 5,243,132 |
| Europe | 1,156,526 | 1,471,174 |
| Indonesia | 743,208 | 756,556 |
| United Arab Emirates | 505,771 | 523,009 |
| Other regions | 588 | 639 |
| | <u>15,846,528</u> | <u>16,014,540</u> |

(c) Major customers

Continuing operations

For the purpose of disclosure under segment reporting, several customers, being the branches and subsidiaries of Sinopec Group, including Sinopec Corp. Guangzhou Branch and Sinopec Fuel Oil Sales Corporation Limited, from crude oil jetty services have transactions that exceeded 91% (2020: 93%) of the Group's revenue from continuing operations, amounted to approximately HK\$580,809,000 (2020: HK\$561,631,000). These customers mainly operate in the PRC.

4 REVENUE FROM CONTINUING OPERATIONS

Disaggregation of revenue from contracts with customers by major service lines is as follows:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Continuing operations | | |
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| – Provision of crude oil jetty services (Note) | 498,264 | 474,920 |
| Revenue from other sources | | |
| Rental revenue from operating leases with customers | | |
| – Lease payments that are fixed or depend on an index or a rate | 73,579 | 68,614 |
| – Variable lease payments that do not depend on an index or a rate | 64,674 | 57,705 |
| | 138,253 | 126,319 |
| | 636,517 | 601,239 |

Note: Revenue from provision of crude oil jetty services are recognised at a point in time.

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Other income: | | |
| – Rental income from investment properties | 1,713 | 1,713 |
| – Government grants: | | |
| – Value-added tax refund | 9,127 | 6,263 |
| – Amortisation of deferred government grant | 1,308 | 1,220 |
| – Employment Support Scheme in Hong Kong | – | 1,321 |
| – Interest income from loans to: | | |
| – Joint ventures | 56,217 | 57,800 |
| – An associate | 3,066 | 3,303 |
| – Management fee income from a joint venture | 3,631 | 3,418 |
| | 75,062 | 75,038 |
| Other gains/(losses): | | |
| – Net foreign exchange (losses)/gains | (2,975) | 143,747 |
| – Net loss on disposal of property, plant and equipment | (803) | (340) |
| – Net gain on disposal of investment property | – | 16,474 |
| – Others | 8,437 | 2,590 |
| | 4,659 | 162,471 |
| | 79,721 | 237,509 |

6 EXPENSES BY NATURE FROM CONTINUING OPERATIONS

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Depreciation | | |
| – property, plant and equipment | 139,087 | 121,549 |
| – investment properties | 1,238 | 1,298 |
| – right-of-use assets | 24,128 | 24,028 |
| Employee benefit expenses, including directors' remuneration | 140,167 | 131,704 |
| Auditor's remuneration | | |
| – the Company | 2,000 | 2,100 |
| – subsidiaries | 3,122 | 3,464 |
| – under-provisions of prior years | 55 | 80 |
| – non-audit services | 22 | 1,031 |
| Expenses relating to short-term leases | | |
| – hire of a property | 2,028 | 1,775 |

7 INCOME TAX EXPENSES

| | <i>Note</i> | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-------------------------------------|-------------|-------------------------|-------------------------|
| <u>Continuing operations</u> | | | |
| Current income tax: | | | |
| – Hong Kong profits tax | (b) | 5,266 | 5,947 |
| – PRC corporate income tax | (c) | 94,006 | 97,262 |
| | | 99,272 | 103,209 |
| Deferred income tax charged | (d) | 7,987 | 17,447 |
| | | 107,259 | 120,656 |

- (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% (2020: 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 a subsidiary of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC (2020: 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% (2020: 5%).
- (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:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit before income tax | 1,156,943 | 1,387,224 |
| Less: Share of results of joint ventures | (901,561) | (886,738) |
| Share of results of associates | (181,934) | (169,936) |
| | <u>73,448</u> | <u>330,550</u> |
| Tax calculated at domestic tax rates applicable to profits in the respective tax jurisdictions | 32,106 | 76,643 |
| Income not subject to tax | (13,020) | (28,469) |
| Expenses not deductible for tax purposes | 35,381 | 9,604 |
| Withholding tax on undistributed profits | 48,150 | 56,335 |
| (Over)/under provision in prior years | (1,233) | 2,169 |
| Tax losses not recognised | 5,875 | 4,374 |
| | <u>107,259</u> | <u>120,656</u> |
| Income tax expenses | <u>107,259</u> | <u>120,656</u> |

