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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

The board of directors (the "Board") of Strong Petrochemical Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010 together with the comparative figures for the corresponding period in 2009 as follows:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2010

	NOTES	Six months ended 30 September 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
Revenue		**3,982,978**	2,362,047
Cost of sales		**(3,923,571)**	(2,120,710)
Gross profit		**59,407**	241,337
Other income		**3,915**	13,223
Fair value changes on derivative financial instruments		**137,261**	(79,216)
Distribution and selling expenses		**(42,161)**	(46,437)
Administrative expenses		**(20,794)**	(19,247)
Other expenses		**(1,376)**	(10,477)
Finance costs	4	**(12,451)**	(4,091)
Share of loss of an associate		**(449)**	(129)
Profit before taxation		**123,352**	94,963
Taxation	5	**—**	—
Profit for the period	6	**123,352**	94,963
Other comprehensive income			
Exchange differences arising on translation		**2,750**	375
Total comprehensive income for the period		**126,102**	95,338
Earnings per share	8		
– basic (HK$)		**0.08**	0.06
– diluted (HK$)		**0.07**	0.06

Condensed Consolidated Statement of Financial Position

At 30 September 2010

	NOTES	**30 September 2010**	31 March 2010
		HK$'000	*HK$'000*
		(unaudited)	*(audited)*
Non-current assets			
Property, plant and equipment		**168,845**	180,028
Prepaid lease payments		**20,818**	20,666
Available-for-sale investments		**392**	392
Bank structured deposit		**19,129**	19,014
Interests in associates		**118,771**	110,950
Deferred tax asset		**4,358**	4,358
		332,313	335,408
Current assets			
Inventories		**627,998**	366,757
Prepaid lease payments		**448**	440
Trade receivables	9	**520,098**	632,238
Other receivables, deposits and prepayments		**14,140**	10,935
Tax recoverable		**3,650**	2,738
Deposits placed with brokers		**83,404**	128,936
Pledged bank deposits		**70,658**	57,642
Bank balances and cash		**66,703**	152,605
		1,387,099	1,352,291
Current liabilities			
Trade and bills payables	10	**166,083**	369,353
Other payables and accruals		**6,900**	25,425
Bank borrowings		**663,405**	463,414
Derivative financial instruments		**16,858**	50,824
Tax payable		**9,540**	9,540
		862,786	918,556
Net current assets		**524,313**	433,735
Total assets less current liabilities		**856,626**	769,143
Equity			
Share capital		**40,324**	40,147
Reserves		**816,302**	728,996
Total equity		**856,626**	769,143

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard 34 (HKAS 34), "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of right issues
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK (IFRIC)-INT 17	Distributions of non-cash assets to owners

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the results and financial position of the Group for the current or prior accounting period.

2. PRINCIPAL ACCOUNTING POLICIES – Continued

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related party disclosures[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adoptors[2]
HKFRS 7 (Amendment)	Disclosures - transfer of financial assets[4]
HKFRS 9	Financial instruments[5]
HK (IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[3]
HK (IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

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

2 Effective for accounting periods beginning on or after 1 July 2010.

3 Effective for accounting periods beginning on or after 1 January 2011.

4 Effective for accounting periods beginning on or after 1 July 2011.

5 Effective for accounting periods beginning on or after 1 January 2013.

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 flow 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.

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

3. SEGMENT INFORMATION

Based on the internal information that is regularly reviewed by the executive directors of the Company, the financial information for the single business operation of trading of petroleum products and crude oil ("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 30 September 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 periods. The turnover and results are disclosed in the condensed consolidated statement of comprehensive income.

4. FINANCE COSTS

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Interests on short-term borrowings	**9,647**	1,108
Bank charges on letter of credit facilities	**2,804**	2,983
	12,451	4,091

5. TAXATION

No provision for Hong Kong Profits Tax was provided as there were no assessable profit for both periods.

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 periods.

