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STRONG PETROCHEMICAL HOLDINGS LIMITED
海峽石油化工控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 852)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2010

The board of directors (the "Board") of Strong Petrochemical Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 March	
	NOTES	**2010**	**2009**
		HK$'000	*HK$'000*
Revenue	4	5,713,234	5,992,151
Cost of sales		(5,278,498)	(5,820,225)
Gross profit		434,736	171,926
Other income	5	34,649	4,297
Fair value changes on derivative financial instruments		(115,319)	207,465
Fair value changes on held for trading investments		—	(3,872)
Distribution and selling expenses		(87,543)	—
Administrative expenses		(39,103)	(31,566)
Other expenses		(17,312)	(10,935)
Finance costs		(12,260)	(3,912)
Share of loss of an associate		(598)	(204)
Profit before taxation		197,250	333,199
Taxation credit (charge)	6	4,347	(3,725)
Profit for the year	7	201,597	329,474
Other comprehensive income			
Exchange difference arising on translation		721	1,014
Total comprehensive income for the year		202,318	330,488
Earnings per share	9		
– basic (HK$)		0.13	0.26
– diluted (HK$)		0.12	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
	NOTES	**2010**	**2009**
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		180,028	8,348
Prepaid lease payments		20,666	20,876
Available-for-sale investments		392	392
Bank structured deposit		19,014	17,496
Interests in associates		110,950	50,420
Deferred tax asset		4,358	—
		335,408	97,532
Current assets			
Inventories		366,757	—
Prepaid lease payments		440	435
Trade and bills receivables	10	632,238	460,747
Other receivables, deposits and prepayments		10,935	3,740
Amount due from an oil trading company		—	5,528
Tax recoverable		2,738	—
Deposits placed with brokers		128,936	75,289
Pledged bank deposits		57,642	41,476
Bank balances and cash		152,605	228,149
		1,352,291	815,364
Current liabilities			
Trade and bills payables	11	369,353	280,090
Other payables and accruals		25,425	16,656
Bank borrowings		463,414	—
Derivative financial instruments		50,824	29,636
Tax payable		9,540	12,405
		918,556	338,787
Net current assets		433,735	476,577
Total assets less current liabilities		769,143	574,109
Equity			
Share capital		40,147	40,000
Reserves		728,996	534,109
Total equity		769,143	574,109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

1. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 1 February 2008. The shares of the Company have been listed on the Main Board of the Stock Exchange since 12 January 2009. Its parent and ultimate holding company is Forever Winner International Ltd. ("Forever Winner"), a limited company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 1604, Far East Finance Centre, 16 Harcourt Road, Hong Kong, respectively.

Pursuant to the Corporate Reorganisation to rationalise the structure of the Group in preparation for the Listing, the Company became the holding company of the Group on 28 November 2008 by issuing shares in exchange for the entire share capital of Wide Sea International Limited ("Wide Sea"). Details of the Corporate Reorganisation were set out in the prospectus dated 23 December 2008 issued by the Company.

The Corporate Reorganisation completed on 28 November 2008 was regarded as a reorganisation of companies under common control which was undertaken to intersperse the Company and Wide Sea between Forever Winner and Santron Holdings Limited, the then holding company of the Group. Accordingly, the entities comprising the Group are regarded as continuing entities. The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2009 are prepared using merger accounting principles as if the current group structure immediately after the Corporate Reorganisation had been in existence throughout the year ended 31 March 2009, or since the respective dates of incorporation/establishment of the relevant entity, where this is a shorter period.

The Group's principal operations are conducted in the Hong Kong and Macao. The functional currency of the Company and most of its subsidiaries is United States Dollar ("US$"), as the Group mainly trade in US$ with its customers and suppliers. However, for the convenience of the financial statement users, the consolidated financial statements are presented in Hong Kong Dollar ("HK$").

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are set out below.

3. PRINCIPAL ACCOUNTING POLICIES

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) - INT 13	Customer loyalty programmes
HK(IFRIC) - INT 15	Agreements for the construction of real estate
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) - INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has resulted in changes in the Group's segment reporting (see note 4).

Improving disclosures about financial instruments (Amendments to HKFRS 7 Financial instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related party disclosures[7]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[5]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[4]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[6]
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions[4]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[8]
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement[7]
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009.

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

4 Effective for annual periods beginning on or after 1 January 2010.

5 Effective for annual periods beginning on or after 1 February 2010.

6 Effective for annual periods beginning on or after 1 July 2010.

7 Effective for annual periods beginning on or after 1 January 2011.

8 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 April 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 is not expected to affect the classification and measurement of the Group's leasehold land.

