中石化冠德控股有限公司

SINOPEC KANTONS HOLDINGS LIMITED

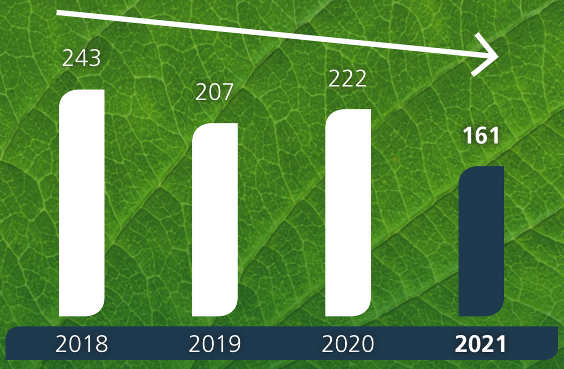
(Incorporated in Bermuda with Limited Liability)

Stock Code: 934

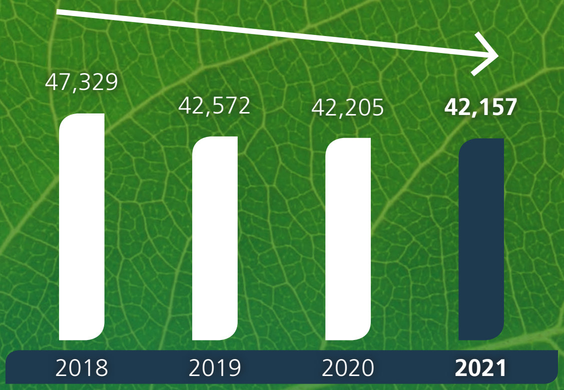
ANNUAL REPORT 2021

SUSTAINABLE DEVELOPMENT

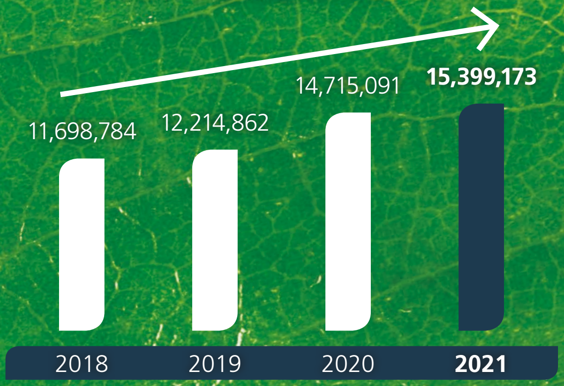
Waste (Tonnes)



Greenhouse Gas Emissions (Tonnes)



Total Equity (HKD'000)



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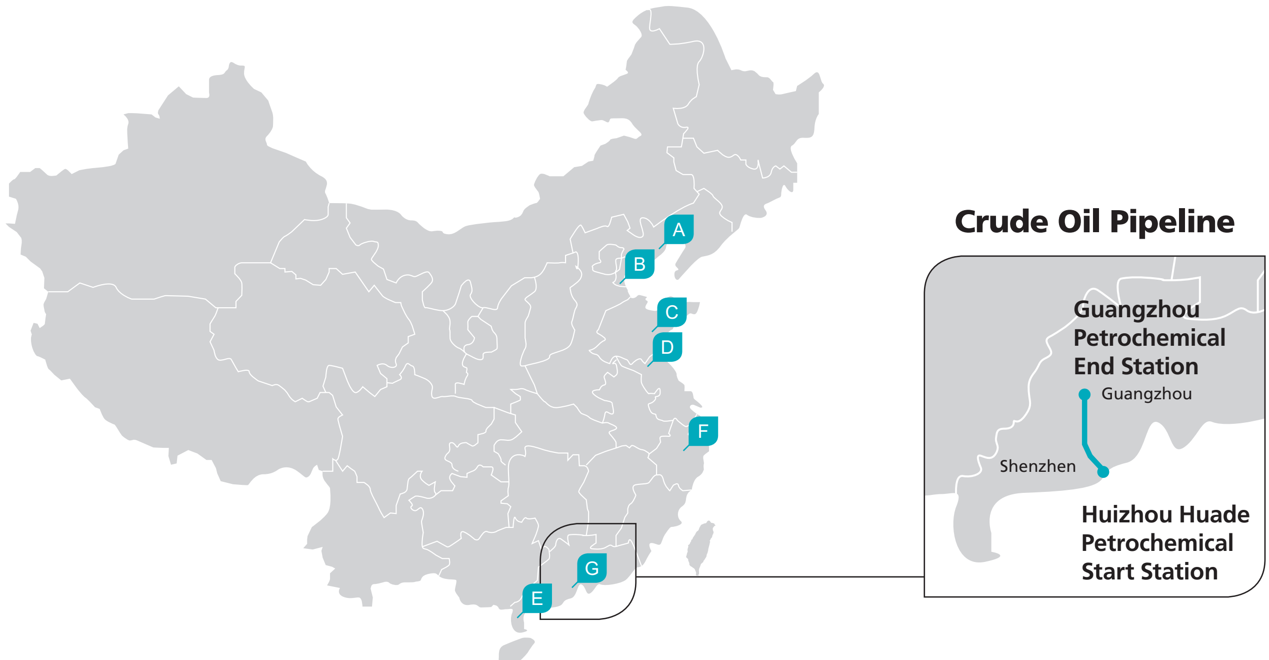
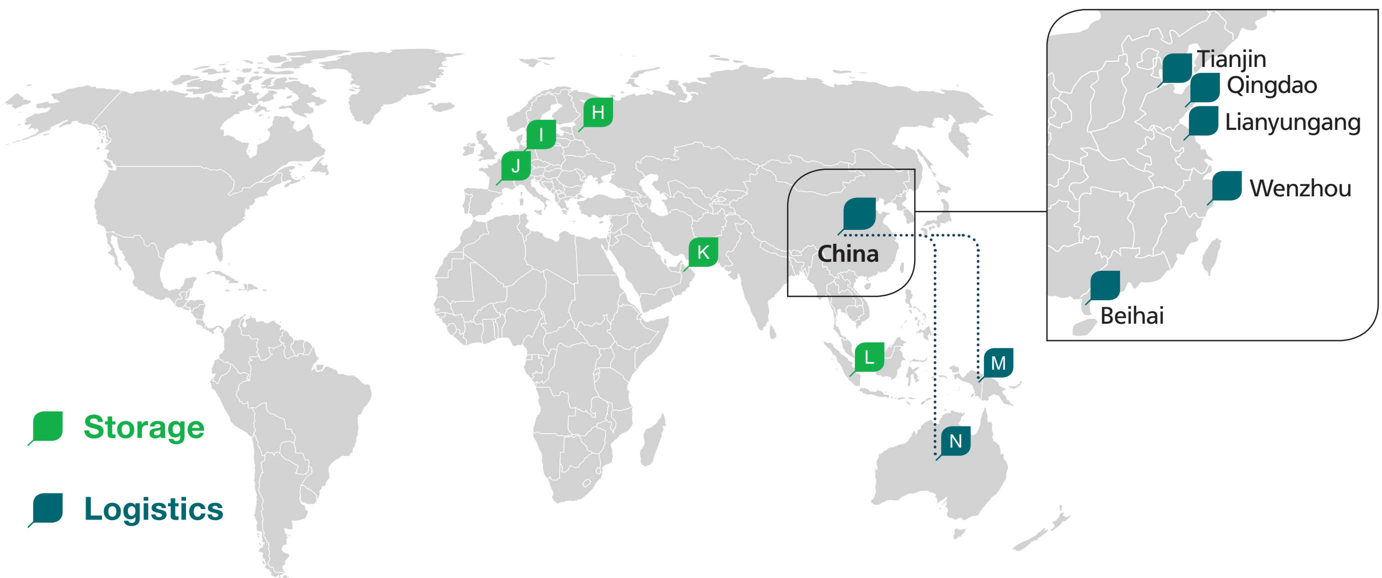


Storage and Logistics outside China



Jetty And Storage

Crude Oil Jetty Coverage
7
crude oil jetties

Total Designed Annual Throughput Capacity of Jetty
291
mm tonnes

Total Number of Berths
38
berths

Total Length of Pipeline
174
km

Tangshan Caofeidian Shihua

Berth: **1**

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

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

Tianjin Shihua

Berth: **1**

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

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

Storage

Total Capacity of Oversea's Storage[Note]
2.73
mm m^3

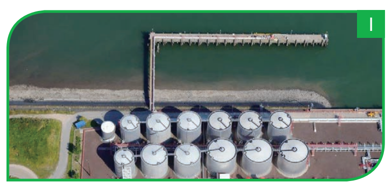
Storage Facilities Coverage
4
countries

Number of LNG Vessels
8
vessels

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**

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

Qingdao Shihua

Berth: **13**

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

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

Storage capacity: **1.032mm m³**

Rizhao Shihua

Berth: **3**

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

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

Zhan Jiang Port Terminal

Berth: **13**

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

Designed throughput capacity: **44mm tonnes p.a.**

Storage capacity: **1.023mm m³**

Ningbo Shihua

Berth: **3**

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

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

Huizhou Huade Petrochemical

Berth: **4**

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

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

Storage capacity: **1.34mm m³**

Length of crude oil pipeline: **174 km**

Vesta Terminal Antwerp, Belgium, Europe

Storage tank: **40**

Storage capacity: **783,000 m³**

Fujairah Oil Terminal, United Arab Emirates, Middle East

Storage tank: **34**

Storage capacity: **1.155mm m³**

L

Batam Island, Indonesia

Currently, Batam Project has not commenced construction yet

LNG Vessels

Papua New Guinea LNG Project

Vessels: **2**

Each vessel capacity: **172,000 m³**

Australia Pacific LNG Project

Vessels: **6**

Each vessel capacity: **174,000 m³**

STRIVE TO BECOME

A WORLD-CLASS

INTERNATIONAL PETROCHEMICAL
STORAGE AND LOGISTICS
COMPANY

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2021, the continued bursting of the COVID-19 pandemic coupled with various challenges such as the reverse globalisation of the world economy and geopolitical risks had a greater negative impact on the global supply chain and commodity supply, the price of major commodities including crude oil therefore fluctuated sharply and major ports around the world suffered from heavy congestion, which have brought considerable challenges to the production and operation of Sinopec Kantons Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"). In the face of the complicated and volatile operating situation, the board (the "**Board**") of directors (the "**Directors**") of the Company took stock of the situation, made prudent decisions and proactively responded to the situation to maintain stable production and operation. On behalf of the Board, I would like to express my sincere gratitude to the shareholders for their concern and support, and to all staff for their perseverance, efforts and dedication under such difficult circumstances.

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, and 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 m^3 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.

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

Hong Kong, 24 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, due to the continuously severe COVID-19 pandemic around the world, together with the impact of expected changes in international crude oil prices, the international storage market turned from strong to weak, which brought huge challenges to the Group's production and operation and economic benefits. The Group reviewed the situation and adopted active measures accordingly. Through scientific and reasonable arrangements for prevention and control of the pandemic, the Group avoided disruption of production and operation caused by the spread of the pandemic and managed to maintain stable production and operation. Meanwhile, the Group actively engaged in marketing and external cooperation in an effort to reduce the impact of the decline in demand. It also devoted great efforts to reduce costs and increase efficiency, thereby realizing refined cost control and promoting efficient management to maintain stable economic benefits in general. Due to geopolitical factors, the Group made an impairment provision for its long-term equity investment in Vesta and Vesta made a provision for impairment of its assets in Tallinn, Estonia, resulting in a decline in consolidated net profit from continuing operations for the year.

Segment Information

In 2021, the Group had 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 2021 are set out in note 5 to the consolidated financial statements.

For the year ended 31 December 2021 (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$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 ("**Kantons International**"), 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.

Contingent Liabilities and Assets Pledged by the Group

As at 31 December 2021, details of the contingent liabilities and assets pledged by the Group were as follows:

Guarantor	Beneficiary	Name of agreement	Content of clause	Date of agreement	Guarantee or pledge period	Pledge provided or guarantee balance as at 31 December 2021
Sinomart Development	FOT	Equity Pledge Agreement	Sinomart Development shall pledge its 50% equity interest in FOT to the banks which offered FOT the refinancing loan of USD280 million. [Note]	15 September 2021	Effective until full repayment of the loan	50% of shares of FOT held
Sinomart Development	PT. West Point	Land Lease Agreement	In the event that PT. West Point fails to pay to the lessor of Batam Project any amount of the land lease fee due under the Land Lease Agreement, Sinomart Development undertakes to pay, on demand, an amount calculated by multiplying such unpaid amount by its percentage of shareholding interest in PT. West Point.	9 October 2012	Effective for 30 years upon the date of execution of the agreement	SGD5.09 million

Note: The Sponsor Support Agreement for the original loan was terminated and procedures for releasing the pledge was completed for the relevant equity pledge. Please refer to the Company's Annual Report 2020 for the Sponsor Support Agreement for the original loan.

Save as stated above, the Group did not provide any other financial assistance, guarantee or pledge of shares for other companies as at 31 December 2021.

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, Emolument Policies and Training

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. For specific proportions of employees by gender, please refer to the section headed Environmental, Social and Governance Report on pages 135 to 180 of this report. 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.

In 2021, the Group organized and carried out training activities on anti-corruption laws and regulations, capital market regulatory developments and the latest amendments to the Listing Rules. For details, please refer to the section headed Environmental, Social and Governance Report on pages 135 to 180 of this report.

REPORT OF THE DIRECTORS

The Board is pleased to submit the annual report and the audited consolidated financial statements for the year ended 31 December 2021.

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 is an investment holding company. The principal activities and other particulars of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

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

Business Review and Outlook

For details of 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 the section headed "Chairman's Statement" on pages 4 to 7 of this report and the section headed "Management Discussion and Analysis" on pages 8 to 13 of this report.

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 2021, so far as the Company is aware, the Group has complied with relevant laws and regulations that have significant impacts on the Group in all material 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

For the year ended 31 December 2021, the Group's sales and purchases attributable to the major customers and suppliers of the Group respectively are set out below:

	Percentage of the Group's total amounts	
	Sales	**Purchases**
The largest customer	83%	N/A
Five largest customers in aggregate	98%	N/A
The largest supplier	N/A	16%
Five largest suppliers in aggregate	N/A	37%

China Petrochemical Corporation ("**Sinopec Group Company**"), the controlling shareholder of the Company indirectly holding approximately 60.33% of the Company's share capital, had beneficial interests in three of the five largest customers and none of the five largest suppliers of the Group.

Save as disclosed above, none of the Directors, its close associates, 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 2021 and the financial position of the Group and the Company as at that date is set out in the consolidated financial statements on pages 56 to 133 of this report.

Transfer to Reserves

For the year ended 31 December 2021, profit attributable to equity holders of the Company, before dividends, of HK$1,050,396,000 (2020: HK$2,302,098,000) has been transferred to reserves. Details of other changes in reserves are set out in the Consolidated Statement of Changes in Equity on pages 59 to 60 of this report.

Key Event Calendar for Shareholders – Final Dividend

The Board recommended a dividend of HK20 cents per share for the whole year of 2021 (2020: HK20 cents per share) payable in cash, 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).

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.

There is no arrangement under which a shareholder has waived or agreed to waive any dividends.

Key Event Calendar for Shareholders – 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).

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.

Risks in relation to changes in macroeconomic condition: The operating results of the Group are closely related to the economic condition and energy demand of China. Affected by continuous global COVID-19 pandemic, the economic condition and energy demand of China are filled with uncertainties and the rise of crude oil price may have an impact on the storage and jetty business. In terms of international situation, many countries in Europe and America have implemented a number of measures in response to the spread of variants of the coronavirus. In addition, as the Federal Reserve of the U.S. announced that it would speed up its tapering of bond purchase, it is expected that a cycle of interest rate hikes will begin soon, which may lead to a slowdown in the growth of major economies in the world. The aforesaid situations will bring uncertainties to the Group's production and operation.

Risks in relation to macro policies and government regulations: The macro policies, industrial policies and regulatory policies of the Chinese government and new changes which may happen in the future, may affect the production and operation and efficiency of the Company's crude oil jetty and storage business.

Risks in relation to production and 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. The problem of climate change is becoming more and more severe, and heavy rainfall or typhoons may cause contingencies that affect the smooth operation of jetties and crude oil pipelines and may cause severe impacts on the environment and society and bring substantial 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 management system for health, safety, security and environment ("**HSSE**"). It has also coordinated with the Environmental, Social and Governance Working Committee to conduct regular assessment of risks in relation to environmental, social and governance matters to jointly develop and review its monitoring strategies, in an effort to ensure that the Company has taken appropriate measures to minimize risks in relation to environmental, social and governance matters. However, such measures may not completely shield the Company from economic losses or adverse impacts 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, which may lead to the failure of the investment projects and the possibility that expected returns could not be achieved, with exposure to investment impairment risk to a certain extent. 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 implements cost control measures in order to manage the investment risk.

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. With the fluctuation of exchange rates of RMB, Euro and US$ against HK$, the Group may expose to exchange rate risk to a certain extent. The Company continuously monitors the exchange rates of major currencies, tracks their impacts on the Company's profit, and mitigates exchange rate risk by fund management. For details, please refer to the section headed "Exchange Rate Risk" set out in the "Management Discussion and Analysis" of this report.

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

Fixed Assets

For the year ended 31 December 2021, the Group spent approximately HK$42,232,000 (2020: HK$223,356,000) on fixed assets. Details of movements in property, plant and equipment are set out in note 18 to the consolidated financial statements.

Share Capital

Details of movements in share capital of the Company during the year ended 31 December 2021 are set out in note 23 to the consolidated financial statements.

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.

Members of the Board and Each of its Committees

During the year ended 31 December 2021 and up to the date of this report, members of the Board and each of its committees are as follows:

Board	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. Zhong Fuliang	Ms. Tam Wai Chu, Maria	Mr. Chen Yaohuan	Mr. Chen Yaohuan
Mr. Mo Zhenglin	Dr. Wong Yau Kar, David	Mr. Fong Chung, Mark	Ms. Tam Wai Chu, Maria
Mr. Yang Yanfei	Ms. Wong Pui Sze, Priscilla	Dr. Wong Yau Kar, David	Mr. Fong Chung, Mark
Mr. Zou Wenzhi		Ms. Wong Pui Sze, Priscilla	Ms. Wong Pui Sze, Priscilla
Mr. Ren Jiajun (appointed on 19 January 2021)		Mr. Sang Jinghua (appointed on 19 January 2021)	Mr. Sang Jinghua (appointed on 19 January 2021)
Mr. Sang Jinghua (General Manager, appointed on 19 January 2021)		Mr. Ye Zhijun (resigned on 19 January 2021)	Mr. Ye Zhijun (resigned on 19 January 2021)
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. Mo Zhenglin, Mr. Yang Yanfei and Mr. Zou Wenzhi, being the executive Directors, and Mr. Fong Chung, Mark, being an independent non-executive Director, will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Directors' Service Contracts

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

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 statutory compensation).

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

As at 31 December 2021, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of 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 2021, the Company did not establish and implement any share option schemes.

Directors' Rights to Acquire Shares or Debentures

For the year ended 31 December 2021, the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, did not participate in any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporates.

Interests and Short Positions of Substantial Shareholders and Other Persons Discloseable under the SFO

As at 31 December 2021, 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	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 that any person (other than the Directors and chief executive of the Company) 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, or at any time during, the year ended 31 December 2021.

Material Contracts of the Controlling Shareholder or its Subsidiaries

For details of the material contracts entered into between the Company or its subsidiaries and the controlling shareholder or its subsidiaries, please refer to relevant information contained in the section headed "Connected Transactions" on pages 22 to 25 of this report. Save as disclosed herein, no other material contracts 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

As at 31 December 2021, the Group had no bank loans and other borrowings.

Five Year Summary

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 134 of this report.

Retirement Benefit Schemes

Other than the establishment of the Mandatory Provident Fund Schemes in Hong Kong and the contributions made to the retirement benefit schemes in the PRC, the Group has not operated any other retirement benefit schemes for its employees. Particulars of the retirement benefit schemes are set out in note 9 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.

Liability Insurance of the Directors

For details of the liability insurance of the Directors of the Company, please refer to the paragraph headed "Liability Insurance for Directors" set out in the Corporate Governance Report on page 43 of this report.

Sufficient Public Float

Based on the public information available to the Company and to the knowledge of the Directors, for the year ended 31 December 2021 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 its 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**") comprises 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 system and the interim and annual reports of the Group, and it is responsible to the Board directly.

Auditor

In accordance with the relevant regulations of the relevant governmental authorities of the PRC in relation to the term of appointment of the auditor of a state-owned enterprise and its subsidiaries, PricewaterhouseCoopers retired as the auditor of the Company at the annual general meeting of the Company convened on 15 June 2021, and following its retirement, KPMG has been appointed as the auditor of the Company.

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

Environmental Policies and Performance

The Group has been placing great emphasis on safety, environmental protection and compliance during operation in order to promote collective sustainable development with the community where it operates.

In 2021, the Group continued to improve its policies and organizational structure, remained committed to and actively discharged corporate social responsibilities in accordance with the "Working Guidelines for Social Responsibilities" formulated by the Board.

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 natural resources and gives priority to recycling. To address environmental risks arisen from daily operation, the Group has adopted a series of preventive measures and formulated contingency plans for the occurrence of any accident, to minimize the possible hazards to the environment and natural resources. In 2021, Huade Petrochemical, a wholly-owned subsidiary of the Company, identified an incident that its outsourced sewage treatment did not comply with the requirement of its pollutant discharge permit, and completed rectification within the year in accordance with relevant regulatory requirements. Save as disclosed herein, the Group did not have any other non-compliance incidents related to environmental protection, and the Group complied with the relevant laws and regulations in all material aspects.

For further details of the Group's environmental policies and performance, please refer to the section headed "Environmental, Social and Governance Report" on pages 135 to 180 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, Emolument Policies and Training" set out in the section headed "Management Discussion and Analysis" on page 13 of this report.

The Group actively interacts with all stakeholders including employees, customers, suppliers, investors and regulatory authorities to maintain good relationships 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 interest of the Group and its shareholders as a whole. For details, please refer to the section headed "Environmental, Social and Governance Report" of this report.

Donations

For the year ended 31 December 2021, the Group donated approximately HK$240,000 to support different groups such as the new arrivals to Hong Kong, ethnic minorities, other deprived and disadvantaged groups and the elderly.

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

Hong Kong, 24 March 2022

CONNECTED TRANSACTIONS

I. Existing Agreements Entered into by the Group in relation to Continuing 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 and financial services which constitute continuing connected transactions for the three financial years ending 31 December 2022, details of which include:

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 then wholly-owned subsidiary of Sinopec Corp., which indirectly wholly owns Kantons International, the controlling shareholder of the Company.

   In addition, in order to meet the requirements of the relevant asset restructuring of Sinopec Corp. and PipeChina, Huade Petrochemical, Sinopec Pipeline Storage and Transportation Branch Company and Sinopec Petroleum Marketing Company Limited jointly entered into a supplemental agreement to the above-mentioned agreement. Pursuant to the supplemental agreement, all rights and obligations of Sinopec Pipeline Storage and Transportation Branch Company under the Crude Oil Jetty and Storage Services Framework Master Agreement have been transferred to Sinopec Petroleum Marketing Company Limited since 1 October 2020. Save as disclosed herein, all other terms stated in the Crude Oil Jetty and Storage Services Framework Master Agreement remain unchanged;

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;

The above-mentioned agreements and continuing connected transactions were approved at the special general meeting of the Company convened on 29 November 2019.