8 EARNINGS PER SHARE

The calculation of basis earnings per share are based on the following data:

| | 2021 | 2020 |
|---|------------------|------------------|
| Earnings (in HK\$'000) | | |
| Profit attributable to equity holders of the Company from: | | |
| – Continuing operations | 1,050,396 | 1,267,296 |
| – Discontinued operation | – | 1,034,802 |
| | <u>1,050,396</u> | <u>2,302,100</u> |
| Number of shares | | |
| Weighted average number of ordinary shares in issue (in thousand) | 2,486,160 | 2,486,160 |
| | <u>2,486,160</u> | <u>2,486,160</u> |
| Basic earnings per share (HK cents per share) | | |
| – Continuing operations | 42.25 | 50.97 |
| – Discontinued operation | – | 41.62 |
| | <u>42.25</u> | <u>92.59</u> |
| | <u>42.25</u> | <u>92.59</u> |

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.

9 TRADE AND OTHER RECEIVABLES

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade receivables | | |
| – Related parties | 650,876 | 634,503 |
| – Others | 1,705 | 2,517 |
| | <u>652,581</u> | <u>637,020</u> |
| Other receivables | | |
| – Consideration receivables from disposal of Sinopec Yu Ji Pipeline Company Limited (“ Yu Ji Pipeline Company ”) | – | 732,213 |
| – Dividend receivables from a joint venture | 936,192 | – |
| – Others | 32,925 | 41,649 |
| | <u>969,117</u> | <u>773,862</u> |
| | <u>1,621,698</u> | <u>1,410,882</u> |

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

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 1 month | 46,779 | 53,053 |
| 1 to 2 months | 25,064 | 62,546 |
| 2 to 3 months | 40,692 | 48,461 |
| 3 to 12 months | 452,277 | 414,474 |
| Over 12 months | 87,769 | 58,486 |
| | <u>652,581</u> | <u>637,020</u> |

10 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**”). The results of Yu Ji Pipeline Company was presented 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 <i>HK\$'000</i> |
|---|--|
| Revenue | 594,756 |
| Cost of providing services | <u>(315,633)</u> |
| Gross profit | 279,123 |
| Other income and other gains, net | 53,796 |
| Administrative expenses | <u>(68,771)</u> |
| Operating profit | 264,148 |
| Finance income | 981 |
| Finance costs | <u>(52,468)</u> |
| Profit before income tax | 212,661 |
| Income tax expenses | <u>(54,898)</u> |
| Profit after income tax of discontinued operation | 157,763 |
| Gain on disposal of the discontinued operation, net of tax | <u>877,039</u> |
| Profit from discontinued operation | <u><u>1,034,802</u></u> |
| Net cash inflow from operating activities | 555,776 |
| Net cash outflow from investing activities | (16,688) |
| Net cash outflow from financing activities | <u>(499,162)</u> |
| Net increase in cash generated by the discontinued operation | <u><u>39,926</u></u> |

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

| | 2021 | 2020 |
|------------------------------------|-----------------------|-------------------------|
| | HK\$'000 | HK\$'000 |
| Cash consideration received | 732,123 | 3,166,792 |
| Cash and cash balances disposed of | — | (137,894) |
| | <u>732,123</u> | <u>(137,894)</u> |
| Total cash inflow from disposal | <u>732,123</u> | <u>3,028,898</u> |

The consideration receivable as at 31 December 2020 from PipeChina was settled on 21 January 2021.

(b) Details of the disposal of discontinued operation

| | 2020 |
|---|-----------------------|
| | HK\$'000 |
| Cash consideration received | 3,999,388 |
| Carrying amount of net assets sold | <u>(2,900,153)</u> |
| 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 | <u>(106,904)</u> |
| Gain on disposal of discontinued operation after income tax | <u>877,039</u> |

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.