The directors of the Group anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. REVENUE AND SEGMENTAL INFORMATION

Revenue

Revenue represents the amounts received and receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Segmental information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the executive directors of the Company) for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of oil trading companies of the Group. The application of HKFRS 8 has resulted in a significant change in segment reporting for the Group.

In previous and current years, the Group's revenue is substantially derived from a single business operation of trading of petroleum products and crude oil ("Trading business"). In previous years, the executive directors of the Company reported geographical segments by location of the oil trading companies of the Group, which are mainly located in Hong Kong, Macao and the People's Republic of China (the "PRC" excluding Hong Kong and Macao), as the Group's primary segment reporting format. However, based on the internal information that is regularly reviewed by the executive directors of the Company, the financial information for the Trading business as a whole, irrespective of the location of oil trading companies, is used for the purposes of assessment of performances. Accordingly, the Trading business as a whole constitutes one operating segment for the purpose of segment information presentation under HKFRS 8.

Though the management plans to develop an oil storage business in the PRC, the storage facilities are still in construction and it has not yet generated any revenue up to 31 March 2010. The Group's turnover and results are principally derived from the Trading business and management of the Group has been managing the Group as a single operating segment in both years. The turnover and results are disclosed in the consolidated statement of comprehensive income.

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2010	**2009**
	HK$'000	*HK$'000*
Crude oil	5,140,920	5,197,893
Petroleum products	262,215	661,850
Petrochemical products	310,099	132,408
	5,713,234	5,992,151

Geographical information

The Group's operations are currently carried out in Hong Kong, Macau, PRC and Malaysia.

The Group's revenue from external customers by location of delivery to the customers and information about the Group's non-current assets by geographic location of assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	—	—	177	60
Macau	—	—	1,348	1,353
PRC	4,735,783	5,844,427	28,699	27,811
Malaysia	227,483	51,399	170,470	—
Korea	361,007	59,755	—	—
Other Southeast Asia countries	388,961	36,570	—	—
	5,713,234	5,992,151	200,694	29,224

Note: For the purpose of geographical information above, non-current assets exclude financial instruments (consisting of interest in associates, available-for-sale investments and bank structured deposit) and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years which contributed over 10% of the total sales of the Group are as follows:

	2010	2009
	HK$'000	*HK$'000*
Customer A	2,057,240	—
Customer B	1,045,393	2,589,825
Customer C	—	1,012,497
Customer D	906,256	620,868
Customer E	—	621,538

5. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Rental income from leasing car parking spaces and unutilised storage area of the self-owned vessel	30,635	13
Bank interest income	217	3,502
Service fee income	2,279	—
Increase in fair value on bank structured deposit	1,518	225
Dividend income from listed securities in Hong Kong	—	377
Others	—	180
	34,649	4,297

6. TAXATION (CREDIT) CHARGE

	2010	2009
	HK$'000	*HK$'000*
Current tax of Hong Kong Profits Tax	—	3,640
Underprovision of Hong Kong Profits Tax in prior year	11	85
	11	3,725
Deferred tax	(4,358)	—
	(4,347)	3,725

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profit for the year ended 31 March 2009. No provision for Hong Kong Profits Tax has been made for the year since tax losses were incurred for the subsidiaries with operations in Hong Kong.

No provision for PRC Enterprise Income Tax was provided for the Group's PRC subsidiary as the PRC subsidiary has no assessable profit for both years.

Pursuant to the Decree Law No. 58/99M, Chapter 2, Article 12 dated 18 October 1999, issued by the Macao Special Administrative Region Government, Strong Petrochemical Limited (Macao Commercial Offshore) ("Strong Petrochemical (Macao)") is exempted from Macao Complementary Tax.

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Profit before taxation	197,250	333,199
Tax at applicable Hong Kong Profits Tax rate of 16.5%	32,546	54,978
Tax effect of income not taxable for tax purposes	(265)	(294)
Tax effect of expenses not deductible for tax purposes	868	2,820
Effect of tax exemption granted to Macao subsidiary	(38,337)	(53,898)
Tax effect of share of loss of an associate	99	34
Tax effect of tax loss not recognised	731	—
Underprovision in respect of prior year	11	85
Taxation for the year	(4,347)	3,725

There was no significant unprovided deferred taxation for the year or at the end of the reporting period.

