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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board of directors (the "Board") of Strong Petrochemical Holdings Limited (the "Company") is pleased to present the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2014 (the "Six Month Period").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

For the Six Month Period, the Group focused on its principal business of trading of oil products and the development of manufacturing and processing petrochemicals.

In September 2013, the Group's financial year end date has been changed to 31 December, effective from 2013, so as to enable the Group to align its financial year end date with that of the subsidiaries incorporated in the People's Republic of China (the "PRC"). This is the first time that the Group has reported its results for six-month period from 1 January to 30 June. To facilitate meaningful comparison, unless specified, the comparative figures refer to the results of the six months from 1 January to 30 June 2013. It should be noted that the financial data for the six months ended 30 June 2013 has neither been reviewed nor audited by our auditor.

Revenue for the Six Month Period was approximately Hong Kong dollars ("HK\$") 3,158.9 million. Profit attributable to owners of the Company for the Six Month Period was approximately HK\$109.3 million.

Trading of Crude Oil, Petroleum Products and Petrochemicals

China's economy grew at a fast pace in the last decade. However, many economists pointed out that China's economic growth is gradually slowing and the growth rate is significantly lower than those observed in previous years. The HSBC China Manufacturing Purchasing Managers' Index ("PMI") dropped to 48.0 in March 2014, which indicates the demand conditions in China's manufacturing sector deteriorated moderately. The weaker-than-anticipated year-on-year export and import growth rates of the first half of 2014 on a cumulative basis of 0.9% and 1.5% respectively raise concerns about potential weakness in China's industrial production and its domestic demand. Due to the economic growth slowdown, demand in imported oil products from PRC customers slumped. Being a PRC import agent of oil products, the Group's business would undoubtedly be affected.

MANAGEMENT DISCUSSION AND ANALYSIS

In the Six Month Period, the lull in trade with PRC customers led to a significant drop in crude oil sales. In the second half of 2014, our crude oil team will focus on trading crude oil through back-to-back arrangement. To fully utilise our resources, in case the oil storage occupied by Strong Petrochemical Limited (Macao Commercial Offshore), our wholly owned subsidiary, does not reach the oil tanker's full capacity, it will be subleased out to get additional income. The removal of our major petroleum products from the list of The Association of Southeast Asian Nations ("ASEAN") Trade in Goods Agreement and China — ASEAN Free Trade Area of Rules of Origin, which means a higher import tax would be imposed, led to the temporary suspension of petroleum products trade in the first quarter of 2014. In the Six Month Period, the Group strived to develop trading for new petrochemicals, such as acetic acid and light aromatics, and widen the customer base in the PRC market, while our efforts slightly set off the effect of decreasing demand.

Manufacture and Development of Petrochemicals

Hainan Huizhi Petrochemical Fine Chemical Industry Limited Company ("Huizhi"), our non-wholly owned subsidiary, commenced its trial operations of manufacturing and processing petrochemicals in April 2014. In the second quarter of 2014, Huizhi produced approximately 500 metric tons ("MT") of sec-Butyl Acetate and approximately 40,000 MT of C₅. Huizhi is in the process of fine-tuning the manufacturing process, and the trial operation is expected be completed in the fourth quarter of 2014. During the Six Month Period, Huizhi generated profit of several million HK\$ from its manufacturing. We believe Huizhi will be able to increase our Group's profitability and establish a solid foundation for our Group's development in the future.

Outlook

In August 2014, our proprietary traders started investing in crude oil and oil products related derivative products and securities. With the extensive experience in trading financial products, it is believed that the investment can enhance the Group's profitability in the long term. As such, the Board decides to include the investment in financial products as one of the ordinary business activities. The Group will continue to monitor the proprietary trading closely.

MANAGEMENT DISCUSSION AND ANALYSIS

The original plan to dispose approximately 33.12% of equity interest in the issued share capital of Asia Sixth Energy Resources Limited ("Asia Sixth") was terminated and replaced by another plan to dispose the entire equity interest in Asia Sixth. We are in the view that holding the common shares of Caspian Energy Inc., a publicly traded company on NEX, a separate board of TSX Venture Exchange, is in the interests of the Company and its shareholders as a whole. Investing in Caspian Energy Inc. which will fully own Aral Petroleum Capital Limited after restructuring allows the Group to share the success of the oilfield production and exploration in the Republic of Kazakhstan with minimal cost while the Group can focus exclusively on the development of our core business.