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

6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Profit for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments (included in other expenses)	**221**	219
Depreciation of property, plant and equipment		
- Vessel (Note)	**11,757**	5,878
- Others	**106**	114
Net foreign exchange losses (gains)	**433**	(114)
Loss (gain) on disposal of property, plant and equipment	**1**	(9)
Reversals of write-down of inventories (included in cost of sales)	**(1,786)**	—
Gross rental income from leasing of storage spaces of vessel	**(2,972)**	(12,043)

Note:

As one-third of the vessel was leased out for rental income from 29 June 2009 to 30 April 2010, the respective depreciation of vessel amounting to HK$653,000 (2009: HK$1,959,000), together with the attributable operating costs of vessel, was included in other expenses. The remaining amount of HK$11,104,000 (2009: HK$3,919,000), together with the attributable operating costs of the vessel, was included in distribution and selling expenses.

7. DIVIDENDS

The dividend recognised as a distribution during the period ended 30 September 2010 represents the final dividend of approximately HK$48,389,000 declared and paid by the Company to the shareholders.

The Board has resolved that no interim dividend for the six months ended 30 September 2010 was paid, declared or proposed duing the reported period (30 September 2009: HK3 cents per share).

8. EARNINGS PER SHARE

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

	six months ended 30 September	
	2010	2009
	(unaudited)	*(unaudited)*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,608,364,262**	1,600,265,793
Effect of dilutive potential ordinary shares:		
Share options	**69,405,469**	53,246,689
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,677,769,731**	1,653,512,482

Note:

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share for 30 September 2009 has been adjusted for the share division which took place on 18 August 2009.

9. TRADE RECEIVABLES

The following is an analysis of trade receivables by age, presented based on the invoice date at the end of the reporting period:

	30 September 2010 *HK$'000* *(unaudited)*	31 March 2010 *HK$'000* *(audited)*
0 to 30 days	**520,098**	632,238

The credit period on sale of goods is 30 to 90 days.

10. TRADE AND BILLS PAYABLES

The following is an analysis of trade and bills payables by age, presented based on the invoice date at the end of the reporting period:

	30 September 2010 *HK$'000* *(unaudited)*	31 March 2010 *HK$'000* *(audited)*
Trade payables:		
0 to 30 days	**166,083**	349,053
Bills payables:		
0 to 30 days	**—**	20,300
	166,083	369,353

The credit period on purchases of goods is 30 days.

11. EVENTS AFTER THE END OF INTERIM PERIOD

On 18 November 2010, a wholly-owned subsidiary of the Company subscribed 67 new shares, representing 40% of the enlarged issued share capital of a joint venture enterprise incorporated in British Virgin Island ("BVI") in the consideration of US67. As part of the transaction under the Subscription Agreement, the Group has agreed to provide the shareholders loan of approximately US11.24 million to Asia Sixth Energy Resources Limited ("Asia Sixth"). The shareholder loan is granted to Asia Sixth for the purpose of enabling Asia Sixth to fulfill its payment obligation for the acquisition of 60% of Aral Petroleum Capital LLP ("Aral"), an entity incorporated in the Republic of Kazakhstan. The principal activities of Aral are production and exploration of crude oil. Details of the investment are disclosed in the announcement issued by the Group on 18 November 2010.

Management Discussion and Analysis

FINANICAL REVIEW

The Group is principally engaged in the trading of oil products. 66.9% of the Group's revenue is generated from trading of crude oil for the six months ended 30 September 2010 (89.6% for the six months ended 30 September 2009). The revenue generated from trading of petroleum products is approximately 27.2% (6.1% for the six months ended 30 September 2009) and the revenue generated from trading of petrochemical products is approximately 5.9% (4.3% for the six months ended 30 September 2009).

Revenue

		Six months ended 30 September					
			2010			2009	
Products	**Units**	**Number of shipment**	**Sales quantity**	**Turnover HK$ million**	Number of shipment	Sales quantity	Turnover HK$ million
Crude oil	BBL	**8**	**4,323,830**	**2,664.1**	13	4,145,574	2,115.3
Petroleum products	BBL	**5**	**2,014,052**	**1,082.6**	1	293,877	144.4
Petrochemical products	MT	**10**	**32,690**	**236.3**	6	16,874	102.3
Total		**23**		**3,983.0**	20		2,362.0

Revenue for the six months period ended 30 September 2010 was approximately HK$3,983.0 million, representing an increase of 68.6% when compared to approximately HK$2,362.0 million for the same period of last year. The increase of revenue was driven by the increase in trading volume of the products. Despite the volatility of the international oil prices and the uncertainties arising from the European debt crisis as well as the exchange rate fluctuation, the demand for various kind of oil products in PRC remain strong.

