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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 2016

The board (the "Board") of directors (the "Director(s)") 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 2016 (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 manufacturing of petrochemicals. After the disposal of Hainan Huizhi Petrochemical Fine Chemical Co., Ltd. ("Huizhi"), an indirect non-wholly owned subsidiary of the Company, in April 2016, the business of manufacturing of petrochemicals was discontinued and is considered as "discontinued operations" of the Group. The Group continued to engage in trading of oil products which is considered as "continuing operations".

The figures for the Six Month Period stated herein refer to the results of continuing operations. To facilitate meaningful comparison, unless specified, the comparative figures in this announcement refer to the results of continuing operations for the six months ended 30 June 2015.

Revenue for the Six Month Period was approximately Hong Kong ("HK") dollar ("HK\$") 4,805.4 million. Profit attributable to owners of the Company for the Six Month Period was approximately HK\$32.4 million.

CONTINUING OPERATIONS

Trading of Crude Oil, Petroleum Products and Petrochemicals

To tackle the glut which led to the low oil price in January 2016, the Organization of the Petroleum Exporting Countries (the "OPEC") intended to freeze the production at January levels, while Iran, one of the member countries, refused to sign the agreement. Despite the OPEC's failure to reach the agreement in April 2016, stronger-than-expected oil demand growth and unexpected supply cut led by militant action in Nigeria and Libya have supported the gradual increase of oil price. In May 2016, the OPEC and non-OPEC countries cut global oil supply by around 800,000 barrel ("BBL") per day. Both the oil demand growth and the supply cut transformed the view of International Energy Agency which predicted that the oil market would be balanced in the second half of 2016. Brent crude oil price rebounded to United States dollar ("US\$") 50.73 per BBL in June 2016, which represented an 85% increase compared to its thirteen-year-low of US\$27.36 per BBL in January 2016. Facing the volatile trading environment, our crude oil team sought opportunities proactively to widen the customer base and we successfully increased the trading volume. In consideration of the significant oil price fluctuation, the Group has performed hedging transactions for its inventories and recorded an unrealised hedging loss in the Six Month Period. It is expected that the relative earnings would be reflected when the inventories are sold.

MANAGEMENT DISCUSSION AND ANALYSIS

In June 2016, Caixin China General Manufacturing Purchasing Managers' Index ("PMI") was below the neutral 50.0 mark for the fifteenth successive months, which indicated the weak condition of the manufacturing sector in the People's Republic of China (the "PRC"). Despite the upward trend of oil price during the Six Month Period, the PRC businesses generally maintained a pessimistic outlook towards the lumbering economy. Therefore, our petroleum products team has turned to focus on trading crude oil since the first half of 2015, but the team will put its focus back on trading petroleum products when the opportunity arises. In spite of our petrochemicals team's effort to expand the customer base in the PRC market, our petrochemicals trading business was still seriously impacted by the weak demand.

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 methyl alcohol. During the Six Month Period, Strong Nantong generated positive cash flow and obtained the qualification of ISO9001 for its storage facilities' quality management system. It is believed that Strong Nantong's recognition of quality services and its qualification of public bonded warehouse for liquidated chemical products can strongly enhance our competitiveness to attract new petrochemicals storage customers.

DISCONTINUED OPERATIONS

Manufacture and Development of Petrochemicals

During the Six Month Period, the Group completed the disposal of its entire share capital of Strong Petrochemical (Asia) Company Limited ("Strong Asia") at a consideration of approximately US\$20.3 million or approximately HK\$158.3 million, details of which were disclosed by the Company in its announcements dated 11 March 2016 and 17 May 2016. Immediately prior to the completion of the disposal, Strong Asia held 57% equity interest in Huizhi (together with Strong Asia, collectively, "Strong Asia Group"), which was engaged in manufacturing and processing petrochemicals. The completion of the sale and purchase agreement for the disposal took place on 22 April 2016, after which the Group ceased its business of manufacturing petrochemicals.