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

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

11 DIVIDENDS

(a) Dividends payable to equity holders of the Company attributable to the year

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interim dividend declared and paid of HK\$8 cents per ordinary share (2020: HK\$8 cents per ordinary share) | 198,893 | 198,893 |
| Final dividend proposed after the end of the reporting period of HK\$12 cents per ordinary share (2020: HK\$12 cents per ordinary share) | <u>298,339</u> | <u>298,339</u> |
| | <u><u>497,232</u></u> | <u><u>497,232</u></u> |

A final dividend in respect of the year ended 31 December 2021 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 16 June 2022. The final dividend to be proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity holders of the Company attributable to the previous financial year, approved and paid during the year

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$12 cents per ordinary share (2020: HK\$12 cents per share) | <u>298,339</u> | <u>298,339</u> |

12 TRADE AND OTHER PAYABLES

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade payables | | |
| – Related parties | 284 | 930 |
| – Others | <u>116,679</u> | <u>93,745</u> |
| | <u>116,963</u> | <u>94,675</u> |
| Other payables | | |
| – Amounts due to immediate, intermediate holding companies and other related parties | 15,097 | 800,046 |
| – Accrued charges | <u>81,045</u> | <u>100,178</u> |
| | <u>96,142</u> | <u>900,224</u> |
| | <u><u>213,105</u></u> | <u><u>994,899</u></u> |

The amounts due to immediate, intermediate holding companies and other 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:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 1 month | 27,642 | 89,762 |
| 1 to 3 months | 160 | 1,655 |
| 3 to 12 months | 836 | 1,675 |
| Over 12 months | <u>88,325</u> | <u>1,583</u> |
| | <u><u>116,963</u></u> | <u><u>94,675</u></u> |

13 COMMITMENTS

As at 31 December 2021, the outstanding capital commitments not provided for in the financial statements were as follows:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-------------------------------------|-------------------------|-------------------------|
| Contracted for but not provided for | <u><u>80,899</u></u> | <u><u>113,791</u></u> |

FINAL DIVIDEND

The Board recommended a cash dividend of HK20 cents per share for the whole year of 2021 (2020: HK20 cents per share). Excluding the interim dividend of HK8 cents per share for 2021 (2020: HK8 cents per share) paid in cash on 20 October 2021, the final dividend of HK12 cents per share for 2021 (2020: HK12 cents per share) will be paid in cash to all shareholders whose names appear on the register of members of the Company on 15 July 2022 (Friday).

CLOSURE OF REGISTER OF MEMBERS

(i) For determining the entitlement to attend and vote at the 2021 annual general meeting

The Company will convene the 2021 annual general meeting on 16 June 2022 (Thursday), and the register of members of the Company will be closed from 10 June 2022 (Friday) to 16 June 2022 (Thursday) (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending the 2021 annual general meeting of the Company and voting at the meeting, all share transfer documents, 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 9 June 2022 (Thursday).

(ii) For determining the entitlement to the proposed final dividend

The register of members of the Company will be closed from 11 July 2022 (Monday) to 15 July 2022 (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 transfer documents, 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 July 2022 (Friday). The cheques for dividend payment will be sent to shareholders on or about 26 July 2022 (Tuesday) if the resolution for the proposed final dividend is passed at the annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

