*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

# SINOPEC KANTONS HOLDINGS LIMITED
# （中石化冠德控股有限公司）*

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 934)**

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "**Directors**") (the "**Board**") of Sinopec Kantons Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Year**" or the "**Reporting Period**") together with the comparative figures for the previous financial year. The financial information in this announcement (including the comparative information for the same period of 2018) is extracted from the 2019 financial statements, which have been audited by PricewaterhouseCoopers and reviewed by the audit committee of the Company (the "**Audit Committee**").

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2019*

| | Note | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Revenue** | 3, 4 | **1,447,378** | 1,655,633 |
| Cost of providing services | 6 | **(799,653)** | (838,324) |
| **Gross profit** | | **647,725** | 817,309 |
| Other income and other gains, net | 5 | **113,032** | 133,573 |
| Distribution costs | | **(13,816)** | (15,094) |
| Administrative expenses | 6 | **(213,570)** | (275,417) |
| **Operating profit** | | **533,371** | 660,371 |
| Finance income | | **2,636** | 3,168 |
| Finance costs | | **(118,870)** | (152,020) |
| Finance costs, net | | **(116,234)** | (148,852) |
| Share of results of: | | | |
| – Joint ventures | | **891,211** | 825,594 |
| – Associates | | **185,402** | 151,289 |
| | | **1,076,613** | 976,883 |
| **Profit before income tax** | | **1,493,750** | 1,488,402 |
| Income tax expenses | 7 | **(209,346)** | (226,994) |
| **Profit for the year** | | **1,284,404** | 1,261,408 |
| **Profit attributable to:** | | | |
| Equity holders of the Company | | **1,285,111** | 1,262,071 |
| Non-controlling interests | | **(707)** | (663) |
| | | **1,284,404** | 1,261,408 |
| **Basic and diluted earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)** | 8 | **51.69** | 50.76 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2019*

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2019*

| | Note | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **5,762,627** | 6,212,395 |
| Right-of-use assets | | **647,345** | – |
| Prepaid land lease payments | | **–** | 651,206 |
| Investment properties | | **53,606** | 57,299 |
| Prepayment | | **31,097** | 25,932 |
| Interests in joint ventures | | **6,813,973** | 6,902,973 |
| Interests in associates | | **954,994** | 866,711 |
| **Total non-current assets** | | **14,263,642** | 14,716,516 |
| **Current assets** | | | |
| Inventories | | **72,246** | 17,110 |
| Trade and other receivables | *9* | **1,137,385** | 1,042,302 |
| Cash and bank balances | | **223,484** | 320,685 |
| **Total current assets** | | **1,433,115** | 1,380,097 |
| **Total assets** | | **15,696,757** | 16,096,613 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | | **248,616** | 248,616 |
| Reserves | | **11,930,496** | 11,413,711 |
| Equity attributable to equity holders of the Company | | **12,179,112** | 11,662,327 |
| Non-controlling interests | | **35,750** | 36,457 |
| **Total equity** | | **12,214,862** | 11,698,784 |

| | Note | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | **146,724** | 130,299 |
| Government grants | | **18,399** | 20,136 |
| Lease liabilities | | **11,709** | – |
| **Total non-current liabilities** | | **176,832** | 150,435 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **762,557** | 509,596 |
| Borrowings | | **2,518,494** | 3,673,325 |
| Income tax payable | | **17,089** | 64,473 |
| Lease liabilities | | **6,923** | – |
| **Total current liabilities** | | **3,305,063** | 4,247,394 |
| **Total liabilities** | | **3,481,895** | 4,397,829 |
| **Total equity and liabilities** | | **15,696,757** | 16,096,613 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1 General information

Sinopec Kantons Holdings Limited (the "**Company**") is a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The addresses of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 34/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong respectively.

The Company and its subsidiaries (together, the "**Group**") are principally engaged in the provision of crude oil jetty services and natural gas pipeline transmission services. The principal activities of the joint ventures and associates of the Group are principally engaged in operation of crude oil and oil product terminals and ancillary facilities, provision of logistics services including storage, transportation and terminal services.

These financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated. These financial statements have been approved by the board of directors for issue on 25 March 2020.

In the opinion of the directors, the immediate holding company of the Company is Sinopec Kantons International Limited and the ultimate holding company is China Petrochemical Corporation ("**Sinopec Group**"). China Petroleum & Chemical Corporation ("**Sinopec Corp.**"), is an intermediate holding company of the Company and its shares are listed on the stock exchanges of Shanghai, Hong Kong, New York and London.

## 2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

### 2.1 Going concern

As at 31 December 2019, the Group had net current liabilities of approximately HK$1,872 million, which was attributable to short-term borrowings of approximately HK$710 million from Sinopec Century Bright Capital Investment Limited ("**Century Bright**"), and approximately HK$1,808 million of the entrusted loan from China International United Petroleum & Chemicals Co., Ltd ("**Unipec**").

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from the reporting period. The board of directors have considered, among others, internally generated funds and financial resources (as described below) available to the Group in the adoption of going concern basis in the preparation of the consolidated financial statements.

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

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

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

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

## 2.2 Changes in accounting policy

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial statements.

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

### *(i) Adjustments recognised on adoption of HKFRS 16*

**Nature of change**

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

**Impact**

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

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

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

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

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

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

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

**Practical expedients applied**

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

(a) Impact on segment disclosures

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

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

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

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

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

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

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

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

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

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

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

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

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

- restoration costs.

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

The Group has short-term leases with a remaining lease term of less than 12 months for the hire of property, plant and equipment, which are recognised on a straight-line basis as operating lease charges, included in the administrative expenses in profit or loss, as disclosed in Note 6.

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

## 2.3 New standards, amendments and interpretations

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

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

The above new standards, amendments, improvements and interpretation effective for the financial year beginning 1 January 2019 do not have a material impact on the Group, except for HKFRS 16 "Leases".

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| Amendments to HKFRS 3 | Definition of a business | 1 January 2020 |
| Amendments to HKAS 1 and HKAS 8 | Definition of material | 1 January 2020 |
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting | 1 January 2020 |
| HKFRS 17 | Insurance contracts | 1 January 2021 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be announced |

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

## 3 Segment reporting

The Group manages its businesses by divisions, which are organised by its business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's chief operating decision-maker for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments, namely, rendering of crude oil jetty and storage services, rendering of vessel chartering and logistics services and rendering of natural gas pipeline transmission services. All operating segments which fulfil the aggregation criteria under HKFRS 8 Operating segments have been identified by the Group's chief operating decision-maker and aggregated in arriving at the reportable segments of the Group.

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

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

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

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

Segment assets included all assets, except for cash and bank balances, investment properties, dividend receivables from joint ventures, right-of-use assets – properties in Hong Kong and prepaid land lease payments in Indonesia, unallocated trade and other receivables and property, plant and equipment. Segment liabilities exclude unallocated trade and other payables, lease liabilities, borrowings and deferred income tax liabilities. The Group's chief operating decision-maker has determined to present segment assets, liabilities and results of joint ventures and associates under respective segments.