In early 2014, the Group acquired over 45.0 million Class "A" common voting shares of Sunshine Oilsands Ltd. ("Sunshine Oilsands"), an energy company listed on the Hong Kong and Toronto Stock Exchanges, at a price of HK\$1.70 per share. Even though its share price dropped to its all-time low in June 2014, we considered the drop in share price as short-term share price fluctuation, and we noted that the share price rose subsequently after the Six Month Period. We intend to hold the shares as long-term investment since we are in the view that Sunshine Oilsands is a valuable investment when its development in oil sands succeeds.

The recent rise of the HSBC China Manufacturing PMI to the level over 50.0 reveals the improvement in operating conditions faced by the PRC manufacturers. Understanding that the Chinese government intends to bolster the economic recovery, we believe the demand in imported oil products in the PRC market will heighten once again.

Despite challenges of the volatile oil market and keen competition in the oil industry, the Group keeps up the strategy of developing trading business on new oil products and seeking for new direction of development, so as to continue the growth and maximise the returns for our shareholders. We target to improve the sales so as to increase the profit level. As such, we are cautiously optimistic on the results for the second half of this financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group is principally engaged in the trading of oil products, including crude oil, petroleum products and petrochemicals. Approximately 27% (2013: approximately 47%) of the Group's revenue was generated from trading of crude oil for the Six Month Period, while the revenue generated from trading of petroleum products was approximately 60% (2013: approximately 48%) and the revenue generated from trading of petrochemicals was approximately 13% (2013: approximately 5%).

The revenue of the Group was approximately HK\$3,158.9 million (2013: approximately HK\$7,720.5 million) for the Six Month Period. The trading volume of crude oil decreased from 4,256,511 barrels ("BBL") to 947,321 BBL for the Six Month Period since a PRC customer changed its trading pattern in early 2014 and more than the expected time was required to negotiate with the customer to find ways to cope with its new trading pattern. Our Macao office successfully negotiated with the customer to resume the trading relationship in the second half of the year. In respect of the petroleum products business, there was a change in the products which fulfill the requirements of ASEAN Trade in Goods Agreement and China — ASEAN Free Trade Area of Rules of Origin in early 2014 and the products taken out from the list were the major petroleum products the Group exported to the PRC. The trading volume of petroleum products decreased from 594,463 MT to 396,914 MT for the Six Month Period because the higher Chinese import tax charged on products, such as kerosene distillate and biodiesel fuel blend, weaken the demand in these products. During the Six Month Period, the Group focused on trading petroleum products, such as fuel oil and fuel oil cutter, and trading bituminous mixtures with lower Chinese import tax. In respect of petrochemicals, the trading volume increased from 41,816 MT to 53,706 MT for the Six Month Period. The Group turned to sell petrochemicals with lower price and profit margin to the PRC customers since the demand in imported petrochemicals was weak in the PRC.

Products	Unit	Number of shipment	Six months ended 30 June				
			2014		2013		Revenue HK\$ million
			Sales quantity	Revenue HK\$ million	Number of shipment	Sales quantity	
Crude oil	BBL	1	947,321	857.7	8	4,256,511	3,613.9
Petroleum products	MT	15	396,914	1,908.0	57	594,463	3,682.9
Petrochemicals	MT	91	53,706	393.2	43	41,816	423.7
Total		107		3,158.9	108		7,720.5

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

Due to the time-consuming negotiation to cope with the new trading pattern of the PRC customer and the change of product portfolio aforesaid, the overall gross profit decreased to approximately HK\$107.1 million (2013: approximately HK\$306.3 million).

Fair Value Changes on Derivative Financial Instruments

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

For the Six Month Period, the Group reported an aggregate profit on fair value changes on derivative financial instruments of approximately HK\$93.8 million (2013: approximately HK\$71.0 million). The realised gain and unrealised gain on fair value changes on derivative financial instruments were approximately HK\$78.9 million and HK\$14.9 million respectively (2013: realised gain and unrealised loss of approximately HK\$73.7 million and HK\$2.7 million respectively).

Profit for the Period

Profit attributable to owners of the Company for the Six Month Period was approximately HK\$109.3 million (2013: approximately HK\$404.8 million).