In 2021, amidst the challenges posed by the pandemic, the Group continued to co-ordinate the prevention and control work, and constantly reviewed and optimised the pandemic prevention and control strategies to achieve control of the pandemic and ensure the stable and orderly production and operation; at the same time, while upholding the concept of “mending the shortcomings, strengthening the weaknesses, consolidating the foundation and planning for development”, the Group focused on strengthening various “foundation-building” efforts and, in view of the new situation where countries around the world are actively accelerating the promotion of the application of green and clean energy and speeding up the realisation of the “dual carbon” target, seriously studied and refined the Group’s long-term development strategies and plans, so as to grasp the opportunities for development and strive to seek for development amidst changes once the pandemic stabilises and the global economy recovers. The Group will further enhance the scale of its operations in a timely manner and strengthen the Group’s competitive strength, in order to actively equip itself for steady development and realise sustainable development. In 2021, the Group’s accumulated total revenue from continuing operations amounted to approximately HK\$637 million, representing a year-on-year increase of approximately 5.87%. Due to the impact of various factors including geopolitical issues, the Company made an impairment provision of approximately HK\$157 million for its long-term equity investment in Vesta Terminal B.V. (“**Vesta**”) in Europe and Vesta made a provision for asset impairment in respect of its storage facilities in Estonia, resulting in a cumulative consolidated profit for the year from continuing operations of approximately HK\$1,050 million, representing a decrease of approximately 17.12% year-on-year, or net earnings of approximately HK42.25 cents per share; excluding the negative impact of the above impairment provisions, the Group’s cumulative profit from continuing operations would have stayed stable from the previous year. To reward our shareholders for their long-standing support to the Company, and taking into account our cash flow position and future business development needs, the Board recommended the payment of a cash dividend of HK20 cents per share for 2021, and after deducting the interim cash dividend of HK8 cents per share paid, a final cash dividend of HK12 cents per share for 2021 is recommended, which stays the same as last year.

In 2021, Huade Petrochemical Co., Ltd. (“**Huade Petrochemical**”) in Huizhou Daya Bay, a wholly-owned subsidiary of the Company, maintained continuous and stable production and operation under the pandemic situation on one hand, and actively commenced the upgrading of terminal infrastructure facilities to prepare for external cooperation and market development by strengthening the construction of hardware facilities on the other hand. During the year, Huade Petrochemical made smooth progress in the commercial negotiations with an independent third party on the provision of terminal loading and unloading services and it is expected that a service agreement will be signed in the near future; the relocation project of the underwater crude oil pipeline from Mabianzhou to Nanbianzao in Huizhou was delivered and put into trial operation; and two new 5,000-tonne fuel oil terminals were officially commissioned during the year. In 2021, although the refinery maintenance of China Petroleum & Chemical Corporation (“**Sinopec Corp.**”) Guangzhou Branch (“**Guangzhou Petrochemical**”), the largest downstream customer of Huade Petrochemical, had impacted its crude oil terminal loading and unloading and pipeline business, with its continuous efforts made in market expansion, Huade Petrochemical was able to provide crude oil terminal loading and unloading services to a third party

customer for the first time this year, which partially offset the impact of the refinery maintenance of Guangzhou Petrochemical. For the whole year, Huade Petrochemical unloaded crude oil from 77 tankers, with a total of approximately 11.69 million tonnes, representing a decrease of approximately 4.34% year-on-year, and transmitted approximately 11.65 million tonnes of crude oil, representing a decrease of approximately 3.64% year-on-year; segment revenue of approximately HK\$637 million was achieved, representing an increase of approximately 5.87% year-on-year, and the segment results from Huade Petrochemical for the year amounted to approximately HK\$235 million, representing a year-on-year increase of approximately 1.46%.

The Company's jetty associate and joint ventures in the PRC have been the core business of the Group and its main source of profit. 2021 was the first year the Company changed its management approach to its operating terminal companies in the PRC. Based on the experience gained from years of entrusted management, the Company formally transferred its operating entities, namely 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**"), from the original entrusted management to direct management. In 2021, the Company took advantage of the smoother direct management process and more effective control to strengthen the refined management of its operating entities and to maximise shareholders' interests through a combination of measures to enhance the economic returns of these operating entities. In terms of performance appraisal, through the formulation of scientific and reasonable annual budget targets and performance appraisal rewards and penalties, the operating entities were mobilised to create efficiency to the maximum extent. In terms of market development, we have been vigorously promoting business linkages between our operating entities and customers, extending the port service chain, actively expanding product sources, and making efforts to mitigate the negative impact of COVID-19 on the business volume of the terminals. As for our terminal operations, we urged our operating entities to strengthen ship-to-shore docking, avoid traffic congestion to achieve balance in arrival of vessels and continuously improve the efficiency of terminal operations. For the year, the combined terminal throughput of the Six Domestic Terminal Companies amounted to approximately 226 million tonnes, representing a year-on-year decrease of approximately 11.37%, and generated a total investment return of approximately HK\$930 million, representing a year-on-year increase of approximately 7.76%.