In addition, on 21 October 2019, the Group entered into corresponding framework agreements in relation to a number of other 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. 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;

2. 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 products 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-mentioned continuing connected transactions, please refer to the relevant announcement and circular dated 21 October 2019 and 11 November 2019 published on the websites of the Stock Exchange and the Company.

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

1. For the year ended 31 December 2021, the transaction amounts and annual caps for the continuing connected transactions conducted by the Group were as follows:

	Transaction amounts for the year ended 31 December 2021 RMB million	Annual caps for the year 2021 RMB million
Crude oil jetty and storage services income	442.23	650.00
Fuel oil jetty and storage services income	47.07	70.00
Oil product purchase expenditure	4.22	10.00
Maximum balance of deposits placed by Huade Petrochemical in Sinopec Finance during the Year	288.58	400.00
Maximum balance of deposits placed outside the PRC by the Group in Century Bright during the Year Note (HK$ million)	437.35	500.00

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

The material related party transactions disclosed by the Group in note 31 to the financial statements are "continuing connected transaction" or "connected transaction", as the case may be, within the meaning of Chapter 14A of the Listing Rules and were entered into in the manner described above. In accordance with Chapter 14A of the Listing Rules, the Company has complied with all disclosure requirements in respect of such connected transactions or continuing connected transactions. Save as disclosed herein, 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 above-mentioned continuing connected transactions and confirmed that the continuing connected transactions were entered into in accordance with the following principles:

(1) in the ordinary course of business of the Group;

(2) on normal commercial terms or better; and

(3) the agreements governing such transactions are 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 the provision of goods or services by the Group;

(3) were not carried out, 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" set out in the section headed "Business – Connected Transactions" contained in the prospectus of the Company dated 15 June 1999.

DIRECTORS AND SENIOR MANAGEMENT

As at 31 December 2021 and up to the date of this report, the Directors and senior management of the Company are as follows:

Executive Directors


Mr. Chen Yaohuan

Mr. Chen Yaohuan, aged 58, 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. 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

Mr. Zhong Fuliang, aged 53, 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 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

Mr. Mo Zhenglin, aged 57, 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. In particular, 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 from June 2014 to June 2020. 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

Mr. Yang Yanfei, aged 54, is an Executive Director of the Company. Mr. Yang graduated from East China Institute of Chemical Technology majoring in oil processing with a bachelor's degree in engineering 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. From December 2019 to January 2022, he served as the deputy general manager of the Production and Operation Management Department of Sinopec Corp. Since January 2022, he has been the general manager of the Production and Operation Management Department of Sinopec Corp. and the chief coordinator of the Production Dispatching Command Center of Sinopec Corp. In particular, 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

Mr. Zou Wenzhi, aged 51, 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 Staffordshire University in June 2006, he holds a bachelor's degree in engineering and master's degree in 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, Mr. Zou was a member of the management committee of Russia SIBUR Management Co., Ltd. In particular, from June 2016 to June 2018, he was also the 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.; since 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 Office of Sinopec Corp. Mr. Zou has been an Executive Director of the Company since March 2020.

Mr. Ren Jiajun

Mr. Ren Jiajun, aged 54, is an Executive Director of the Company, is a professoriate 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 December 2019, he served as the deputy director of the department of production, operation and management of Sinopec Group Company (Sinopec Corp.). From December 2019 to August 2020, he served as the deputy general manager of the department of production, operation and management of Sinopec Group Company (Sinopec Corp.). He has been serving as the general manager of Sinopec Petroleum Marketing Company Limited since August 2020, as well as the general manager of Sinopec Petroleum Reserve Company Limited since September 2018. From September 2018 to August 2020, he successively served as an executive director and chairman of Sinopec Petroleum Reserve Company Limited and concurrently served as an executive director and general manager of Sinopec Petroleum (Shanghai) Reserve Company Limited. Since November 2021, he has also served as a director of China International United Petroleum & Chemicals Co., Ltd. Mr. Ren has been working in Sinopec Group since his career started and has over 30 years of experience in large energy enterprises, with extensive experience in corporate development, production management, planning and dispatching. Mr. Ren has been an Executive Director of the Company since January 2021.

Mr. Sang Jinghua

Mr. Sang Jinghua, aged 54, 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 was the executive deputy general manager of the Company. Since January 2021, Mr. Sang has been an Executive Director, the General Manager and a member of each of the remuneration committee and nomination committee of the Company, and concurrently serving as a director of Sinopec Kantons International Limited, Sinomart KTS Development Limited and Kantons International Investment Limited.

Independent Non-Executive Directors

Ms. Tam Wai Chu, Maria

Ms. Tam Wai Chu, Maria, GBM, JP, aged 76, is an 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 of the People's Republic of China, a Hong Kong Affairs Advisor of the People's Republic of China, a Hong Kong Affairs Advisor of the Hong Kong and Macao Affairs Office of the State Council of the People's Republic of China, a Deputy to the 9th to 12th National People's Congress of the People's Republic of China 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 of the People's Republic of China. She is also a member of various community service organizations. She is currently an independent non-executive director of Nine Dragons Paper (Holdings) Limited and Wing On Company International Limited, both 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

Mr. Fong Chung, Mark, aged 70, 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 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

Dr. Wong Yau Kar, David, GBS, JP, aged 64, 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 People's Republic of China. Dr. Wong is currently an independent non-executive director of Huayi Tencent Entertainment Company Limited, Shenzhen Investment Limited and GDH 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

Ms. Wong Pui Sze, Priscilla, SBS, JP, a practising barrister in Hong Kong, aged 61, is an Independent Non-Executive Director of the Company. Ms. Wong obtained a Bachelor of Laws (Hons) degree from the University of Hong Kong and a Master of Laws degree from the London School of Economics and Political Science of the University of London. She is qualified as a barrister in Hong Kong, an advocate and solicitor in Singapore, a mediator of Centre for Effective Dispute Resolution (CEDR) and an arbitrator of China International Economic and Trade Arbitration Commission (CIETAC). Ms. Wong holds a number of public positions in Mainland China and the Hong Kong Special Administrative Region. She is currently a member of Shanghai Committee of the Chinese People's Political Consultative Conference, the chairman of the Minimum Wage Commission of Hong Kong, the chairman of Prince of Wales Hospital Governing Committee, the chairman of the Council and a member of the Court of the University of Hong Kong, the convener of the Financial Reporting Review Panel of the Hong Kong Special Administrative Region and the chairman of the Independent Police Complaints Council. Ms. Wong has been an Independent Non-Executive Director of the Company since March 2018.

Other Senior Management

Mr. Li Wenping

Mr. Li Wenping, aged 58, 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

Mr. Chen Hong, aged 49, 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 2020 Annual Report

The following changes are disclosed pursuant to Rule 13.51B of the Listing Rules:

Ms. Tam Wai Chu, Maria, resigned as an independent non-executive director, the chairman of the nomination committee and a member of each of the audit committee and remuneration committee of Macau Legend Development Limited on 3 February 2022.

Mr. Fong Chung, Mark, resigned as an independent non-executive director, the chairman of the audit committee and a member of the remuneration and assessment committee of China Oilfield Services Limited on 1 June 2021.

Dr. Wong Yau Kar, David, resigned as the chairman of Mandatory Provident Fund Schemes Authority on 16 March 2021 and resigned as an independent non-executive director and a member of each of the audit committee and nomination committee of Redco Properties Group Limited on 8 April 2021.

Ms. Wong Pui Sze, Priscilla, resigned as an independent non-executive director and a member of each of the audit committee, remuneration committee and nomination committee of Fantasia Holdings Group Co., Limited on 11 October 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 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, details of which are set out in this report.

Vision of Corporate Development and Corporate Culture

The Board of the Company has set the long term development goal of the Company, which is to become "a world-class international petrochemical storage and logistics company". In order to achieve this goal, the Company has adhered to a proactive, prudent and stable operation strategy to expand its core businesses such as crude oil jetties and storage and logistics services through mergers and acquisitions and investment and construction, thereby expanding the Group's scale of operation, enhancing its profitability and strengthening its competitive strength on an ongoing basis.

The Company fully understands that corporate development is closely related to the future of human society, and attaches great importance to environmental protection and corporate social responsibility, and organically integrates the concept of sustainable development into the Company's corporate culture. In 2014, the Board of the Company formulated and promulgated the "Guidelines on Corporate Social Responsibility" and made a solemn commitment to the public in five areas, namely "operating in compliance with the laws and regulations, respecting all stakeholders, being committed to developing together, continuously improving performance, and attaching great importance to safety and environmental protection". In order to better carry out its "environmental, social and governance" work, the Board of the Company is currently responsible for formulating its "environmental, social and governance" objectives and plans, and delegates the management of the Company for organization and implementation. The Company established the "Environmental, Social and Governance" Working Committee in 2020, which is led by the general manager of the Company and consists of all senior management and key personnel from various business divisions and functional departments and reports its work to the Board regularly. According to the business development plan and operational objectives for the next five years, the Company has set environmental protection goals for the Group for 2025 in 2020. The Company also encourages all Directors to actively participate in various "environmental, social and governance" activities organized by the Company. On 16 October 2021, Mr. Fong Chung, Mark, and Dr. Wong Yau Kar, David, both are independent non-executive Directors of the Company, participated in person in the beach cleaning activity organized by the Company.

For performance of the Group's sustainable development in other aspects, please refer to the section headed "Environmental, Social and Governance Report" on pages 135 to 180 of this report.

General Meeting

During the twelve months ended 31 December 2021, the Company convened one annual general meeting strictly in accordance with the relevant notice, convening and holding requirements under laws, regulations and the Bye-laws. On 15 June 2021, the Company convened the 2020 annual general meeting at Salon Rooms II-III, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong. Affected by the COVID-19 pandemic control measures, Mr. Chen Yaohuan, the Chairman of the Board, was not able to attend and preside at the annual general meeting as required under Code Provision F.2.2 of 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. Mr. Fong Chung, Mark, the chairperson of the Audit Committee, Dr. Wong Yau Kar, David, the chairperson of the nomination committee of the Company (the "**Nomination Committee**"), Ms. Tam Wai Chu, Maria, the chairlady of the remuneration committee of the Company (the "**Remuneration Committee**") and Ms. Wong Pui Sze, Priscilla, an independent non-executive Director, and the representative of PricewaterhouseCoopers, the auditor, also attended the meeting upon invitation. For details and poll results of the annual general meeting, please refer to the relevant announcement of the Company published on the website of the Stock Exchange and the website of the Company on 15 June 2021.

Directors' attendance at the general meetings in 2021 is as follows:

Attendance	No. of meetings attended	Attendance %
Mr. Chen Yaohuan	0	0
Mr. Zhong Fuliang	0	0
Mr. Mo Zhenglin	0	0
Mr. Yang Yanfei	0	0
Mr. Zou Wenzhi	0	0
Mr. Ren Jiajun (appointed on 19 January 2021)	0	0
Mr. Sang Jinghua (General Manager, appointed on 19 January 2021)	1	100
Mr. Wang Guotao (resigned on 19 January 2021) Note	0	–
Mr. Ye Zhijun (Managing Director, resigned on 19 January 2021) Note	0	–
Ms. Tam Wai Chu, Maria	1	100
Mr. Fong Chung, Mark	1	100
Dr. Wong Yau Kar, David	1	100
Ms. Wong Pui Sze, Priscilla	1	100

Note: During the period from 1 January 2021 to 19 January 2021, the Company did not convene any general meetings.

The Board of Directors

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

As at 31 December 2021 and up to 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 each of its committees are responsible for overseeing specific areas of the Company's affairs. The composition of the Board and each of its committees are set out below and the responsibilities of each of the committees are further explained in this report.

Board	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. Zhong Fuliang	Ms. Tam Wai Chu, Maria	Mr. Chen Yaohuan	Mr. Chen Yaohuan
Mr. Mo Zhenglin	Dr. Wong Yau Kar, David	Mr. Fong Chung, Mark	Ms. Tam Wai Chu, Maria
Mr. Yang Yanfei	Ms. Wong Pui Sze, Priscilla	Dr. Wong Yau Kar, David	Mr. Fong Chung, Mark
Mr. Zou Wenzhi		Ms. Wong Pui Sze, Priscilla	Ms. Wong Pui Sze, Priscilla
Mr. Ren Jiajun (appointed on 19 January 2021)		Mr. Sang Jinghua (appointed on 19 January 2021)	Mr. Sang Jinghua (appointed on 19 January 2021)
Mr. Sang Jinghua (General Manager, appointed on 19 January 2021)		Mr. Ye Zhijun (resigned on 19 January 2021)	Mr. Ye Zhijun (resigned on 19 January 2021)
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			

The Board sets the Group's strategies and directions and monitors its performance. The Board is also responsible for decision-making on significant corporate matters of the Company such as effective supervision of environmental, social and governance matters, annual and interim results, notifiable transactions and connected transactions, appointment of Directors, dividend distribution and accounting policies. The Board has delegated the management the responsibility of managing the daily operation and overseeing the business of the Group.

The Board has three committees, members of which include top experts with international perspectives in business management, business development and operation, laws and regulations, and finance and accounting, providing professional and independent insights and perspectives to the Board. Meanwhile, all Directors have timely access to all relevant Board meeting materials and may seek independent and professional advice when necessary, including but not limited to the Company's standing legal counsel and auditor.

The secretary to the Board assists the Board in preparing the agenda of Board meetings as instructed, and each of the Directors is invited to discuss or propose any businesses at the meetings. In 2021, the Company convened a total of six Board meetings and the attendance of the Directors is as follows:

Attendance	No. of meetings attended	Attendance %
Mr. Chen Yaohuan (Chairman)	5	83
Mr. Zhong Fuliang	5	83
Mr. Mo Zhenglin	6	100
Mr. Yang Yanfei	5	83
Mr. Zou Wenzhi	4	67
Mr. Ren Jiajun (appointed on 19 January 2021) Note 1	4	80
Mr. Sang Jinghua (General Manager, appointed on 19 January 2021) Note 1	5	100
Mr. Wang Guotao (resigned on 19 January 2021) Note 2	0	0
Mr. Ye Zhijun (Managing Director, resigned on 19 January 2021) Note 2	1	100
Ms. Tam Wai Chu, Maria	6	100
Mr. Fong Chung, Mark	6	100
Dr. Wong Yau Kar, David	6	100
Ms. Wong Pui Sze, Priscilla	6	100

Note 1: During the period from 20 January 2021 to 31 December 2021, the Board of the Company convened a total of five Board meetings.

Note 2: During the period from 1 January 2021 to 19 January 2021, the Board of the Company convened only one Board meeting.

Confirmation of Independence of Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors the annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers that all of the independent non-executive Directors are independent. All independent non-executive Directors are financially independent from the Group.

All members of the Board, with the assistance from the Nomination Committee, may participate in the selection and approval of the appointment of new Directors. Independent non-executive Directors are appointed for a specific term. Under the Bye-laws, all Directors are required to retire and be re-elected by rotation at least once every three years. When selecting new Directors, 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 and knowledge. Ms. Tam Wai Chu, Maria, Dr. Wong Yau Kar, David, Mr. Fong Chung, Mark, and Ms. Wong Pui Sze, Priscilla, being the independent non-executive Directors, were re-elected and approved to serve as the independent non-executive Directors of the Company at the annual general meetings of the Company held on 18 June 2020, 18 June 2020, 12 June 2019 and 15 June 2021, respectively, for a term of three years.

Audit Committee

As at 31 December 2021, the Audit Committee comprised four independent non-executive Directors. The Audit Committee is responsible for reviewing the accounting standards and practices, audit, effectiveness of 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. The Audit Committee hold meetings 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 order to review the annual results of the Group for the year ended 31 December 2020, consider the revised internal control manual, consider the recommendation of change in auditor and review the interim results of the Group for the six months ended 30 June 2021, the Audit Committee convened a total of two meetings in 2021 to review the accounting principles and practices adopted by the Group with the management and external auditor, and discuss the risk management and internal control matters and financial statements, and consider the audit services provided by the newly appointed auditor. In 2021, the attendance of members of the Audit Committee at the Audit Committee meetings is as follows:

Attendance	No. of meetings attended	Attendance %
Mr. Fong Chung, Mark (Chairperson)	2	100
Ms. Tam Wai Chu, Maria	2	100
Dr. Wong Yau Kar, David	2	100
Ms. Wong Pui Sze, Priscilla	2	100

The Company's annual results for the year ended 31 December 2021 have been reviewed by the Audit Committee.

Remuneration Committee and Remuneration Policies of Directors

As at 31 December 2021, 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, is 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 provides advice to the Board on such remuneration and incentive policies of the Directors. To avoid conflicts of interest, any member who is interested in any given proposed resolution is required to abstain from voting on such resolution.

The remuneration of the executive Directors and the fees of the independent non-executive Directors of the Company are determined with reference to various factors such as market remuneration levels, qualification requirements, time commitment, duties and responsibilities to be performed. In order to avoid duplication of remuneration for executive Directors who hold other executive positions within Sinopec Group Company, the controlling shareholder of the Company, or within the Company's subsidiaries, the Company will only pay a nominal salary of HK$1 per annum to any executive Director who holds other executive positions within Sinopec Group Company or within the Company's subsidiaries. In order not to impair the independence of the independent non-executive Directors, the Company does not provide equity-related fees with any performance-related element to the independent non-executive Directors. The current fees for each of the independent non-executive Directors, as determined by the Remuneration Committee and approved by the Board, are HK$380,000 per annum. Further details of the remuneration of Directors are set out in Note 32 to the consolidated financial statements of this report.

In 2021, the Remuneration Committee convened two meetings, at which the directors' service contracts of newly appointed executive Directors and the remuneration of directors were considered, the performance of the Company's management staff was evaluated, and rewards were offered in accordance with the relevant assessment and incentive mechanisms.

Attendance	No. of meetings attended	Attendance %
Ms. Tam Wai Chu, Maria (Chairlady)	2	100
Mr. Chen Yaohuan	1	50
Mr. Fong Chung, Mark	2	100
Dr. Wong Yau Kar, David	2	100
Ms. Wong Pui Sze, Priscilla	2	100
Mr. Sang Jinghua (General Manager, appointed on 19 January 2021) Note	1	100
Mr. Ye Zhijun (resigned on 19 January 2021) Note	1	100

Note: During the period from 1 January 2021 to 19 January 2021 and the period from 20 January 2021 to 31 December 2021, the Remuneration Committee convened one and one meeting, respectively.

Nomination Committee

As at 31 December 2021, 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, is the chairperson.

The Nomination Committee is responsible for formulating and implementing policies in relation to the nomination of Directors and reviews the implementation and effectiveness of the Board Diversity Policy of the Company annually and will consider making appropriate adjustments according to the business mode and specific needs arisen from time to time, thereby ensuring that not all members of the Board are of the same gender. The Company currently consists of two female directors.

Upon receipt of the proposal for appointing new Directors and the biographical details (or relevant information) of the candidates, the Nomination Committee will take into account the following factors when considering and selecting the candidates for new directors according to the Board Diversity Policy of the Company, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, thereby deciding if such candidates are suitable to serve as Directors. After that, the Nomination Committee shall recommend to the Board the suitable candidates for the appointment of Directors (if applicable).

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) identifying candidates with adequate qualification for being Directors, selecting and nominating such candidates to be appointed as Directors or provide advice to the Board thereon; (iii) making proposals to the Board on the appointment or re-appointment of Directors and the succession plans for Directors (in particular the Chairman and the General Manager); (iv) evaluating the independence of independent non-executive Directors; and (v) stating the reasons for the appointment of a particular person (including the person who has been serving as a Director for more than 9 years) by the Board and for such person being deemed by it as an independent party in the circular and/or explanatory statement to shareholders attached to the notice convening a general meeting in the event that the Board intends to propose a resolution in relation to the appointment of such person as an independent non-executive Director at such meeting.

In 2021, the Nomination Committee convened two meetings, at which the nomination of Mr. Sang Jinghua and Mr. Ren Jiajun as executive Directors of the Company were considered, and the structure of the Board and the diversity of its composition, the implementation of the diversity policy and its effectiveness, and the re-election of Directors by rotation were also considered. In 2021, the attendance of members of the Nomination Committee at the Nomination Committee meetings is as follows:

Attendance	No. of meetings attended	Attendance %
Dr. Wong Yau Kar, David (Chairperson)	2	100
Mr. Chen Yaohuan	1	50
Ms. Tam Wai Chu, Maria	2	100
Mr. Fong Chung, Mark	2	100
Ms. Wong Pui Sze, Priscilla	2	100
Mr. Sang Jinghua (General Manager, appointed on 19 January 2021) Note	1	100
Mr. Ye Zhijun (resigned on 19 January 2021) Note	1	100

Note: During the period from 1 January 2021 to 19 January 2021 and the period from 19 January 2021 to 31 December 2021, the Nomination Committee convened one and one meeting, respectively.

According to Bye-law 111 of the Bye-laws, each of the Director shall be subject to retirement by rotation at least once every three years. Meanwhile, based on the consideration of maintaining, as far as possible, a relatively balanced number of Directors being re-elected by rotation each year, the Nomination Committee considers various aspects, such as the gender, culture, educational background, professional experience, knowledge, skills, ethnicity and age, of the Directors to fully reflect the diversity of the Board, while taking into account their respective contributions to the Board and their dedication to duties and academic qualifications. For this year, the Nomination Committee nominated Mr. Mo Zhenglin, Mr. Yang Yanfei and Mr. Zou Wenzhi, being executive Directors, and Mr. Fong Chung, Mark, being an independent non-executive Director, to the Board for re-election by rotation at the forthcoming annual general meeting to be convened on 16 June 2022. In order to avoid conflicts of interest, the Directors being re-elected by rotation abstained from voting on the resolution for their own re-election at the meetings of the Board and/or the Nomination Committee.

Notwithstanding that Mr. Fong Chung, Mark, has been an independent non-executive Director for more than 9 years, in deciding to propose Mr. Fong Chung, Mark, for re-election as an independent non-executive Director, (i) the Board and the Nomination Committee have assessed and reviewed the annual confirmation of independence of Mr. Fong Chung, Mark, in accordance with the criteria set out in Rule 3.13 of the Listing Rules, particularly given that Mr. Fong Chung, Mark, has no interest in the securities or business of the Company and is not connected with any Directors, chief executive or substantial shareholders of the Company. The Board and the Nomination Committee consider that Mr. Fong Chung, Mark, remains independent of the management and does not have any relationship that would significantly impair his exercise of independent judgment; (ii) the Nomination Committee considers that Mr. Fong Chung, Mark, is a suitable candidate to serve as an independent non-executive Director based on his background, experience and commitment to devote sufficient time to the Company, having taken into account the Company's nomination policy and the Board Diversity Policy; (iii) the Board considers that the cultural and education background of Mr. Fong Chung, Mark, and his more than 40 years of valuable experience in the accounting industry, is unique among the Board members, therefore, the Board believes that Mr. Fong Chung, Mark, can further contribute to the diversity of the Board and it is believed that he will devote sufficient time to the Board; and (iv) the Board is satisfied that Mr. Fong Chung, Mark, will continue to provide independent and objective judgment and advice to the Board by performing the review and supervision functions of an independent non-executive Director, to safeguard the interests of the Company and its shareholders as a whole.

