

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



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 2015**

The board of directors (the "Board") of Strong Petrochemical Holdings Limited (the "Company") presents herewith the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2015 (the "Six Month Period").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

Revenue for the Six Month Period was approximately Hong Kong dollars ("HK\$") 7,078.0 million. Loss attributable to owners of the Company for the Six Month Period was approximately HK\$42.1 million.

Trading of Crude Oil, Petroleum Products and Petrochemicals

Saudi Arabia expressed its intention to strive for a larger market share by driving the oil price low that high-cost oil shale production in the United States would become unprofitable. Investors had different expectation on the oil price trend. Some investors expected the oil price would quickly rebound to around United States Dollars ("US\$") 100 per barrel ("BBL") based on their experience in the global financial crisis in 2008, while some believed the price would remain at the low level for a long period of time. Their different viewpoints, together with the huge positions traded by hedge funds, caused big swings in oil price during the Six Month Period. Our trading of derivative financial instruments for hedging purpose was seriously impacted by the oil price fluctuation. The economy of the People's Republic of China (the "PRC") is currently experiencing the lowest gross domestic product ("GDP") growth since it recovered from the global financial crisis in 2009. The GDP growth rates in the first two quarters of 2015 remained at 7%, same as the Chinese government's full-year growth target announced in late 2014, after the government rolled out different types of fiscal and monetary policies to stimulate the economy. Caixin China General Manufacturing Purchasing Managers' Index ("PMI") was below the neutral 50.0 mark for the fifth consecutive month and dropped to 47.8 in July 2015. The two-year low PMI signaled the sharpest deterioration in the domestic demand conditions of the PRC manufacturing economy. In consideration of China's lumbering economy and the fluctuating oil price, customers generally adopted a "wait-and-see" approach towards the market. These customers only purchased oil products, especially petroleum products and petrochemicals, in need, instead of purchasing additional oil products as reserve. The Group's petroleum products and petrochemicals trading businesses in the PRC were negatively affected as a result.

MANAGEMENT DISCUSSION AND ANALYSIS

In the Six Month Period, in view of the fluctuating oil price, our crude oil team proactively looked for opportunities in making profit prudently but with less exposure to the volatile oil market through back-to-back arrangement. Despite the weak demand in the market, our crude oil team achieved an encouraging performance by changing its trading strategy and engaging new customers. The economic slowdown in the PRC led to a reducing demand in petroleum products in the Six Month Period, while our petroleum team will pursue opportunities to resume the petroleum products trade in the second half of 2015. In the Six Month Period, the Group developed new trades for petrochemicals, such as secondary butyl acetate and toluene, and kept developing trades for our core products, such as aromatics, methanol and mono ethylene glycol. Besides, Nantong Strong International Trading Company Limited was granted the approval of trading precursor chemicals from the Chinese authority.

Manufacture 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 last year. In the first half of 2015, Huizhi produced approximately 51,400 metric tons ("MT") of pentane former and approximately 26,000 MT of secondary butyl acetate. In December 2014, Production Safety Law of the PRC was issued while the Rules for the Implementation had not been finalised yet. All manufacturing companies under the trial operation are required to extend the period of trial operation. It is expected that the trial operation will be completed in December 2015.

Storage Business

Strong Petrochemical (Nantong) Logistics Company Ltd. ("Strong Nantong") operates its storage facilities with 21 storage tanks and a capacity of 139,000 cubic meters and is principally engaged in providing storage service for gasoline, diesel fuel and methanol. Strong Nantong commenced its trial operation of storing liquid hazardous chemical products in late 2014 and the final inspection is in progress. During the Six Month Period, Strong Nantong obtained the qualification of public bonded tanks for liquid chemical products which allows imported bonded goods in our bonded tanks to be exempted from import taxes temporarily. Strong Nantong commenced provision of bonded storage services in February 2015 and it is believed that the services can further enhance our competitiveness in the petrochemicals storage market.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

During the Six Month Period, the Group has expanded the Singaporean market for the sales of the petrochemicals manufactured by Huizhi successfully. We are confident that the manufacturing business of Huizhi will be able to generate profit in the second half of the year and become one of our Group's major direction of development in the future.