In 2021, the international oil storage market weakened as a result of changes in crude oil price trends and market expectations, resulting in increasing pressure on the storage market for leasing. Fujairah Oil Terminal FZC ("**FOT**"), a joint venture of the Company in the Middle East, made every effort to prevent and control the pandemic and maintain stable production and operation while actively carrying out marketing work and adopting a flexible leasing strategy, continued to maintain a 100% tank occupancy throughout the year, with port throughput and economic benefits breaking new records for three consecutive years. In addition, we have been working hard on the construction of infrastructure facilities. During the year, we started the construction of a pipeline network connecting the storage area to the very large crude carrier ("**VLCC**") terminal at the port, which is of great significance in enhancing FOT's competitiveness and operational flexibility in the oil storage market. In 2021, FOT

achieved an investment return of approximately HK\$97.29 million, representing a year-on-year increase of approximately 19.18%. Vesta, a joint venture of the Company, has three storage facilities in Europe. In 2021, the overall storage operations of both Flushing, Netherlands, and Antwerp, Belgium, remained stable. However, due to geopolitical factors and changes in the regional storage market, Vesta made a provision for asset impairment on its storage facilities in Tallinn, Estonia, resulting in an investment loss of approximately HK\$43.58 million for the year.

In 2021, in order to prevent the rapid spread of COVID-19, countries throughout the world continued to implement different control measures on the arrival of vessels and the entry and exit of crews on international shipping routes, which posed certain challenges to the Group's liquefied natural gas (“LNG”) vessel logistics business. On one hand, the Group proactively took various effective measures to prevent and control the pandemic, and on the other hand, in line with our people-oriented philosophy, we endeavoured to take good care of our staff by making scientific and reasonable arrangements for their shift changes and working hours, further enhancing their welfare and benefits, and making every effort to safeguard their physical and mental health. At the same time, we strengthened vessel maintenance, arranged regular vessel docking repair, and maintained all ship equipment in good operating condition to ensure long-term and stable operation of the vessels and achieved better economic benefits. A total of 108 voyages were completed by the eight LNG vessels during the year, generating investment return of approximately HK\$99.71 million, representing a year-on-year increase of approximately 10.00%.

The Group has been attaching great importance to the subsequent development of the joint investment project for the construction of the 2.60 million m³ oil storage and terminal facilities in Batam Island, Indonesia (the “**Batam Project**”). Following the receipt of arbitral awards in our favour from the International Court of Arbitration of the International Chamber of Commerce (“**ICC Court**”) on 4 December 2019 and in view of the fact that the Batam Project has spanned nearly 10 years since the signing of the contract, in 2021, the Group engaged two consulting firms to jointly prepare an updated feasibility study report for the Batam Project to provide a scientific basis for subsequent decisions to be made for the project. The Group will continue to take various effective measures to fully protect the legitimate interests of the Company and its shareholders.

Looking ahead to 2022, it is expected that COVID-19 will drag on and the macro business environment will still be full of uncertainties. The Group will pay close attention to the macroeconomic condition, take proactive and flexible measures to cope with the situation, fully utilise the Group's abundant financial resources and strive for further development, continuously strengthen its core business competitiveness and strive to establish the Group as a world-class international petrochemical storage and logistics company.

SEGMENT INFORMATION

In 2021, the Group had two business segments, namely the crude oil jetty and storage business and vessel chartering and logistics business.

For the year ended 31 December 2021, the segment revenue and segment results of the Group's crude oil jetty and storage business were approximately HK\$636,517,000 (2020: HK\$601,239,000) and HK\$1,062,380,000 (2020: HK\$1,197,789,000) respectively, representing a year-on-year increase of approximately 5.87% and decrease of approximately 11.30% respectively. For the year ended 31 December 2021, the segment results of the Group's vessel chartering and logistics business were approximately HK\$99,709,000 (2020: HK\$90,644,000), representing a year-on-year increase of approximately 10.00%. In 2021, the Group actively strengthened its refined management in an effort to reduce costs and increase efficiency, and the two business segments maintained stable operation in general. However, due to the impairment provision for the long-term equity investment in Vesta made by the Company, the segment results of the crude oil jetty and storage business were adversely affected to a certain extent.