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 2021, all Directors participated in trainings in respect of corporate governance practices through various ways:

	Types of Training
Executive Directors	
Mr. Chen Yaohuan (Chairman)	A、B
Mr. Zhong Fuliang	A、B
Mr. Mo Zhenglin	A、B
Mr. Yang Yanfei	B
Mr. Zou Wenzhi	A、B
Mr. Ren Jiajun (appointed on 19 January 2021)	A、B
Mr. Sang Jinghua (General Manager, appointed on 19 January 2021)	A、B
Mr. Wang Guotao (resigned on 19 January 2021)	B
Mr. Ye Zhijun (Managing Director, resigned on 19 January 2021)	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, materials and/or updates relating to the economy, the industry conditions of the Company or directors' duties and compliance matters

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 A.2.1 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.

There are no financial, business, family or other material/relevant relationships between the Chairman of the Board, the General Manager and other Directors of the Company.

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.

Responsibilities of Directors for the Financial Statements

The Directors recognized their responsibilities for the preparation of the Company's financial statements for the year ended 31 December 2021.

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 48 to 55 of this report.

Liability Insurance for Directors

The Company has arranged appropriate liability insurance for the Directors of the Company, such arrangements remain in force as at 31 December 2021 and the date of this report.

Auditor's Remuneration

For the year ended 31 December 2021, the following fees were paid/payable by the Group to KPMG, the auditor, and its network members:

Unit: HK$ million

	2021 (KPMG)	2020 (PricewaterhouseCoopers)
Audit services		
– the Company	2.00	2.10
– subsidiaries	3.00	3.47
Non-audit services Note	0	1.00
Total	5.00	6.57

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 2021.

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 2021, 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. In 2021, the Company has obtained management's confirmation of the effectiveness of its risk management and internal control system. The Group has established channels for reporting violations to prevent and identify violations in a timely manner. For details, please refer to the section headed Environmental, Social and Governance Report of this report.

Save as stated above, there are no other material matters relating to risk management and internal control that need to be disclosed by the Company.

Company Secretary

Mr. Li Wenping and Mr. Lai Yang Chau, Eugene ("**Mr. Lai**") were the original joint company secretaries of the Company. Following the unfortunate death of Mr. Lai on 21 October 2021, Mr. Li Wenping remains as the Company Secretary independently. Mr. Li Wenping has a long history of working in the management of listed companies and has met the requirements under Rule 3.28 of the Listing Rules of the Stock Exchange and has attended more than 15 hours of training on the regulation of listed companies in 2021.

Composition of the Issued Shares of the Company

As at 31 December 2021 and up to the date of this report, based on the public information available and to the best knowledge of the Directors of the Company, the composition of the issued shares of the Company is as follows:

Name of shareholder	Class of shares	Number of shares	Percentage of shareholdings (%)
Kantons International	ordinary shares	1,500,000,000 shares	60.33
Public Shares	ordinary shares	986,160,000 shares	39.67

In addition, based on the public information available and to the best knowledge of the Directors of the Company, none of the Directors and senior management of the Company currently hold any shares in the Company.

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 has a dedicated department and dedicated staff responsible for communicating with shareholders through various regular and non-regular channels, including general meetings, roadshows, daily meetings and emails, and publicly disclosing the Company's various contact details through various channels so that shareholders and investors can be kept abreast of the Company's latest business status and development prospects, and that different views of shareholders and stakeholders can be effectively communicated to the Company's decision-making departments in a timely manner.

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.

The Company's management regularly reviewed the implementation and effectiveness of these shareholder communication channels in 2021 and confirmed their effectiveness.

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 company secretary 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 company secretary 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 2021, the Company had not made any changes to its Bye-laws. An up-to-date version of the Bye-laws is available on the Company's website and the Stock Exchange's website. Shareholders may refer to the Bye-laws for further details of their rights.

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

OPINION

We have audited the consolidated financial statements of Sinopec Kantons Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 56 to 133, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2021 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 are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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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 period. 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.

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

Refer to Note 4(a) (Critical accounting estimates and judgements), Note 17 (Right-of-use assets and lease liabilities), Note 18 (Property, plant and equipment) to the consolidated financial statements and the accounting policies 2.10 on page 70 .

The Key Audit Matter	How the matter was addressed in our audit
In 2012, the Group acquired 95% equity interest in PT. West Point Terminal ("**PT. West Point**") for potential development and construction of oil storage and terminal facilities in Batam Island, Indonesia (the "**Batam Project**"). Due to certain disputes between the Group and the minority shareholder of PT. West Point, the construction of the Batam Project has not been commenced up to the date of this report. As at 31 December 2021, the carrying amount of non-current assets of PT. West Point amounted to HK$643 million, which mainly comprised property, plant and equipment and right-of-use assets. Given the delay in construction and project commencement which gives rise to presence of impairment indicators, management performed an impairment assessment of the non-current assets of PT. West Point as at 31 December 2021.	Our audit procedures to assess the impairment of non-current assets of PT. West Point included the following: • understanding and evaluating the design and implementation of controls relating to the impairment assessment process; • assessing management's identification of CGU and the allocation of assets to the CGU with reference to the requirements of the prevailing accounting standards; • involving our internal valuation specialists to assist us in assessing the methodology applied with reference to the requirements of the prevailing accounting standards and assessing the appropriateness of discount rate adopted and whether the discount rate was within the range adopted by other companies in the same industry; • evaluating the key assumptions adopted in the discounted cash flow forecast, including forecast revenue growth rate and project commencement date, by comparing with internal business plans, designed capacity and other external information if available; • performing a retrospective review by reviewing the re-estimation of the prior year estimates, including understanding the reasons for any changes, to assess the historical accuracy of management's forecasting process and whether there was any indication of management bias;

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

Refer to Note 4(a) (Critical accounting estimates and judgements), Note 17 (Right-of-use assets and lease liabilities), Note 18 (Property, plant and equipment) to the consolidated financial statements and the accounting policies 2.10 on page 70 .

The Key Audit Matter	How the matter was addressed in our audit
Management identifies PT. West Point as a separate cash-generating unit ("**CGU**") for impairment assessment purpose and compares the carrying value of the CGU with the recoverable amount which is estimated by preparing a discounted cash flow forecast, to determine the amount of impairment loss, if any. The preparation of discounted cash flow forecast involves significant estimation uncertainties and exercise of subjective judgements such as project commencement date, forecast revenue growth rate and discount rate. We identified impairment assessment of non-current assets of PT. West Point as a key audit matter because the impairment assessment involves significant estimation uncertainties and exercise of subjective judgements which could be subject to management bias in their selection.	• evaluating the sensitivity analyses performed by the management on the key assumptions such as forecast revenue growth rate, discount rate and project commencement date and assessing whether there were indicators of management bias in the selection of these assumptions; and • assessing the reasonableness of the disclosures in relation to the impairment assessment in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Impairment assessment of interests in joint ventures and associates

Refer to Note 4(b) (Critical accounting estimates and judgements), Note 13 (Interests in associates), and Note 14 (Interests in joint ventures) to the consolidated financial statements and the accounting policies 2.10 on page 70.

The Key Audit Matter	How the matter was addressed in our audit
The Group has significant investments in joint ventures and associates, which are accounted for under equity method. As at 31 December 2021, the carrying amount of investments in joint ventures and associates amounted to approximately HK$6,753 million and HK$1,152 million respectively, in aggregate representing approximately 50% of the Group's total assets.	Our audit procedures to assess the impairment of interests in joint ventures and associates included the following: • understanding and evaluating the design and implementation of controls relating to the impairment assessment process; • assessing management's evaluation of indicators of impairment, identification of CGU and allocation of assets to the CGU with reference to the requirements of the prevailing accounting standards;

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Impairment assessment of interests in joint ventures and associates	
Refer to Note 4(b) (Critical accounting estimates and judgements), Note 13 (Interests in associates), and Note 14 (Interests in joint ventures) to the consolidated financial statements and the accounting policies 2.10 on page 70.	
The Key Audit Matter	**How the matter was addressed in our audit**
Investments in joint ventures and associates are subject to impairment assessments whenever there is an impairment indicator. The financial performance of Vesta Terminals B.V. ("**Vesta**"), a joint venture, may be significantly impacted by a number of factors including the economic and geopolitical conditions, regional demand and supply of petrochemical products and conditions of facilities. With the worsened financial performance of Vesta, management considers impairment indicators to exist surrounding the Group's interest in Vesta as at 31 December 2021 and performed an impairment assessment thereon accordingly. Management identifies interest in Vesta as a separate CGU for impairment assessment purpose and compares the carrying value of the CGU with the recoverable amount, which is estimated by preparing a discounted cash flow forecast, to determine the amount of impairment loss, if any. The preparation of discounted cash flow forecast involves significant estimation uncertainties and exercise of subjective judgements such as forecast revenue growth rate and discount rate. We identified impairment assessment of interests in joint ventures and associates as a key audit matter because the impairment assessment involves significant estimation uncertainties and exercise of subjective judgements, which could be subject to management bias in their selection.	• involving our internal valuation specialists to assist us in assessing the methodology applied with reference to the requirements of the prevailing accounting standards and assessing the appropriateness of discount rate adopted and whether the discount rate was within the range adopted by other companies in the same industry; • evaluating the key assumptions adopted in the discounted cash flow forecast such as forecast revenue growth rate, by comparing with the historical information, our understanding on the relevant industries, committed contracts and the financial budget approved by the board of directors of Vesta; • comparing the actual results for the current year with management's estimates in their cash flow forecast prepared in the previous year to assess the historical accuracy of management's forecasting process and whether there was any indication of management bias; • evaluating the sensitivity analyses performed by the management on the key assumptions such as forecast revenue growth rate and discount rate and assessing whether there were indicators of management bias in the selection of these assumptions; and • assessing the reasonableness of the disclosures in relation to the impairment assessment in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

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Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all 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 the directors for the consolidated financial statements

The directors 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 directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT
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Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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- 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 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.

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

The engagement partner on the audit resulting in this independent auditor's report is Lee, Wai Shun Wilson.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 March 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Continuing operations			
Revenue	5, 6	**636,517**	601,239
Cost of providing services	8	**(353,253)**	(331,147)
Gross profit		**283,264**	270,092
Other income and other gains, net	7	**79,721**	237,509
Impairment loss on investment in a joint venture		**(156,551)**	–
Distribution costs		**(18,323)**	(21,335)
Administrative expenses	8	**(135,468)**	(160,364)
Operating profit		**52,643**	325,902
Finance income	10	**21,952**	9,990
Finance costs	11	**(1,147)**	(5,342)
Share of results of:			
– Joint ventures	14	**901,561**	886,738
– Associates	13	**181,934**	169,936
Profit before income tax		**1,156,943**	1,387,224
Income tax expenses	15	**(107,259)**	(120,656)
Profit for the year from continuing operations		**1,049,684**	1,266,568
Discontinued operation			
Profit for the year from discontinued operation	24(a)	**–**	1,034,802
Net profit for the year		**1,049,684**	2,301,370
Profit attributable to:			
Equity holders of the Company		**1,050,396**	2,302,098
Non-controlling interests		**(712)**	(728)
		1,049,684	2,301,370
Profit attributable to equity holders of the Company arising from:			
Continuing operations		**1,050,396**	1,267,296
Discontinued operation	24(a)	**–**	1,034,802
		1,050,396	2,302,098
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	16	**42.25**	50.97
Discontinued operation	16	**–**	41.62
		42.25	92.59

The notes on pages 62 to 133 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

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

The notes on pages 62 to 133 form part of these financial statements.

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	18	**1,508,091**	1,570,308
Right-of-use assets	17	**590,985**	610,916
Investment properties	19	**18,575**	19,813
Prepayment		**847**	16,962
Interests in joint ventures	14	**6,753,155**	7,558,826
Interests in associates	13	**1,151,511**	1,041,395
Total non-current assets		**10,023,164**	10,818,220
Current assets			
Inventories	21	**4,125**	4,357
Trade and other receivables	20	**1,621,698**	1,410,882
Cash and cash equivalents	22	**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	23	**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
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	29	**177,270**	164,349
Government grants		**14,909**	15,774
Lease liabilities	17	**15,943**	21,943
Total non-current liabilities		**208,122**	202,066
Current liabilities			
Trade and other payables	28	**213,105**	994,899
Income tax payable		**19,259**	96,007
Lease liabilities	17	**6,869**	6,477
Total current liabilities		**239,233**	1,097,383
Total liabilities		**447,355**	1,299,449
Total equity and liabilities		**15,846,528**	16,014,540
Net current assets		**5,584,131**	4,098,937
Total assets less current liabilities		**15,607,295**	14,917,157

The consolidated financial statements on pages 56 to 133 were approved by the board of directors on 24 March 2022 and were signed on its behalf:

Chen Yaohuan	**Sang Jinghua**
Chairman	*Executive Director*

The notes on pages 62 to 133 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Note	Share capital HK$'000	Share premium HK$'000	Specific reserve HK$'000 (Note 25c)	Merger reserve HK$'000 (Note 25a)	General reserve HK$'000 (Note 25b)	Hedging reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Non-Controlling Interest HK$'000	Total Equity HK$'000
		Attributable to equity holders of the Company										
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
Cash flow hedges:												
– Joint ventures		–	–	–	–	–	(35,105)	–	–	(35,105)	–	(35,105)
Transfer of reserve upon disposal of a subsidiary	24	–	–	(7,128)	985,770	(124,326)	–	115,292	(854,316)	115,292	–	115,292
Other comprehensive income for the year, net of nil 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	25	–	–	(9,593)	–	–	–	–	9,593	–	–	–
Dividends	26	–	–	–	–	–	–	–	(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 62 to 133 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Attributable to equity holders of the Company										
	Note	Share capital HK$'000	Share premium HK$'000	Specific reserve HK$'000 (Note 25c)	Merger reserve HK$'000 (Note 25a)	General reserve HK$'000 (Note 25b)	Hedging reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Non-Controlling Interest HK$'000	Total Equity HK$'000
Balance at 1 January 2021		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
Comprehensive income:												
Profit for the year		–	–	–	–	–	–	–	1,050,396	1,050,396	(712)	1,049,684
Other comprehensive income												
Exchange differences on currency translation:												
– Subsidiaries		–	–	–	–	–	–	64,968	–	64,968	–	64,968
– Joint ventures		–	–	–	–	–	–	43,875	–	43,875	–	43,875
– Associates		–	–	–	–	–	–	30,400	–	30,400	–	30,400
Cash flow hedges:												
– Joint ventures		–	–	–	–	–	(1,988)	–	–	(1,988)	–	(1,988)
– An associate		–	–	–	–	–	(5,625)	–	–	(5,625)	–	(5,625)
Other comprehensive income for the year, net of nil tax		–	–	–	–	–	(7,613)	139,243	–	131,630	–	131,630
Total comprehensive income for the year		–	–	–	–	–	(7,613)	139,243	1,050,396	1,182,026	(712)	1,181,314
Transaction with owners												
Appropriation of reserves		–	–	7,940	–	–	–	–	(7,940)	–	–	–
Utilisation of specific reserve for the year	25	–	–	(7,854)	–	–	–	–	7,854	–	–	–
Dividends	26	–	–	–	–	–	–	–	(497,232)	(497,232)	–	(497,232)
Total transaction with owners		–	–	86	–	–	–	–	(497,318)	(497,232)	–	(497,232)
Balance at 31 December 2021		248,616	6,300,684	110	23,444	296,079	(257,865)	296,292	8,457,503	15,364,863	34,310	15,399,173

The notes on pages 62 to 133 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Cash generated from operations	27(a)	**337,294**	788,074
Income tax paid		**(135,252)**	(78,722)
Withholding tax paid		**(41,285)**	(55,316)
Net cash generated from operating activities		**160,757**	654,036
Cash flows from investing activities			
Purchase of property, plant and equipment		**(42,232)**	(223,356)
Loans and interest repaid by joint ventures		**86,358**	87,071
Loans and interest repaid by an associate		**9,063**	5,549
Dividend received from joint ventures		**632,275**	929,632
Dividend received from an associate		**90,865**	135,886
Bank interest income received		**21,952**	10,971
Proceeds from disposal of property, plant and equipment		**7,169**	160,003
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	24(a)	**732,123**	3,028,898
Government grant received		**–**	37,223
Decrease in restricted bank balances		**–**	91,738
Net cash generated from investing activities		**1,537,573**	4,324,694
Cash flows from financing activities			
Proceeds from borrowings		**–**	4,413,751
Repayments of borrowings		**–**	(5,555,828)
Repayment of lease liabilities		**(7,216)**	(7,542)
Dividends paid to owners of the Company		**(497,232)**	(497,232)
(Decrease)/increase in amounts due to immediate, intermediate holding company and other related parties		**(779,782)**	299,887
Finance costs paid		**–**	(58,514)
Net cash used in financing activities		**(1,284,230)**	(1,405,478)
Net increase in cash and cash equivalents		**414,100**	3,573,252
Cash and cash equivalents at 1 January		**3,781,081**	130,473
Effect of foreign exchange rate changes		**2,360**	77,356
Cash and cash equivalents at 31 December	22	**4,197,541**	3,781,081

The notes on pages 62 to 133 form part of these 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 13 and 14.

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 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 30 September 2020, the Group completed the strategic divestment of 100% equity interest in Sinopec Yu Ji Pipeline Company Limited ("**Yu Ji Pipeline Company**"), which had been reported as the natural gas pipeline service segment. The natural gas pipeline transmission services segment was therefore classified as a discontinued operation and its net results for the year were presented separately as one-line item below net profit of the continuing operations.

2.1 Basis of preparation

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. 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 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.

2.1.2 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

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 party's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's 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 beginning of the previous reporting period 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 they are incurred.

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

Apart from the business combination under common control which is 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 includes the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, the equity interests issued by the Group and 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-measurements 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 statement.

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 thereafter adjusted to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. 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 consolidated income statement, 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 in the consolidated income statement.

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 consolidated income statement.

2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. 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 consolidated 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 HK$, 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 consolidated income statement.

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.

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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. 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
– 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 (Note 2.10).

Gains and losses on retirement or disposals are determined by comparing proceeds with the carrying amount and are recognised in the consolidated income statement on the date of retirement or disposal.

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 are 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 allocate the cost of investment properties over their estimated useful lives of 30 to 40 years.

2.9 Goodwill

Goodwill arises on the acquisition of subsidiaries and 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, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 operation are presented separately in the consolidated income statement.

2.12 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics.

(ii) Recognition and derecognition

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

(iii) Measurement

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual 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 the consolidated income statement 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. Any gain or loss arising on derecognition is recognised directly in profit or loss.

(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' contractual 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.

(c) Fair value through profit or loss ("**FVPL**"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss.

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 the Group currently has a legally enforceable right to offset the recognised amounts, and 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 the occurrence of future events and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all of the counterparties.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the hedging instruments to hedge particular risks associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedge forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

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 and forecast general economic conditions at the reporting date.

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 recognises 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.

(ii) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, etc, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) 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)

(iii) 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.

(iv) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Inventories

Inventories include spare parts, which are initially measured at cost. Inventories are carried 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 the estimated costs necessary to make the sale.

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.

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12m ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2.15 applies.

As the group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

2.18 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. 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 impairment policies is set out in Note 2.15.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Cash and cash equivalents are assessed for expected credit loss in accordance with the policy set out in Note 2.15.

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 the consolidated income statement 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 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.

(a) Current income tax

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

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

(i) Short-term obligations

Liabilities for wages and salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Employee benefits (Continued)

(ii) Post-employment obligations

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 Administrative Region of the People's Republic of China ("**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 statement 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 subsidiary which operate in Mainland China are required to participate in a central retirement benefit scheme operated by the local municipal or provincial government. The subsidiary in the People's Republic of China (the "**PRC**") is 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.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2.25 Provisions and contingent liabilities

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 can be 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 management's best estimates of the expenditures expected to be required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is 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 finance cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Provisions and contingent liabilities (Continued)

Where is it not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

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 business. If contracts involve the multiple performance obligations, 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. Further details of the Group's revenue recognition policies are as follows:

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)

2.27 Interest income

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. Leased assets may not be used as security for borrowing purposes. Prepaid land lease payments represent the consideration paid to lease the state-owned land in the PRC and land in Indonesia. Lease terms are typically for 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, initially measured using the index or rate as at the commencement date;
- 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.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Leases (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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 an expense in the consolidated income statement.

Lease income from operating leases where the Group is a lessor is recognised in consolidated income statement on a straight-line basis over the lease term (Note 19(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

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 in the consolidated financial statements 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 consolidated 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 bank deposits, other receivables and accruals and other payables denominated in Renminbi ("**RMB**") and US dollars ("**USD**"), respectively.

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

	2021 **HK$'000**	2020 HK$'000
RMB	**28,108**	78,918
USD	**15,983**	5,869

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Interest rate risk

The Group's interest rate risk primarily arises from interest-bearing assets, majority of which are short-term deposits at bank and loans to joint ventures and an associate.

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's interest-bearing assets at the end of the reporting period:

	2021 HK$'000	2020 HK$'000
Variable-rate bearing assets		
Loans to a joint venture and an associate	**763,483**	794,956
Bank deposits	**830,049**	50,250
	1,593,532	845,206
Fixed-rate bearing assets		
Loan to a joint venture	**278,157**	276,512
Total exposure	**1,871,689**	1,121,718

Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately HK$14,676,000 (2020: HK$7,140,000).

(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, receivables from customers, loans to joint ventures and an associate and financial guarantee contract issued.

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 sound external credit rating of "investment grade" as per globally understood definitions, which the Group considers to represent low credit risk.

Trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. To measure ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. As the Group's historical credit loss experience indicates significantly different loss patterns for different customer bases, the loss allowance based on past due status is distinguished between the Group's different customer bases, which are separated into related parties and third parties. Taking into account the financial position, past experience, other factors of the related parties, such as external credit ratings, as well as forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, the management considered that the credit risk associated with trade receivables from related parties is low, and the expected credit loss allowances are immaterial.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

As at 31 December 2021, no single customer accounted for greater than 10% of total accounts receivable, except the amounts due from Sinopec Corp., an intermediate holding company, and other 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.

Loans to joint ventures and an associate

The maximum exposure to credit risk in respect of the loans to joint ventures and an associate at the end of the reporting period and the key terms of the loans are disclosed in Note 13 and 14 respectively. The Group considers the credit risk associated with the loans to joint ventures and an associate is low, taking into account the financial position, historical loss experience with these joint ventures and associate, as well as other forward-looking information on macroeconomic factors affecting the settlement ability.

Financial guarantee contract

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 was approximately HK$233 million. No financial guarantee was provided by the Group as at 31 December 2021.

The carrying amounts of cash and cash equivalents, trade and other receivables and loans to joint ventures and an associate, 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 2021, the Group has standby credit facilities with Sinopec Century Bright Capital Investment Ltd., amounting to US$500 million, equivalent to approximately HK$3,887 million (2020: US$500 million, equivalent to approximately HK$3,876 million) on an unsecured basis, at a weighted average interest rate of 0.84% per annum (2020: 1.91%).