Cost of Sales

Cost of sales for the six months period ended 30 September 2010 was approximately HK$3,923.6 million, representing a increase of 85.0% when compared to HK$2,120.7 million for the same period of last year. Such increase was in line with the increase in revenue.

Gross Profit

Gross profit for the six months period ended 30 September 2010 was approximately HK$59.4 million, representing a 75.4% decrease when compared to HK$241.3 million of profit for the same period of last year.

Fair Value Changes on Derivative Financial Instruments

For the six months period ended 30 September 2010, the aggregate gain on fair value changes on derivative financial instruments was amounted to approximately HK$137.3 million (2009: HK$79.2 million loss). The realized and unrealized gain on fair value changes on derivative financial instruments were approximately HK$103.3 million and HK$34.0 million respectively (2009: losses of HK$65.1 million and HK$14.1 million).

Profit for the Period

Profit for the six months period ended 30 September 2010 was approximately HK$123.4 million, representing an increase of HK$28.4 million when comparing with HK$95.0 million in the six months period ended 30 September 2009.

LIQUIDITY AND FINANCIAL RESOURCE

The bank balances and cash as at 30 September 2010 was amounted to HK$66.7 million which is decreased by approximately 56.3% when comparing with HK$152.6 million as at 31 March 2010.

The banking facilities as at 30 September 2010 amounted to US$350 million (equivalent to HK$2,730 million). Save for the Group's bank borrowings of approximately HK$663.4 million, the Group had no bank overdraft as at 30 September 2010.

Net cash used in operating activities for the period ended 30 September 2010 was approximately HK$268.1 million. Net cash from investing activities was approximately HK$25.9 million. Net cash from financing activities was approximately HK$156.2 million and is contributed by the bank borrowings for inventory procurement.

Gearing Ratio

As at 30 September 2010, current ratio of the Group was 1.61 times (1.47 times as at 31 March 2010) and the gearing ratio was 0.77 times (0.60 times as at 31 March 2010). Gearing ratio is equal to bank borrowing divided by total equity. Increase in gearing ratio is mainly due to the increase in bank borrowings for inventory procurement.

Charges of Assets and Contingent Liabilities

As at 30 September 2010, the Group's banking facilities were secured by pledged deposits of approximately HK$70.7 million, pledged inventories of approximately HK$521.7 million and properties owned by the Group.

As at 30 September 2010, the Group had 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 the period, the exposure on foreign exchange is minimal.

Capital Commitments

The Group had authorized but not contracted for the capital expenditure of approximately RMB93.0 million in respect of the construction of the petroleum and petrochemical products storage facilities on the two leasehold land parcel 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 RMB11.5 million by the end of November 2010.

Projects' Status

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 30 September 2010, the review and assessment on the Nantong Project was about to be concluded and the construction progress will soon be resumed. The management will closely monitor the development on Nantong Project. Up to 30 September 2010, the total capital expenditure is amounted to RMB26.8 million. 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 Group's total investment in the Tianjin project up to 30 September 2010 was RMB94.2 million. As at 30 September 2010, civil construction works of Phase 1 of the project, including major buildings of administrative office, dormitory and control centre, were about to be completed. About 80% of the fitting out of the buildings have been completed, including the thermal control systems of 14 crude oil tanks, water supply and drainage systems and fire fighting and prevention facilities. Construction of the roads within and outside the storage area and the surrounding have commenced. Civil works of Phase 2 of the project including the construction of crude and refined oil storage areas have commenced. Foundation works of Phase 2 have been completed and construction of roads is underway.

