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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 2017

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 2017 (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.

In the corresponding period of 2016, the Group was principally engaged in, among others, the trading of oil products and manufacturing of petrochemicals. After the disposal of Hainan Huizhi Petrochemical Fine Chemical Co., Ltd. ("Hainan Huizhi"), a previously indirect non-wholly owned subsidiary of the Company, in April 2016, the business of manufacturing of petrochemicals was discontinued and was considered as "discontinued operations" of the Group in the corresponding period of 2016. 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 2016.

Revenue for the Six Month Period was approximately Hong Kong ("HK") dollar ("HK\$") 4,669.4 million. Profit attributable to owners of the Company for the Six Month Period was approximately HK\$37.3 million.

Trading of Crude Oil, Petroleum Products and Petrochemicals

Although the Organization of the Petroleum Exporting Countries (the "OPEC") reached an agreement to cut production among its members and non-members in late 2016, Brent crude oil price did not rebound as expected by the market and the OPEC in the Six Month Period. It swung between United States dollar ("US\$") 44.72 per barrel ("BBL") and US\$55.60 per BBL during the Six Month Period. Furthermore, Brent crude oil price turned to be on a decreasing trend starting from late May 2017, just before the OPEC meeting on 25 May 2017, mainly because each of Libya and Nigeria had a production increase while several OPEC members failed to fulfill their commitments to reduce production.

In the Six Month Period, even though Caixin China General Manufacturing Purchasing Managers' Index remained above the neutral 50.0 mark, except in May 2017, the manufacturers were generally being prudent about the market condition in the People's Republic of China (the "PRC"). Therefore, they intended to reduce inventory holdings until they become optimistic towards the business outlook again.

In view of the decrease in demand of crude oil in the PRC market, our crude oil team had to lower the gross profit margin so as to maintain the market share and the long-term business relationship with counterparties. Considering the significant fluctuation of oil price, apart from trading crude oil through back-to-back arrangement, the Group cautiously performed hedging transactions for its inventories and a hedging gain was recorded in the Six Month Period. Besides, our crude oil team put its focus on developing business relationship with teapot refineries in the PRC. It is expected that trading with teapot refineries will be one of the Group's business directions in the coming years.

Facing the weak demand in petroleum products in the PRC market, our petroleum products business was further affected by the big trading houses' competitive trading strategy for the Six Month Period. As a result, the petroleum products team turned to focus on developing business opportunities in other energy products which are disclosed in more details in the section of "Outlook" below. Moreover, the team is in the progress of developing its customer base in Vietnam and Indonesia in view of the sluggish PRC market condition. Our petrochemicals trading business was also affected by the PRC customers' cautious trading approach, even though our petrochemicals team proactively strengthened domestic trading network in the PRC.

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 successfully increased its revenue and generated positive cash flow. In the second half of the year, Strong Nantong will focus on maintaining business relationship with existing petrochemicals storage customers and continue to expand its customer base so as to fully utilise its competitive advantage of the qualification of public bonded warehouse for liquidated chemical products.

Outlook

Pursuant to a subscription agreement dated 17 July 2017, the Company agreed to allot and issue 353,603,681 new ordinary shares at the subscription price of HK\$0.658 per subscription share to an independent third party which subsequently became a substantial shareholder of the Company. Net proceeds from the issue of these new shares amounted to approximately HK\$232.6 million. This subscription was completed on 25 July 2017 and 353,603,681 subscription shares were allotted and issued to the subscriber under the general mandate. It is expected that the net proceeds could support the Group to look for suitable investment opportunities, especially investments in new energy industry, in the future.

Considering the limited opportunities in the petroleum products market, our Singapore office has taken initiative to develop business relationship with the Indonesian coal supplier and the Chinese power plant during the Six Month Period and it has successfully started its coal trading business in July 2017. We will strive to reach out to newly developed business areas in the hope of bringing more business opportunities to the Group.

The Group will keep looking for business opportunities which can increase its profitability. With cash surplus, the Group provided a loan to an independent third party during the Six Month Period and this provision of financial assistance successfully generated a satisfactory return to the Group.

Looking ahead, we will formulate appropriate strategies to develop our trading business and storage business while diversifying the Group's business to other industries within the energy sector may become one of the Group's development directions simultaneously. We will continue to look for new opportunities to maximise the return for the shareholders.

FINANCIAL REVIEW

Revenue

The Group is principally engaged in the trading of oil products. Approximately 97% (2016: approximately 95%) of the Group's revenue was generated from trading of crude oil for the Six Month Period and the revenue generated from trading of petrochemicals was approximately 3% (2016: approximately 3%), while the Group did not generate any revenue from the trading of petroleum products (2016: approximately 2%).