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

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

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

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

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

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

Year ended 31 December 2019

| | Crude oil jetty and storage services *HK$'000* | Vessel chartering and logistics services *HK$'000* | Natural gas pipeline transmission services *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **Segment revenue** | | | | |
| – Recognised at a point in time | **479,058** | **–** | **851,801** | **1,330,859** |
| – Recognised over time | **116,519** | **–** | **–** | **116,519** |
| | **595,577** | **–** | **851,801** | **1,447,378** |
| **Inter-segment revenue** | **–** | **–** | **–** | **–** |
| **Revenue from external customers** | **595,577** | **–** | **851,801** | **1,447,378** |
| **Segment results** | | | | |
| – Company and subsidiaries | **253,110** | **–** | **265,592** | **518,702** |
| – Joint ventures | **806,678** | **84,533** | **–** | **891,211** |
| – Associates | **181,257** | **4,145** | **–** | **185,402** |
| | **1,241,045** | **88,678** | **265,592** | **1,595,315** |
| Unallocated other corporate expenses | | | | **(101,565)** |
| Profit before income tax | | | | **1,493,750** |
| Income tax expenses | | | | **(209,346)** |
| Profit for the year | | | | **1,284,404** |
| **Other segment items** | | | | |
| Bank interest income | **337** | **–** | **2,268** | **2,605** |
| Depreciation and amortisation | **(129,583)** | **–** | **(264,427)** | **(394,010)** |
| Capital expenditures | **(47,360)** | **–** | **(21,143)** | **(68,503)** |

As at 31 December 2019

| | Crude oil jetty and storage services *HK$'000* | Vessel chartering and logistics services *HK$'000* | Natural gas pipeline transmission services *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **Segment assets** | | | | |
| – Company and subsidiaries | **1,969,974** | **–** | **4,545,362** | **6,515,336** |
| – Joint ventures | **6,035,441** | **778,532** | **–** | **6,813,973** |
| – Associates | **888,355** | **66,639** | **–** | **954,994** |
| | **8,893,770** | **845,171** | **4,545,362** | **14,284,303** |
| **Unallocated assets** | | | | |
| – Cash and bank balances | | | | **223,484** |
| – Trade and other receivables | | | | **15,668** |
| – Investment properties | | | | **43,329** |
| – Right-of-use assets | | | | |
| • properties in Hong Kong | | | | **5,081** |
| • prepaid land lease payments in Indonesia | | | | **582,707** |
| – Dividend receivable from joint ventures | | | | **446,540** |
| – Property, plant and equipment | | | | **95,645** |
| | | | | **1,412,454** |
| **Total assets** | | | | **15,696,757** |
| **Segment liabilities** | **79,802** | **–** | **1,963,260** | **2,043,062** |
| **Unallocated liabilities** | | | | |
| – Trade and other payables | | | | **576,836** |
| – Borrowings | | | | **710,088** |
| – Lease liabilities | | | | **5,185** |
| – Deferred income tax liabilities | | | | **146,724** |
| | | | | **1,438,833** |
| **Total liabilities** | | | | **3,481,895** |

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

Year ended 31 December 2018

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

As at 31 December 2018

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

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

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

**Revenue**

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

**Capital expenditures**

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

**Non-current assets**

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

**Total assets**

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

**(c) Major customers**

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

## 4 Revenue

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

## 5 Other income and other gains, net

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

## 6 Expenses by nature

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

## 7 Income tax expenses

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

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

(b) Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year.

(c) The provision for PRC corporate income tax is based on statutory income tax rate of 25% of the assessable income of the subsidiaries of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC (2018: 25%).

(d) Dividend distribution out of profit of foreign-invested enterprises earned in the PRC subsequent to 1 January 2008 is subject to withholding tax at tax rate of 5% or 10%. During the year, withholding tax was provided for portion of the relevant undistributed profits of the Group's subsidiaries, joint ventures and associates established in the PRC at tax rate of 5% (2018: 5%).

## 8 Earnings per share

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

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

## 9 Trade and other receivables

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

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

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

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

## 10 Dividends

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

A final dividend in respect of the year ended 31 December 2019 of HK12 cents per share, amounting to a total dividend of HK298,339,000 is to be proposed at the annual general meeting on 18 June 2020. These financial statements do not reflect this dividend payable.

## 11 Trade and other payables

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

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

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

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

## 12 Commitments

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

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

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

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

## FINAL DIVIDEND

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

## CLOSURE OF REGISTER OF MEMBERS

### (i) For determining the entitlement to attend and vote at the 2019 annual general meeting

The Company will convene the 2019 annual general meeting on 18 June 2020 (Thursday), and the register of members of the Company will be closed from 12 June 2020 (Friday) to 18 June 2020 (Thursday) (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending the 2019 annual general meeting of the Company and casting votes at the meeting, all share transfers, accompanied by the relevant share certificates, must be lodged with Tricor Secretaries Limited, the branch share registrar of the Company at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 11 June 2020 (Thursday).