As mentioned in the annual report for financial year ended 31 March 2013, the Group recognised one-off gain arisen from the disposal of interest in Asia Sixth, comprising gain on change in estimated cash flows in respect of loan to Asia Sixth of approximately HK\$83.6 million and reversal of impairment loss on interest in Asia Sixth of approximately HK\$81.4 million, in same period last year. After excluding the abovementioned one-off gain, the normalised profit attributable to owners of the Company for the period ended 30 June 2013 is approximately HK\$239.8 million.

The profit attributable to owners of the Company for the Six Month Period is approximately 54% less than the normalised profit attributable to owners of the Company for the six months ended 30 June 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

The bank balances and cash as at 30 June 2014 was amounted to approximately HK\$158.2 million (31 December 2013: approximately HK\$345.3 million). The decrease in bank balances and cash was mainly due to the repayment of bank borrowings and the payment for investing activities.

The banking facilities as at 30 June 2014 amounted to approximately United States dollars ("US\$") 1.2 billion (equivalent to approximately HK\$9.7 billion) from several banks. Save for the Group's bank borrowings of approximately HK\$1,210.8 million, the Group had no bank overdraft as at 30 June 2014.

Gearing Ratio

As at 30 June 2014, the gearing ratio was approximately 35% (31 December 2013: approximately 27%). The gearing ratio was calculated as the Group's total borrowing divided by total assets. Increase in gearing ratio is mainly due to decrease in trade and bills receivables and bank balances and cash.

Charges of Assets and Contingent Liabilities

As at 30 June 2014, the Group's banking facilities were secured by pledged bank deposits of approximately HK\$71.7 million and pledged inventories of approximately HK\$1,221.1 million.

As at 30 June 2014, the Group did not have any significant contingent liabilities.

Foreign Exchange Exposure

The functional currency of the Group is denominated in US\$, while the reporting currency is denominated in HK\$. Since the exchange rate of US\$ against HK\$ is relatively stable during the Six Month Period, the exposure on foreign exchange is insignificant.

The Group has not implemented any foreign currency hedging policy at the moment. Nonetheless, the management has been continuously monitoring the level of foreign currency receipts and payments, and ensuring their net exposure to foreign exchange risk is kept at acceptable level from time to time and will consider hedging the foreign exchange exposure if it is significant to the Group. The management has arranged limited foreign currency hedging to reduce the exposure of currency risk of crude oil cargoes denoted in Euro.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitment

As at 30 June 2014, the Group had contracted for capital expenditure of approximately Renminbi ("RMB") 52.8 million (equivalent to approximately HK\$66.5 million) (31 December 2013: approximately RMB77.6 million (equivalent to approximately HK\$98.7 million)) and authorised but not contracted for capital expenditure of approximately RMB331.5 million (equivalent to approximately HK\$417.7 million) (31 December 2013: approximately RMB345.4 million (equivalent to approximately HK\$439.3 million)) respectively in respect of the construction of petroleum products and petrochemicals storage facilities on two leasehold land parcels in Nantong City, Jiangsu Province, the PRC and the construction of facilities and equipments for manufacturing and processing of mixed aromatics in Yangpu Economic Development Zone, Hainan Province, the PRC.

Interim Dividends

The Board did not recommend the payment of any interim dividend for the Six Month Period (2013: Nil).

Employment and Remuneration Policy

As at 30 June 2014, the Group increased the number of employees to 163 (31 December 2013: 150) to cope with our expansion. The Group's remuneration packages are maintained at competitive level and are determined on the basis of performance, qualification and experience of individual employee.

We recognise the importance of a good relationship with our employees by providing competitive remuneration package commensurate with prevailing market practice to our employees, including provident fund, life and medical insurances, discretionary bonus, share options, and training for human resources upskilling.

OTHER INFORMATION

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

During the Six Month Period, the Company repurchased a total of 6,234,000 ordinary shares of the Company at an aggregate of approximately HK\$6,018,000 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Particular of the shares repurchased are as follow:

Month of repurchase	Number of ordinary shares of HK\$0.025 each	Purchase price paid per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
May 2014	<u>6,234,000</u>	<u>0.99</u>	<u>0.93</u>	<u>6,018,000</u>
Total	<u><u>6,234,000</u></u>			<u><u>6,018,000</u></u>

The repurchased shares were cancelled during the Six Month Period and the issued share capital of the Company was reduced by the nominal value thereof.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the Six Month Period.

OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30 June 2014, the interests and short positions of the directors of the Company (the "Directors") and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the Company's associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are set out below:

Long position in ordinary shares of HK\$0.025 each of the Company

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate percentage of shareholding (%)
Mr. Wang Jian Sheng	Interest of a controlled corporation (Note 1)	1,041,746,000	–	1,041,746,000	60.78
Mr. Yao Guoliang	Interest of a controlled corporation (Note 1)	1,041,746,000	–	1,041,746,000	60.78
Ms. Lin Yan	Beneficial owner (Note 2)	840,000	360,000	1,200,000	0.07

Notes:

1. These shares are registered in the name of Forever Winner International Ltd. ("Forever Winner"). Each of Sino Century Holdings Limited and Jin Yao Holdings Ltd. holds 50% of the entire issued share capital of Forever Winner. Mr. Wang Jian Sheng holds the entire issued share capital of Sino Century Holdings Limited. Mr. Yao Guoliang holds the entire issued share capital of Jin Yao Holdings Ltd..
2. The number of underlying shares held are the share options granted by the Company, details of which are set out in the section headed "Share Options" below.

OTHER INFORMATION

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2014, the Directors are not aware of any other person (other than the interests of the Directors or chief executive of the Company) had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Long position in the ordinary shares of HK\$0.025 each of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding (%)
Forever Winner	Beneficial Owner (Note)	1,041,746,000	60.78

Note:

Each of Sino Century Holdings Limited and Jin Yao Holdings Ltd. holds 50% of the entire issued share capital of Forever Winner. Mr. Wang Jian Sheng holds the entire issued share capital of Sino Century Holdings Limited. Mr. Yao Guoliang holds the entire issued share capital of Jin Yao Holdings Ltd..

OTHER INFORMATION

SHARE OPTIONS

During the Six Month Period, the old share option scheme adopted on 28 November 2008 (the "Old Share Option Scheme") was terminated and the new share option scheme (the "New Share Option Scheme") was adopted on 15 May 2014 in the view of the New Share Option Scheme being able to provide the Company with more flexibility in long term planning of granting of the share options to the employees, directors, consultants, advisers and shareholders of the Group in a longer period in the future so as to provide appropriate incentives or rewards to them for their contributions or potential contributions to the Group. The outstanding share options granted under the Old Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Old Share Option Scheme.

The movements in the share options of the Company under the Old Share Option Scheme during the Six Month Period are set out as follows:

Nature or category of participant	Date of grant (dd/mm/yy)	Exercise price HK\$	Number of share options			
			Outstanding at 1/1/2014	Lapsed during the period	Exercised during the period	Outstanding at 30/6/2014
Independent non-executive Director						
Ms. Lin Yan	07/05/09	0.645	360,000	–	–	360,000
Subtotal of Director			360,000	–	–	360,000
Employees	07/05/09	0.645	7,000,000	–	(1,740,000)	5,260,000
Other participants in aggregate	07/05/09	0.645	126,130,000	–	(101,470,000)	24,660,000
Total			133,490,000	–	(103,210,000)	30,280,000

Note:

Under the Old Share Option Scheme, share options granted are exercisable during the period starting from 8 May 2009 to 28 November 2018. The share options granted under the Old Share Option Scheme have vesting period in three tranches of 40%, 30% and 30% of its share options granted from the grant date to 8 May 2009, 8 May 2010 and 8 May 2011 respectively.

No share option has been granted under the New Share Option Scheme as at 30 June 2014.

Save as disclosed above, at no time during the Six Month Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER INFORMATION

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, Ms. Cheung Siu Wan (Chairman), Mr. Guo Yan Jun and Ms. Lin Yan. The unaudited interim results of the Group for the Six Month Period have been reviewed by the audit committee.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has fully complied with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the Six Month 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 securities transactions by the Directors. Having made specific enquiry by the Company, all Directors have confirmed that they had complied with the required standards set out in the Model Code during the Six Month 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 Month Period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	NOTES	Six months ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Revenue		3,158,880	7,720,456
Cost of sales		(3,051,777)	(7,414,181)
Gross profit		107,103	306,275
Other income		19,469	11,246
Other gains and losses		6,816	165,630
Fair value changes on derivative financial instruments		93,786	71,035
Distribution and selling expenses		(51,517)	(65,234)
Administrative expenses		(49,530)	(35,812)
Other expenses		(589)	(241)
Finance costs	4	(13,995)	(12,241)
Share of losses of associates		(781)	(30,025)
Profit before taxation		110,762	410,633
Taxation	5	(618)	(6,417)
Profit for the period	6	110,144	404,216
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		(3,688)	5,869
Loss arising on revaluation of available-for-sale financial assets		(41,341)	–
Total comprehensive income for the period		65,115	410,085