The Tianjin Dock Project is the establishment and operation of logistic facilities for crude oil, petroleum products and petrochemical products and it is adjacent to the Tianjin Storage Project. It aims to enhance the logistic of our oil storage operations in the area. The Group hold 15% equity interest through an wholly owned subsidiary. As at 30 September 2010, the major construction works of the wharf have been completed, including the supporting pillars for oil pipes, D-share, double drum-plate and DA-shape vessel protection devices and other foundation works. 87% of the super structures of the wharf was completed. Finishing of the internal walls of the office complex and workshop, heat insulation roofs as well as the beams and pillars for the 50,000 DWT berth oil pump operation area were completed. 90% of the surrounding walls was completed. Installation of iron bars and supporting boards for the construction of the 10,000 DWT berth oil pump operation area was completed. Installation of 4 sinking wells and pumping pipes was completed. 70% of the construction of land pipe lines and pipe lines on the eastern side of the 50,000 DWT berth was completed. 65% of the pipe lines on the eastern side of the bridge of 50,000 DWT berth was completed.

BUSINESS REVIEW AND OUTLOOK

Since the second half of 2009, the Group had successfully registered with a few state-owned oil and gas companies in Asia as crude and petrochemical products buyer to further strengthen our trading businesses. In October 2010 the Group entered into an exclusive marketing agreement with Eurocontrol Technics Inc., a Canadian public company specializing in energy security, authentication, and verification technologies, to market and sell the authentication system to customers in Asia. It is envisaged that this agreement can bring value added services to existing customers and further broaden the customer base.

The upstream sector is another area the Group is keen to develop for future major growth and value adding to the shareholders. In November 2010, the Group entered into a subscription agreement with The Sixth Energy Limited and Asia Sixth allowing the Group to effectively own 24% in Aral Petroleum Capital LLP which was granted an exploration licence and production licence of crude oil in North Block in Aktobe Oblast in the Republic of Kazakhstan. The exploration licence covers an area of 3,449 km^2 with a series of exploration structures, the low, best and high estimate prospective recoverable resources are approximately 72.78 million barrels, 217.70 million barrels and 708.21 million barrels respectively. Meanwhile, the production licence covers a producing oil field, East Zhagabulak ("EZ field"), with 2 producing wells (EZ213 and EZ301). The estimated proved plus probable reserves (2P) for EZ field are approximately 6.23 million barrels. Given their plans on maintenance and additional pumps installation, the target aggregate daily production capacity of EZ213 and EZ301 will reach to 1,000 barrels. Details of the investment are disclosed in the announcement by the Group on 18 November 2010.

Given China demonstrates robust growth, the Group remains optimistic toward the core business development despite the uncertainties in the recent complicated economic environment. The management is confident that the Group is capable to maintain a sustainable growth by integrating the upstream, trading and downstream businesses in broadening the revenue base and to become a competitive energy conglomerate in the region.

INTERIM DIVIDENDS

The Board has resolved that no interim dividend for the six months ended 30 September 2010 was paid, declared or proposed during the repored period (30 September 2009: HK3 cents per share).

EMPLOYMENT AND REMUNERATION POLICY

At 30 September 2010, the Group had 35 employees. The Group implemented its remuneration policy, bonus and share options schemes based on the achievements and performance of employees.

An remuneration committee has been established by the Company to make recommendations on the Company's remuneration policy.

Other Information

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 the six months period ended 30 September 2010.

AUDIT COMMITTEE

The Audit Committee has been established to review and supervise the financial reporting process and internal control procedures of the Group. 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 Yin. The unaudited interim results of the Group for the six months ended 30 September 2010 have been reviewed by the Audit Committee.

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") for the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors of the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code for the period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the six months ended 30 September 2010.

PUBLICATION OF INTERIM RESULTS

All the financial information and other related information as required by the Listing Rules will be published on the Hong Kong Exchanges and Clearing Limited's website and the Company's website in due course. Printed copy of the interim report will be dispatched to shareholders no later than the end of December 2010.

By the order the Board
Wang Jian Sheng
Chairman

Hong Kong, 26 November 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*