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

The register of members of the Company will be closed from 6 July 2020 (Monday) to 10 July 2020 (Friday) (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with Tricor Secretaries Limited, the branch share registrar of the Company at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 3 July 2020 (Friday). The cheques for dividend payment will be sent to shareholders on or about 20 July 2020 (Monday) if the resolution for the proposed final dividend is passed at the annual general meeting.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review and outlook

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

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

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

In 2019, the Company's crude oil terminal associates and joint ventures continuously played a significant role in strengthening and enhancing the profitability of the Group. Each terminal company took effective measures which best fit their respective terminal facilities and business characteristics to expand the market and capture more customers for enlarging business scale and continuously enhancing profitability. Both aggregate throughput and investment return therefore achieved record high. In 2019, the aggregate throughput of Zhan Jiang Port Petrochemical Jetty Co., Ltd. ("**Zhan Jiang Port Terminal**"), Qingdao Shihua Crude Oil Terminal Co., Ltd. ("**Qingdao Shihua**"), Ningbo Shihua Crude Oil Terminal Co., Ltd. ("**Ningbo Shihua**"), Rizhao Shihua Crude Oil Terminal Co., Ltd. ("**Rizhao Shihua**"), Tianjin Port Shihua Crude Oil Terminal Co., Ltd. ("**Tianjin Shihua**") and Tangshan Caofeidian Shihua Crude Oil Terminal Co., Ltd. ("**Caofeidian Shihua**") (collectively, the "**Six Domestic Terminal Companies**") reached approximately 253 million tonnes, representing a year-on-year growth of approximately 6.75%. The Six Domestic Terminal Companies generated an aggregate investment return of approximately HK$966 million, representing a year-on-year increment of approximately 9.90%.

The construction for all of the eight liquefied natural gas ("**LNG**") vessels invested by the Group was completed and 2019 was the first year that all vessels were put into a full-year commercial operation. To cope with the characteristic of frequent equipment failures during the initial operation stage of the vessels, the Company on one hand established active communication and liaison with the vessel management company, strived to promote the daily maintenance and raised management of the LNG vessels' operation. Dynamic monitoring of each vessel's key equipment was strengthened to strive as much as possible to keep the operating condition of LNG vessels safe and sound. On the other hand, in case of equipment failure, the Company would assist in timely investigation of the cause, contact the equipment supplier and the ship builder, to complete repairs as soon as possible to shorten the LNG vessel's off-hire period, and proceed with off-hire insurance claims at the same time. In 2019, the two LNG vessels owned by East China LNG Shipping Investment Co., Limited completed a total of 17 voyages, generating an investment return of approximately HK$4.15 million, representing a year-on-year decline of approximately 43.46%. The six LNG vessels owned by China Energy Shipping Investment Company Limited completed a total of 78 voyages, generating an investment return of approximately HK$84.53 million, representing a year-on-year growth of approximately 7.51%.