7. PROFIT FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Profit for the year is arrived after charging (crediting):		
Auditor's remuneration	1,400	1,018
Amortisation of prepaid lease payments (included in other expenses)	438	435
Depreciation of property, plant and equipment		
Vessel *(Note)*	17,635	—
Others	215	457
Net foreign exchange losses	183	925
Listing expenses (included in other expenses)	—	10,500
(Gain) loss on disposal of property, plant and equipment	(9)	3
Operating lease rentals in respect of oil storage facilities, a vessel and rented premises	16,697	14,189
Directors' emoluments	4,229	1,333
Other staff costs		
Salaries, bonus and other allowances	9,844	8,600
Retirement benefits scheme contributions	146	100
Share-based payments	2,873	—
	17,092	10,033
Write-down of inventories (included in cost of sales)	9,145	—
Cost of inventories recognised as expense (included in cost of sales)	5,171,911	5,724,902
Share-based payments to third parties (included in distribution and selling expenses)	31,513	—

Note: As one-third of the vessel was leased out for rental income, the respective depreciation of vessel amounting to HK$5,878,000, together with the attributable operating costs of vessel, was included in other expenses. The remaining amount of HK$11,757,000, together with the attributable operating costs of the vessel, was included in distribution and selling expenses.

8. DIVIDENDS

The dividend recognised as a distribution during the year ended 31 March 2010 represents the interim dividend of approximately HK$48,139,000 declared and paid by the Company to the shareholders.

The dividends recognised as a distribution during the year ended 31 March 2009 represented the interim dividends of US$29,000,000 (equivalent to approximately HK$226,200,000) declared and paid by Santron Holdings Limited, the then holding company of the Group to the shareholders.

The final dividend of HK3 cents in respect of the year ended 31 March 2010 (2009: nil) per share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meeting.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit for the year attributable to owners of the Company and on the number of shares as follows:

	2010	2009
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(note)*	1,602,546,466	1,286,575,344
Effect of dilutive potential ordinary shares:		
Share options	67,042,685	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,669,589,151	1,286,575,344

Note: The weighted average number of shares for the purpose of calculating basic earnings per share for year ended 31 March 2009 is based on the assumption that the 20,000,000 shares issued and outstanding upon the Corporate Reorganisation had been in issue as at beginning of the year ended 31 March 2009 and also has been adjusted for the 280,000,000 shares issued pursuant to the capitalisation issue and the share division which took place on 18 August 2009.

There was no diluted earnings per share for the year ended 31 March 2009 as there were no potential ordinary shares in issue during the year.

10. TRADE AND BILLS RECEIVABLES

The following is an aged analysis of trade and bills receivables presented based on the invoice date at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
Trade receivables:		
0 to 30 days	632,238	373,866
31 to 60 days	—	50,797
61 to 90 days	—	26,317
Bills receivables		
31 to 60 days	—	9,767
	632,238	460,747

The credit period on sale of goods is 30 to 90 days. The Group does not hold any collateral over these balances. All trade receivables are neither past due nor impaired as at the end of the reporting period. The directors of the Company consider these trade receivables are of good credit quality as the debtors have no history of defaults and all of these balances had been subsequently settled.

In the opinion of the directors, the Group has a well established strong client portfolio where the customers have a strong financial and well established market position. The directors consider that such relationships enable the Group to limit its credit risk exposure. Before accepting any new customers, the Group will assess the potential customer's credit quality by reference to the experience of the management and defines credit limits by customer. Such credit limit is reviewed by the management periodically.

11. TRADE AND BILLS PAYABLES

The aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period is stated as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Trade payables:		
0 to 30 days	349,053	160,517
61 days to 90 days	—	29,140
91 days to 180 days	—	464
Bills payables		
0 to 30 days	20,300	89,969
	369,353	280,090

The credit period on purchases of goods is normally 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

MANAGEMENT DISCUSSION & ANALYSIS

The Group is principally engaged in the trading of oil products. Approximately 90% of the Group's revenue is generated from trading of crude oil for the financial year ended 31 March 2010 ("FY 09/10") (87% for the financial year ended 31 March 2009 ("FY 08/09")). The remaining revenue is generated from trading of petroleum products and petrochemical products. The Group extends its business to petroleum and petrochemical product storage operation.