The Group started investing in crude oil and oil products related derivative products and securities in the second half of 2014. With our proprietary traders' extensive experience in trading such products and quick response to the market change, a profit was recorded despite the volatile oil market. We believe that the business can bring satisfactory profit to the Group in the long term.

In May 2015, the restructuring of Asia Sixth Energy Resources Limited ("Asia Sixth") has been completed. The 67 shares of Asia Sixth held by the Group were converted to 7,789,448 common shares of Caspian Energy Inc. ("CEI", a publicly traded company on NEX, a separate board of TSX Venture Exchange), representing 1.68% of the total issued common shares of CEI. We reckoned that investing in CEI is a good move to the Group since the Group can continue to share the success of the oilfield production and exploration in the Republic of Kazakhstan at lower cost and risk level.

In August 2015, our Hong Kong subsidiary signed a two-year contract to be the major supplier of bitumen mixture to a bitumen manufacturing plant in Shandong Province, the PRC. The bitumen manufacturing plant is specialised in producing high-quality bitumen with the largest annual production scale at a maximum of 3 million MT in the PRC. Pursuant to the contract, our Hong Kong subsidiary will provide at least 1 million MT of bitumen mixture to the bitumen manufacturing plant each year with guaranteed profit per MT. It is believed these transactions can bring us steady profit for next two years.

Facing the uncertain global economy and the volatile oil market, the Group remains optimistic towards its business direction. The Group will keep our flexibility to cope with rapid change of the oil market, work vigorously in a conservative way to resume its profit level and create value for the shareholders by developing new products and engaging new customers in the second half of the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group is principally engaged in the trading of oil products and the manufacture of petrochemicals. Approximately 88% (2014: approximately 27%) 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 4% (2014: approximately 60%) and the revenue generated from trading of petrochemicals was approximately 3% (2014: approximately 13%). Approximately 5% of the revenue was generated from manufacture of petrochemicals which commenced in the second half of 2014 (2014: Nil).

The revenue of the Group was approximately HK\$7,078.0 million (2014: approximately HK\$3,158.9 million) for the Six Month Period, representing an increase of approximately 124% compared with same period last year. The trading volume of crude oil increased from 947,321 BBL to 13,586,519 BBL for the Six Month Period since our Macau office resumed the trading relationship with one of our major customers in the second half of 2014 and proactively looked for opportunities in back-to-back trading. Moreover, our Singapore petroleum products team's close connection with a petroleum products customer created business opportunities in selling crude oil to Thailand oil refiners and this made our Singapore petroleum products team to diversify its business by trading crude oil in the first half of 2015. Other than the Group's focus on trading crude oil, the weak demand in petroleum products which was mainly due to the uncertain trend of oil price and the economic slowdown in the PRC also led to a drop in the trading volume of petroleum products from 396,914 MT to 98,389 MT for the Six Month Period. The trading volume of petrochemicals slightly decreased from 53,706 MT to 49,227 MT for the Six Month Period due to the weak demand in petrochemicals, such as pentane former, in the PRC. Regarding the manufacture of petrochemicals, the sales quantity from the manufactured petrochemicals for the Six Month Period was 72,047 MT while Huizhi commenced its trial operation in the second half of 2014.

Products	Unit	Number of shipment	Six months ended 30 June				
			2015 Sales quantity	Revenue HK\$ million	Number of shipment	2014 Sales quantity	Revenue HK\$ million
Trading of major products							
Crude oil	BBL	19	13,586,519	6,194.5	1	947,321	857.7
Petroleum products	MT	9	98,389	277.8	15	396,914	1,908.0
Petrochemicals	MT	67	49,227	251.6	91	53,706	393.2
Manufacture of petrochemicals	MT	95		6,723.9	107		3,158.9
		104	72,047	354.1	–	–	–
Total		199		7,078.0	107		3,158.9

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

Benefiting from the increase in revenue from crude oil trading, the overall gross profit recorded an increase to approximately HK\$277.1 million (2014: approximately HK\$107.1 million), including the reversal of inventory provision recognised in the last financial year amounting to HK\$60.3 million. Since crude oil team focused on thin margin back-to-back trading, compared with the same period last year, the gross profit margin for trading of crude oil decreased by more than half, but it was still more than double of that for trading of petroleum products. With most of revenue generated from trading of crude oil and less came from trading of petroleum products, the gross profit margin in the Six Month Period decreased from 3.4% to 3.1%, excluding the effect of inventory provision reversal.