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 HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying values HK$'000
At 31 December 2021						
Trade and other payables	**213,105**	**–**	**–**	**–**	**213,105**	**213,105**
Lease liabilities	**7,745**	**7,494**	**5,950**	**3,969**	**25,158**	**22,812**
At 31 December 2020						
Trade and other payables	994,899	–	–	–	994,899	994,899
Lease liabilities	7,188	7,688	11,291	5,782	31,949	28,420
Maximum amount guaranteed in respect of a bank loan of a joint venture	233,000	–	–	–	233,000	–

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.

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 2021 and 31 December 2020.

	2021	2020
Current ratio	**24.34**	4.74

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 ("PT. West Point")

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. 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 the higher of an asset's fair value less costs of disposal and value in use.

In 2012, the Group acquired 95% equity interest in PT. West Point for potential development and construction of oil storage and terminal facilities in Batam Island, Indonesia (the "**Batam Project**"). Due to certain disputes between the shareholders on the Batam Project, the minority shareholder filed two arbitration requests against the Group in 2016 to the International Court of Arbitration of the International Chamber of Commerce (the "**ICC Court**"). In 2019, the Group received two arbitral awards from the ICC Court in the Group's favour with respect to the aforesaid arbitration requests. To secure its right to enforce the arbitral awards in Indonesia, the Group has completed the necessary procedures with District Court of Central Jakarta in 2020. The Group currently plans to compile an updated feasibility study report of the Batam Project so as to provide a basis for the future decision of the project.

In view that the construction of the project has not been commenced up to the date of this reports, the Group has performed impairment assessment on the property, plant and equipment and prepaid land lease payments of PT. West Point together as one CGU, amounted to a total of approximately HK$643 million, based on value-in-use calculation. The value-in-use calculation was based on the key assumptions, including (i) the project to commence operation in second half of 2024, (ii) forecast revenue, revenue growth rate, forecast operating expenses and utilisation rate based on management's expectation, (iii) pre-tax discount rate of 15.5% 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 headroom by HK$68 million.
- A 50 basis points increase in the discount rate would decrease the headroom by HK$236 million.
- A delay in project commencement by 1 year would decrease the headroom by HK$124 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. In view that the financial performance of Vesta Terminals B.V. ("**Vesta**"), a joint venture, is worsened, the Group performed an impairment assessment on the interest in Vesta, which is identified as a single cash-generating unit. The recoverable amount, which is the value in use estimated using discounted cash flow forecast, is HK$1,157 million (EUR130 million). 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 9% per annum which is based on estimated cost of capital reflecting the current market assessment of the time value of money.

The valuation is highly sensitive to certain key assumptions, in particular, revenue and discount rate. The valuation will result in a further impairment loss following the changes of certain key assumptions such as:

- A 1% decrease in revenue would reduce the recoverable amount by HK$55 million.

- A 10 basis points increase in the discount rate would reduce the recoverable amount by HK$23 million.

Based on the impairment assessment, the recoverable amount of the investment in Vesta is lower than its carrying amount as at 31 December 2021. Accordingly, the Group recognised an impairment loss on interest in Vesta amounting to HK$156,551,000. Due to the recent deterioration in the geopolitical situation caused by conflict of Russia-Ukraine that began in February 2022, Vesta's storage business in Europe could be affected. The Group will pay close attention to the future development and assess the potential impact on the Vesta, in particular its value in use. Up to the date of issue of these financial statements, the assessment is still in progress and the related impact could not be reasonably estimated at this stage.

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 ("**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 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.

5 SEGMENT REPORTING (CONTINUED)

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 24 to the financial statements.

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 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:

5 SEGMENT REPORTING (CONTINUED)

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

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.

For the year ended 31 December 2021

	Crude oil jetty and storage services HK$'000	Vessel chartering and logistics services HK$'000	Total HK$'000
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	**(156,551)**	**–**	**(156,551)**

5 SEGMENT REPORTING (CONTINUED)

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

(i) As at and for the year ended 31 December 2021: (Continued)

As at 31 December 2021

	Crude oil jetty and storage services HK$'000	Vessel chartering and logistics services HK$'000	Total HK$'000
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
	9,246,652	779,229	10,025,881
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
			5,820,647
Total assets			15,846,528
Segment liabilities	176,461	–	176,461
Unallocated liabilities			
– Other payables			82,838
– Lease liabilities			10,786
– Deferred income tax liabilities			177,270
			270,894
Total liabilities			447,355

5 SEGMENT REPORTING (CONTINUED)

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

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

For the 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	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)

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

For the 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			
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	189,372	–	189,372
Discontinued operation			
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			33,757

5 SEGMENT REPORTING (CONTINUED)

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

(ii) 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
– 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			
– 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)

(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 HK$'000	2020 HK$'000
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
Total non-current assets	**10,023,164**	10,818,220

Total assets

	2021 HK$'000	2020 HK$'000
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
Total assets	**15,846,528**	16,014,540

(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.

6 REVENUE FROM CONTINUING OPERATIONS

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

	2021 HK$'000	2020 HK$'000
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.

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

	2021 HK$'000	2020 HK$'000
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

8 EXPENSES BY NATURE FROM CONTINUING OPERATIONS

	2021 HK$'000	2020 HK$'000
Depreciation		
– property, plant and equipment (Note 18)	**139,087**	121,549
– investment properties (Note 19)	**1,238**	1,298
– right-of-use assets (Note 17)	**24,128**	24,028
Employee benefit expenses, including directors' remuneration (Note 9)	**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

9 EMPLOYEE BENEFIT EXPENSES FROM CONTINUING OPERATIONS

	2021	2020
	HK$'000	HK$'000
Wages, salaries and other benefits (Note)	**127,280**	125,720
Retirement benefit scheme contributions	**12,887**	5,984
	140,167	131,704

Note: In 2020, the relevant employee costs relating to natural gas pipeline operations were charged by the intermediate holding company in form of subcontracting charges, details of which are set out in Note 31(a) outsourcing fees to the intermediate holding company from discontinued operation.

The Group operates a 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.

There are no forfeited contributions for the MPF Scheme as the contributions are fully vested to the employees upon payments to the MPF Scheme.

There are no fortified contributions for the PRC retirement schemes as the contributions are fully vested to the employees upon payments to the PRC retirement schemes.

As at 31 December 2021, 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 FROM CONTINUING OPERATIONS (CONTINUED)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 and 2020 are as follows:

	Number of individuals	
	2021	2020
Directors	**2**	1
Non-director individuals	**3**	4
	5	5

Details of emoluments to non-director individuals:

	2021	2020
	HK$'000	HK$'000
Salaries and other benefits-in-kind	**4,382**	13,013
Bonuses	**3,199**	4,202
Retirement scheme contributions	**–**	–
	7,581	17,215

	Number of individuals	
	2021	2020
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 INCOME FROM CONTINUING OPERATIONS

	2021 HK$'000	2020 HK$'000
Finance income:		
– Deposits at banks and related financial institutions	**21,952**	9,990
	21,952	9,990

11 FINANCE COSTS FROM CONTINUING OPERATIONS

	Note	2021 HK$'000	2020 HK$'000
Finance costs:			
– from borrowings		**–**	(4,585)
– from lease liabilities	17	**(1,147)**	(757)
		(1,147)	(5,342)

12 SUBSIDIARIES

The following is a list of subsidiaries as at 31 December 2021 and 2020:

	Place of incorporation/ establishment and type of legal entity	Principal country of operation	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 2021**	% held by the Group in 2020	**% held by non-controlling interests in 2021**	% held by non-controlling interests in 2020
Directly held								
Sinomart KTS Development Ltd. ("**Sinomart Development**") (經貿冠德發展有限公司)	Hong Kong/Limited liability company	Hong Kong	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 Ltd. ("**KII**") (冠德國際投資有限公司)	British Virgin Islands/ Limited liability company	Hong Kong	Investment holding	3,000,000 ordinary shares of US$1 each	**100%**	100%	**–**	–
Indirectly held								
Huade Petrochemical Co., Ltd. ("**Huade Petrochemical**") (Note (a)) (惠州市大亞灣華德石化有限公司)	The PRC/Limited liability company	The PRC	Operating crude oil jetty and ancillary facilities	Registered capital US$93,758,200	**100%**	100%	**–**	–
PT. West Point	Jakarta, Indonesia/ Limited liability company	Batam, Indonesia	Provision of oil supporting services	100,000,000 shares of US$1 each	**95%**	95%	**5%**	5%

12 SUBSIDIARIES (CONTINUED)

Notes:

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

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

There 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.

13 INTERESTS IN ASSOCIATES

	2021 **HK$'000**	2020 HK$'000
Cost of unlisted investments	**419,030**	419,030
Share of:		
– Post-acquisition results	**1,389,598**	1,207,664
– Other comprehensive income	**(14,719)**	(39,494)
Dividend received	**(684,982)**	(594,117)
Share of net assets	**1,108,927**	993,083
Loan to an associate	**42,584**	48,312
	1,151,511	1,041,395

Loan to an associate is unsecured and interest bearing at floating rate 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 effective interest rate for the loan is 6.7% (2020: 6.6%).

13 INTERESTS IN ASSOCIATES (CONTINUED)

The following list contains only the particulars of the Group's 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 2021**	 % held by the Group in 2020
Indirectly held						
Zhan Jiang Port Petrochemical Jetty Co., Ltd ("**Zhan Jiang Port Petrochemical Terminal**") (湛江港石化碼頭有限責任公司)	(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 assessed that even though Sinomart Development owns 50% of the issued capital of this entity, it only has significant influence but not joint control over the entity.

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

13 INTERESTS IN ASSOCIATES (CONTINUED)

Summarised Statement of Financial Position

	Zhan Jiang Port Petrochemical Terminal	
	2021	2020
	HK$'000	HK$'000
Current		
Cash and cash equivalents	**360,706**	206,169
Other current assets	**18,629**	21,727
Total current assets	**379,335**	227,896
Financial liabilities (excluding trade payables)	**(86,473)**	(62,797)
Other current liabilities	**(43,076)**	(46,922)
Total current liabilities	**(129,549)**	(109,719)
Non-current		
Assets	**1,950,793**	1,931,260
Financial liabilities	**(14,463)**	(95,085)
Total non-current assets	**1,936,330**	1,836,175
Net assets	**2,186,116**	1,954,352

Summarised Income Statement and Statement of Comprehensive Income

	Zhan Jiang Port Petrochemical Terminal	
	2021	2020
	HK$'000	HK$'000
Revenue	**705,449**	668,056
Depreciation and amortisation	**(63,557)**	(55,755)
Interest income	**3,178**	2,457
Interest expense	**(382)**	(495)
Other expenses	**(228,526)**	(214,339)
Profit before income tax	**416,162**	399,924
Income tax expense	**(63,248)**	(60,053)
Profit after tax	**352,914**	339,871
Other comprehensive income	**60,583**	109,787
Total comprehensive income	**413,497**	449,658
Dividends received from the associate	**90,865**	135,886

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

13 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	
	2021	2020
	HK$'000	HK$'000
Net assets	**2,186,116**	1,954,352
Interest in an associate (%)	**50%**	50%
Group's share of net assets in an associate	**1,093,058**	977,176
Goodwill	**123**	123
Carrying value	**1,093,181**	977,299

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.

	2021	2020
	HK$'000	HK$'000
Share of profit	**5,477**	–
Share of other comprehensive income	**(5,516)**	(74)
Share of total comprehensive income	**(39)**	(74)
Carrying amount of interest in the associate	**15,746**	15,784

14 INTERESTS IN JOINT VENTURES

	2021	2020
	HK$'000	HK$'000
Cost of unlisted investments	**4,468,763**	4,468,763
Less: impairment allowance on interest in a joint venture	**(156,551)**	–
Share of:		
– Post-acquisition results	**6,408,986**	5,507,425
– Other comprehensive income	**(415,638)**	(457,525)
Dividend received	**(4,551,461)**	(2,982,993)
Share of net assets	**5,754,099**	6,535,670
Loans to joint ventures	**999,056**	1,023,156
	6,753,155	7,558,826

14 INTERESTS IN JOINT VENTURES (CONTINUED)

Certain loans to joint ventures are unsecured and interest bearing at both fixed and floating rate and are wholly repayable within 20 years after the vessels construction project in the joint ventures is completed. The effective interest rate for the loans is 5.4% (2020: 5.3%).

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 2021**	 % held by the Group in 2020
Ningbo Shihua Crude Oil Terminal Co., Ltd. (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 Co., Ltd. ("**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 Co., Ltd. (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 Co., Ltd. ("**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 Co., Ltd. ("**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 Co., Ltd. (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	(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%

14 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 the Group does 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.

To support the project financing of FOT, the Group provided a guarantee of US$30 million, equivalent to approximately HK$233 million for certain bank loans of FOT as at 31 December 2020. During the year ended 31 December 2021, the bank loans were renewed and no guarantee is required under the new agreements. As at 31 December 2021 and 2020, the Group pledged its 50% equity interest for the bank loans of FOT.

(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 net assets of the investment and goodwill of 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.

14 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	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current						
Cash and cash equivalents	**210,239**	176,576	**1,650,413**	1,464,601	**174,284**	72,122
Other current assets	**10,327**	15,558	**107,943**	86,429	**181,185**	304,469
Total current assets	**220,566**	192,134	**1,758,356**	1,551,030	**355,469**	376,591
Financial liabilities (excluding trade payables)	**(1,343)**	(1,452)	**(986,295)**	(39,409)	**(15,002)**	(49,425)
Other current liabilities	**(104,526)**	(75,566)	**(294,173)**	(200,613)	**(119,905)**	(38,196)
Total current liabilities	**(105,869)**	(77,018)	**(1,280,468)**	(240,022)	**(134,907)**	(87,621)
Non-current						
Assets	**1,907,239**	2,198,029	**2,895,545**	2,936,940	**2,865,660**	2,857,642
Financial liabilities	**(347,048)**	(311,965)	**(7,339)**	–	**–**	–
Other liabilities	**(35,534)**	(45,630)	**–**	–	**–**	–
Total non-current net assets	**1,524,657**	1,840,434	**2,888,206**	2,936,940	**2,865,660**	2,857,642
Net assets	**1,639,354**	1,955,550	**3,366,094**	4,247,948	**3,086,222**	3,146,612

14 INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised Income Statement and Statement of Comprehensive Income

	Vesta		Qingdao Shihua		Rizhao Shihua	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**464,721**	431,059	**1,920,060**	1,764,564	**607,942**	594,067
Depreciation and amortization	**(165,361)**	(135,370)	**(160,507)**	(148,335)	**(69,591)**	(71,079)
Impairment	**(109,005)**	–	**–**	–	**–**	–
Interest income	**448**	–	**21,736**	9,863	**5,090**	3,566
Interest expense	**(7,519)**	(18,298)	**–**	–	**–**	–
Other expenses	**(218,965)**	(214,546)	**(639,351)**	(605,653)	**(96,514)**	(78,999)
(Loss)/profit before income tax	**(35,681)**	62,845	**1,141,938**	1,020,439	**446,927**	447,555
Income tax expense	**(51,487)**	(19,196)	**(292,092)**	(259,162)	**(92,675)**	(73,891)
(Loss)/profit after tax	**(87,168)**	43,649	**849,846**	761,277	**354,252**	373,664
Other comprehensive income	**(220,218)**	248,210	**140,684**	255,642	**98,854**	181,281
Total comprehensive income	**(307,386)**	291,859	**990,530**	1,016,919	**453,106**	554,945

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	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Opening net assets	**1,955,550**	1,677,262	**4,247,948**	3,231,029	**3,146,612**	2,874,311
(Loss)/profit for the year	**(87,168)**	43,649	**849,846**	761,277	**354,252**	373,664
Other comprehensive income	**(220,218)**	248,210	**140,684**	255,642	**98,854**	181,281
Dividend declared	**(8,810)**	(13,571)	**(1,872,384)**	–	**(513,496)**	(282,644)
Closing net assets	**1,639,354**	1,955,550	**3,366,094**	4,247,948	**3,086,222**	3,146,612
Interests in joint ventures (%)	**50%**	50%	**50%**	50%	**50%**	50%
Group's share of net assets in joint ventures	**819,677**	977,775	**1,683,047**	2,123,974	**1,543,111**	1,573,306
Goodwill	**493,400**	493,400	**7,609**	7,609	**4,237**	4,237
Less: impairment allowance on interest in a joint venture	**(156,551)**	–	**–**	–	**–**	–
Carrying value	**1,156,526**	1,471,175	**1,690,656**	2,131,583	**1,547,348**	1,577,543

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.

14 INTERESTS IN JOINT VENTURES (CONTINUED)

Reconciliation of summarised financial information (Continued)

	2021 HK$'000	2020 HK$'000
Share of profit	**343,096**	297,443
Share of other comprehensive income	**32,227**	32,510
Share of total comprehensive income	**375,323**	329,953
Carrying amount of interests in these joint ventures	**1,359,569**	1,355,369

Commitments and contingent liabilities in respect of joint ventures

The Group has the following commitments relating to its joint ventures as at 31 December 2021 and 2020:

	2021 HK$'000	2020 HK$'000
Share of joint ventures' capital commitments		
– Contracted for	**116,738**	8,104

There were no contingent liabilities relating to the Group's interests in the joint ventures as at 31 December 2021.

15 INCOME TAX EXPENSES

	Note	2021 HK$'000	2020 HK$'000
Continuing operations			
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), 29	**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%).

15 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:

	2021 **HK$'000**	2020 HK$'000
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)
	73,448	330,550
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
Income tax expenses	**107,259**	120,656

16 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
Number of shares		
Weighted average number of ordinary shares in issue (in thousand)	**2,486,160**	2,486,160
Basic earnings per share (HK cents per share)		
– Continuing operations	**42.25**	50.97
– Discontinued operation	**–**	41.62
	42.25	92.59

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in the current and prior years.

17 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 2021 HK$'000	As at 31 December 2020 HK$'000
Right-of-use assets		
Properties	**21,363**	27,683
Prepaid land lease payments	**569,622**	583,233
Total right-of-use assets	**590,985**	610,916

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Lease liabilities		
Current	**6,869**	6,477
Non-current	**15,943**	21,943
	22,812	28,420

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

	Notes	**2021 HK$'000**	2020 HK$'000
Depreciation of right-of-use assets by class of underlying assets			
Properties		**6,765**	6,971
Prepaid land lease payments		**17,363**	17,057
	8	**24,128**	24,028
Finance costs	11	**1,147**	757

The total cash outflow for leases in 2021 was HK$9,244,000 (2020: HK$9,317,000).

18 PROPERTY, PLANT AND EQUIPMENT

	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

	Buildings held for own use and leasehold improvements HK$'000	**Jetty structures HK$'000**	**Jetty facilities 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 2021								
Opening net book amount	**21,532**	**539,274**	**589,235**	**2,894**	**36,154**	**5,620**	**375,599**	**1,570,308**
Currency translation differences	**721**	**16,480**	**16,763**	**1,091**	**(4)**	**65**	**7,494**	**42,610**
Additions	**–**	**–**	**–**	**–**	**–**	**–**	**42,232**	**42,232**
Disposals	**–**	**(514)**	**(45)**	**(97)**	**(146)**	**(24)**	**(7,146)**	**(7,972)**
Transfers	**–**	**118,925**	**3,671**	**12,033**	**4,793**	**–**	**(139,422)**	**–**
Depreciation charge	**(1,805)**	**(71,013)**	**(54,390)**	**(4,403)**	**(3,656)**	**(3,820)**	**–**	**(139,087)**
Closing net book amount	**20,448**	**603,152**	**555,234**	**11,518**	**37,141**	**1,841**	**278,757**	**1,508,091**
At 31 December 2021								
Cost	**60,790**	**1,936,153**	**1,725,085**	**174,364**	**194,304**	**121,097**	**278,757**	**4,490,550**
Accumulated depreciation	**(40,342)**	**(1,333,001)**	**(1,169,851)**	**(162,846)**	**(157,163)**	**(119,256)**	**–**	**(2,982,459)**
Net book amount	**20,448**	**603,152**	**555,234**	**11,518**	**37,141**	**1,841**	**278,757**	**1,508,091**

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Jetty facilities leased out under operating leases

	HK$'000
Year ended 31 December 2020	
Opening net book amount	266,565
Currency translation differences	15,518
Depreciation charge	(29,193)
Closing net book amount	252,890
At 31 December 2020	
Cost	670,329
Accumulated depreciation	(417,439)
Net book amount	252,890
Year ended 31 December 2021	
Opening net book amount	252,890
Currency translation differences	7,015
Depreciation charge	(28,529)
Closing net book amount	231,376
At 31 December 2021	
Cost	690,006
Accumulated depreciation	(458,630)
Net book amount	231,376

The Group leases out certain jetty facilities under operating leases. The leases typically run for an initial period of two to three years, with an option to renew the lease after that date at which time all terms are renegotiated. The undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods are RMB61,019,000 per annum in the next year (2020: RMB61,019,000 per annum in the next two years). Where practicable, the Group obtains residual value guarantees from the lessee to reduce the residual asset risk.

19 INVESTMENT PROPERTIES

	2021	2020
	HK$'000	HK$'000
At 1 January	**19,813**	53,606
Disposal	**–**	(31,865)
Depreciation charge for the year	**(1,238)**	(2,501)
Currency translation difference	**–**	573
At 31 December	**18,575**	19,813

As at 31 December 2021, the Group had no contractual obligations for future repairs and maintenance (2020: Nil).

All investment properties of the Group are carried at their costs less accumulated depreciation and any accumulated impairment losses as at 31 December 2021. 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 2021 is estimated to be approximately HK$97,900,000 (2020: HK$95,300,000). 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 2021 and 2020. The following table analyses the investment properties measured at fair value, by valuation method.

Fair value hierarchy

	Fair value measurements As at 31 December 2021 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)	**–**	**–**	**97,900**

	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

19 INVESTMENT PROPERTIES (CONTINUED)

Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Investment properties:			
– Residential (HK and Macau)	Market comparison approach	Premium on quality and location of the buildings	0.2% to 10% (2020: 0.2% to 10%)

The fair value of the residential properties is determined using market comparison approach by reference to recent sales price of comparable properties in close proximity on a price per square foot basis, adjusted for factors specific to the quality and location of the Group's properties. Higher premium for higher quality buildings will result in a higher fair value measurement.

There were no changes in valuation techniques during the year.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2021 HK$'000	2020 HK$'000
Investment properties – Residential (HK and Macau)		
At 1 January	**95,300**	99,100
Fair value adjustment	**2,600**	(3,800)
At 31 December	**97,900**	95,300

The Group leases out investment properties under operating leases. Leases typically run for one to two years. None of the leases includes contingent rentals. As at 31 December 2021, the total future minimum lease payments under non-cancellable operating leases are HK$245,000 and are receivable within one year (2020: HK$245,000 receivable within one year).