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	NOTES	Six months ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Profit (Loss) for the period attributable to:			
Owners of the Company		109,259	404,828
Non-controlling interests		885	(612)
		110,144	404,216
Total comprehensive income for the period attributable to:			
Owners of the Company		64,921	409,424
Non-controlling interests		194	661
		65,115	410,085
Earnings per share	8		
— basic (HK\$)		0.06	0.25
— diluted (HK\$)		0.06	0.25

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	342,574	297,634
Prepaid lease payments		53,476	54,581
Available-for-sale financial assets		36,159	–
Other assets		45,154	32,220
Prepayments		4,870	–
Interests in associates		134,730	136,610
		616,963	521,045
Current assets			
Inventories		1,397,581	1,365,401
Prepaid lease payments		1,175	1,186
Trade and bills receivables	11	72,437	3,197,614
Other receivables, deposits and prepayments		110,925	102,024
Tax recoverable		56	93
Derivative financial instruments		535,728	378,525
Other investments		50,771	1,491
Deposits placed with brokers		291,340	194,295
Pledged bank deposits		71,673	65,290
Bank balances and cash		158,206	345,326
		2,689,892	5,651,245
Assets classified as held for sale		187,979	187,979
		2,877,871	5,839,224

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Current liabilities			
Trade and bills payables	12	22,968	2,501,257
Other payables and accruals		78,979	191,796
Receipt in advance		19,445	14,580
Bank borrowings	13	1,117,679	1,684,621
Derivative financial instruments		532,883	387,021
Tax payable		660	4,482
		<u>1,772,614</u>	<u>4,783,757</u>
Liabilities associated with assets classified as held for sale		<u>124,899</u>	<u>78,000</u>
		<u>1,897,513</u>	<u>4,861,757</u>
Net current assets		<u>980,358</u>	<u>977,467</u>
Total assets less current liabilities		<u>1,597,321</u>	<u>1,498,512</u>
Equity			
Share capital	14	42,848	40,424
Reserves		<u>1,373,572</u>	<u>1,336,451</u>
Equity attributable to owners of the Company		<u>1,416,420</u>	<u>1,376,875</u>
Non-controlling interests		<u>87,733</u>	<u>74,001</u>
Total equity		<u>1,504,153</u>	<u>1,450,876</u>
Non-current liability			
Bank borrowings	13	<u>93,168</u>	<u>47,636</u>
		<u>1,597,321</u>	<u>1,498,512</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company								Non-controlling interests		Total
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note a)	Legal reserve HK\$'000 (Note b)	Share options reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000 (Note c)	Retained profits HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
At 1 January 2013 (unaudited)	40,330	208,292	(1,922)	49	42,098	17,006	10,533	542,476	858,862	72,483	931,345
Exchange differences arising on translation	-	-	-	-	-	4,596	-	-	4,596	1,273	5,869
Profit (Loss) for the period	-	-	-	-	-	-	-	404,828	404,828	(612)	404,216
Total comprehensive income for the period	-	-	-	-	-	4,596	-	404,828	409,424	661	410,085
Issue of shares on exercise of share options	60	2,170	-	-	(682)	-	-	-	1,548	-	1,548
Shares repurchased and cancelled	(30)	(946)	-	-	-	-	-	-	(976)	-	(976)
	30	1,224	-	-	(682)	-	-	-	572	-	572
At 30 June 2013 (unaudited)	40,360	209,516	(1,922)	49	41,416	21,602	10,533	947,304	1,268,858	73,144	1,342,002