BUSINESS REVIEW

Trading Strategy

The operating performance of oil trading business is highly affected by price fluctuation in the global oil market. In order to reduce price risks arising from short term price fluctuation in the global oil market, the Group decided to hold oil inventory as and when the traders consider appropriate. Oil inventory of the Group is stored in the vessel anchoring in Tanjung Pelepas port of Malaysia, which is acquired by the Group on 29 June 2009. Appropriate hedging plan was carried out at the same time to minimize the risk on inventory holding. With the change in the trading strategy, the Group successfully increased its crude oil sales quantity from 8,174,456 barrels in FY 08/09 to 9,175,631 barrels in FY 09/10.

New Suppliers

During the FY 09/10, the Group has successfully registered with two state-owned oil companies in Southeast Asia as qualified trader. This had improved our sourcing capabilities with more varieties and options in crude oil and petroleum products when responding to customers' needs.

Bank Facilities

The Group continues to have strong and stable relationship with its principal bankers, which allows the Group to gain access to financial resources efficiently during the trading process. The total bank facilities granted to the Group increased from US$247 million as at 31 March 2009 to US$357 million as at 31 March 2010. With the increase in bank facilities, trading capacity of Group during FY 09/10 also increased as the Group can procure more inventory within a short period of time.

Representative Office in Beijing

In December 2009, the Group established a representative office in Beijing for marketing and liaison purposes. As most of the existing and potential customers have branch office or headquarters in the Northern part of China, the Beijing representative office brought the Group closer to its customers and improved communication between the Group and its customers.

Investment in Tianjin Port Sinochem Petrochemical Dock Co., Ltd

During FY 09/10, the Group invested 15% equity interest in Tianjin Port Sinochem Petrochemical Dock Co., Ltd ("Tianjin Dock Project") through Smart Team Investments Limited. The total registered capital of the Tianjin Dock Project is approximately RMB180 million (equivalent to approximately HK$204.7 million), among which, the Group is required to pay a total of RMB27 million (equivalent to approximately HK$30.7 million). On 16 December 2009, the Group contributed the first installment of registered capital of RMB4 million.

The Tianjin Dock Project, located adjacent to our Tianjin Storage project, aims to enhance the logistic of our oil storage operations in the area. Based on the latest construction plan, the Tianjin Dock Project covers an area of approximately 25,749 square meters. There will be two berths with capacity of 50,000 tons and 10,000 tons each, and total throughput of the two berths is estimated to be 3.5 million tons per annum. The Tianjin Dock Project will also include construction of pipeline and pump connecting the Tianjin Storage Project. The Tianjin Dock Project is currently under construction and expected to be completed around September 2011.

FINANCIAL REVIEW

Revenue

		Year ended 31 March					
		2010			2009		
Products	Units	**Number of shipment**	**Sales quantity**	**Turnover HK$ million**	Number of shipment	Sale quantity	Turnover HK$ million
Crude oil	BBL	**25**	**9,175,631**	**5,140.9**	21	8,174,456	5,197.9
Petroleum products	BBL	**3**	**495,832**	**262.2**	4	578,788	661.9
Petrochemical products	MT	**15**	**50,086**	**310.1**	7	22,908	132.4
Total		**43**		**5,713.2**	32		5,992.2

Total revenue for FY 09/10 was approximately HK$5,713.2 million, representing a decrease of 4.7% when comparing with FY 08/09.

Revenue generated from trading of crude oil for FY 09/10 was approximately HK$5,140.9 million, representing a slight decrease of 1.1%. Such decrease was mainly due to the drop in the average oil price during FY 09/10. The average oil price dropped by 12% from FY 08/09 to FY 09/10.

Revenue generated from trading of petroleum products for FY 09/10 was approximately HK$262.2 million, representing a decrease of 60.4%. Such decline was attributable to the change in the Group's trading strategy. The management decided to trade less petroleum products as profit margin from trading of petroleum product is getting thinner due to keen market competition.

Revenue generated from trading of petrochemical products for FY 09/10 was approximately HK$310.1 million, representing a significant increase of 134.2%. Such increase was attributable to the expansion of the Group's petrochemical trading team.

Cost of Sales

Cost of sales of the Group for FY 09/10 was approximately HK$5,278.5 million, representing a decrease of 9.3% when comparing with FY 08/09. Such decrease was attributable to the Group's optimal purchase strategy with the support of the oil tanker.

Gross Profit

Gross profit of the Group increased by 152.9% from HK$171.9 million for FY 08/09 to HK$434.7 million for FY 09/10.

Other income

Other income of the Group for FY 09/10 was approximately HK$34.6 million, representing an increase of HK$30.3 million when comparing with FY 08/09. Such increase was attributable to the rental income received from the oil tanker.