Fair Value Changes on Derivative Financial Instruments

The Group has engaged in trading of derivative financial instruments for hedging and investment 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. Simultaneously, the Group intends to enhance its profitability with the use of surplus cash through investing in crude oil and oil products related derivative products and securities, starting from August 2014.

For the Six Month Period, the Group reported an aggregate loss on fair value changes on derivative financial instruments for hedging transactions of approximately HK\$200.1 million (2014: aggregate profit of approximately HK\$93.8 million) and an aggregate gain on fair value changes on derivative financial instruments for proprietary trading transactions of approximately HK\$3.9 million (2014: nil). The realised loss and unrealised gain on fair value changes on derivative financial instruments were approximately HK\$196.7 million and HK\$0.5 million respectively (2014: realised gain and unrealised gain of approximately HK\$78.9 million and HK\$14.9 million respectively).

Loss for the Period

Loss attributable to owners of the Company for the Six Month Period was approximately HK\$42.1 million, whilst for the same period last year, the Group recorded a profit of approximately HK\$109.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

The bank balances and cash as at 30 June 2015 amounted to approximately HK\$413.1 million (31 December 2014: HK\$267.2 million). The increase in bank balances and cash were mainly contributed by holding less inventories, partially offset by the repayment of bank borrowings.

The banking facilities as at 30 June 2015 amounted to approximately US\$1,291.3 million and Renminbi ("RMB") 148.0 million (equivalent to approximately HK\$10,256.8 million in total) from several banks. Save for the Group's bank borrowings of approximately HK\$309.5 million, the Group had no bank overdraft as at 30 June 2015.

Gearing Ratio

As at 30 June 2015, the gearing ratio was approximately 13% (31 December 2014: approximately 40%). The gearing ratio was calculated as the Group's total borrowing divided by total assets. Decrease in gearing ratio is mainly due to decrease in bank borrowings and increase in bank balances and cash.

Charges of Assets and Contingent Liabilities

As at 30 June 2015, the Group's banking facilities were secured by pledged bank deposits of approximately HK\$35.5 million, inventories of approximately HK\$143.8 million, prepaid lease payments of approximately HK\$53.8 million, certain storage tanks of approximately HK\$70.5 million, plant and machinery of approximately HK\$160.4 million and bill receivable of approximately HK\$12.5 million.

As at 30 June 2015, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitment

As at 30 June 2015, the Group had contracted for capital expenditure of approximately RMB8.1 million (equivalent to approximately HK\$10.3 million) (31 December 2014: approximately RMB10.2 million (equivalent to approximately HK\$12.9 million)) in respect of the construction of facilities and equipment for manufacturing and processing of petrochemicals 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 (2014: Nil).

Employees and Remuneration Policy

As at 30 June 2015, the number of the Group's employees slightly increased to 169 (31 December 2014: 168). 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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the Six Month Period.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2015, the interests and short positions of the directors of the Company (the "Directors") and the 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 of Hong Kong Limited (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 the 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	58.92
	Interest of concert parties (Note 2)	89,800,000	–	89,800,000	5.08
Mr. Yao Guoliang	Beneficial owner	89,800,000	–	89,800,000	5.08
	Interest of a controlled corporation (Note 1)	1,041,746,000	–	1,041,746,000	58.92
Ms. Lin Yan	Beneficial owner (Note 3)	840,000	360,000	1,200,000	0.07

OTHER INFORMATION

Note 1: These shares are registered in the name of Forever Winner International Ltd. ("Forever Winner"). Each of Sino Century Holdings Limited ("Sino Century") and Jin Yao Holdings Ltd. ("Jin Yao") holds 50% of the entire issued share capital of Forever Winner. Mr. Wang Jian Sheng holds the entire issued share capital of Sino Century. Mr. Yao Guoliang holds the entire issued share capital of Jin Yao.