(a) Amounts recognised in income statement for investment properties

	2021 HK$'000	2020 HK$'000
Rental income	**1,713**	1,713
Direct operating expenses from property that generated rental income	**(204)**	(326)
	1,509	1,387

20 TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables		
– Related parties	**650,876**	634,503
– Others	**1,705**	2,517
	652,581	637,020
Other receivables		
– Consideration receivables from disposal of Yu Ji Pipeline Company	**–**	732,213
– Dividend receivables from a joint venture	**936,192**	–
– Others	**32,925**	41,649
	969,117	773,862
	1,621,698	1,410,882

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 HK$'000	2020 HK$'000
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
	652,581	637,020

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

	2021 HK$'000	2020 HK$'000
HK$	**3,750**	13,758
RMB	**1,605,716**	1,385,561
US$	**12,232**	11,563
	1,621,698	1,410,882

Further details on the Group's credit policy and credit risk arising from trade and other receivables are set out in Note 3.1(c).

21 INVENTORIES

	2021 HK$'000	2020 HK$'000
Spare parts	**4,125**	4,357
	4,125	4,357

22 CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash at bank and on hand	**891,032**	1,734,043
Deposits at bank	**2,859,400**	1,615,185
Deposits at related financial institutions at call	**447,109**	431,853
Cash and cash equivalents	**4,197,541**	3,781,081

Deposits at related financial institutions primarily represent deposit placed at Sinopec Century Bright Capital Investment Ltd. and Sinopec Finance Co., Ltd, financial institutions registered with the Hong Kong Monetary Authority and China Banking Regulatory Commission respectively.

22 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	2021 HK$'000	2020 HK$'000
RMB	**27,712**	1,935,339
HK$	**3,664,930**	1,642,338
US$	**498,278**	195,051
Euro	**4,888**	7,185
Others	**1,733**	1,168
	4,197,541	3,781,081

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

23 SHARE CAPITAL

	2021		2020	
	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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

24 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 HK$'000
Revenue	594,756
Cost of providing services	(315,633)
Gross profit	279,123
Other income and other gains, net	53,796
Administrative expenses	(68,771)
Operating profit	264,148
Finance income	981
Finance costs	(52,468)
Profit before income tax	212,661
Income tax expenses	(54,898)
Profit after income tax of discontinued operation	157,763
Gain on disposal of the discontinued operation, net of tax	877,039
Profit from discontinued operation	1,034,802
Net cash inflow from operating activities	555,776
Net cash outflow from investing activities	(16,688)
Net cash outflow from financing activities	(499,162)
Net increase in cash generated by the discontinued operation	39,926

24 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:

	2021 **HK$'000**	2020 HK$'000
Cash consideration received	**732,123**	3,166,792
Cash and cash balances disposed of	**–**	(137,894)
Total cash inflow from disposal	**732,123**	3,028,898

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	(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.

24 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

25 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 in 2020, 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 represent the general reserve and enterprise development fund reserve applicable to subsidiaries which were established in accordance with the relevant 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.

In accordance with the articles of association of the PRC subsidiary, the board of directors can determine the percentage of appropriation each year to transfer a portion of its net profit to the enterprise development fund, which can be used for future development for 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 in the PRC.

26 DIVIDENDS

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

	2021 HK$'000	2020 HK$'000
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)	**298,339**	298,339
	497,232	497,232

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 HK$'000	2020 HK$'000
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)	**298,339**	298,339

27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Note	**2021 HK$'000**	2020 HK$'000
Profit before income tax from:			
Continuing operations		**1,156,943**	1,387,224
Discontinued operation		**–**	1,196,604
Profit before income tax including discontinued operation		**1,156,943**	2,583,828
Adjustments for:			
Depreciation			
– Property, plant and equipment	18	**139,087**	308,785
– Investment properties	19	**1,238**	2,501
– Right-of-use assets	17	**24,128**	25,411
Amortisation of deferred government grant	7	**(1,308)**	(1,316)
Finance costs		**1,147**	57,810
Interest income		**(81,236)**	(72,074)
Net loss/(gain) on disposal of property, plant and equipment		**803**	(53,125)
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	24	**–**	(877,039)
Impairment loss on interest in a joint venture		**156,551**	–
Share of results of joint ventures	14	**(901,561)**	(886,738)
Share of results of associates	13	**(181,934)**	(169,936)
Proceeds from disposal of inventory		**–**	925
Changes in working capital:			
Decrease in inventories		**532**	1,407
Decrease/(increase) in trade and other receivables		**28,775**	(85,996)
Decrease in trade and other payables		**(5,871)**	(46,087)
Cash generated from operations		**337,294**	788,074

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

	2021 HK$'000	2020 HK$'000
Net book amount	**7,972**	106,878
(Loss)/gain on disposal of property, plant and equipment	**(803)**	53,125
Proceeds from disposal of property, plant and equipment	**7,169**	160,003

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

(b) Reconciliation of liabilities arising from financing activities

	Trade and other payables HK$'000	Dividend payable HK$'000	Lease liabilities HK$'000	Total HK$'000
Balance at 1 January 2021	779,782	25	28,420	808,227
Repayment of lease liabilities	–	–	(7,216)	(7,216)
Dividend paid	–	(497,232)	–	(497,232)
Decrease in amount due to an immediate holding company	(779,782)	–	–	(779,782)
Total changes from financing cash flows	(779,782)	(497,232)	(7,216)	(1,284,230)
Non-cash changes				
Net exchange and translation difference	–	–	363	363
Finance cost charged to profit or loss	–	–	1,147	1,147
Dividend declared	–	497,232	–	497,232
Lease modification	–	–	98	98
Balance at 31 December 2021	–	25	22,812	22,837

	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 2020	479,895	2,518,494	2,525	25	18,632	3,019,571
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)
Increase in 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	779,782	–	–	25	28,420	808,227

28 TRADE AND OTHER PAYABLES

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

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 **HK$'000**	2020 HK$'000
Within 1 month	**27,642**	89,762
1 to 3 months	**160**	1,655
3 to 12 months	**836**	1,675
Over 12 months	**88,325**	1,583
	116,963	94,675

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

	2021 **HK$'000**	2020 HK$'000
HK$	**20,145**	812,788
RMB	**137,888**	134,630
US$	**22,256**	10,973
Others	**32,816**	36,508
	213,105	994,899

29 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
At 1 January 2020	30,154	75,616	4,431	36,523	146,724
Reversal upon the disposal of discontinued operation	(9,791)	–	–	–	(9,791)
Charged to income statement (Note 15)	(671)	(11,889)	23,370	6,637	17,447
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
At 1 January 2021	**20,923**	**68,373**	**29,164**	**45,889**	**164,349**
Charged to income statement (Note 15)	**(7,016)**	**9,536**	**4,345**	**1,122**	**7,987**
Exchange differences	**553**	**2,116**	**902**	**1,363**	**4,934**
At 31 December 2021	**14,460**	**80,025**	**34,411**	**48,374**	**177,270**

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 a subsidiary of HK$505,795,000 (2020: HK$502,341,000), as the directors consider it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

30 COMMITMENTS

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

	2021 **HK$'000**	2020 HK$'000
Contracted for but not provided for	**80,899**	113,791

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with intermediate holding company and other 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:

	2021 HK$'000	2020 HK$'000
Continuing operations		
Sinomart Development		
Fees for oil terminals entrusted management to a related party	–	(8,202)
Interest expenses to a related party	–	(3,930)
Interest income from a related party	449	324
KII		
Interest income from a related party	10	18
Huade Petrochemical		
Jetty service fees from an intermediate holding company (Note (i)(a))	533,258	507,079
Fuel oil jetty service fees from a fellow subsidiary (Note (i)(b))	56,759	54,552
Insurance premium paid to a fellow subsidiary (Note (i)(c))	(1,150)	(4,651)
Interest income from a fellow subsidiary	538	412
Oil products purchased from a related party (Note (i)(d))	(5,093)	(3,465)
Joint ventures and an associate		
Interest income from:		
– Joint ventures (Note 7)	56,217	57,800
– An associate (Note 7)	3,066	3,303
Management fees income from a joint venture (Note 7)	3,631	3,418

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2021 HK$'000	2020 HK$'000
Discontinued operation		
Yu Ji Pipeline Company		
Natural gas transmission income from intermediate holding company and other related parties (Note (ii)(a))	–	582,414
Outsourcing fees to intermediate holding company (Note (ii)(b))	–	(25,328)
Rental income from leasing of land and building to intermediate holding company	–	2,904
Interest income from a related party	–	977
Technical service fees to related parties (Note (ii)(c))	–	(37,044)
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 20, 22 and 28 to the financial statements.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and on normal commercial terms or in accordance with the agreements governing such transactions, and this has been confirmed by the independent non-executive directors.

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 at rates that are set and revised by the ultimate holding company from time to time under the framework of the relevant provisions of a document jointly issued by the ultimate holding company and the Ministry of Finance in the PRC in 1998.

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

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

Notes: (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:

	2021 **HK$'000**	2020 HK$'000
Compensations to key management personnel		
Directors' fees (Note 32(a))	**1,520**	1,520
Salaries, allowances and benefits-in-kind (Note 32(a))	**2,130**	3,113
Bonuses (Note 32(a))	**2,613**	1,267
Total	**6,263**	5,900

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

Apart from the aforementioned transactions with the Sinopec Group, associates and joint ventures, the Group also has transactions with other state-controlled entities. These transactions include but not limited to (i) jetty services fees; (ii) construction work; (iii) rendering and receiving services; and (iv) use of public utilities.

These transactions are conducted in the ordinary course of the Group's business.

32 BENEFITS ON INTERESTS OF DIRECTORS

(a) Directors' and chief executives emoluments

The remuneration of the directors for the years ended 31 December 2021 and 2020 are set out below:

2021

	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	–	–	–	–	–	–
Mo Zhenglin	–	–	–	–	–	–
Yang Yanfei	–	–	–	–	–	–
Zou Wenzhi	–	–	–	–	–	–
Ren Jiajun (Note (ii))	–	–	–	–	–	–
Wang Guotao (Note (ii))	–	–	–	–	–	–
Ye Zhijun (Note (ii))	–	–	1,310	613	–	1,923
Sang Jinghua (General Manager) (Note (ii))	–	964	1,303	553	–	2,820
Independent non-executive directors						
Tam Wai Chu, Maria	380	–	–	–	–	380
Fong Chung, Mark	380	–	–	–	–	380
Wong Yau Kar, David	380	–	–	–	–	380
Wong Pui Sze, Priscilla	380	–	–	–	–	380
	1,520	964	2,613	1,166	–	6,263

32 BENEFITS ON INTERESTS OF DIRECTORS (CONTINUED)

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

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) (Note (i))	–	–	–	–	–	–
Zhong Fuliang (Note (i))	–	–	–	–	–	–
Mo Zhenglin (Note (i))	–	–	–	–	–	–
Yang Yanfei (Note (i))	–	–	–	–	–	–
Zou Wenzhi	–	–	–	–	–	–
Wang Guotao (Note (ii))	–	–	–	–	–	–
Ye Zhijun (Managing Director) (Note (ii))	–	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, Priscilla	380	–	–	–	–	380
	1,520	975	1,267	2,138	–	5,900

Note:

(i) On 25 March 2020, Zhong Fuliang, Mo Zhenglin, Yang Yanfei and Zou Wenzhi were appointed as executive directors of the Board.

(ii) On 19 January 2021, Ye Zhijun resigned as executive director and managing director, and Wang Guotao resigned as executive director. On the same date, Sang Jinghua was appointed as executive director and general manager and Ren Jiajun was appointed as executive director.

(b) Directors' retirement benefits

No retirement benefits were paid to any director and the chief executive of the Company or its subsidiary undertaking during the year (2020: nil).

32 BENEFITS ON INTERESTS OF DIRECTORS (CONTINUED)

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

During the years ended 31 December 2021 and 2020, 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.

33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of Financial Position of the Company

	Note	As at 31 December	
		2021	2020
		HK$'000	HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**5,783,178**	6,299,712
Current assets			
Dividend receivables	(b)	**3,900,000**	3,900,000
Cash and cash equivalents		**39**	34
Total assets		**9,683,217**	10,199,746
Equity and liabilities			
Equity attributable to owners of the company			
Share capital		**248,616**	248,616
Reserves	(a)	**9,430,418**	9,946,973
Total equity		**9,679,034**	10,195,589
Liabilities			
Current liabilities			
Trade and other payables		**4,183**	4,157
Total liabilities		**4,183**	4,157
Total equity and liabilities		**9,683,217**	10,199,746

The statement of financial position of the Company was approved by the Board of Directors on 24 March 2022 and was signed on its behalf:

Chen Yaohuan	**Sang Jinghua**
Chairman	*Executive Director*

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

(a) Reserve movement of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 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
At 1 January 2021	**6,300,684**	**242,397**	**3,403,892**	**9,946,973**
Interim dividends declared in respect of the current year	**–**	**–**	**(198,893)**	**(198,893)**
Total comprehensive income for the year	**–**	**–**	**(19,323)**	**(19,323)**
Final dividends declared in respect of the current year	**–**	**–**	**(298,339)**	**(298,339)**
At 31 December 2021	**6,300,684**	**242,397**	**2,887,337**	**9,430,418**

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 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including the contributed surplus and retained earnings, was HK$3,129,734,000 (2020: HK$3,646,289,000). After the end of the reporting period, the directors proposed a final dividend of HK$12 cents (2020: HK$12 cents) per ordinary share, amounting to HK$298,339,000 (2020: 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

	2017 HK$'000 (Unrestated) (Note b)	2018 HK$'000 (Unrestated) (Note b)	2019 HK$'000 (Restated) (Note a)	2020 HK$'000	**2021** **HK$'000**
Results					
Continuing operations					
Revenue	1,729,239	1,655,633	595,577	601,239	**636,517**
Operating profit	747,638	660,371	182,572	325,902	**52,643**
Finance income	3,833	3,168	367	9,990	**21,952**
Finance costs	(166,279)	(152,020)	(31,397)	(5,342)	**(1,147)**
Share of results of associates	143,331	151,289	185,402	169,936	**181,934**
Share of results of joint ventures	699,178	825,594	891,211	886,738	**901,561**
Profit before income tax	1,427,701	1,488,402	1,228,155	1,387,224	**1,156,943**
Income tax expense	(221,045)	(226,994)	(142,913)	(120,656)	**(107,259)**
Discontinued operation					
Profit for the year from discontinued operation	–	–	199,162	1,034,802	**–**
Net profit for the year	1,206,656	1,261,408	1,284,404	2,301,370	**1,049,684**
Assets and liabilities (As at 31 December)					
Fixed assets	7,700,893	6,946,832	6,494,675	2,217,999	**2,118,498**
Interests in associates	838,256	866,711	954,994	1,041,395	**1,151,511**
Interests in joint ventures	7,118,721	6,902,973	6,813,973	7,558,826	**6,753,155**
Net current (liabilities)/assets	(1,381,029)	(2,867,297)	(1,871,948)	4,098,937	**5,584,131**
Deferred income tax liabilities	(109,993)	(130,299)	(146,724)	(164,349)	**(177,270)**
Non-current borrowings	(2,775,452)	–	–	–	**–**
Government grants	(21,491)	(20,136)	(18,399)	(15,774)	**(14,909)**
Non-current lease liabilities	–	–	(11,709)	(21,943)	**(15,943)**
Net assets	11,369,905	11,698,784	12,214,862	14,715,091	**15,399,173**
Equity (As at 31 December)					
Share capital	248,616	248,616	248,616	248,616	**248,616**
Reserves	11,084,169	11,413,711	11,930,496	14,431,453	**15,116,247**
Non-controlling interests	37,120	36,457	35,750	35,022	**34,310**
Total equity	11,369,905	11,698,784	12,214,862	14,715,091	**15,399,173**
Basic earnings per share for profit attributable to equity holders of the Company	HK48.59 cents	HK50.76 cents	HK51.69 cents	HK92.59 cents	**HK42.25 cents**

Notes:

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report is prepared in compliance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 to the Listing Rules of Hong Kong Stock Exchange. The principles of preparation of this report are in compliance with the requirements of the ESG Reporting Guide.

Materiality: The Group has conducted a materiality questionnaire survey with its stakeholders, and identified material environmental, social and governance issues based on the results to facilitate the establishment of focus of this report. Please refer to the section headed "Materiality Analysis" in this report for details.

Quantitative: The Group regularly collects key performance indicators related to environmental, social and governance issues and follows up on the Group's performance in relevant aspects. Where applicable, the Group compares data for each year and discusses relevant trends and impacts.

Consistency: Unless otherwise indicated, this report presents a fair comparison of the Group's historical performance by adopting a methodology consistent with its previous reports.

Balance: We undertake that the material information disclosed in this report is true, objective, without exaggeration and factual, and objectively and fairly reflects its performance.

Reporting Period

This report covers the year ended 31 December 2021, which is in line with the Company's 2021 Annual Report.

Reporting Scope

This report covers Sinopec Kantons Holdings Limited (the "**Company**" or "**Sinopec Kantons**") and its subsidiaries (collectively, the "**Group**" or "**We**"), namely the Group's Hong Kong headquarter (the "**Hong Kong Office**") and Huizhou Daya Bay Huade Petrochemical Company Ltd. ("**Huade Petrochemical**"), a wholly-owned subsidiary of the Company. Besides, given PT. West Point Terminal ("**PT. West Point**"), a subsidiary of the Company in Indonesia, has not yet commenced construction and commercial operations during the reporting period, and Sinopec Yu Ji Pipeline Company Limited ("**Yu Ji Pipeline Company**") ceased to be a subsidiary of the Company upon the completion of disposal of Yu Ji Pipeline Company on 30 September 2020, PT. West Point and Yu Ji Pipeline Company are not included in this report. For year-on-year comparison purpose, the statistical data of Yu Ji Pipeline Company for the nine months ended 30 September 2020 is also excluded from the comparative figures for the previous year in this report. Associates and joint ventures of the Company are also outside the scope of this report.

Feedback

Your valuable opinions on the content of this report and other matters related to the sustainable development of the Company are most welcomed. Please contact us via, among others, email at ir@sinopec.com.hk.

Philosophy of Sustainable Development

In 2021, the Group continued to focus on its logistics and storage business of oil products and liquefied natural gas, with an aim to become a world-class international petrochemical storage and logistics company to ensure the smooth supply of energy and petrochemical products to customers. In this regard, we adhere to the corporate mission of "Satisfying customers, benefiting employees, bringing returns for shareholders, and contributing to the society", thereby creating value for various stakeholders to grow together with the Group. During the year, the Group continued to develop various businesses based on our five strategies for sustainable development.

Statement of the Board

The Board is solely responsible for the Group's environmental, social and governance strategy and reporting. This report has been reviewed and approved by the Board.

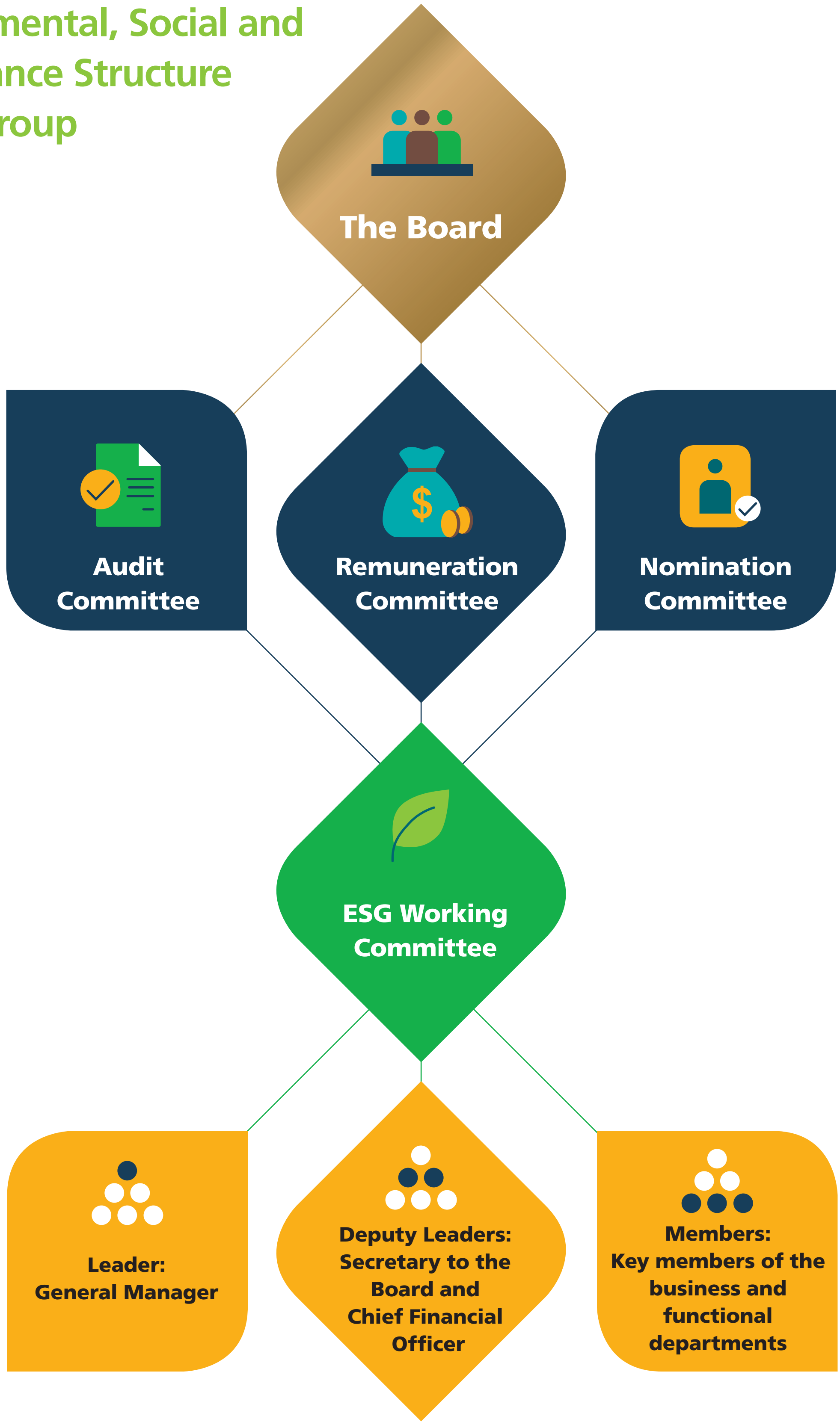
Management of Environmental, Social and Governance Matters

The Group has been committed to expanding its operating scale and striving to become a world-class international petrochemical storage and logistics company as early as possible. In 2020, the Group established the Environmental, Social and Governance Working Committee (the "**ESG Working Committee**") to strengthen its corporate management in terms of sustainable development. According to the development plan for the next five years, as we expect that the operating scale of the Group will be further expanded by 2025, we strive to achieve our environmental protection goals in respect of gas emission, water saving, energy saving and waste reduction by adopting various energy saving and emission reduction measures. In 2021, the ESG Working Committee continued to assist the Board in formulating, implementing and evaluating the vision, objectives, strategies and structures in respect of environmental, social and governance matters based on the Group's actual circumstances and supervise their implementation; facilitated communication with key stakeholders; identified risk factors related to environmental, social and governance matters; and took appropriate countermeasures, and reported the implementation to the Board in a regular manner. Where necessary, the Board reviewed and advised on the Group's environmental, social and governance policies and strategies, assessed and regularly reviewed relevant goals and evaluated the progress of achieving such goals based on the situation.