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

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

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

## REVENUE, GROSS PROFIT AND OPERATING PROFIT

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

## SEGMENTAL INFORMATION

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

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

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

## OTHER INCOME AND OTHER GAINS, NET

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

## ADMINISTRATIVE EXPENSES

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

## FINANCE INCOME

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

## FINANCE COSTS

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

## SHARE OF RESULTS OF ASSOCIATES

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

## RIGHT-OF-USE ASSETS AND PREPAID LAND LEASE PAYMENTS

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

## PREPAYMENT

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

## INTERESTS IN ASSOCIATES

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

## INVENTORIES

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

## LIQUIDITY AND SOURCE OF FINANCE

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

## GEARING RATIO

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

## DEFERRED INCOME TAX LIABILITIES

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

## LEASE LIABILITIES

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

## TRADE AND OTHER PAYABLES

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

## BORROWINGS

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

## INCOME TAX PAYABLE

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

## SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

PipeChina was officially established on 9 December 2019. The Company is in negotiations with PipeChina and other relevant parties in respect the disposal of all or part of the assets related to natural gas pipelines held by the Group or the equity interest in members of the Group that hold such assets. As at the date of this announcement, such matter is still in the preparation stage and the Group has not yet reached any agreements in relation to such matter with any party. For details, please refer to the announcement dated 10 December 2019 which was published by the Company on the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (www.hkexnews.hk) and the website of the Company (www.sinopec.com.hk).

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

## EXCHANGE RISK

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

In addition, on 9 October 2012, the Group entered into the shareholders' agreement for the Batam Project. In accordance with the shareholders' agreement, as at 31 December 2019, the Group committed itself to a contribution obligation with the balance of not exceeding US$144,685,000. As the exchange rates of such currencies fluctuate from time to time, there may be differences between the actual contribution amount in HK$ and the amount based on the corresponding exchange rate as at the date of the agreement.

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

## ABOUT BATAM PROJECT

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

On 11 November 2016, Sinomart Development and PT. West Point received two notices from the ICC Court in respect of the submission of arbitration applications. Subsequently, the relevant parties underwent arbitration according to the schedule stipulated by the tribunal. On 4 December 2019, Sinomart Development and PT. West Point received two arbitral awards from the ICC Court. In the arbitration concerning the land lease agreement, the arbitral tribunal decided in favour of Sinomart Development and PT. West Point, dismissing all of PT. Batam Sentralindo's claims and finding in favour of Sinomart Development and PT. West Point on the most fundamental issue in the arbitration. PT. West Point has the right to terminate the land lease agreement and upon such termination, is entitled to a refund of the unused portion of the paid land lease fee, which amounts to SG$79,480,567.10 assuming a termination date of 31 December 2019. Sinomart Development and PT. West Point also prevailed in the arbitration concerning the shareholder's agreement. The Tribunal dismissed all of PT. MAS Capital Trust's claims and found in favour of Sinomart Development and PT. West Point on the most fundamental issue in the arbitration. The arbitration tribunal also ordered PT. Batam Sentralindo and PT. MAS Capital Trust to bear all of the arbitration costs fixed by the ICC Court, 80% of Sinomart Development and PT. West Point's legal costs, as well as legal costs of PT. Batam Sentralindo and PT. MAS Capital Trust in the two arbitral awards, respectively.

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

## EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2019, the Group had a total of 235 employees. Remuneration packages, including basic salaries, bonuses and benefits-in-kind, are structured with reference to market terms, trends of human resources costs in various regions, and employee contributions based on performance appraisals. Subject to the profit of the Group and the performance of the employees, the Group also provides discretionary bonuses to employees as an incentive for their greater contributions.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there was no other significant events occurred subsequent to 31 December 2019 and up to the date of this announcement.

## AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprised four independent non-executive Directors. The Audit Committee is responsible for reviewing the accounting principles and practices, auditing, internal control and risk management, internal audit and legal and regulatory compliance of the Group. It also reviews the interim and annual results of the Group prior to recommending them to the Board for approval.

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "**Model Code**") as its own code of conduct regarding the Directors' securities transactions. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2019.

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

This annual results announcement is published and available for viewing on the websites of the Stock Exchange and the Company.

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

Hong Kong, 25 March 2020

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

**Executive Directors:**
Mr. Chen Yaohuan *(Chairman)*
Mr. Xiang Xiwen *(Deputy Chairman)*
Mr. Dai Liqi
Mr. Li Jianxin
Mr. Wang Guotao
Mr. Ye Zhijun *(Managing Director)*

**Independent Non-executive Directors:**
Ms. Tam Wai Chu, Maria
Mr. Fong Chung, Mark
Dr. Wong Yau Kar, David
Ms. Wong Pui Sze, Priscilla

* *For identification purposes only*