Note 2: Since Mr. Wang Jian Sheng and Mr. Yao Guoliang jointly control Forever Winner which in turn holds 1,041,746,000 shares of the Company, Mr. Wang Jian Sheng and Mr. Yao Guoliang are deemed as parties acting in concert. Therefore, as Mr. Yao Guoliang currently beneficially owns approximately 5.08% equity interest in the Company, Mr. Wang Jian Sheng shall be deemed to hold the same equity interest in the Company.

Note 3: 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2015, the Directors are not aware of any other person (other than the interests of the Directors or the 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 Director	Capacity	Number of ordinary shares held	Approximate
			percentage of shareholding (%)
Forever Winner	Beneficial owner (Note)	1,041,746,000	58.92
Mr. Yao Guoliang	Beneficial owner	89,800,000	5.08

Note:

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

OTHER INFORMATION

SHARE OPTIONS

In 2014, 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 as the New Share Option Scheme is 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 number of securities available for issue under the Old Share Option Scheme was 30,280,000, representing approximately 1.7% of the number of the issued shares of the Company (i.e. 1,768,018,409 shares) as at 30 June 2015 and 18 August 2015, the date of the interim report.

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\$	At the grant date of share options	At the exercise date of share options	Number of share options			
					Outstanding at 1/1/2015	Lapsed during the period	Exercised during the period	Outstanding at 30/6/2015
Independent non-executive Director								
Ms. Lin Yan	07/05/09	0.645	0.655	N/A	360,000	-	-	360,000
Subtotal of Director					360,000	-	-	360,000
Employees	07/05/09	0.645	0.655	N/A	5,260,000	-	-	5,260,000
Other participants in aggregate	07/05/09	0.645	0.655	N/A	24,660,000	-	-	24,660,000
Total					30,280,000	-	-	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.

OTHER INFORMATION

The movements in the share options of the Company under the New 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\$	At the grant date of share options	At the exercise date of share options	Number of share options			
					Outstanding at 1/1/2015	Lapsed during the period	Exercised during the period	Outstanding at 30/6/2015
Other participants in aggregate	05/09/14	0.78	0.77	N/A	138,000,000	–	–	138,000,000
Total					138,000,000	–	–	138,000,000

Note:

Under the New Share Option Scheme, share options granted are exercisable during the period starting from 6 September 2014 to 14 May 2024.

The number of securities available for issue under the New Share Option Scheme was 171,855,800, representing approximately 9.7% of the number of issued shares of the Company (i.e. 1,768,018,409 shares) as at 30 June 2015, and 18 August 2015, the date of the interim report.

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 (the “CG 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, with the exception of the following deviation:

Pursuant to Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend the general meetings and develop a balanced understanding of the views of shareholders. Mr. Guo Yan Jun and Ms. Lin Yan, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 14 May 2015 due to other prior business engagements.

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 2015

		Six months ended 30 June	
		2015	2014
	NOTES	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue		7,078,036	3,158,880
Cost of sales		(6,800,932)	(3,051,777)
Gross profit		277,104	107,103
Other income		50,220	19,469
Other gains and losses		36	6,816
Fair value changes on derivative financial instruments		(196,232)	93,786
Distribution and selling expenses		(127,246)	(51,517)
Administrative expenses		(36,650)	(49,530)
Other expenses		(590)	(589)
Finance costs	4	(11,931)	(13,995)
Share of profits (losses) of associates		2,188	(781)
(Loss) profit before taxation		(43,101)	110,762
Taxation	5	(1,176)	(618)
(Loss) profit for the period	6	(44,277)	110,144
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		(567)	(3,688)
Fair value change of available-for-sale financial assets		12,268	(41,341)
Total comprehensive (expense) income for the period		(32,576)	65,115

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	NOTES	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		(42,106)	109,259
Non-controlling interests		(2,171)	885
		(44,277)	110,144
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(30,371)	64,921
Non-controlling interests		(2,205)	194
		(32,576)	65,115
(Loss) earnings per share	8		
— basic (HK\$)		(0.02)	0.06
— diluted (HK\$)		(0.02)	0.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