MANAGEMENT DISCUSSION AND ANALYSIS

The discontinued operations recorded a profit of approximately HK\$11.9 million for the period ended 22 April 2016, compared to a loss of approximately HK\$0.7 million for the six months ended 30 June 2015. Upon the completion of the disposal, the Group realised a gain of approximately HK\$121.1 million during the Six Month Period. This disposal provided the Group with a good opportunity to realise the investment at an attractive return. Details of the discontinued operations are set out in note 7 to the condensed consolidated financial statements.

Outlook

The July 2016 Caixin China General Manufacturing PMI of 50.6 signaled a renewed improvement in operating conditions in the PRC manufacturing sector. With the continuing implementation of supportive fiscal and monetary policies, it is expected that the improving trend of the PRC manufacturing sector will continue. We remain optimistic towards our businesses in the PRC market and will proactively look for opportunities in engaging new customers.

Our Singapore office's application for the global trader programme (the "GTP") launched by International Enterprise Singapore was approved in May 2016. The approval recognised our Singapore office as a well-established international player conducting substantial international physical trading activities in Singapore. The GTP status allows us to enjoy a 10% concessionary tax rate on the qualifying income generated from physical trading on crude oil and petroleum products and commodities futures trading till the end of 2018.

The disposal of Strong Asia Group strengthened the Group's overall financial position and this gives us a solid financial support to seek new business opportunities. Despite the fast changing oil market, the Group will vigorously pursue opportunities to expand its business by entering the oil production sector. Simultaneously, we will continue to engage new customers in both PRC market and overseas market in the second half of 2016 so as to expand business opportunities.

FINANCIAL REVIEW

Revenue

The Group is principally engaged in the trading of oil products. Approximately 95% (2015: approximately 92%) 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 2% (2015: approximately 4%) and the revenue generated from trading of petrochemicals was approximately 3% (2015: approximately 4%).

MANAGEMENT DISCUSSION AND ANALYSIS

The revenue of the Group was approximately HK\$4,805.4 million (2015: approximately HK\$6,714.3 million) for the Six Month Period, representing a decrease of approximately 28% compare with the same period last year. The trading volume of crude oil increased from 13,586,519 BBL to 17,026,372 BBL for the Six Month Period since our Macau office successfully developed trading relationship with several new customers and increased trading volume with existing customers for back-to-back arrangement. However, due to the comparatively low oil price, revenue generated from trading of crude oil dropped by approximately 26% for the Six Month Period. Simultaneously, in view of the weak demand in petroleum products in the PRC market, our petroleum products team continued to focus on selling crude oil to Thai oil refiners and this led to a decrease in the trading volume of petroleum products from 96,668 metric tons ("MT") to 27,503 MT for the Six Month Period. The trading volume of petrochemicals decreased from 48,637 MT to 33,220 MT for the Six Month Period is mainly due to the low demand in petrochemicals in the PRC market which is in line with its economic instability.

Products	Unit	Number of shipment	Six months ended 30 June				
			2016			2015	
			Sales quantity	Revenue HK\$ million	Number of shipment	Sales quantity	Revenue HK\$ million
Trading of major products							
Crude oil	BBL	25	17,026,372	4,567.9	19	13,586,519	6,194.5
Petroleum products	MT	12	27,503	87.4	5	96,668	270.8
Petrochemicals	MT	25	33,220	150.1	57	48,637	249.0
Total		62		4,805.4	81		6,714.3

Gross Profit

Due to the decrease in revenue and the focus on back-to-back arrangement for crude oil trading with lower gross profit margin, the overall gross profit dropped to approximately HK\$95.3 million (2015: approximately HK\$266.5 million).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$134.3 million (2015: approximately HK\$200.1 million) and an aggregate loss on fair value changes on derivative financial instruments for proprietary trading transactions of approximately HK\$2.0 million (2015: aggregate gain of approximately HK\$3.9 million). The realised gain and unrealised loss on fair value changes on derivative financial instruments were approximately HK\$12.5 million and HK\$148.8 million respectively (2015: realised loss and unrealised gain of approximately HK\$196.7 million and HK\$0.5 million respectively).

Profit for the Period

Profit attributable to owners of the Company for the Six Month Period was approximately HK\$32.4 million, whilst for the same period last year, the Group recorded a loss of approximately HK\$42.1 million.