In addition to enabling the Directors to understand the supervision of strategies of environmental, social and governance work and progress of the implementation of relevant goals of the Group, we have also actively encouraged members of the Board to participate in person in the community public welfare activities organized by the Group to better understand the Group's environmental, social and governance work in practice.

On 16 October 2021, Sinopec Kantons took the lead in organizing a public welfare activity for cleaning the beach. A total of more than 50 volunteers participated in the activity. Volunteers from the Company picked up nearly 20 bags of rubbish, including but not limited to plastic, styrofoam and household wastes, at Sandy Bay in Hong Kong. Two independent non-executive Directors of the Company in Hong Kong were invited to participate in the activity and were highly appreciated by residents in the area.

Environmental, Social and Governance Structure of the Group



Communication with Key Stakeholders

The Group is committed to maintaining communication with stakeholders through different channels to understand their views or suggestions on the sustainable development of the Group. The key stakeholders of the Group include the local governments and regulatory bodies, investors, employees, suppliers, customers and the community where we are located. After receiving feedback from stakeholders, we try our best to incorporate their opinions into the Group's long-term development plan to contribute to our future corporate development.

Key Stakeholders	Concerns	Major Means of Communication and Actions
Local governments and regulatory bodies	• Compliance and operation in accordance with the law • Responsibility for production safety • Economic contribution • Corporate governance standard	• Reporting to relevant authorities regularly • Arranging representatives from governmental authorities to conduct on-site inspection of production units or office premises • Participating in evaluation and selection activities held by governmental authorities
Employees	• Remuneration and benefits • Career development and training • Occupational health and safety	• Conducting appraisals and providing feedback regularly • Collecting the views on the Company from employees directly by the management • Providing various types of training • Organizing team building activities • Organizing sports and leisure activities • Holding regular work meetings • Setting up suggestion boxes for collecting opinions from employees
Investors	• Corporate strategy of long-term development • Disposal of assets • Profitability • Dividend Policy	• Publishing results announcements regularly • Disclosing the operational condition of the Company under the Listing Rules • Actively participating in investor conferences • Holding annual and special general meetings • Formulating, disclosing to the public and reviewing the Company's dividend policy from time to time
Suppliers	• Stable partnership • Win-win cooperation	• Implementing a stringent, standardized, fair, just and open selection mode • Business negotiations • Industry exchanges
Customers	• Service safety • Price • Quality assurance and management	• Business negotiations • Visiting clients • Daily communication and interflow of ideas
Community where we are located	• Provision of support to community development and public welfare projects • Environmental impacts of our operation	• Actively participating in and organizing public welfare activities • Saving energy and reducing energy consumption during production and in office • Participating in energy saving and waste reduction plan

Materiality Analysis

The Group has high regard for the expectations of stakeholders such as investors, customers, suppliers, and the public on our environmental and social performance. Feedback from stakeholders is of great importance to the Group and enables the Group to make the right decision, thereby strengthening its business development and fulfilling its commitment for corporate social responsibility. The Group has reviewed material issues on environmental, social and governance related matters, interacted with internal and external stakeholder groups by conducting questionnaire surveys, and recorded and reviewed the process and results of the questionnaire surveys for stakeholders. Internally, we distribute questionnaires to Directors, management, department heads and the management of our subsidiaries; while externally, questionnaires are sent to investors, suppliers and customers. We invited participants to rate the materiality of different environmental, social and governance issues. The results of the questionnaire surveys help the Group to collect feedback from stakeholders regarding its environmental, social and governance performance, and to prioritize issues for future operation with reference to the data collected.

1	Corporate governance
2	Key financial performance indicators
3	Current condition and prospects of the industry
4	Production safety
5	Risk management
6	Privacy policy
7	Supply chain management
8	Service quality / Technology research and development
9	Surveys on customer satisfaction
10	Anti-corruption
11	Environmental policy / Management system
12	Greenhouse gas emission
13	Energy management
14	Control of use of water
15	Control of discharge of wastewater
16	Control and recycling of wastes
17	Impact of climate change on the Company and countermeasures
18	Compliance with environmental laws and regulations
19	Occupational safety and health
20	Labor relations: channels for communicating with employees
21	Rights of employees
22	Staff recruitment
23	Education and training for employees
24	Benefits and salary of employees
25	Community engagement and social welfare activities
26	Communication with stakeholders

Based on the results of the questionnaire surveys on materiality, the Group noted that the most material issues of concern to internal and external stakeholders include: corporate governance, key financial performance indicators, current condition and prospects of the industry, risk management, production safety, environmental policy/management system, greenhouse gas emission, and occupational safety and health, followed by anti-corruption, energy management, control of discharge of wastewater, compliance with environmental laws and regulations, labor relations, as well as rights of employees and their employment, education and training, and benefits and salary. For details of the Group's policies and measures on most of the above-mentioned material issues, please refer to the corresponding sections of this report. In addition, for issues related to corporate governance and risk management, please refer to the section headed "Corporate Governance Report" of the annual report; and for financial indicators and current condition and prospects of the industry, please refer to the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

When comparing its sustainable development policies with the Sustainable Development Goals of the United Nations, it is found that a total of 11 specific goals which match those of the United Nations. Details are set out in the table below:

Sustainable Development Goals of the United Nations	Actions taken in 2021	Corresponding Sections in this report
1 NO POVERTY 4 QUALITY EDUCATION	• Participated in the "Best with You" youth and child development pilot subsidy programme	• Community Investment - Donations
3 GOOD HEALTH AND WELL-BEING	• Continued to implement epidemic prevention and control measures • Provided employees with allowance for medical examination • Provided stress exposure training	• People Oriented
5 GENDER EQUALITY 10 REDUCED INEQUALITIES	• Adhered to the principle of meritocracy for human resources management and elimination of all kinds of discrimination	• People Oriented
6 CLEAN WATER AND SANITATION	• Installed a new online monitoring instrument for discharging wastewater externally • Installed water saving toilets	• Green Operation
8 DECENT WORK AND ECONOMIC GROWTH	• Participated in the "New Graduates-New Opportunities Scheme" to provide employment opportunities • Offered employees of the Group attractive remuneration and benefits	• People Oriented
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Continued to improve service quality to provide safe and stable services, thereby creating value for customers • Implemented green procurement	• Operating Practices
13 CLIMATE ACTION	• Strengthened ability in combating against and being adaptable to climate-related and natural disasters by conducting drills and developing contingency plans • Implemented energy saving and emission reduction measures	• Green Operation
14 LIFE BELOW WATER	• Installed oil spill prevention equipment at the new jetties • Organized coastal cleanup activities	• Green Operation • Community Investment
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	• Continued to provide anti-corruption training and set up whistleblowing channels • Prohibited child labor and forced labor	• Operating Practices • People Oriented

GREEN OPERATION

The Group has established a health, safety, security and environment (HSSE) management system to monitor and manage the impacts of production and operation of the Group on the environment, with an aim to protect and improve the ecological environment as well as prevent pollution and other environmental hazards.

Green Operation

2021 was an important year for the world to decarbonize. The Chinese government announced the roadmap for emission reduction, with an aim to hit carbon emission peak by 2030 and attain carbon neutrality by 2060. Although the Group is principally engaged in the provision of logistics and storage services for natural gas and petrochemical products, and is not a pollution- or carbon-intensive enterprise, we firmly believe that mitigating global warming requires concerted efforts of the entire society. Therefore, we have also paid close attention to the Group's use of resources and the impact of its business operation on the surrounding environment. The Group has established a health, safety, security and environment (HSSE) management system to monitor and manage the impacts of production and operation of the Group on the environment, with an aim to protect and improve the ecological environment as well as prevent pollution and other environmental hazards. As for the use of resources, subsidiaries of the Company have developed management measures and indicators of usage in relation to energy and water resources to reduce wastage. In 2021, Huade Petrochemical identified an incident that its outsourced sewage treatment did not comply with the requirement of its pollutants discharge permit, and completed rectification within the year in accordance with relevant regulatory requirements. Save as disclosed above, the Group did not have any other non-compliance incidents related to environmental protection, and in 2021, the Group complied with the relevant laws and regulations in all material aspects.

Climate Change

Global warming has greatly increased the occurrence of extreme weather conditions, and there is an urgent need for mitigation. Following proposals of roadmap for emission reduction made by other countries around the world, China has suggested at the United Nations Conference to hit carbon emission peak by 2030 and realize carbon neutrality by 2060, procuring enterprises to accelerate the development of new energy projects with an aim to reduce carbon emissions and achieve sustainable development. The impacts of extreme weather, especially typhoons and rainstorms, are closely related to Sinopec Kantons which is engaged in oil product jetties and logistics business in coastal regions or at sea. In response to the actual environmental changes and possible changes in markets and regulations caused by climate change, we have identified various risks and opportunities that may arise from climate change, and relevant countermeasures are developed.

	Risks	Countermeasures
Accident risk Including but not limited to extreme weather such as typhoons, rainstorms and floods	• Jetties and related facilities are destroyed, resulting in business interruption and economic loss • Affecting the traffic flow of the navigation channel, leading to an increase in costs associated with the necessary dredging works and may also affect the normal operation of the jetties • Employees' personal safety may be threatened	• Conduct flood prevention drills every year, and develop contingency systems and contingency plans to prevent and reduce the influence of extreme weather • Carry out regular examination and maintenance for the jetties and related facilities to keep all the facilities in good operating condition and maintain the ability to combat against hurricanes
Operational risk Delays in transport or operation of the jetties due to extreme weather become more frequent	• Decreasing market demand for services due to increased demurrage caused by extreme weather	• Strengthen the monitoring of sea surface and coastal weather, and make arrangements for routes and berthing operations in response to weather changes as soon as possible to avoid delays • Enhance communication with various parties such as ships and downstream customers and customs to improve operational efficiency

	Risks	Countermeasures
Regulatory risk Government implements more policies to respond to climate change	• Imposition of more stringent requirements for emission may result in additional operational compliance work of the enterprise	• Implement energy saving and emission reduction measures to meet or exceed the regulatory requirements of the places where the operation of the enterprise is located. For details, please refer to the section headed "Energy Saving and Emission Reduction" of this report • Look for procurement of new energy saving facilities to replace the old equipment
Market risk Against a backdrop of decarbonization, the use of clean energy increases, leading to the gradual phase-out of petrochemical energy	• Decreased demand for traditional fossil fuels may result in reduced revenue derived from oil product jetties and storage services • More stringent environmental protection requirements may be imposed on downstream customers or they may experience industry consolidation, affecting the import volume of crude oil, which may reduce the business volume of the jetties	• Develop diversified businesses, including the provision of unloading and transfer services for chemical products to reduce the impact of the decline in demand for crude oil and refined oil products

	Opportunity	Measures
Market opportunity Government and market forces have expedited the development of new energy	• With further advancement in fundamental technologies of new energy, the Group may come across more opportunities to invest in the new energy business	• Pay close attention to the dynamics of the new energy market, and develop green and low-carbon projects at the right time

To prevent the occurrence of more extreme weather caused by climate change, Huade Petrochemical has formulated the Huade Company's Contingency Plan for Typhoon Prevention and Checklist for the Implementation of Typhoon Prevention Measures.

Case

In July 2021, Huade Petrochemical carried out its desktop simulation exercise of a typhoon prevention drill at the start station in Mabianzhou to enhance the awareness and skills of its employees for typhoon prevention, and has further improved the typhoon prevention plan based on the defects exposed during the drill.

Case

Before the flood season in 2021, Huade Petrochemical carried out a special pre-flood inspection of the "Ma-Guang" long-distance pipeline, and all the problems identified have been rectified.

Energy Saving and Emission Reduction

The energy consumption and greenhouse gas emissions of Sinopec Kantons and its subsidiaries are mainly related to electricity and diesel consumption. In particular, the electricity consumption of Huade Petrochemical is mainly for crude oil transportation; while diesel consumption is for boilers and tugboats. Besides, both the Hong Kong Office and Huade Petrochemical consume gasoline for vehicles. Huade Petrochemical has strictly abided by the Law of the People's Republic of China on the Prevention and Control of Air Pollution, the Standards for Air Pollutant Emissions from Boilers (GB13271-2014 and DB44/765-2010) and other regulations. It has also established comprehensive administrative regulations for exhaust emissions, set up outlets in its production facilities for the discharge of air pollutants, applied for pollutants discharge permit, and carried out environmental monitoring of air pollutant projects as required so that the discharge can meet the standards.

Energy Consumption Goals of Huade Petrochemical

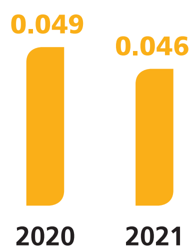
Energy consumption per kilotonne business volume

Electricity (MWh)

Goals for 2025

A decrease as compared with 2020

Diesel (tonne)



Goals for 2025

As compared with 2020

↓5%

The increase in electricity consumption per kilotonne business volume in 2021 was mainly due to an increase in transmission proportion of crude oil pipelines with high-energy consumption of Huade Petrochemical after the refinery maintenance of a customer. Huade Petrochemical will continue to actively implement energy saving measures in the future, and at the same time expand its submarine pipelines, which will help reduce the unit energy consumption of the start station of the crude oil pipeline transportation in the future, thereby achieving the goals for 2025.

Greenhouse Gas and Air Pollution Emission Goals of Huade Petrochemical

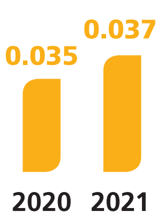
Emissions per kilotonne business volume

Greenhouse gas (tonne)

Goals for 2025

A decrease as compared with 2020

Particulate matter (kilogramme)



Goals for 2025

A decrease as compared with 2020

Nitrogen oxides (kilogramme)

Goals for 2025

A decrease as compared with 2020

Sulphur oxides (kilogramme)

Goals for 2025

↓10% as compared with 2020

Comparing with 2020, the increase in greenhouse gas, particulate matter and nitrogen oxide emissions per kilotonne business volume in 2021 was mainly due to an increase in the business volume of the tugboats provided by Huade Petrochemical to third parties in 2021, leading to an increase in diesel consumption of tugboats, which resulted in the increase in greenhouse gas, nitrogen oxide and particulate matter emissions. Huade Petrochemical will continue to actively implement energy saving and emission reduction measures in the future, and develop more low-emission businesses, thereby achieving the goals for 2025.

The greenhouse gas and air pollutants produced during the production and operation of the Group are mainly CO_2. In particular, the CO_2 produced during electricity consumption accounts for more than 95% of the total emissions. For the method of calculating CO_2 produced during electricity consumption of the Group, please refer to the part on scope II of greenhouse gas emissions of this report. For other methods of calculating CO_2 produced during the use of boilers, tugboats and vehicles, please refer to the part on scope I of greenhouse gas emissions of this report.

Huade Petrochemical, as the major unit of energy consumption and greenhouse gas and air pollutant emission of the Group, has set the emission reduction goals for 2025 in 2020. Indicators for annual energy consumption are reviewed every year and have been included for indicator assessment, and the performance of which are followed up every month and every quarter, aiming to reduce energy consumption; meanwhile, it has adjusted the operation of machines and equipment according to the business and actual operating conditions, and more environmentally friendly energy has been used to minimize energy consumption, air pollution and greenhouse gas emissions.

Case

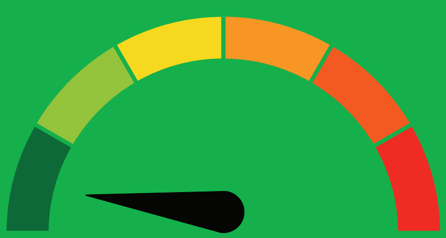
In addition to the adjustment to the plans for optimizing production and operation to reduce energy consumption during its daily business carried out with downstream customers, Huade Petrochemical has adopted the parameter of low sulphur fuel oil viscosity at its start station in Mabianzhou to strictly control the operation time of steam boilers, which has significantly reduced its diesel fuel consumption and exhaust emissions.

Case

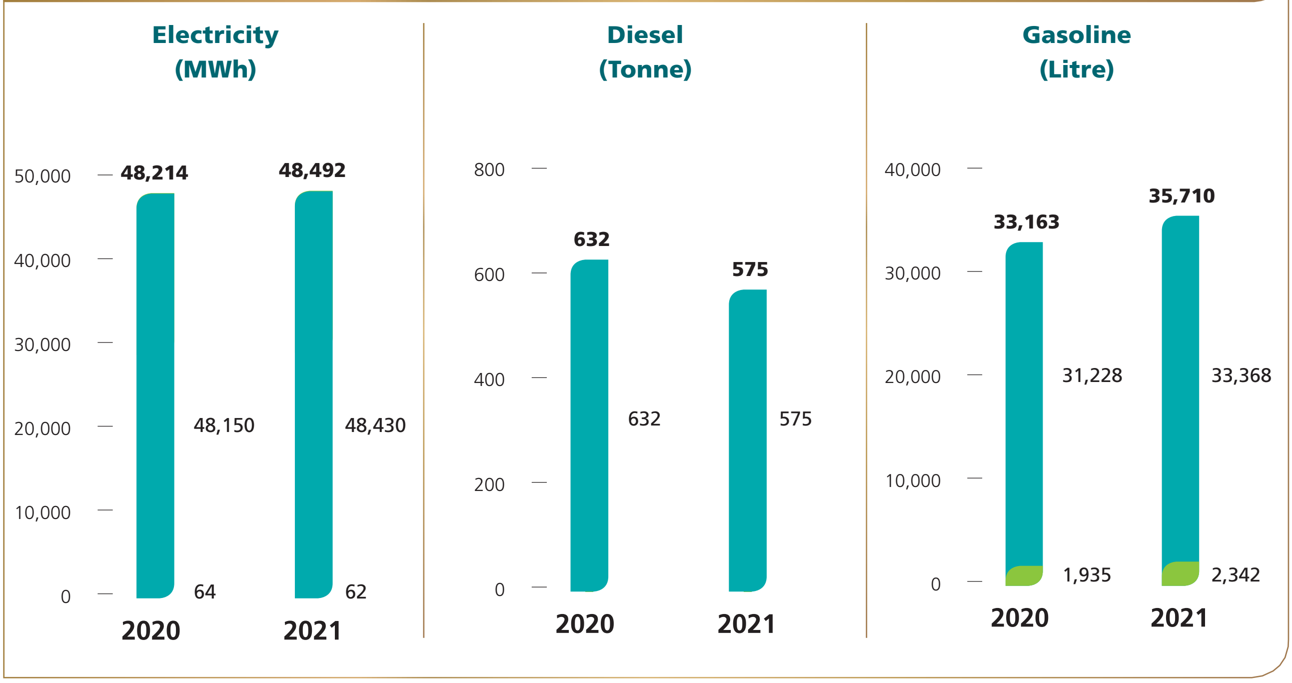
By purchasing and replacing light diesel boilers, Huade Petrochemical has promoted the application of energy saving and environmentally friendly fuels to reduce the exhaust pollutant emissions of boilers at the start station of Mabianzhou.

Case

Huade Petrochemical has relocated its original DN600 submarine pipeline to DN800 pipeline. After the capacity expansion of the pipeline, the transportation capacity of the start station has been enhanced with the existing pumping equipment remaining unchanged, and the energy consumption per tonne of cruel oil transported at the start station has dropped significantly from the original 0.90 kWh/tonne to 0.66 kWh/tonne.



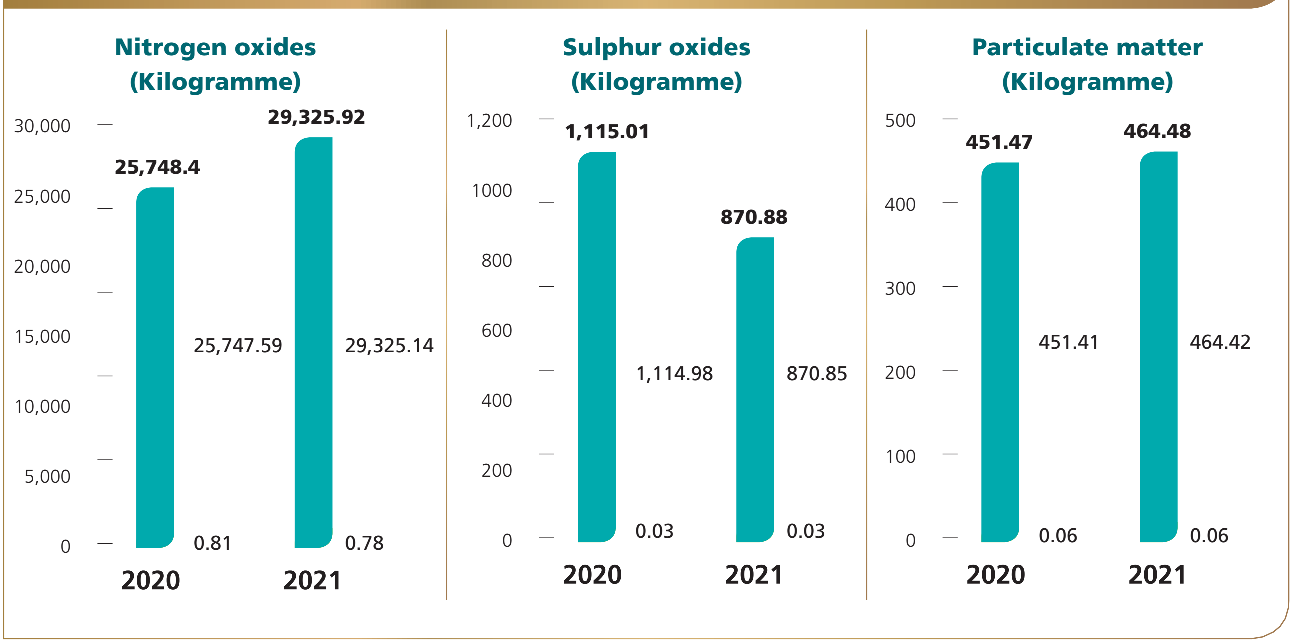
Energy consumption



Huade Petrochemical Hong Kong Office

Exhaust and pollutant emissions

(including emissions from boilers, vessels and vehicles)



Huade Petrochemical Hong Kong Office

Note: The exhaust gas and pollutants of Huade Petrochemical are mainly from motor gasoline, diesel used for vessels and boilers. The exhaust gas and pollutants of the Hong Kong Office are mainly from motor gasoline.

Greenhouse gas emissions

CO_2 equivalent emissions (Tonnes)

Notes: (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 calculated with reference to the Greenhouse Gas Agreement Calculation Tool.

(2) Scope II: Indirect emissions from electricity purchase. Emission factors are made with reference to 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 calculated with reference to International Civil Aviation Organization Carbon Emissions Calculator.

In addition to adopting various measures to reduce energy consumption and greenhouse gas emissions during production and operation, we have also continued to promote energy saving awareness, with an aim to instill environmental protection concepts in our employees through different activities.

Case

On 27 March 2021, the Hong Kong Office participated in "Earth Hour", an annual global event initiated by the World Wide Fund for Nature, and encouraged its employees to turn off the lights for one hour, making their own contribution to environmental protection.

Case

On 8 October 2021, the Hong Kong Office participated in the "No Air Con Night" organized by Green Sense to encourage its employees to turn off the air conditioner when the outdoor temperature was lower than 27 degrees Celsius on that day, with an aim to mitigate the impact of global warming.