		30 June 2015	31 December
	NOTES	HK\$'000	2014
		(unaudited)	HK\$'000
			(audited)
Non-current assets			
Property, plant and equipment	9	365,010	362,295
Prepaid lease payments		52,643	53,219
Available-for-sale financial assets		39,811	27,543
Other assets		1,059	49,520
Interests in associates		132,453	130,888
		590,976	623,465
Current assets			
Inventories		305,626	1,830,694
Prepaid lease payments		1,182	1,180
Trade and bills receivables	11	953,782	1,020,250
Other receivables, deposits and prepayments		63,354	108,391
Tax recoverable		21	21
Derivative financial instruments		51,196	444,972
Other investments		2,279	312
Deposits placed with brokers		45,081	29,339
Pledged bank deposits		35,490	33,189
Bank balances and cash		413,065	267,168
		1,871,076	3,735,516

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Current liabilities			
Trade and bills payables	12	926,896	949,472
Other payables and accruals		81,678	88,832
Receipt in advance		27,953	37,732
Bank borrowings	13	235,930	1,643,856
Derivative financial instruments		41,328	434,220
Tax payable		3,145	10,777
		<u>1,316,930</u>	<u>3,164,889</u>
Net current assets		<u>554,146</u>	<u>570,627</u>
Total assets less current liabilities		<u>1,145,122</u>	<u>1,194,092</u>
Equity			
Share capital	14	44,200	44,200
Reserves		1,005,111	1,035,482
Equity attributable to owners of the Company		1,049,311	1,079,682
Non-controlling interests		<u>22,264</u>	<u>24,469</u>
Total equity		1,071,575	1,104,151
Non-current liability			
Bank borrowings	13	73,547	89,941
		<u>1,145,122</u>	<u>1,194,092</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve 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		
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)
Fair value change 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 dividend 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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve 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		
At 1 January 2015	44,200	339,520	-	(1,922)	49	51,564	24,020	12,295	609,956	1,079,682	24,469	1,104,151
Exchange differences arising on translation	-	-	-	-	-	-	(533)	-	-	(533)	(34)	(567)
Fair value change of available-for-sale financial assets	-	-	12,268	-	-	-	-	-	-	12,268	-	12,268
Loss for the period	-	-	-	-	-	-	-	-	(42,106)	(42,106)	(2,171)	(44,277)
Total comprehensive income (expense) for the period	-	-	12,268	-	-	-	(533)	-	(42,106)	(30,371)	(2,205)	(32,576)
At 30 June 2015 (unaudited)	44,200	339,520	12,268	(1,922)	49	51,564	23,487	12,295	567,850	1,049,311	22,264	1,071,575

Notes:

- (a) 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.
- (b) 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.
- (c) 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. Other reserve recognised during the year ended 31 December 2014 represents the difference between the fair value of ordinary shares issued by the Company and the carrying amount of the additional interests in a subsidiary acquired by the Group during the year.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from operating activities	1,562,653	538,172
Net cash from (used in) investing activities		
Interest received	218	7,931
Purchase of property, plant and equipment	(24,277)	(53,783)
Placement of pledged bank deposits	(2,301)	(6,383)
Increase in deposits placed with brokers	(15,742)	(97,045)
Purchase of available-for-sale financial assets	–	(77,500)
Repayment from (cash advanced to) a controlling shareholder of an associate	49,220	(13,228)
Deposit received for partial disposal of an associate	–	46,899
	7,118	(193,109)
Net cash used in financing activities		
Dividend paid	–	(85,928)
Payment on repurchase of shares	–	(6,018)
Proceeds from exercise of share options	–	66,570
New bank loans raised	1,467,836	2,458,230
Repayment of bank borrowings	(2,892,208)	(2,978,882)
Contribution from non-controlling shareholders of a subsidiary	–	13,538
	(1,424,372)	(532,490)
Net increase (decrease) in cash and cash equivalents	145,399	(187,427)
Cash and cash equivalents at 1 January	267,168	345,326
Effect of foreign exchange rate changes	498	307
Cash and cash equivalents at 30 June, represented by bank balances and cash	413,065	158,206

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to 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").