Liquidity and Financial Resources

The bank balances and cash as at 30 June 2016 was amounted to approximately HK\$615.1 million (31 December 2015: approximately HK\$242.2 million). The increase in bank balances and cash was mainly contributed by the proceeds from the disposal of the entire share capital of Strong Asia and sales of available-for-sale financial assets.

The banking facilities as at 30 June 2016 were amounted to approximately US\$940.8 million and Renminbi ("RMB") 48.0 million (equivalent to approximately HK\$7,394.0 million in total) from several banks. Save for the Group's bank borrowings of approximately HK\$716.4 million, the Group had no bank overdraft as at 30 June 2016.

Gearing Ratio

As at 30 June 2016, the gearing ratio was approximately 30% (31 December 2015: approximately 22%). The gearing ratio was calculated as the Group's total borrowing divided by total assets. The increase in gearing ratio is mainly due to the increase in bank borrowings, partially offset by the increase in bank balances and cash.

MANAGEMENT DISCUSSION AND ANALYSIS

Charges of Assets and Contingent Liabilities

As at 30 June 2016, the Group's banking facilities were secured by pledged bank deposits of approximately HK\$53.8 million, inventories of approximately HK\$468.9 million, prepaid lease payments of approximately HK\$18.9 million, certain storage tanks of approximately HK\$55.0 million and plant and machinery of approximately HK\$9.6 million.

As at 30 June 2016, 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.

Capital Commitment

As at 30 June 2016, the Group did not have any capital commitment. As at 31 December 2015, the Group had contracted for capital expenditure of approximately RMB67,000 (equivalent to approximately HK\$80,000) in respect of the construction of facilities and equipment for manufacturing and processing of petrochemicals in Yangpu Economic Development Zone, Hainan Province, the PRC.

Interim Dividends

The Board did not recommend the payment of any interim dividend for the Six Month Period (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Remuneration Policy

As at 30 June 2016, the number of the Group's employees decreased to 83 (31 December 2015: 169) due to completion of the disposal of Strong Asia Group during the Six Month Period. 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 had 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 2016, the interests and short positions of 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)	100,222,000	–	100,222,000	5.67
Mr. Yao Guoliang	Beneficial owner	100,222,000	–	100,222,000	5.67
	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

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.

OTHER INFORMATION

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 5.67% 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 2016, 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 Shareholder	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	100,222,000	5.67

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 shares, 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 2016 and 23 August 2016, the date of this announcement.

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:

Category of participant	Date of grant (dd/mm/yy)	Exercise price HK\$	At the grant date of share options HK\$	At the exercise date of share options HK\$	Number of share options				
					Outstanding at 1/1/2016	Lapsed during the period	Exercised during the period	Reclassification during the period	Outstanding at 30/6/2016
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	–	–	(4,620,000)	640,000
Other participants in aggregate	07/05/09	0.645	0.655	N/A	24,660,000	–	–	4,620,000	29,280,000
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:

Category of participant	Date of grant (dd/mm/yy)	Exercise price HK\$	At the grant date of share options HK\$	At the exercise date of share options HK\$	Number of share options			
					Outstanding at 1/1/2016	Lapsed during the period	Exercised during the period	Outstanding at 30/6/2016
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 shares, representing approximately 9.7% of the number of issued shares of the Company (i.e. 1,768,018,409 shares) as at 30 June 2016 and 23 August 2016, the date of this announcement.

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.

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.

OTHER INFORMATION

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. Ms. Lin Yan, the independent non-executive Director, was unable to attend the annual general meeting of the Company held on 12 May 2016 due to other prior business engagement.