Management of Discharge of Waste

Management of Solid Wastes

The solid wastes of the Group mainly come from the daily operation of Huade Petrochemical, while the daily operation of the Hong Kong Office also produces a few municipal solid wastes. The Group has reduced hazardous and non-hazardous wastes by making efforts in procurement, reducing wastes from the sources and recycling. In particular, Huade Petrochemical has strictly complied with the Environmental Protection Law of the People's Republic of China, The Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, Administrative Regulations of Sinopec on the Prevention and Control of Pollution by Solid Wastes and other relevant laws and regulations in material aspects, and has formulated the Administrative Regulations of Huade Company on the Prevention and Control of Pollution by Solid Wastes to strengthen the supervision of all aspects of solid wastes and effectively prevent and control environmental risks.

Part of the hazardous wastes of Huade Petrochemical come from sludge as a result of cleaning oil tanks and waste paint buckets. In order to reduce the number of waste paint buckets, Huade Petrochemical has put extra efforts in cleaning the tanks as thoroughly as possible to reduce the oily wastes to be treated, and purchased non-hazardous water-based paints for anti-corrosion coatings. The non-hazardous wastes of Huade Petrochemical are mainly industrial wastes such as construction wastes produced from the construction works carried out in the reservoir area, scrap metal components and pipes, as well as general household wastes. According to the different nature of wastes, Huade Petrochemical has engaged qualified third-party institutions to recycle its wastes or distribution agencies to dispose of such wastes. Currently, Huade Petrochemical is looking for specific methods for rubbish classification in accordance with the requirements of the local environmental protection authority, with an aim to improve the utilization of resources and reduce the total amount of wastes.

Huade Petrochemical has set the solid waste discharge goal for 2025. In order to reduce the amount of wastes produced, Huade Petrochemical has implemented centralized and effective management of solid wastes from source, improved the comprehensive utilization rate of wastes, and prevented secondary pollution; it has also submitted information about the emission of the three types of wastes on a regular basis every quarter in accordance with the requirements of its pollutants discharge permit granted by the government. In addition, it has sent employees to participate in the training on solid waste treatment arranged by the local government authorities to strengthen compliance in relation to solid waste treatment. The Hong Kong Office has also continued to launch activities in respect of waste recycling.

Goals for wastes produced from the oil tanks repaired of Huade Petrochemical

Wastes produced from each oil tank repaired

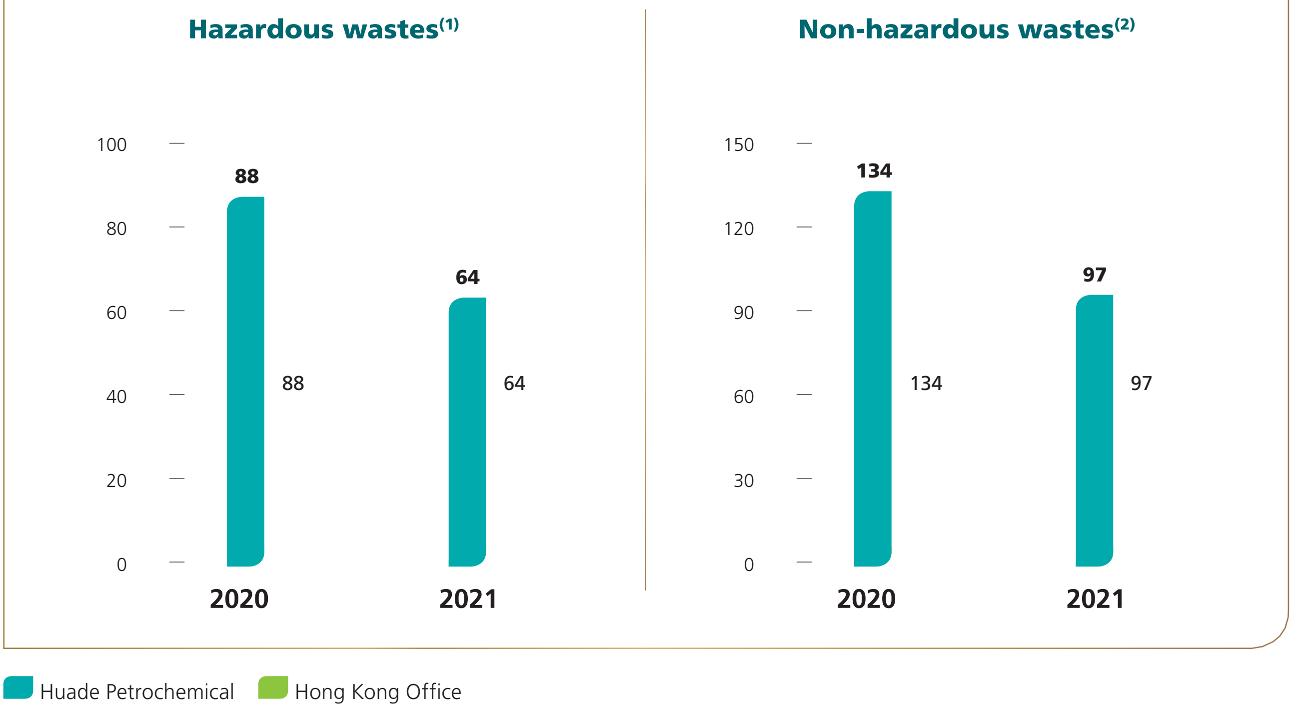
Case

From June to September 2021, the management of Huade Petrochemical and employees of its environmental protection department participated in the 2021 Training Course (Online) of Risk Prevention for Institutions Engaging in Solid Waste Utilization and Disposal in Guangdong Province to learn about the new regulations, disposal technologies and incidents in relation to solid wastes, thereby further enhancing the environmental governance ability of the managers of environmental department of the enterprise to avoid non-compliance with environmental laws in relation to solid wastes and hazardous wastes and strengthen their compliance awareness of solid waste treatment.

Case

The Hong Kong Office has continued to promote waste recycling to its employees, and regularly organized special recycling activities to arouse the attention of its employees to environmental protection, and also set up recycling bins to reduce the wastes to be disposed of in landfills.

Wastes (Tonne)



Note: (1) The Hong Kong Office did not produce any hazardous waste.
(2) As the non-hazardous wastes produced by the Hong Kong Office were relatively fewer, and there is no separate data regarding the non-hazardous wastes produced in the premises where it is located, therefore, the non-hazardous waste data does not cover the Hong Kong Office.

Management of Sewage

Regarding the discharge of sewage, the Group has strictly complied with the Law of the People's Republic of China on the Prevention and Control of Water Pollution, Comprehensive Standards for Discharge of Sewage, Standards for Discharge of Petroleum Refining Industry Pollutants, Administrative Measures of Sinopec for Environmental Protection and Administrative Regulations of Sinopec on the Prevention and Control of Pollution by Wastewater to strengthen and regulate the management of prevention and control of pollution by sewage, so that the discharge of sewage can meet the standards.

Case

In the first half of the year, Huade Petrochemical installed a new online monitoring instrument for discharging wastewater externally at the oil depot in Nanbianzao in accordance with the requirements of the local environmental protection authority. The relevant monitoring and testing data was submitted to the environmental protection authority for the joint and effective management by the enterprise and relevant government authorities in respect of the discharge of wastewater.

Management of Water Resources

The water resources used by the Group are supplied by municipal water authority and can be obtained on demand. In 2021, there was no issue in sourcing water which was fit for purpose. Nevertheless, we understand that water resources are precious natural resources, and so we have fully implemented sustainable administrative measures for reducing water consumption during operation, and tried our best to reduce water consumption to improve and protect the ecological environment. In addition, the Group has set indicators for annual water consumption to ensure that every drop of water has been used properly.

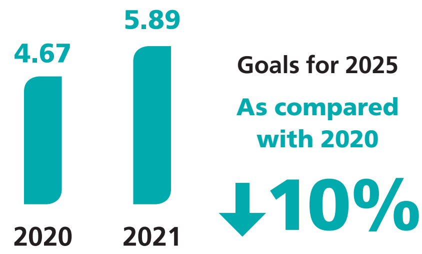
Case

In addition to non-regular leak detection on the underground fire-fighting pipeline network and monthly analysis of water consumption at each station to avoid wastage, Huade Petrochemical also completed the toilet renovation project at the oil depot in Nanbianzao in 2021, under which water saving toilets meeting the new national standards were installed, which are expected to reduce water consumption by 17,000 liters per year.

Goals for water consumption of Huade Petrochemical

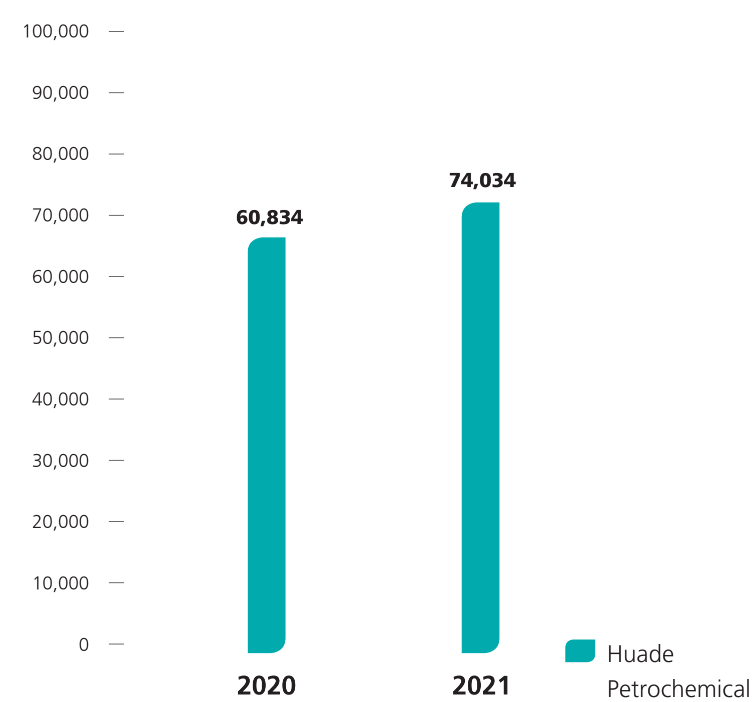
Water consumption per kilotonne business volume

Water consumption (m^3)



Note: In order to prevent fire risks to the greatest extent, the number of fire drills carried out by Huade Petrochemical during 2021 increased as compared with the same period of last year, and more water was consumed during the year accordingly. In the future, Huade Petrochemical will adopt more water saving measures to achieve the goal for 2025.

Water consumption (m^3)



Note: Water consumption in the Hong Kong Office is not included as such consumption is insignificant, and since water consumption in the premises where the Hong Kong Office is located is calculated on an apportionment basis, it does not reflect actual usage.

Ecological Protection

The Group is principally engaged in energy storage and transportation services, which will not consume much natural resources; however, as the oil product jetties are located along the coastline, there are potential risks of oil spills which will affect marine life. In addition, engineering construction may also have an impact on the ecological environment of the surrounding ocean. Therefore, the Group has completed the procedures for statutory environmental assessment before carrying out any engineering construction, and has also equipped the jetties with contingency materials and facilities for oil spills to reduce the impact of daily operation on the environment.

Case

In July 2021, the construction of the 5,000-tonne jetty of Huade Petrochemical has passed the government's environmental assessment. The new 5,000-tonne jetty is equipped with oil spill monitoring equipment, oil spill containment booms, oil spill skimmers, oil absorbing materials and other contingency equipment and materials.

PEOPLE ORIENTED

The Group is committed to nurturing a talented workforce and regards highly the career planning and development of every staff, providing them with the necessary learning and training opportunities.

People Oriented

The Group upholds the principle that staff are the cornerstone for success of a corporation. We have always abided by the relative employment laws and regulations in areas where our operations are located, including issues on recruitment, salary, working hours, holidays, promotion, dismissal and retirement, such as The Labour Law of the People's Republic of China, Employment Ordinance and Mandatory Provident Fund Schemes Ordinance in Hong Kong. Meanwhile, the Group continues to improve its human resource-related management system to protect the interests of employees. We support diversity and equal opportunity for our employees, oppose discrimination and strictly comply with anti-discrimination legislation including Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination Ordinance, Race Discrimination Ordinance, to encourage the full development of staff values regardless of gender, nationality, family status or physical condition, and strive to build a diverse and outstanding workforce. The Group also attaches great importance to the career planning of our staff, so that they can always "breathe with the company and share the same fate". In 2021, to demonstrate Sinopec Kantons' commitment to the community, the Hong Kong Office has made contribution to the human resources market by launching the "Sailing" Programme to recruit fresh graduates in the open market, providing job opportunities for newcomers in the workplace.

Staff Welfare

The Group regards its staff as the foundation of its corporate development, prohibits any disregard or trampling on their human rights, complies with the Sinopec Code of Conduct on Integrity and Compliance, refrains from employing child labour, respects employees' rights to personal freedom in accordance with the law and eliminates forced labour for any reason. The Group has a targeted approach to understanding the situation during the recruitment process and will take immediate remedial action in accordance with the relevant human resources management practices and regulations if relevant irregularities are identified.

In 2021, the Group was not aware of any non-compliance with laws and regulations relating to child labour and forced labour.

In addition, we care about the work and life of our staff as well as their psychological needs. In addition to providing basic salaries and discretionary bonuses based on staff performance, we also provide benefits that are better than those required by law, including marriage leave, sick leave, official leave, personal leave, maternity leave, breastfeeding leave and compassionate leave, so that our staff can strike a balance between work and life. The Group also provides benefits such as medical insurance and working lunch, and seminars on various topics as well as recreational, cultural and employee care activities are held to enhance communication and cross-cultural integration among employees, strengthen team cohesion and physical fitness of its staff, and enhance their sense of belonging to the Company, thus laying the foundation for the long-term development of individuals and the Company.

Employee distribution of the Group

As at 31 December 2021

Total workforce **233**

Gender	Type of employment	Age group	Geographical Region	Employee category
Male 187	Full-time staff 229	40 or below 122	Mainland China 207	Senior management 8
Female 46	Part-time / Contract staff 4	Above 40 111	Hong Kong 26	Middle management 20
				General staff 205

Recreation

Case

To promote staff exchange and strengthen cohesion, the Hong Kong Office launched a healthy hiking activity on 14 February 2021 to Lai Chi Wo: participants walked along the nature trail of Lai Chi Wo to appreciate the coastal scene, the vibrant mangrove forest, the old looking-glass trees, the 300-year-old Hakka "Lai Chi Wo Village" and the century-old fung shui forest with over 100 plant species. Our staff also visited the Lai Chi Wo Geological Education Centre to learn about the ecology of Lai Chi Wo and its village history, as well as to exercise and strengthen their body.

Case

In April 2021, Huade Petrochemical held a basketball and badminton tournament together with Huizhou Maritime Affairs Bureau and Shantou Naval Office to enhance staff communication among themselves and with external organizations.

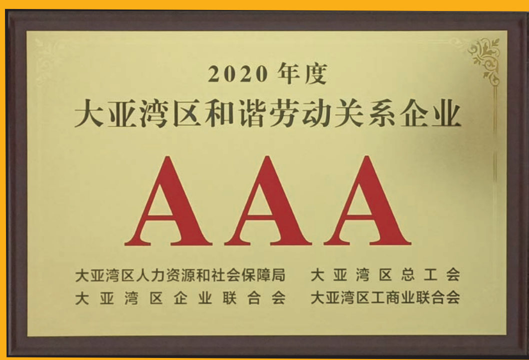
Culture

Case

In June and July 2021, the Hong Kong Office organized team building activities on the theme of history and culture of Hong Kong, participating staff visited the Yeung Family Ancestral Hall in Tai Tong Village, Shap Pat Heung, Yuen Long, the former residence of Ye Jianying, a statesman of the Chinese Communist Party, the former site of Ta Teh Institute, the former site of the founding of the Hong Kong and Kowloon Brigade in Yuen Long, and the memorial to the anti-Japanese martyrs in Tsam Chuk Wan. The visits have provided staff with a better understanding of the history of Hong Kong.

Staff Caring

Case



Huade Petrochemical continues to launch staff caring activities such as “Addressing Small Demands, Unifying Great Power” and “Go to the Grassroots, Visit Thousands of Families”. In addition to listening to employees' demands, we also helped and comforted those staff in need. In July 2021, Huade Petrochemical was awarded the "AAA Enterprise of the Year 2020 for Harmonious Labour Relations in the Daya Bay Area", which is the highest honour of the award, reflecting the corporate responsibility and commitment in human resources management of Huade Petrochemical.

The Group’s employee turnover rate by gender, age group and region in 2021

Total turnover rate **3.00%**

Male **3.21%**	40 or below **3.28%**	Mainland China **0.97%**
Female **2.17%**	Above 40 **2.70%**	Hong Kong **19.23%**

Health and Safety

The Group strictly complies with occupational health and safety laws and regulations, including the Law of Prevention and Treatment of Occupational Diseases, and has developed a comprehensive HSSE system to provide a solid foundation for a safe and healthy working environment. At the same time, we continue to take proactive measures to minimize the risk of COVID-19 infection among our staff. During the year, there were no confirmed COVID-19 cases of staff at either the Hong Kong Office or Huade Petrochemical.

Normalized Prevention of COVID-19

In 2021, the Group did not slacken its efforts in COVID-19 prevention and control. In response to the pandemic situation in the locality, the Group updated its response plan during the pandemic, enhanced the disinfection and cleaning of workplaces, and actively stocked up on pandemic prevention materials. At the same time, the Group was flexible in adjusting the work schedule of staff, organizing nucleic acid testing for staff when necessary, and taking measures to encourage staff to receive vaccination when vaccines were available. As a crude oil terminal operator, Huade Petrochemical often has overseas tankers berthing at the terminal, so it adhered to the principle of "preventing external importation and internal spread" and promptly issued emergency measures and set up a pandemic prevention office to protect production while maintaining highest alert in epidemic prevention.

Case

To encourage staff to get vaccinated as early as possible, the Hong Kong Office provides paid leave to staff for receiving vaccination. At the same time, the Office also actively promotes vaccine knowledge to staff who have not yet received vaccination, and organizes vaccine talks by infectious and contagious diseases experts for staff to help the community get back on track and resume normal life as soon as possible.

Case

When there was a spread of pandemic in surrounding cities, Huade Petrochemical implemented new preventive and control measures as required by the local government, and managed to have its staff divided in high, medium and low risk categories, strictly implemented the "guard against importation of cases"; made timely adjustment of the work pattern of the instrument control and maintenance staff from three shifts to two shifts with bi-weekly rotation, and provided a dedicated commuter bus for staff to travel to and from their residence to reduce the risk of virus infection on public transport.

Occupational Disease Checking

Staff are at risk of contracting occupational diseases if they are not equipped with adequate protective equipment in the course of their work. The Group attaches great importance to the occupational health and safety of our staff and strictly complies with the policies and regulations on occupational health and occupational disease prevention and control in the places of operation, including the Law of Prevention and Treatment of Occupational Diseases, and has incorporated the Occupational Health Supervision Procedures into the HSSE system to control and eliminate occupational disease factors to ensure the health of staff. Huade Petrochemical also arranges medical check-ups or provide medical allowances to its staff for early detection of diseases.

In 2021, the number of work-related fatalities and major injuries suffered by the Group was nil. The number of working days lost due to work-related injuries was nil.

Work-related fatalities of the Group

	Work-related fatalities and serious injuries		Lost days due to work injury	
Year	No. of persons	Ratio	Working days	Ratio
2021				
2020	0	0%	0	0%
2019				

Case

In June 2021, Huade Petrochemical invited the Occupational Health Quality Inspection Unit to carry out annual inspection. The staff of each position strictly followed the requirements of wearing individual inspection equipment and completed the inspection work in the production areas such as Mabianzhou Start Station, Nanbianzao oil storage area and the valve room of the long-distance pipeline in an efficient and standardized manner. The test results of all hazardous factors were up to standard, safeguarding the occupational health of its staff.

Stress Training

Case

The Group understands that psychical health and mental health are both important to our staff. On 24 June 2021, the Hong Kong Office invited a social worker from the Mental Health Association of Hong Kong to conduct a training session on stress management for staff to get familiar with the sources of stress, personal stress assessment and ways to relieve stress, in the hope that this activity would make staff pay attention to mental health.

Staff and Business Growing Together

The Group is committed to nurturing a talented workforce and regards highly the career planning and development of every staff, providing them with the necessary learning and training opportunities. The Group has developed and continuously improved its human resources management system to provide a platform for growth and career advancement for our staff, with the hope of enhancing their personal capabilities and job satisfaction to facilitate the growth of both the Company and our staff.

Through a combination of departmental assessments and staff's own requests, the Group formulates an annual staff training programme covering areas such as business, safety and compliance.

Case

On 1 June 2021, the Hong Kong Office organized a compliance training for all staff to promote compliance knowledge and external compliance requirements, convey the compliance philosophy of "compliance requirement is above economic benefits, compliance creates value" and to establish a corporate culture of compliance for all staff.

Case

From 8-10 September 2021, staff members of the Hong Kong Office attended the 58th Affiliated Persons (AP) Enhanced Continuing Professional Development Seminars held by the Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries, HKICS). The seminar covered the latest regulatory requirements and developments of the Hong Kong capital market, as well as the practical operation of transactions related to listed companies. Such training has raised the awareness of the relevant staff in corporate governance.

Providing Employment Opportunity

As the pandemic drags on, the global labour market continues to be hit to various extents. Fresh graduates with little work experience are the first to suffer, with employment rates falling for graduates from many universities. To demonstrate our corporate social responsibility, our Hong Kong Office supported the New Graduates-New Opportunities Scheme jointly organized by the Hong Kong Chinese Enterprises Association and the Labour Department of the HKSAR Government to recruit interns for a six-month internship in different departments of the Company. Tailor-made training and internship programmes are provided to the interns prior to their employment, with different induction and on-the-job trainings to enable them to build on their potential and become the mainstay of the human resources market in the future.