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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2015.

Amendments to HKAS 19 (as revised in 2011)	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle

The application of these amendments 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

2. PRINCIPAL ACCOUNTING POLICIES – Continued

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.

3. SEGMENTAL INFORMATION

Information reported to the chief executive officer of the Company, being the chief operating decision maker ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods being sold contributing to the Group's revenue.

Started from second half of 2014, the Group is engaged in manufacturing of petrochemicals which represents a new segment to the Group. Accordingly, the Group currently organises into the following major operating segments, each of which represents an operating and reportable segment of the Group:

Trading of crude oil, petroleum products and petrochemicals ("Trading business")	–	this segment derives its revenue from selling of crude oil, petroleum products and petrochemicals to various customers
Manufacturing of petrochemicals ("Petrochemicals manufacture business")	–	this segment derives its revenue from selling of petrochemicals which are manufactured by the Group

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. SEGMENTAL INFORMATION – Continued

The following is an analysis of the Group's revenue and results by reportable and operating segment.

Six months ended 30 June 2015

	Trading business HK\$'000	Petrochemicals manufacture business HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue				
External sales	6,723,900	354,136	–	7,078,036
Inter-segment sales (note)	23,608	35,718	(59,326)	–
Segment revenue	6,747,508	389,854	(59,326)	7,078,036
Results				
Segment results	(39,434)	(1,111)	–	(40,545)
Other income				3,954
Other gains and losses				2,021
Central administration costs				(9,721)
Share of profits of associates				2,188
Finance costs				(998)
Loss before taxation				(43,101)

Note: Inter-segment sales are charged at agreed terms set out in the sales contracts entered into between group companies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. SEGMENTAL INFORMATION – Continued

Six months ended 30 June 2014

	Trading business HK\$'000	Petrochemicals manufacture business HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue				
External sales	3,158,880	–	–	3,158,880
Inter-segment sales	–	–	–	–
Segment revenue	3,158,880	–	–	3,158,880
Results				
Segment results	109,897	–	–	109,897
Other income				7,268
Other gains and losses				6,535
Central administration costs				(11,272)
Share of losses of associates				(781)
Finance costs				(885)
Profit before taxation				110,762

The accounting policies of the operating segments are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014. Segment results represent the results of each segment without allocation of corporate items, including certain other income, certain other gains and losses, central administration costs, share of profits (losses) of associates and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

4. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on bank borrowings wholly repayable within five years	8,270	12,400
Bank charges on letter of credit facilities	3,661	1,595
	11,931	13,995

5. TAXATION

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	1,176	43
Singapore Income Tax	–	575
	1,176	618

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 and Implementation Rules of the PRC, the tax rate of the PRC subsidiaries is 25% (2014: 25%) for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

5. TAXATION – Continued

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.

No provision for Singapore Income Tax has been made for the period ended 30 June 2015 since tax loss was incurred for the subsidiary with operation in Singapore. For the period ended 30 June 2014, Singapore Income Tax was calculated at 17% of the estimated assessable profits for the period.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging:		
Release of prepaid lease payments (included in other expenses)	590	589
Depreciation of property, plant and equipment	18,489	6,011
Net foreign exchange losses	54	2,244

7. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	1,768,018,409	1,710,511,570
Effect of dilutive potential ordinary shares:		
Share options	<u>—</u>	<u>19,413,519</u>
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	<u>1,768,018,409</u>	<u>1,729,925,089</u>

The incremental shares from assumed exercise of share options are excluded in calculation of the diluted loss per share for the six months ended 30 June 2015 since the assumed exercise of those share options would result in a decrease in loss per share.