OTHER INCOME AND OTHER GAINS, NET

For the year ended 31 December 2021, the Group's other income and other gains, net amounted to approximately HK\$79,721,000 (2020: HK\$237,509,000), representing a year-on-year decrease of approximately 66.43%, which was mainly attributable to the fact that the Group held a large amount of RMB deposits during the corresponding period last year when RMB appreciated against HK\$, resulting in a corresponding exchange gain, while the RMB deposits have been exchanged and transferred to HK\$ deposits during the Year in order to mitigate the exchange rate risk. The decrease was also partially attributable to the one-off gain arising from the disposal of a property located in Hong Kong by the Group at a price higher than the carrying amount of the asset during the corresponding period last year.

IMPAIRMENT PROVISION ON INVESTMENT

For the year ended 31 December 2021, the Group's impairment provision on investment amounted to approximately HK\$156,551,000 (2020: HK\$0), which was mainly due to the impairment provision for its long-term equity investment in Vesta, a joint venture of the Company, made by the Company as affected by various factors including geopolitics. For details of the reasons for impairment provision on investment, please refer to the relevant announcement dated 21 January 2022 published by the Company on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk) and the website of the Company (www.sinopec.com.hk).

DISTRIBUTION COSTS

For the year ended 31 December 2021, the Group's distribution costs amounted to approximately HK\$18,323,000 (2020: HK\$21,335,000), representing a year-on-year decrease of approximately 14.12%, which was mainly due to the decrease in domestic income tax under labor costs.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2021, the Group's administrative expenses amounted to approximately HK\$135,468,000 (2020: HK\$160,364,000), representing a year-on-year decrease of approximately 15.52%, which was mainly due to the agency service fees incurred for the development of a new project during the corresponding period last year.

FINANCE INCOME

For the year ended 31 December 2021, the Group's finance income amounted to approximately HK\$21,952,000 (2020: HK\$9,990,000), representing a year-on-year increase of approximately 119.74%, which was mainly attributable to the increase in interest income from deposits as a result of the increase in bank deposits of the Group during the Year.

FINANCE COSTS

For the year ended 31 December 2021, the Group's finance costs amounted to approximately HK\$1,147,000 (2020: HK\$5,342,000), representing a year-on-year decrease of approximately 78.53%, which was mainly attributable to the significant decrease in interest expenses as a result of the Group's repayment of all of its borrowings by the end of October 2020.

OPERATING PROFIT, PROFIT BEFORE INCOME TAX AND PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

For the year ended 31 December 2021, the Group's operating profit amounted to approximately HK\$52,643,000 (2020: HK\$325,902,000), representing a year-on-year decrease of approximately 83.85%; the Group's profit before income tax amounted to approximately HK\$1,156,943,000 (2020: HK\$1,387,224,000), representing a year-on-year decrease of approximately 16.60%; and the Group's profit for the Year from continuing operations amounted to approximately HK\$1,049,684,000 (2020: HK\$1,266,568,000), representing a year-on-year decrease of approximately 17.12%. The decrease in each of the operating profit, profit before income tax and profit for the Year from continuing operations was mainly due to the impairment provision for the long-term equity investment in Vesta made by the Company during the Year.

INCOME TAX EXPENSE

For the year ended 31 December 2021, the Group's income tax expense amounted to approximately HK\$107,259,000 (2020: HK\$120,656,000), representing a year-on-year decrease of approximately 11.10%. This was mainly because the Group made a one-off supplemental provision in the same period last year for withholding tax of prior years to align with the actual dividend distribution of Zhan Jiang Port Terminal, resulting in a high base.