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Investments revaluation reserve	Special reserve	Legal reserve	Share options reserve	Translation reserve	Other reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note a)	(Note b)			(Note c)				
At 1 January 2014	40,424	211,870	-	(1,922)	49	40,420	24,902	10,533	1,050,599	1,376,875	74,001	1,450,876
Exchange differences arising on translation	-	-	-	-	-	-	(2,997)	-	-	(2,997)	(691)	(3,688)
Loss arising on revaluation of available-for-sale financial assets	-	-	(41,341)	-	-	-	-	-	-	(41,341)	-	(41,341)
Profit for the period	-	-	-	-	-	-	-	-	109,259	109,259	885	110,144
Total comprehensive (expense) income for the period	-	-	(41,341)	-	-	-	(2,997)	-	109,259	64,921	194	65,115
Contributions from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	13,538	13,538
Issue of shares on exercise of share options	2,580	94,218	-	-	-	(30,228)	-	-	-	66,570	-	66,570
Shares repurchased and cancelled	(156)	(5,862)	-	-	-	-	-	-	-	(6,018)	-	(6,018)
Final dividends recognised as distribution	-	-	-	-	-	-	-	-	(85,928)	(85,928)	-	(85,928)
	2,424	88,356	-	-	-	(30,228)	-	-	(85,928)	(25,376)	13,538	(11,838)
At 30 June 2014 (unaudited)	42,848	300,226	(41,341)	(1,922)	49	10,192	21,905	10,533	1,073,930	1,416,420	87,733	1,504,153

Notes:

- The special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganisation to rationalise the Group structure prior to the listing of the Company's share on The Stock Exchange of Hong Kong Limited.
- According to the law and regulation of Macao Special Administrative Region ("Macao"), a legal reserve is required to be established up to a minimum of 50% of the company's paid up capital and is established in any year in which a dividend is appropriated. A subsidiary of the Company established in Macao appropriated a final dividend for the year ended 31 March 2006 to its holding company, as a result, 50% of the issued capital MOP100,000 was transferred to the legal reserve.
- Other reserve was resulted from the deemed disposal of partial interests in subsidiaries without losing the Group's control over the subsidiaries in previous years.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from operating activities	538,172	793,686
Net cash (used in) from investing activities		
Interest received	7,931	300
Purchase of property, plant and equipment	(53,783)	(25,770)
(Placement) withdrawal of pledged bank deposits	(6,383)	115,911
Increase in deposits placed with brokers	(97,045)	(16,447)
Purchase of available-for-sale financial assets	(77,500)	–
Deposit paid to a fund company for an investment	(13,228)	–
Deposit received for partial disposal of an associate	46,899	–
	(193,109)	73,994
Net cash used in financing activities		
Dividends paid	(85,928)	–
Payment on repurchase of shares	(6,018)	(302)
Proceeds from exercise of share options	66,570	1,548
New bank loans raised	2,458,230	1,915,331
Repayment of bank borrowings	(2,978,882)	(2,322,185)
Capital injection from other shareholders of a subsidiary	13,538	–
	(532,490)	(405,608)
Net (decrease) increase in cash and cash equivalents	(187,427)	462,072
Cash and cash equivalents at 1 January	345,326	308,569
Effect of foreign exchange rate changes	307	1,565
Cash and cash equivalents at 30 June, represented by bank balances and cash	158,206	772,206

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

During the financial period ended 31 December 2013, the financial year end date of the Group was changed from 31 March to 31 December because the directors of the Company (the "Directors") determined to bring the financial year end date of the Group in line with the financial year end date of the subsidiaries in the People's Republic of China (the "PRC"), which are statutorily required to close their accounts with financial year end date of 31 December.

To enhance comparability, the comparative figures in these unaudited condensed consolidated interim financial statements, except the condensed consolidated statement of financial position and its associated disclosure notes, cover the six months period from 1 January to 30 June 2013. These comparative figures have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same with those followed in the preparation of the Group's annual financial statements for the period from 1 April to 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2014.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011)	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC)-Int 21	Levies

The application of these new and revised standards, amendments and interpretations to existing standards in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the new and revised standards and amendments that have been issued but are not yet effective.

The Directors are currently assessing the impact of those new and revised standards and amendments but are not yet in a position to state whether they would have material financial impact on the Group's results of operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

3. SEGMENT INFORMATION

The Group is principally engaged in trading of crude oil, petroleum products and petrochemicals ("Trading business"). In addition, the management plans to develop an oil storage business ("Oil Storage business") and manufacture of petrochemicals ("Petrochemicals Manufacture Business") in the PRC (excluding Hong Kong and Macao). Certain storage and manufacturing facilities were completed and generated some insignificant revenue.

The chief operating decision makers (the "CODM"), being the executive directors of the Company, regularly review oil price analysis, hedging positions, liquidity position and the construction progress report. However, no discrete financial information is available for the various businesses respectively. For the purpose of performance assessment and resource allocation, the CODM regularly review the Group's revenue and Group's profit for the period as a whole, which are measured in accordance with the Group's accounting policies. No analysis of the Group's assets and liabilities by the respective businesses is regularly provided to the CODM for review. Accordingly, no segment information is presented.

4. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on bank borrowings wholly repayable within five years	12,400	7,059
Bank charges on letter of credit facilities	1,595	5,182
	<u>13,995</u>	<u>12,241</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

5. TAXATION

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	43	167
Singapore Income Tax	575	1,892
	618	2,059
Deferred tax charge	–	4,358
	618	6,417

No provision for Hong Kong Profits Tax has been made for the period since tax losses were incurred for the subsidiaries with operations in Hong Kong or the assessable profit is wholly absorbed by tax losses brought forward.

Under the Enterprise Income Tax Law (the “EIT Law”) and Implementation Rules of the PRC, the tax rate of the PRC subsidiaries is 25% (2013: 25%) for the period.

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

Singapore Income Tax is calculated at 17% (2013: 17%) of the estimated assessable profits for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Release of prepaid lease payments (included in other expenses)	589	241
Depreciation of property, plant and equipment	6,011	3,322
Net foreign exchange losses	2,244	1,066

7. DIVIDENDS

The board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 June	
	2014	2013
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,710,511,570	1,613,241,017
Effect of dilutive potential ordinary shares:		
Share options	19,413,519	32,691,156
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,729,925,089	1,645,932,173

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

	As at	As at
	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(audited)
At beginning of the period	297,634	117,172
Exchange realignment	(2,832)	3,080
Additions	53,783	182,861
Depreciation charge	(6,011)	(5,479)
	342,574	297,634

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

10. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	30 June 2014	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Derivative financial instruments	Assets — HK\$535,728,000; and Liabilities — HK\$532,883,000	Assets — HK\$378,525,000; and Liabilities — HK\$387,021,000	Level 2	Difference between the contracted strike prices and prevailing futures prices or published oil indexes. Such prevailing futures prices or published oil indexes are derived from the relevant futures exchanges or oil prices publication as specified in the contracts.
2) Held-for-trading non-derivative financial assets classified as other investments in the condensed consolidated statement of financial position	Listed equity securities in the United States — HK\$1,408,000 — Oil and gas industry; and Listed equity securities in Hong Kong — HK\$49,363,000 — Conglomerates	Listed equity securities in the United States — HK\$1,491,000 — Oil and gas industry	Level 1	Quoted bid prices in an active market.
3) Available-for-sale financial assets	Listed equity securities in Hong Kong — HK\$36,159,000 — Oil and gas industry	—	Level 1	Quoted bid prices in an active market.

There were no transfers between Level 1 and 2 in the period.

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

11. 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 which approximated the revenue recognition dates:

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
0 to 30 days	53,393	3,163,225
31 to 60 days	19,044	–
61 to 90 days	–	34,389
	<u>72,437</u>	<u>3,197,614</u>

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

12. TRADE AND BILLS PAYABLES

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

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
0 to 30 days	13,060	2,501,257
31 to 60 days	9,908	–
	<u>22,968</u>	<u>2,501,257</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

13. BANK BORROWINGS

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Bank loans, secured	<u>1,210,847</u>	<u>1,732,257</u>
Carrying amount repayable:		
Within one year	1,117,679	1,684,621
More than one year, but not exceeding two years	32,695	33,069
More than two years, but not exceeding five years	<u>60,473</u>	<u>14,567</u>
	1,210,847	1,732,257
Less: Amounts due within one year shown under current liabilities	<u>(1,117,679)</u>	<u>(1,684,621)</u>
Amounts shown under non-current liabilities	<u>93,168</u>	<u>47,636</u>

The loans carried interest at variable market rates of range from 1.43% to 7.04% (31 December 2013: 1.75% to 7.04%) per annum. The bank borrowings are secured by the prepaid lease payments, certain storage tanks, plant and machinery, construction in progress, inventories and bank deposits.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

14. SHARE CAPITAL

	Number of shares (unaudited)	Share capital HK\$'000 (unaudited)
Ordinary shares of HK\$0.025 each		
Authorised:		
At 1 January 2013, 30 June 2013, 31 December 2013 and 30 June 2014	4,000,000,000	100,000
Issued:		
At 1 January 2013	1,613,184,000	40,330
Exercise of share options	2,400,000	60
Shares repurchased and cancelled (<i>note</i>)	(1,166,000)	(30)
At 30 June 2013	1,614,418,000	40,360
Exercise of share options	3,400,000	85
Shares repurchased and cancelled	(870,000)	(21)
At 31 December 2013	1,616,948,000	40,424
Exercise of share options	103,210,000	2,580
Shares repurchased and cancelled (<i>note</i>)	(6,234,000)	(156)
At 30 June 2014	1,713,924,000	42,848

Note:

During the six months ended 30 June 2014, the Company had repurchased a total of 6,234,000 ordinary shares of HK\$0.025 each of the Company on The Stock Exchange of Hong Kong Limited and all shares were cancelled during the reporting period.