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 2016

		Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
		(unaudited)	(unaudited) (restated)
		NOTES	
Continuing operations			
Revenue		4,805,428	6,714,273
Cost of sales		(4,710,137)	(6,447,774)
Gross profit		95,291	266,499
Other income		48,399	49,583
Other gains and losses		(11,606)	2,802
Fair value changes on derivative financial instruments		(136,331)	(196,232)
Distribution and selling expenses		(60,250)	(126,453)
Administrative expenses		(30,919)	(32,632)
Other expenses		(230)	(245)
Finance costs	4	(5,386)	(7,940)
Share of profits of associates		4,877	2,188
Loss before taxation		(96,155)	(42,430)
Taxation	5	(354)	(1,159)
Loss for the period from continuing operations	6	(96,509)	(43,589)
Discontinued operations			
Profit (loss) for the period from discontinued operations	7	133,049	(688)
Profit (loss) for the period		36,540	(44,277)
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		(5,115)	(567)
Reclassification of cumulative translation reserve to profit or loss upon disposal of subsidiaries		1,436	–
Fair value change of available-for-sale financial assets		(11,690)	12,268
Cumulative fair value change of available-for-sale financial assets recycled to profit or loss upon disposal		10,322	–
Total comprehensive income (expense) for the period		31,493	(32,576)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
	NOTES	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited) (restated)
Profit (loss) for the period attributable to:			
Owners of the Company		32,427	(42,106)
Non-controlling interests		4,113	(2,171)
		36,540	(44,277)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		27,331	(30,371)
Non-controlling interests		4,162	(2,205)
		31,493	(32,576)
Earnings (loss) per share	9		
From continuing and discontinued operations			
— basic (HK\$)		0.02	(0.02)
— diluted (HK\$)		0.02	(0.02)
From continuing operations			
— basic (HK\$)		(0.05)	(0.02)
— diluted (HK\$)		(0.05)	(0.02)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	89,723	319,146
Prepaid lease payments		18,432	48,997
Available-for-sale financial assets	12	–	28,721
Other assets		1,059	1,059
Interests in associates		129,451	126,017
		238,665	523,940
Current assets			
Inventories		494,049	454,243
Prepaid lease payments		452	1,113
Trade receivables	13	533,602	1,194,494
Other receivables, deposits and prepayments		88,118	217,715
Tax recoverable		267	292
Derivative financial instruments		71,654	125,061
Held for trading investments		29,728	30,683
Deposits placed with brokers		280,093	50,140
Pledged bank deposits		53,785	49,246
Bank balances and cash		615,127	242,226
		2,166,875	2,365,213
Current liabilities			
Trade and bills payables	14	325,220	846,895
Other payables and accruals		39,515	121,636
Receipt in advance		1,220	43,723
Bank borrowings	15	716,389	579,340
Derivative financial instruments		221,159	121,160
Tax payable		1,535	3,649
		1,305,038	1,716,403
Net current assets		861,837	648,810
Total assets less current liabilities		1,100,502	1,172,750

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Equity			
Share capital	16	44,200	44,200
Reserves		1,056,302	1,046,651
Equity attributable to owners of the Company		1,100,502	1,090,851
Non-controlling interests		–	28,309
Total equity		1,100,502	1,119,160
Non-current liability			
Bank borrowings	15	–	53,590
		1,100,502	1,172,750

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Legal reserve	Share options reserve	Investment revaluation reserve	Translation reserve	Other reserve	Retained profits	Total		Total
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note c)	HK\$'000	HK\$'000	HK\$'000	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	(1,922)	49	51,564	12,268	23,487	12,295	567,850	1,049,311	22,264	1,071,575
At 1 January 2016	44,200	339,520	(1,922)	49	51,564	1,368	757	12,295	643,020	1,090,851	28,309	1,119,160
Exchange differences arising on translation	–	–	–	–	–	–	(5,164)	–	–	(5,164)	49	(5,115)
Reclassification of cumulative translation reserve to profit or loss upon disposal of subsidiaries	–	–	–	–	–	–	1,436	–	–	1,436	–	1,436
Fair value change of available-for-sale financial assets	–	–	–	–	–	(11,690)	–	–	–	(11,690)	–	(11,690)
Cumulative fair value change of available-for-sale financial assets recycled to profit or loss upon disposal	–	–	–	–	–	10,322	–	–	–	10,322	–	10,322
Profit for the period	–	–	–	–	–	–	–	–	32,427	32,427	4,113	36,540
Total comprehensive income (expense) for the period	–	–	–	–	–	(1,368)	(3,728)	–	32,427	27,331	4,162	31,493
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(32,471)	(32,471)
Final dividends recognised as distribution (note 8)	–	–	–	–	–	–	–	–	(17,680)	(17,680)	–	(17,680)
	–	–	–	–	–	–	–	–	(17,680)	(17,680)	(32,471)	(50,151)
At 30 June 2016 (unaudited)	44,200	339,520	(1,922)	49	51,564	–	(2,971)	12,295	657,767	1,100,502	–	1,100,502