Fair Value Changes on Derivative Financial Instruments

The Group has engaged in trading in derivative financial instruments. The purposes of hedging activities are to minimize the price risk exposure of each trade and reduce the fluctuation in the operating results.

The trading in derivative financial instruments recorded a loss of HK$115.3 million for FY 09/10, while a gain of HK$207.5 million from trading in derivative financial instruments was recorded for FY 08/09.

Distribution and selling expenses

The distribution and selling expenses for FY 09/10 was approximately HK$87.5 million (FY 08/09: Nil). It includes the operation of the oil tanker and the costs incurred in the exploration of new suppliers and customers.

Administration and other expenses

Administrative and other expenses incurred by the Group for FY 09/10 was approximately HK$56.4 million, representing an increase of 32.7% when comparing with FY 08/09. Administrative and other expenses mainly include staff costs and operation cost of the Group in Hong Kong, Macao and China.

Finance Cost

Finance cost for FY 09/10 was approximately HK$12.3 million, representing an increase of 213.4% when comparing with FY 08/09. Finance cost was mainly attributed to the interest on short term borrowings as well as bank charges.

Share of Loss of an Associate

Share of loss of an associate for FY 09/10 was approximately HK$0.6 million. It represents our share on the operating cost incurred by Tianjin Storage Project As Tainjin Storage Project is currently under construction, no income has been generated for FY 09/10.

Taxation

Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profit since 1 April 2008. For FY 09/10, no provision for Hong Kong Profits Tax has been provided as tax loss was incurred in Hong Kong subsidiary.

No provision for PRC Enterprise Income tax has been provided for the PRC subsidiary for FY 09/10.

The Macao subsidiary is exempted from Macao Complement Tax under the Decree Law issued by the Macao Special Administrative Region Government.

Profit for the year

Profit for FY 09/10 was approximately HK$201.6 million, representing a decrease of HK$127.9 million (39%) when comparing with HK$329.5 million in FY08/09.

Utilization of IPO Proceeds

Net proceeds received from the listing of the Company's Share in 2009 amounted to HK$218.3 million. The utilization of the net proceeds for FY09/10 was set out in the following manner:

Nantong Project is the development of storage of petrochemical and petroleum products business in Nantong City, Jiangsu Province, the PRC. It is carried out by Strong Petrochemical (Nantong) Logistics Co., Ltd., an indirect wholly owned subsidiary of the Company. As at 31 March 2010, the total capital expenditure incurred in Nantong Project amounted to RMB26.4 million (31 March 2009: RMB25.5 million). The review and reassessment on the Nantong Project was about to be concluded and the progress will soon be resumed. The management will closely monitor the development on Nantong project. The unutilized IPO proceeds for Nantong Project is amounted to HK$106.2 million.

The Tianjin Storage Project is the establishment and operation of storage facilities for crude oil, petroleum products and petrochemical products located in Tianjin Nanjiang Port Zone. It is carried out by Sinochem Tianjin Port Petrochemical Terminal Co., Ltd. (the "Tianjin Company"). An indirect wholly owned subsidiary of the Company holds 15% interest of the Tianjin Company. The Tianjin Project is still undergoing the first phase construction and is expected to be completed by the end of December 2010. The installation of 14 storage tanks has been completed and the works on the attached infrastructures, the main control center as well as the office buildings are still under construction. As at 31 March 2010, the Group had fully contributed its shared-portion of the registered capital of approximately RMB94.2 million. The IPO proceeds of HK$43.5 million for Tianjin Project is fully utilized during FY 09/10.

The IPO proceeds of HK$46.8 million as pledged bank deposit for banking facilities and the IPO proceeds of HK$21.8 million for working capital was utilized during FY08/09.

Liquidity and Financial Resource

The bank balances and cash as at 31 March 2010 was approximately HK$152.6 million (31 March 2009: 228.1 million).

The bank facilities as at 31 March 2010 amounted US$357 million (equivalent to HK$2,785 million) (31 March 2009: US$247 million/HK$1,927 million). The bills payable as at 31 March 2010 was HK$20.3 million. The bank borrowings as at 31 March 2010 was HK$463.4 million, representing the trust receipt loans in respect of inventory procurement.