During the six months ended 30 June 2013, the Company had repurchased a total of 356,000 ordinary shares of HK\$0.025 each of the Company on The Stock Exchange of Hong Kong Limited and all the shares, together with 810,000 ordinary shares of HK\$0.025 each of the Company repurchased in 2012 but not yet cancelled, were cancelled during the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

15. CAPITAL AND OTHER COMMITMENTS

As at 30 June 2014, the Group had contracted for capital expenditure of approximately RMB52,782,000 (equivalent to approximately HK\$66,497,000) (31 December 2013: approximately RMB77,603,000 (equivalent to approximately HK\$98,703,000)) and authorised but not contracted for capital expenditure of approximately RMB331,518,000 (equivalent to approximately HK\$417,660,000) (31 December 2013: approximately RMB345,367,000 (equivalent to approximately HK\$439,270,000)) respectively in respect of the construction of petroleum products and petrochemicals storage facilities on two leasehold land parcels in Nantong City, Jiangsu Province, the PRC and the construction of facilities and equipments for manufacturing and processing of mixed aromatics in Yangpu Economic Development Zone, Hainan Province, the PRC.

16. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2014, the Group paid the rental expenses of approximately HK\$629,000 (2013: approximately HK\$549,000) to Strong Property Limited, a company in which owned and controlled by a key management personnel of the Group, for the use of office premises.

17. EVENTS AFTER THE REPORTING PERIOD

As announced on 18 July 2014, the Group proposed to enter into certain agreements for the trading of crude oil and oil products related derivative products and securities, including futures contracts, swaps, forward contracts and options, for proprietary trading purposes. The Group's investment strategy focuses on seeking low-risk arbitrage opportunities and the Group mainly trades in investing on price spreads between different crude oil and oil products. The investment in corresponding financial products will create opportunity for the Group to utilise its cash surplus to enhance the investment return of the Group. The Group's proprietary traders started investing in corresponding financial products in August 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

17. EVENTS AFTER THE REPORTING PERIOD – Continued

On 27 March 2013, the Group entered into a share purchase agreement to dispose approximately 33.12% equity interest in the issued share capital of Asia Sixth Energy Resources Limited ("Asia Sixth") and the shareholder's loan of US\$24,100,000, at a total consideration of approximately US\$24,100,000. As announced on 1 August 2014, the consideration in the total sum of US\$24,100,000 for assignment of 100% of shareholder's loan had been received in full and completed. Since certain conditions precedent setting out in the share purchase agreement have not been fulfilled or waived by the parties, the Group, The Sixth Energy Limited ("Sixth Energy") and Asia Sixth have entered into a termination agreement pursuant to which the parties irrevocably and unconditionally agreed to terminate the acquisition of sale shares by Sixth Energy with immediate effect. Pursuant to the termination agreement, Sixth Energy and Asia Sixth will enter into an agreement with, among others, Caspian Energy Inc. for the purpose of restructuring of Asia Sixth. Asia Sixth agreed to acquire the ordinary shares held by the Group, representing approximately 40.12% equity interest in the issued share capital of Asia Sixth, at a consideration of 1.68% of the total issued common shares of Caspian Energy Inc., when the restructuring of Asia Sixth is completed.

PUBLICATION OF INTERIM RESULTS

This results announcement is published on the website of the Company at www.strongpetrochem.com and the Stock Exchange's website at www.hkexnews.hk. The interim report of the Company for the six months ended 30 June 2014 containing all the information required by the Listing Rules will be published on the above websites and dispatched to the shareholders of the Company in due course.

By order of the Board
Wang Jian Sheng
Chairman

Hong Kong, 26 August 2014

As at the date of this announcement, the Board comprises two executive directors and three independent non-executive directors. The executive directors are Mr. Wang Jian Sheng and Mr. Yao Guoliang. The independent non-executive directors are Ms. Lin Yan, Mr. Guo Yan Jun and Ms. Cheung Siu Wan.

* For identification purpose only