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

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 and 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 in previous years.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from operating activities	168,706	1,562,653
Net cash from investing activities		
Interest received	1,307	218
Purchase of property, plant and equipment	(19,191)	(24,277)
Placement of pledged bank deposits	(4,539)	(2,301)
Increase in deposits placed with brokers	(229,953)	(15,742)
Proceeds from disposal of available-for-sale financial assets	17,031	–
Repayment from a controlling shareholder of an associate	–	49,220
Cash inflow from disposal of subsidiaries	149,785	–
Loan repayment by third party	136,052	–
	50,492	7,118
Net cash from (used in) financing activities		
Dividend paid	(17,680)	–
New bank loans raised	1,651,764	1,467,836
Repayment of bank borrowings	(1,477,238)	(2,892,208)
	156,846	(1,424,372)
Net increase in cash and cash equivalents	376,044	145,399
Cash and cash equivalents at 1 January	242,226	267,168
Effect of foreign exchange rate changes	(3,143)	498
Cash and cash equivalents at 30 June, represented by bank balances and cash	615,127	413,065

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2016.

Amendments to HKAS 1	Disclosure initiatives
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle

The application of the above amendments to HKFRSs 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 2016

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. **REVENUE AND SEGMENTAL INFORMATION**

Revenue

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

Segmental information

On 22 April 2016, the Group completed the disposal of the entire share capital of Strong Asia and its non-wholly owned subsidiary, Huizhi, which was engaged in manufacturing of petrochemicals. The financial information in respect of the discontinued operations are disclosed in more detail in note 7 to the condensed consolidated financial statements.

After the disposal of Strong Asia Group, the Group is currently principally engaged in trading of crude oil, petroleum products and petrochemicals ("Trading business"). Certain storage facilities generated some insignificant revenue. Accordingly, the Trading business as a whole constitutes one operating segment for the purpose of segment information presentation under HKFRS 8 *Operating Segments*.

Information are reported to the chief executive officer of the Company, being the chief operating decision maker (the "CODM"), for the purpose of performance assessment and resource allocation. The CODM regularly reviews the Group's revenue and 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 business is regularly provided to the CODM for review. Accordingly, no segment information is presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

4. FINANCE COSTS

From continuing operations

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Interests on bank borrowings	3,638	4,358
Bank charges on letter of credit facilities	1,748	3,582
	5,386	7,940

5. TAXATION

From continuing operations

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Current tax:		
PRC Enterprise Income Tax	354	1,159

No provision for Hong Kong Profits Tax has been made for both periods 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% (2015: 25%) for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 both periods.

No provision for Singapore Income Tax has been made for both periods since tax losses were incurred for the subsidiary with operation in Singapore.

6. LOSS FOR THE PERIOD From continuing operations

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Loss for the period has been arrived at after (crediting) charging:		
Release of prepaid lease payments (included in other expenses)	230	245
Depreciation of property, plant and equipment	3,871	4,147
Net foreign exchange (gain) losses	(664)	654

7. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

During the current interim period, the Group entered into a sale and purchase agreement to dispose of the entire share capital of Strong Asia, the Company's previously wholly owned subsidiary, which owned 57% equity interest in Huizhi. Huizhi carried out all of the Group's manufacturing of petrochemicals operations. The disposal was completed on 22 April 2016, on which date the Group lost control of Strong Asia Group. The Group's manufacturing of petrochemicals operations is treated as discontinued operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

7. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

– Continued

The profit (loss) from the discontinued operations for the current and preceding interim periods is analysed as follows:

	Period ended 22 April 2016 HK\$'000 (unaudited)	6 months ended 30 June 2015 HK\$'000 (unaudited)
Profit (loss) for the period	11,910	(688)
Gain on disposal of subsidiaries	121,139	–
	133,049	(688)

Profit (loss) for the period — Discontinued operations:

	Period ended 22 April 2016 HK\$'000 (unaudited)	6 months ended 30 June 2015 HK\$'000 (unaudited)
Profit (loss) for the period has been arrived at after (crediting) charging:		
Release of prepaid lease payments (included in other expenses)	217	345
Depreciation of property, plant and equipment	10,256	14,342
Net foreign exchange gain	(74)	(600)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

7. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

– Continued

The results of Strong Asia Group for the current and preceding interim periods were as follows:

	Period ended 22 April 2016 HK\$'000 (unaudited)	6 months ended 30 June 2015 HK\$'000 (unaudited)
Revenue	146,496	363,763
Cost of sales	(124,842)	(353,158)
Other income	171	637
Other gains and losses	(23)	(2,766)
Distribution and selling expenses	(485)	(793)
Administrative expenses	(5,572)	(4,018)
Other expenses	(217)	(345)
Finance costs	(1,693)	(3,991)
Profit (loss) before taxation	13,835	(671)
Taxation	(1,925)	(17)
Profit (loss) for the period	11,910	(688)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

7. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

– Continued

The net assets of Strong Asia Group at the date of disposal were as follows:

	HK\$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	226,445
Prepaid lease payment	30,442
Inventories	42,058
Trade receivables	809
Other receivables, deposits and prepayments	24,555
Bank balances and cash	6,381
Other payables and accruals	(25,721)
Amount due to an intermediate holding company	(29,210)
Receipt in advance	(10,039)
Bank borrowings	(90,851)
Loan	(136,052)
Tax payable	(3,065)
Net assets disposed of Strong Asia Group	35,752
Non-controlling interests	(32,471)
Other payables	3,498
Amount due to an intermediate holding company	29,210
Reclassification of cumulative translation reserve to profit or loss upon disposal of Strong Asia Group	1,436
	37,425
Gain on disposal	121,139
Total consideration	158,564
Satisfied by:	
Cash	156,166
Deferred cash consideration	2,398
	158,564
Net cash inflow arising on disposal:	
Total cash consideration received	156,166
Bank balances and cash disposed of	(6,381)
	149,785

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

7. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

– Continued

Cash flows from Strong Asia Group:

	Period ended 22 April 2016 HK\$'000 (unaudited)	6 months ended 30 June 2015 HK\$'000 (unaudited)
Net cash flows from operating activities	12,744	42,837
Net cash flows used in investing activities	(14,533)	(23,112)
Net cash flows used in financing activities	(2,367)	(7,823)
Effect of foreign exchange rate changes	(1,213)	(102)
Net cash flows	(5,369)	11,800

8. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

During the six months ended 30 June 2016, a final dividend of HK1 cent (2015: Nil) per share in respect of the year ended 31 December 2015 amounting to approximately HK\$17,680,000 (2015: Nil) was declared and paid to the owners of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(restated)
From continuing and discontinued operations		
Profit (loss) for the purpose of calculating basic and diluted earnings (loss) per share (profit (loss) for the period attributable to owners of the Company)	32,427	(42,106)
From continuing operations		
Loss for the purpose of calculating basic and diluted loss per share (loss for the period attributable to owners of the Company)	(96,509)	(43,589)

The calculation of the basic and diluted earnings (loss) per share is based on the number of shares as follows:

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share	1,768,018,409	1,768,018,409

The computation of diluted earnings (loss) per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for the six months ended 30 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

9. EARNINGS (LOSS) PER SHARE – Continued

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.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

	As at 30 June 2016 HK\$'000 (unaudited)	As at 31 December 2015 HK\$'000 (audited)
At beginning of the period	319,146	362,295
Exchange realignment	(368)	(19,945)
Additions	11,518	12,487
Disposals/written off	(1)	(1)
Disposals of subsidiaries (note 7)	(226,445)	–
Depreciation charge	(14,127)	(35,690)
	<u>89,723</u>	<u>319,146</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