Net cash outflow from operating activities for FY 09/10 amounted to HK$174.8 million, which is mainly contributed by the purchase of inventory of HK$375.9 million. Net cash outflow from investing activities for FY 09/10 amounted to HK$319.9 million, which is mainly contributed by the purchase of the oil tanker of HK$189.5 million and the capital injection to the associates of HK$60.8 million. Net cash inflow from financing activities for FY 09/10 amounted to HK$419 million, which is mainly contributed by the short term bank borrowings of HK$463.4 million, and offsetting by the payment of interim dividend of HK$48.1 million.

As at 31 March 2010, current ratio of the Group was 1.47 times (31 March 2009: 2.41 times) and the gearing ratio was 0.6 times (31 March 2009: Nil). Gearing ratio is equal to bank borrowing divided by total equity. Decrease in current ratio and increase in gearing ratio are mainly due to the increase in bank borrowings for inventory procurement.

Dividends

An interim dividend of approximately HK$48.1 million had been declared and paid to the shareholders by the Company during FY 09/10.

The Board proposed a final dividend of HK3 cents per share for the year ended 31 March 2010 to the shareholders of the Company whose names appear in the Register of Members on 18 August 2010. The final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. The payment date of final dividend will be on 8 September 2010.

Charges of Assets and Contingent Liabilities

As at 31 March 2010, the Group's banking facilities were secured by pledged deposits of HK$57.6 million (31 March 2009: HK$41.5 million) and properties owned by the Group.

As at 31 March 2010, the Group has no significant contingent liabilities.

Foreign Exchange Exposure

The functional currency of the Group is denominated in US Dollars, while the reporting currency is denominated in Hong Kong Dollars. Since the exchange rate of US Dollars against Hong Kong Dollars is relatively stable during FY 09/10, the exposure on foreign exchange is minimal.

Capital Commitments

The Group had authorized but not contracted for capital commitment of RMB93.4 million for FY 09/10 (FY 08/09: RMB94.3 million) in respect of the construction of the petroleum and petrochemical products storage facilities on the two leasehold land parcels acquired in Nantong, Jiangsu Province, the PRC.

The Group is required to pay the committed registered capital contribution of an associate, Tianjin Port Sinochem Petrochemical Dock Co., Ltd of approximately RMB23 million in the year 2011.

PROSPECT

News about uncertainties in the outlook of the global economy recovery were heard every day. This impose pressure to the economic performance of the PRC, as a country whose primarily depending on export. Fortunately, PRC officials' figures shown that the growth in domestic demand in oil has been steadily positive. This counteracts the negativities from her peripheral economies.

To maintain the Group's competitiveness, we had started investing in strengthening our market intelligence capabilities, fortifying relationships with existing customers and broadening the customer base during the year. The Group will continue such efforts in sustaining our operations and stepping up our business.

Looking ahead, the Group maintains a prudent attitude in our core business development. Simultaneously, the Group will adopt a positive view towards the exploration of investment opportunities with potentials. Expanding the scope of business and increasing shareholders' return are the key objectives of the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 August 2010 to 18 August 2010, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 13 August 2010.

EMPLOYMENT AND REMUNERATION POLICY

The Group employed a total of 29 employees as at 31 March 2010 (31 March 2009: 22 employees). The Group implemented its remuneration policy, bonus and share option schemes based on the achievements and performance of employees.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company during FY 09/10.

AUDIT COMMITTEE

An audit committee has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee has reviewed the annual results of the Group for FY 09/10. The audit committee comprises all of the three independent non-executive directors, namely Mr. Lau Hon Kee (Chairman), Mr Zhu Yao Bin, and Ms Lin Yan.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2010 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2010. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CORPORATE GOVERNANCE

Compliance with Code on Corporate Governance Practices

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") during FY 09/10.

Compliance with Model Code for Securities Transactions by Directors

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

PUBLICATION OF ANNUAL RESULTS

The annual results announcement is published at the websites of The Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.strongpetrochem.com). The annual report will be dispatched to Shareholders and published at the websites of The Hong Kong Exchanges and Clearing Limited and the Company in due course.

By order of the Board
Strong Petrochemical Holdings Limited
Wang Jian Sheng
Chairman

Hong Kong, 16 July 2010

As at the date of this announcement, the Board comprises three executive directors and three independent non-executive directors. The executive directors are Mr. Wang Jian Sheng, Mr. Yao Guoliang and Mr. Wong Wing, The independent non-executive directors are Mr Zhu Yao Bin, Mr Lau Hon Kee and Ms Lin Yin.

This announcement is available for viewing on the website of the Company at www.strongpetrochem.com and the website of the Stock Exchange at www.hkex.com.hk

* *for identification purpose only*