PREPAYMENT

As at 31 December 2021, the Group's prepayment amounted to approximately HK\$847,000 (as at 31 December 2020: HK\$16,962,000), representing a decrease of approximately 95.01% as compared with the end of last year, which was mainly attributable to the inclusion of the navigation channel dredging fee of Huade Petrochemical in the long-term deferred expense assets and the amortization of such fee over its term.

INTERESTS IN JOINT VENTURES

As at 31 December 2021, the Group's interests in joint ventures amounted to approximately HK\$6,753,155,000 (as at 31 December 2020: HK\$7,558,826,000), representing a decrease of approximately 10.66% as compared with the end of last year, which was mainly due to the significant increase in dividends declared by the joint ventures of the Company during the Year.

INTERESTS IN ASSOCIATES

As at 31 December 2021, the Group's interests in associates amounted to approximately HK\$1,151,511,000 (as at 31 December 2020: HK\$1,041,395,000), representing an increase of approximately 10.57% as compared with the end of last year, which was mainly attributable to the favorable operating results of the associates of the Company for the Year.

TRADE AND OTHER RECEIVABLES

As at 31 December 2021, the Group's trade and other receivables amounted to approximately HK\$1,621,698,000 (as at 31 December 2020: HK\$1,410,882,000), representing an increase of approximately 14.94% as compared with the end of last year, which was mainly attributable to the increase in dividends declared by the joint ventures of the Company for the Year and the fact that certain procedures for cash dividend payment were still in progress as at 31 December 2021.

LIQUIDITY AND SOURCE OF FINANCE

As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately HK\$4,197,541,000 (as at 31 December 2020: HK\$3,781,081,000), representing an increase of approximately 11.01% as compared with the end of last year, which was mainly attributable to the increase in cash dividends distributed by the operating entities of the Company.

CURRENT RATIO AND LIABILITIES TO ASSETS RATIO

As at 31 December 2021, the Group's current ratio (current assets to current liabilities) was approximately 24.34 (as at 31 December 2020: 4.74), and liabilities to assets ratio (total liabilities to total assets) was approximately 2.82% (as at 31 December 2020: 8.11%).

LEASE LIABILITIES

As at 31 December 2021, the Group's lease liabilities amounted to approximately HK\$22,812,000 (as at 31 December 2020: HK\$28,420,000), representing a decrease of approximately 19.73% as compared with the end of last year, which included non-current lease liabilities of approximately HK\$15,943,000 (as at 31 December 2020: HK\$21,943,000) and current lease liabilities of approximately HK\$6,869,000 (as at 31 December 2020: HK\$6,477,000). The decrease in lease liabilities was mainly attributable to the corresponding decrease over time in lease liabilities arising from the leasing of its office building in Hong Kong by the Group during the Year.

TRADE AND OTHER PAYABLES

As at 31 December 2021, the Group's trade and other payables amounted to approximately HK\$213,105,000 (as at 31 December 2020: HK\$994,899,000), representing a decrease of approximately 78.58% as compared with the end of last year, which was mainly attributable to the decrease in funds payable by the Company to Sinopec Kantons International Limited, the direct controlling shareholder of the Company.

INCOME TAX PAYABLE

As at 31 December 2021, the Group's income tax payable amounted to approximately HK\$19,259,000 (as at 31 December 2020: HK\$96,007,000), representing a decrease of approximately 79.94% as compared with the end of last year, which was mainly attributable to the completion of payment by the Group for the remaining income tax in relation to the disposal of the natural gas pipeline transmission business during the Year.

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

For the year ended 31 December 2021, the Company did not have any significant investment, acquisition and disposal.

EXCHANGE RATE RISK

The Company is engaged in petrochemical storage, jetty and logistics businesses in places including the PRC, Europe and United Arab Emirates through its subsidiaries, associates and joint ventures, which generate operating income in RMB, Euro and US\$ respectively. In addition, as at 31 December 2021, the Group still held a small amount of RMB demand deposits and certain receivables denominated in RMB. As the exchange rates of RMB, Euro and US\$ against HK\$ fluctuate, the Group faces exchange rate risk to a certain extent.