11. 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	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
		30 June 2016 (unaudited)	31 December 2015 (audited)		
1)	Derivative financial instruments	Assets – HK\$71,654,000; and Liabilities – HK\$221,159,000	Assets – HK\$125,061,000; and Liabilities – HK\$121,160,000	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	Listed equity securities in the United States of America: – Oil and gas industry – HK\$166,000 Listed equity securities in Hong Kong: – Other financials industry – HK\$29,093,000 Listed equity securities in Canada: – Oil and gas industry – HK\$469,000	Listed equity securities in the United States of America: – Oil and gas industry – HK\$184,000 Listed equity securities in Hong Kong: – Other financials industry – HK\$30,280,000 Listed equity securities in Canada: – Oil and gas industry – HK\$219,000	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\$28,721,000	Level 1	Quoted bid prices in an active market.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

11. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

– Continued

(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.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

During the six months ended 30 June 2016, the fair value of the available-for-sale financial assets decreased by HK\$11,690,000 before the respective dates of disposal and was recognised in other comprehensive expense and accumulated in the investment revaluation reserve.

During the six months ended 30 June 2016, the entire listed equity securities in Hong Kong held by the Group which were classified as available-for-sale financial assets were disposed in several batches by the Group, resulted in a loss on disposal of HK\$10,322,000 recycled into profit or loss.

13. TRADE RECEIVABLES

The following is an aged analysis of trade receivables from third parties net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period which approximated the revenue recognition dates:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
0 to 30 days	303,277	928,567
31 to 60 days	–	265,927
61 to 180 days	191,303	–
181 to 365 days	39,022	–
	533,602	1,194,494

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

14. 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 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
0 to 30 days	316,027	846,895
31 to 60 days	9,193	–
	325,220	846,895

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

15. BANK BORROWINGS

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Secured bank borrowings	716,389	632,930
Carrying amount repayable:		
Within one year	716,389	579,340
More than one year, but not exceeding two years	–	24,943
More than two years, but not exceeding five years	–	28,647
	716,389	632,930
Less: Amounts due within one year shown under current liabilities	(716,389)	(579,340)
Amounts shown under non-current liability	–	53,590

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

15. BANK BORROWINGS – Continued

The loans carried interest at variable market rates ranging from 1.88% to 4.16% (31 December 2015: 1.64% to 6.60%) per annum. The loans are secured by the certain storage tanks, plant and machinery, prepaid lease payments, inventories and bank deposits.

16. SHARE CAPITAL

	Number of shares (unaudited)	Share capital HK\$'000 (unaudited)
Ordinary shares of HK\$0.025 each		
Authorised:		
At 1 January 2015, 30 June 2015, 31 December 2015 and 30 June 2016	<u>4,000,000,000</u>	<u>100,000</u>
Issued:		
At 1 January 2015, 30 June 2015, 31 December 2015 and 30 June 2016	<u>1,768,018,409</u>	<u>44,200</u>

17. CAPITAL COMMITMENTS

As at 30 June 2016, the Group did not have any capital commitment. As at 31 December 2015, the Group had contracted for capital expenditure of approximately RMB67,000 (equivalent to approximately HK\$80,000) in respect of the construction of facilities and equipment for manufacturing and processing of petrochemicals in Yangpu Economic Development Zone, Hainan Province, the PRC.

18. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2016, the Group paid the rental expenses of approximately HK\$750,000 (2015: approximately HK\$660,000) to Strong Property Limited, a company which is owned and controlled by one key management personnel of the Group, for the use of office premises, and the storage fee of approximately HK\$31,356,000 (2015: approximately HK\$31,356,000) to Srithai Capital Co., Ltd., the Company's associate, for the use of storage area of an oil tanker.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 2016 containing all the information required by the Listing Rules will be published on the above websites and despatched to the shareholders of the Company in due course.

By order of the Board

Wang Jian Sheng

Chairman

Hong Kong, 23 August 2016

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 purposes only*