PRODUCTION SAFETY

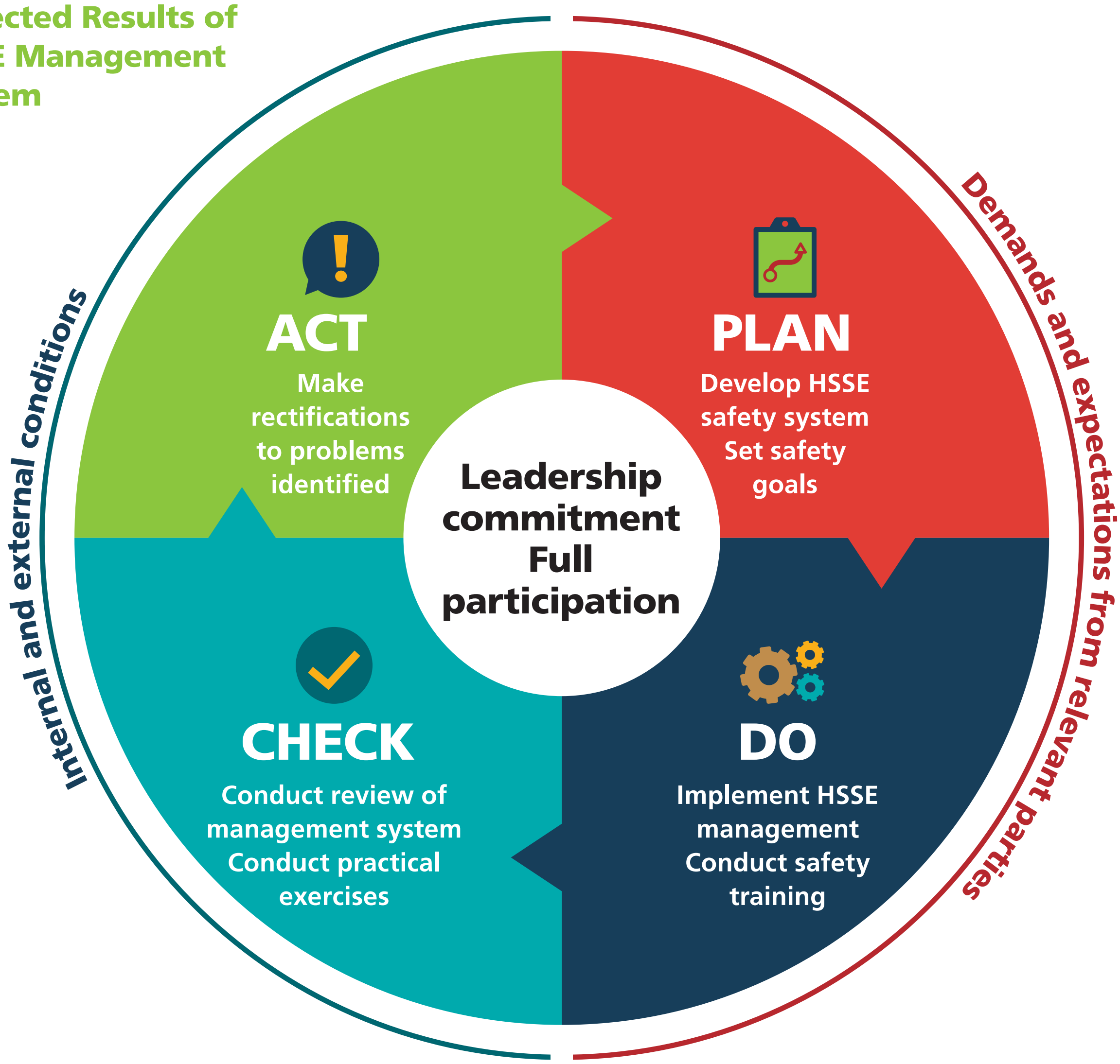
We have, as always, been adhering to the principle of "plan, do, check and act" to continuously strengthen our safety leadership and the safety management system. We strive to minimize safety risks through safety inspections, rectification and safety drills, and at the same time conduct continuous safety training activities to firmly introduce the safety culture as one of the staff's values.

Production Safety

The Group believes that safety culture is an inseparable element of production, and that productivity is guaranteed and accidents can be eliminated only under a safe environment. As such, the Group has always adhered to the safety management policy of "safety first, prevention-focused", and the HSSE management system is the basis of the Group's safety management. In addition, the Group actively facilitates the establishment of an integrated safety management system among its subsidiaries to strengthen safety management. The Group has always complied with the laws and regulations relating to production safety, including the Production Safety Law of the People's Republic of China. In response to the entry into force of the new production safety law in the PRC on 1 September 2021, the Group immediately arranged the management and relevant personnel to study and assess the impact of the new production safety law, and revised and improved the Group's HSSE management system.

The Group is engaged in the oil products storage and logistics business, and as oil products are flammable and explosive in nature, it may lead to serious economic loss and casualties if not handled properly. As such, we have, as always, been adhering to the principle of "plan, do, check and act" to continuously strengthen our safety leadership and the safety management system. We strive to minimize safety risks through safety inspections, rectification and safety drills, and at the same time conduct continuous safety training activities to firmly introduce the safety culture as one of the staff's values.

Expected Results of HSSE Management System



Percentage of Trained Employees and Average Training Hours of the Group in 2021

	Training Hours	% of Trained Employees	Average Training Hours
Overall	18,449	100%	79
Gender			
Male	15,650	100%	84
Female	2,799	100%	61
Employee Category			
Senior Management	603	100%	75
Middle Management	1,383	100%	69
General Staff	16,463	100%	80

Safety Leadership

Safety leadership determines the formation and development of the corporate safety culture, while the safety management system determines the implementation and operation of various measures for corporate safety. Therefore, both safety leadership and safety management systems are essential to our production safety.

Case

According to the HSSE safety management system, the Group has established the HSSE safety committee as the leading body for production safety management, which is chaired by the Group's General Manager. In addition to the regular monthly safety meetings, since early 2021, the Group has also held quarterly HSSE management meetings to strengthen leadership and make decisions on major safety issues or give instructions on major policies for the Hong Kong Office and its subsidiaries.

Safety Inspection

Each of the Group's subsidiaries conducts annual internal safety inspections and is subject to safety inspections by the government authorities and external industry management departments in the places where it operates, from which possible safety hazards are identified and rectified based on the inspection results.

Case

Huade Petrochemical conducts internal and external safety inspections of different types and scales each year, such as inspections before major festive holidays, lightning protection inspections and specific flood prevention inspections, to ensure that all aspects of operational safety are guaranteed. In March 2021, experts from Huizhou Maritime Affairs Bureau visited Huade Petrochemical on Mabianzhou Island and was satisfied with the production safety arrangements, reflecting that Huade Petrochemical's safety work was on the right track. Throughout the year of 2021, Huade Petrochemical conducted 22 comprehensive inspections and various specific inspections.

Safety Drills

Case

In order to enhance the emergency response capability and joint anti-terrorism awareness, and to test the practicability of the newly prepared Security Plan for Port Facilities, the Anti-terrorism and Prevention Work Plan, the Comprehensive Emergency Plan for Production Safety Accidents, the Compendium of Specific Emergency Rescue Plans for Production Safety Accidents (Specific Emergency Plan for Fire and Explosion Accidents), and the Self-Rescue Plan for Firefighting at the Mabianzhou Start Station, in August 2021, Huade Petrochemical conducted a joint fire drill with all staff, oil companies in the surroundings and the Daya Bay Public Security Fire Brigade at the oil depot in Nanbianzao, Daya Bay, Huizhou City. The drill simulated that the floating roof of the No. 4 crude oil tank of the oil depot was damaged by terrorists and the oil products were ignited, forming a flowing fire of about 100m^2 at the top of the tank. Through the drill, problems that may occur in case of emergency were identified and the response plan was improved.

Safety Culture

The Group implements the safety management principle of "everyone is the safety officer" and strives to promote the participation of all staff in safety training and activities to introduce the spirit of "Life is of paramount importance". Through different types of safety training activities, we aim to enhance the knowledge, skills and overall quality of our management and operation staff in production safety.

Case

In April 2021, Huade Petrochemical organized relevant staff to attend a training course organized by the local government on "Safe Production Management in Port and Maritime System, On-site Hidden Danger Investigation and Management, and Interpretation and Analysis of Latest Policies and Regulations" to learn about the Provisions on the Administration of Port Operation, Regulations on Safety Management of Port Dangerous Goods, Regulations on Oil and Gas Petrochemical Terminal Design and Fire Prevention, Risk Identification and Control Guidelines for Production Safety in Ports, Investigation and Management of Port and Maritime Hidden Danger and so on.

Case

In response to the new production safety law promulgated and implemented in September 2021, the Group organized a seminar with legal experts at the HSSE management committee meeting and worked together to assess the potential impact of the new production safety law and actively improve the safety management system.

Certification

In accordance with the " Administrative Measures for the Evaluation of Standardized Construction of Production Safety in Transportation Enterprises" (Jiao An Jian Fa [2016] No. 133) issued by the Ministry of Transport of the PRC, Huade Petrochemical was awarded the "Level 2 Certificate for Port Operation", reflecting its attainment of safe production standards.


交通运输企业
安全生产标准化建设
等级证明
经营类型：港口营运
证书类别：港口危险货物码头
达标等级：二级
适用范围：
备注：
企业名称：惠州市大亚湾华德石化有限公司
证书编号：2019-20-112146
有效期：2019年12月16日至2022年12月15日
中华人民共和国交通运输部制
年度核查
（副本）
评价机构（盖章）
2019年12月16日

Training

According to its annual training programme, in 2021, Huade Petrochemical completed the training and assessment of personnel engaged in the waterway transportation of dangerous goods and operators of fire-fighting facilities, ensuring that 100% of them are licensed for employment, completed the safe production training for all employees, and fully enhanced the ability of employee's duty performance.

Awards

In September 2021, Huande Petrochemical formed a youth team to participate in the "First Emergency Safety Knowledge Contest in Guangzhou" organized by the Guangzhou Safety Production Committee Office. After fierce competition, the Huade Petrochemical team won the third prize in the contest.

OPERATING PRACTICES

In addition to creating value for customers, the Group also has keen concern for the interests of suppliers, contractors and other business partners. We hope to promote the mutual benefits of the entire supply chain in the course of our business operation.

Operating Practices

The Group's sustainable development philosophy of "operating in compliance with laws and regulations ", "committed to developing together", "respect all stakeholders" and "focus on safety and environmental protection" are integrated into all aspects of its business operation, especially in product responsibility management, supply chain management and anti-corruption work.

Product Responsibility

The Group mainly provides oil products storage and logistics services, and strives to become a world-class international energy storage and logistics enterprise. Although the Group's business does not involve product recycling, we still attach great importance to the quality of our services. With our management expertize in storage and logistics, we strive to continuously optimize our services and improve our operational efficiency under the philosophy of safety and environmental protection, so as to create value for our customers and grow together with them. At the same time, the Group has implemented information confidentiality measures to ensure that customers' trade secrets are not infringed upon. During 2021, the Group had not received any service-related complaints and had complied with the applicable laws and regulations relating to product responsibility.

Creating Value for Customers

Case

In order to keep up the spirit of striving for perfection and continuously improve operational efficiency, in 2021, Huade Petrochemical integrated the process flow of transferring and unloading pipelines at the start station of the Mabianzhou-Guangzhou crude oil pipeline and proposed an innovative way of transferring oil while unloading at the start station of Mabianzhou, as berthing 300,000-tonne tankers would effectively shorten the transfer time of some crude oil, indirectly enhancing the capacity of the crude oil unloading tanks at the start station and effectively reducing the demurrage time of tankers. After preliminary feasibility discussions, proposal preparation and approval of the measuring interface, oil products from the tanker "Athens Glory" were unloaded/transferred for the first time on 13 March using the "unloading while transferring" method, completing the unloading nearly 10 hours ahead of schedule. The adoption of this method can save 10% to 30% of the tanker's unloading time, significantly reducing the tanker's demurrage costs and creating benefits and value for customers.

Safe and Stable Services

In 2021, Huade Petrochemical achieved 100% accuracy in its crude oil transfer programme, unloading approximately 11.69 million tonnes of crude oil and transferring approximately 11.65 million tonnes of crude oil respectively, thus ensuring the supply of raw materials to its downstream customers and end users. Huade Petrochemical's ability to provide reliable service is dependent on the regular inspection of the stable operation of its production facilities.

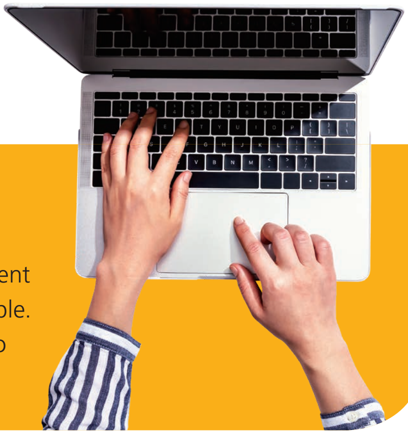
Case

Huade Petrochemical owns a 174-kilometre-long crude oil pipeline, and occurrence of an accident would not only cause damage to the company itself, but also to the surrounding environment and community. In August 2021, Huade Petrochemical joined with relevant departments of the local government to conduct an emergency drill for oil and gas pipeline incidents. The drill was attended by the local government, relevant companies such as local oil and gas pipeline companies and the local people. The joint emergency drill further examined the scientific basis, practicality and operation of Huade Petrochemical's emergency plan for crude oil pipeline incidents and on-site disposal process, strengthened the joint mechanism between oil and gas pipeline enterprises and local government departments, and further enhanced the ability of emergency rescue teams at all levels to respond quickly to emergencies and the ability to handle emergency rescue, as well as the pipeline protection awareness by the public who live along the pipeline to ensure the safe and stable operation of the crude oil pipeline.

Information Security

The Group attaches great importance to the protection of privacy and trade secrets of customers, business partners and other related parties, and is committed to protecting personal data and privacy and trade secrets involving business partners and customers in compliance with the relevant laws and regulations in the places where it operates, and prohibits unauthorized use of information and trade secrets of others or use of such data beyond the permitted scope in accordance with the Sinopec Integrity and Compliance Management Manual. In addition, the Group requires those who have access to personal data to sign confidentiality agreements to prevent the risk of disclosure.

In 2021, the Group continued to strengthen its information security training to reduce the risk of personal data or trade secrets being compromised by hackers due to careless use of computers or electronic devices.



In July 2021, in response to the growing trend of cyber security risks, the Hong Kong Office organized an all-staff training on cyber security to familiarize staff with the different hacking techniques and computer virus programmes available. The training also included interactive and testing sessions to enhance the effectiveness of the training.

Respect for Intellectual Property Rights

The Group respects and protects intellectual property rights, complies with the laws, regulations and regulatory requirements for intellectual property rights protection in the PRC and the regions where its businesses are located, upholds a zero-tolerance attitude towards infringement and that the infringement of creative work of others should be stopped. The Group has established an internal management system for the proper use, authorization, permission, trading and disposal of patent rights, trademarks and copyrights. Based on the Group's materiality survey to stakeholders, intellectual property is not a material issue to the Group's stakeholders and therefore no relevant detailed disclosures have been made in this report.

In addition, as the Group's principal business operations do not involve the provision of products, matters relating to recall procedures, product advertising and labelling are not relevant to the Group.

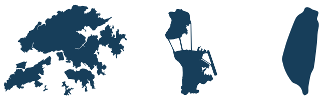
Supply Chain Management

In addition to creating value for customers, the Group also has keen concern for the interests of suppliers, contractors and other business partners. We hope to promote the mutual benefits of the entire supply chain in the course of our business operation, and have therefore established a series of compliance control procedures such as investigation, verification, approval, execution, supervision and training for our business partners to fully understand and strictly examine their relevant qualifications. They are also assessed in the course of contract execution and, upon completion of the contract, evaluation will be performed in terms of service, price, delivery, quality and so on for establishing a reward and punishment mechanism for suppliers. In 2021, the Group did not incur any penalty to suppliers and other parties in accordance with the above-mentioned regulations.

Number of Suppliers of the Group by Region in 2021

Mainland China

554



Hong Kong, Macau, and Taiwan

10

Overseas

6

Apart from the interests of our suppliers and contractors, we also hope that the operation of the entire value chain will have a positive impact on the overall environment and society so as to demonstrate our corporate social responsibility. Therefore, the Group also incorporates our sustainable development philosophy into our procurement system, especially the concept of green production and production safety, in order to minimize potential environmental and social risks in the supply chain.

Apart from modification of the procurement system, the Group has also introduced green management in the procurement process, taking into account factors such as environmental protection, environmentally friendly materials and resource conservation, with a view to facilitating protection of the environment and energy conservation and emissions reduction among our partners.

At the same time, we also pay attention to the production safety of our suppliers and contractors. In addition to the requirement of relevant licenses, depending on the construction conditions, the Group also provides safety training to our contractors to ensure that they and their staff have adequate understanding and awareness of production safety. Huade Petrochemical had zero tolerance for on-site violations by contractors. If violations were found, they should be rectified immediately. Considering the seriousness of the violations, deductions or penalties would be made, or such contractor or supplier would even be blacklisted.

Case

In March 2021, Huade Petrochemical provided work and production resumption training to a total of 109 personnel from contractors, explaining to them the local government's policy on work and production resumption and related cases of accidents, as well as matters to note when conducting direct operations.

Compliance

Corruption erodes the overall interests of the enterprise, is unfair to partners, employees or other stakeholders and has a negative impact on the enterprise. The Group therefore adopts a zero-tolerance approach to bribery, extortion, fraud and money laundering, and is committed to improving its business compliance management system to effectively prevent and control operational compliance risks. The Group has designed a series of compliance and anti-corruption related systems to block the channels for corruption and has formulated internal policy for preventing extortion, fraud and money laundering. All staff are prohibited from obtaining improper benefits through their positions and at the same time, relevant training is provided to all staff each year, in the hope that they will "not dare to be corrupted, not want to be corrupted" for the building of a clean workforce.

In 2021, the Group continued to comply strictly with the laws and regulations in relation to bribery, extortion, fraud and money laundering of the places in which it operates in all material aspects, including the Law against Unfair Competition of the People's Republic of China and the Prevention of Bribery Ordinance of Hong Kong. There were no corruption litigation cases during the year.

Whistleblowing Policy

The Group has established channels for reporting violations to prevent and identify violations in a timely manner. The Group encourages employees, business partners, suppliers and other third parties to report relevant misconduct, fraud and violations directly to the Company via email or other channels. The Risk Control Department of the Company is responsible for handling relevant reports, ensuring that there is no retaliation against the whistleblower and that the confidentiality of the whistleblower in real name is strictly maintained. If the reported case is substantiated and prevents the Company from suffering significant economic losses, the whistleblower will be rewarded.

Anti-corruption Training

Anti-corruption training is one of the highlights of the Group's annual training programme to instil relevant compliance requirements and integrity awareness. In 2021, the Group organized a total of 277 person-times to attend 7 anti-corruption training sessions.

Case

In March 2021, Huade Petrochemical held a work meeting on building integrity and anti-corruption for the year 2021, which was attended by approximately 60 participants including senior and middle management as well as personnel exposed to risks in their work. Attendees signed the Letter of Building Integrity to strengthen thought education among its staff and raise their anti-corruption awareness.

Case

In April 2021, the Hong Kong Office launched a review of the enforcement of the US Foreign Corrupt Practices Act (FCPA) to explain the US FCPA compliance system and enforcement of the relevant laws, and to reintroduce the compliance management system to staff to prevent them from falling foul of the compliance red line while conducting business.

Case

In September 2021, Huade Petrochemical carried out the activity of helping to reach integrity by families under the theme of "Passing on good family ethics and building a clean family", so as to further enhance the families' own awareness of integrity and build a firm ideological and moral defence against corruption.

Case

In December 2021, the Company invited its standing legal adviser to provide training to the Directors of the Company, covering topics such as the Hong Kong Securities and Futures Commission's guidelines on directors' duties, matters to note in mergers and acquisitions and asset disposal transactions, as well as anti-corruption related matters, with a view to enhancing the Company's corporate governance standards.

COMMUNITY INVESTMENT

In 2021, the Group continued to exert its influence and fulfill its responsibility as a corporate citizen by integrating its development into the society. We actively encourage our staff to participate in community service activities and to be keen to participate in public charity affairs.

Community Investment

In 2021, the Group continued to exert its influence and fulfill its responsibility as a corporate citizen by integrating its development into the society. We actively encourage our staff to participate in community service activities and to be keen to participate in public charity affairs to help those children and families in difficult circumstances and the elderly and youth in the community. At the same time, we are also keen to organize environmental protection activities and do our best to clean the surrounding environment. In 2021, the Group organized activities with over 150 person-times and contributed over 600 hours of service to the community. In addition, the Group donated over HK$240,000 to non-profit organizations in 2021 for activities such as poverty alleviation, education and physical and mental health support for children in need, and care for the elderly.

Environmental Protection

Case

In March 2021, Huade Petrochemical and the Sharing Sunshine Charity Service Center in Huiyang District where it is located carried out an environmental protection public benefit activity for cleaning riverside garbage, promoted the awareness of maintaining environmental sanitation and garbage classification for the enjoyment of "invaluable assets of lucid waters and lush mountains".

Case

As the weather turns hot, the number of beach swimmers and tourists continues to increase, resulting in a certain amount of garbage accumulating on the beach. In response to the Earth Day 2021 initiative, the Hong Kong Office supported the "Global Clean-up" and collected garbage on 22 April. On that day, the Hong Kong Office voluntarily organized its staff to clean up garbage in the marine environment of the Shek O Beach, and 12 bags of garbage were collected weighing some 80kg. The activity raised the awareness of environmental protection among our staff to create a better environment together.

Community Care

Case

In April 2021, Huade Petrochemical assisted the Huizhou Immigration Inspection Station to hold a "Union of Home and Nation" social gathering activity for the youth in conjunction with the port-related entities to build an external exchange platform for the youth in the local community, which further enhanced communication and exchange among the youth, created a harmonious atmosphere and united efforts to contribute to the growth and development of Daya Bay.

Case

In September 2021, the Hong Kong Office organized a visit to the Siu Sai Wan Day Care Centre for the Elderly to send festive greetings to the elderly in the community, a practice of Sinopec Kantons for many years in sending Mid-Autumn Festival greetings to the Siu Sai Wan Day Care Centre for the Elderly. This year, the Hong Kong Office carefully prepared epidemic prevention items and festive food for the elderly in the community, so that they could feel the care and support from outside.

Case

As part of our commitment to corporate social responsibility, we have organized our staff to participate in a professional charity poverty alleviation programme – the "Best with You" youth and child development subsidy programme. In November 2021, a number of our staff members signed up for the volunteer mentorship programme organized by the Hong Kong New Home Association to participate in city orienteering with students from matched poor families, providing relevant counselling to help them grow up healthily.

Donation

Case

In 2021, the Group participated in the "Best with You" youth and child development pilot subsidy programme launched in collaboration with the New Home Association. Not only did the Group donate HK$240,000 to the programme, but also sent staff to serve as volunteers to provide free academic support to grass-roots children and youths and help them to further develop.

Case

The Group's Hong Kong Office partnered with the Christian Action Social Enterprise to collect new or used clothing, footwear, small electrical appliances and houseware from our staff. The event not only gave new life to used items, but also helped the underprivileged in the community and received an overwhelming response from colleagues, with a total of 33 kg of used items collected.

Case

On 5 October 2021, the Hong Kong Office participated in the book donation activity "Books-next-door - Reading in the Community", giving away Chinese books to two secondary schools in Hong Kong, covering Chinese cultural traditions, patriotic sentiment, historical knowledge, and aspects related to morality and the rule of law. The Hong Kong Office is committed to building a literate culture in Hong Kong and further promoting reading literacy of Chinese in the community.

CORPORATE INFORMATION

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

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Mr. Fong Chung, Mark
Dr. Wong Yau Kar, David
Ms. Wong Pui Sze, Priscilla

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Ms. Wong Pui Sze, Priscilla

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Mr. Fong Chung, Mark
Dr. Wong Yau Kar, David
Ms. Wong Pui Sze, Priscilla
Mr. Sang Jinghua

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Ms. Tam Wai Chu, Maria
Mr. Fong Chung, Mark
Ms. Wong Pui Sze, Priscilla
Mr. Sang Jinghua

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