In addition, on 9 October 2012, the Group entered into the Shareholders' Agreement in respect of the Batam Project. In accordance with the Shareholders' Agreement, as at 31 December 2021, Sinomart KTS Development Limited ("**Sinomart Development**"), a wholly-owned subsidiary of the Company, committed to a contribution obligation of not exceeding US\$144,685,000. As the exchange rates of relevant currencies fluctuate from time to time, there may be certain differences between the actual contribution amount in HK\$ to be paid and the amount in HK\$ converted at the corresponding exchange rates as at the date of the agreement.

Save as stated above, the Group was not exposed to any other significant foreign exchange rate risk during the Reporting Period.

ABOUT THE BATAM PROJECT

On 9 October 2012, the Company acquired 95% of the shares of PT. West Point through Sinomart Development, its wholly-owned subsidiary, and proposed to invest in and construct the Batam Project in Indonesia via PT. West Point. Due to the minority shareholder from Indonesia, the project entered arbitration. The Group received arbitral awards in the Group's favour and obtained enforcement orders from the Indonesian Court in respect of the arbitral awards. In view of the fact that it has been a long time since the date of the signing of the agreement for the project, the Group has engaged two consulting agencies, which are responsible for the terrestrial phase and marine phase of the project respectively, to jointly prepare an updated feasibility study report, thereby providing a basis for future decisions on the project. Currently, the preparation for an updated feasibility study report is still in progress. The Group will continue to adopt various effective measures actively to protect the legitimate rights and interests of the Company and its 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 2021, the Group had a total of 233 employees. The Company adheres to the philosophy of diversity and equal opportunities in employee recruitment, striving to ensure that the number of employees of both genders satisfies the Company's development needs. Remuneration packages of employees, including basic salaries, bonuses and benefits-in-kind, are structured by reference to market terms and trends of human resources costs in various regions as well as employees' contributions based on performance appraisals. Subject to the profit of the Group and the performance of employees, the Group also provides discretionary bonuses to employees as an incentive for their greater contributions. In addition, the Group also makes contributions to the Mandatory Provident Fund Schemes in Hong Kong and the retirement benefit schemes in the PRC established for its Hong Kong employees and Chinese employees respectively in accordance with local laws and regulations.

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 15 June 2021, the Company convened the annual general meeting. Affected by the COVID-19 pandemic control measures, Mr. Chen Yaohuan, the Chairman of the Board, was not able to come to Hong Kong to attend and preside at the annual general meeting as required under Code Provision F.2.2 of the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the “**Corporate Governance Code**”). Pursuant to Bye-law 71 of the Bye-laws and as elected by the attending Directors, Mr. Sang Jinghua, an executive Director and the General Manager, presided at the annual general meeting.

Save as disclosed above, the Company strictly complied with all the principles and relevant provisions set out in the Corporate Governance Code in respect of its corporate governance structure and day-to-day corporate governance activities for the year ended 31 December 2021.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there was no other significant event occurred subsequent to 31 December 2021 and up to the date of this announcement.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprised four independent non-executive Directors. The Audit Committee is responsible for reviewing the accounting standards and practices, audit, 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 such results to the Board for approval.

REMUNERATION COMMITTEE

As at the date of this announcement, the remuneration committee of the Company (the “**Remuneration Committee**”) comprised six members, of which Ms. Tam Wai Chu, Maria, an independent non-executive Director, is the chairlady.

NOMINATION COMMITTEE

As at the date of this announcement, the nomination committee of the Company (the “**Nomination Committee**”) comprised six members, of which Dr. Wong Yau Kar, David, an independent non-executive Director, is the chairperson.

CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (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 2021.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is, and the annual report of the Company will be, published and available for viewing on the websites of the Stock Exchange and the Company respectively.

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

Hong Kong, 24 March 2022

As at the date of this announcement, the Board comprises the following:

Executive Directors:

Mr. Chen Yaohuan (*Chairman*)
Mr. Zhong Fuliang
Mr. Mo Zhenglin
Mr. Yang Yanfei
Mr. Zou Wenzhi
Mr. Ren Jiajun
Mr. Sang Jinghua (*General Manager*)

Independent non-executive Directors:

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

* *For identification purpose only*