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
At beginning of the period	362,295	297,634
Exchange realignment	84	(1,129)
Additions	21,585	89,389
Disposals/written off	(465)	(3)
Depreciation charge	<u>(18,489)</u>	<u>(23,596)</u>
	<u>365,010</u>	<u>362,295</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

10. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values 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 values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	30 June 2015 (unaudited)	Fair value as at 31 December 2014 (audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Derivative financial instruments	Assets – HK\$51,196,000; and Liabilities – HK\$41,328,000	Assets – HK\$444,972,000; and Liabilities – HK\$434,220,000	Level 2	Difference between the contracted strike prices and prevailing futures prices or published indexes. Such prevailing futures prices or published indexes are derived from the relevant futures exchanges or 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: – Oil and gas industry – HK\$312,000; and Listed equity securities in Canada: – Oil and gas industry – HK\$1,967,000	Listed equity securities in the United States: – Oil and gas industry – HK\$312,000	Level 1	Quoted bid prices in an active market.
3) Available-for-sale financial assets	Listed equity securities in Hong Kong: – Oil and gas industry – HK\$39,811,000	Listed equity securities in Hong Kong: – Oil and gas industry – HK\$27,543,000	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 2015

11. TRADE AND BILLS RECEIVABLES

The following is an aged analysis of trade and bills receivables, net of impairment, presented based on the invoice date at the end of the reporting period which approximated the revenue recognition dates:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
0 to 30 days	944,931	1,016,268
31 to 60 days	8,851	–
61 to 90 days	–	3,982
	<u>953,782</u>	<u>1,020,250</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 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
0 to 30 days	908,955	949,472
31 to 60 days	17,941	–
	<u>926,896</u>	<u>949,472</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

13. BANK BORROWINGS

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Loan from discounted bill	12,662	10,735
Bank loans	<u>296,815</u>	<u>1,723,062</u>
Secured bank borrowings	<u>309,477</u>	<u>1,733,797</u>
Carrying amount repayable:		
Within one year	235,930	1,643,856
More than one year, but not exceeding two years	32,969	32,897
More than two years, but not exceeding five years	<u>40,578</u>	<u>57,044</u>
	309,477	1,733,797
Less: Amounts due within one year shown under current liabilities	<u>(235,930)</u>	<u>(1,643,856)</u>
Amounts shown under non-current liability	<u>73,547</u>	<u>89,941</u>

The loans carried interest at variable market rates ranging from 1.53% to 6.88% (31 December 2014: 1.48% to 7.04%) per annum. The bank borrowings are secured by the prepaid lease payments, certain storage tanks, plant and machinery, inventories, bill receivable and bank deposits.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

14. SHARE CAPITAL

	Number of shares (unaudited)	Share capital HK\$'000 (unaudited)
Ordinary shares of HK\$0.025 each		
Authorised:		
At 1 January 2014, 30 June 2014, 31 December 2014 and 30 June 2015	<u>4,000,000,000</u>	<u>100,000</u>
Issued:		
At 1 January 2014	1,616,948,000	40,424
Exercise of share options	103,210,000	2,580
Shares repurchased and cancelled (note)	<u>(6,234,000)</u>	<u>(156)</u>
At 30 June 2014	1,713,924,000	42,848
Shares repurchased and cancelled	(3,700,000)	(92)
Issue of shares as consideration for the acquisition of additional interests of a subsidiary	<u>57,794,409</u>	<u>1,444</u>
At 31 December 2014 and 30 June 2015	<u>1,768,018,409</u>	<u>44,200</u>

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 and all shares were cancelled during the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

15. CAPITAL COMMITMENT

As at 30 June 2015, the Group had contracted for capital expenditure of approximately RMB8,089,000 (equivalent to approximately HK\$10,257,000) (31 December 2014: approximately RMB10,186,000 (equivalent to approximately HK\$12,913,000)) in respect of the construction of facilities and equipment for manufacturing and processing of petrochemicals in Yangpu Economic Development Zone, Hainan Province, the PRC.

16. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2015, the Group paid the rental expenses of approximately HK\$660,000 (2014: approximately HK\$629,000) to Strong Property Limited, a company which is owned and controlled by a key management personnel of the Group, for the use of office premises, and the storage fee of approximately HK\$31,356,000 (2014: approximately HK\$27,848,000) to Srithai Capital Co., Ltd., the Company's associate, for the use of storage area of the vessel.

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 2015 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, 18 August 2015

As at the date of this announcement, the board of directors 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