The revenue of the Group was approximately HK\$4,669.4 million (2016: approximately HK\$4,805.4 million) for the Six Month Period, representing a decrease of approximately 3%, compared with the same period last year. The trading volume of crude oil decreased from 17,026,372 BBL for the six months ended 30 June 2016 to 11,252,457 BBL for the Six Month Period, mainly because our Singapore office lost its market share of crude oil trading in Thailand and the PRC. The weak demand in petroleum products in the PRC market, together with the keen competition from large trading houses, led to a complete stop in the trading of petroleum products during the Six Month Period (2016: 27,503 metric tons ("MT")). The trading volume of petrochemicals decreased from 33,220 MT for the six months ended 30 June 2016 to 23,169 MT for the Six Month Period as the unstable market condition in the PRC led to lower demand in petrochemicals, while the tough competition of the petrochemicals market further reduced the trading volume.

Products	Unit	Number of shipment	Six months ended 30 June				Revenue HK\$ million
			2017 Sales quantity	Revenue HK\$ million	Number of shipment	2016 Sales quantity	Revenue HK\$ million
Trading of major products							
Crude oil	BBL	17	11,252,457	4,544.5	25	17,026,372	4,567.9
Petroleum products	MT	–	–	–	12	27,503	87.4
Petrochemicals	MT	32	23,169	124.9	25	33,220	150.1
Total		49		4,669.4	62		4,805.4

Gross Profit

Due to the lower premium led by the intense market competition in the PRC, the overall gross profit dropped significantly to approximately HK\$6.9 million (2016: approximately HK\$95.3 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.

For the Six Month Period, the Group reported an aggregate gain on fair value changes on derivative financial instruments for hedging transactions of approximately HK\$103.4 million (2016: loss of approximately HK\$134.3 million) and an aggregate loss on fair value changes on derivative financial instruments for proprietary trading transactions of approximately HK\$11.9 million (2016: approximately HK\$2.0 million). The realised gain and unrealised gain on fair value changes on derivative financial instruments were approximately HK\$61.4 million and HK\$30.1 million, respectively (2016: realised gain and unrealised loss of approximately HK\$12.5 million and HK\$148.8 million respectively).

Profit for the Period

Profit attributable to owners of the Company for the Six Month Period was approximately HK\$37.3 million. For the same period last year, the Group recorded a profit of approximately HK\$32.4 million, which was inclusive of profit from discontinued operations. By excluding profit from discontinued operations, the normalised loss attributable to owners of the Company for the same period last year should be approximately HK\$96.5 million.

Liquidity and Financial Resources

The bank balances and cash as at 30 June 2017 amounted to approximately HK\$321.4 million (31 December 2016: approximately HK\$230.3 million). The increase in bank balances and cash was mainly contributed by the decrease in deposits placed with brokers and the increase in trade and bills payables.

The banking facilities as at 30 June 2017 were amounted to approximately US\$790.8 million (equivalent to approximately HK\$6,167.9 million) from several banks. Save for the Group's bank borrowings of approximately HK\$771.6 million, the Group had no other bank overdraft as at 30 June 2017.

Gearing Ratio

As at 30 June 2017, the gearing ratio was approximately 24% (31 December 2016: approximately 35%). The gearing ratio was calculated as the Group's total borrowing divided by total assets. The decrease in gearing ratio is mainly because the Group repaid part of the bank borrowings by using the cash inflow generated from sales of inventories and the gain from fair value changes on derivative financial instruments.

Charges of Assets and Contingent Liabilities

As at 30 June 2017, the Group's banking facilities were secured by pledged bank deposits of approximately HK\$50.6 million, bills receivables of approximately HK\$359.5 million and inventories of approximately HK\$410.1 million.

As at 30 June 2017, 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 was 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, ensuring that 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 2017, the Group did not have any capital commitment (31 December 2016: approximately HK\$391,000).

Interim Dividend

On 17 August 2017, the Board has resolved to declare an interim dividend of HK1 cent per share (2016: Nil). The interim dividend will be payable on or around Wednesday, 4 October 2017 to those shareholders whose names appear on the register of members of the Company on Friday, 8 September 2017.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 6 September 2017 to Friday, 8 September 2017, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible for the proposed interim dividend, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 5 September 2017.

Employees and Remuneration Policy

As at 30 June 2017, the number of the Group's employees slightly increased to 85 (31 December 2016: 84). The Group's remuneration packages are maintained at competitive levels and are determined on the basis of performance, qualification and experience of individual employee.

We recognise the importance of maintaining good relationships with our employees by providing our employees with competitive remuneration packages that commensurate with prevailing market practice, including provident fund, life and medical insurances, discretionary bonus, share options, and trainings 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 2017, 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)	124,222,000	–	124,222,000	7.03
Mr. Yao Guoliang	Beneficial owner	124,222,000	–	124,222,000	7.03
	Interest of a controlled corporation (Note 1)	1,041,746,000	–	1,041,746,000	58.92
Ms. Lin Yan (Note 3)	Beneficial owner (Note 4)	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.

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 7.03% equity interest in the Company, Mr. Wang Jian Sheng shall be deemed to hold the same equity interest in the Company.

Note 3: Ms. Lin Yan has tendered her resignation as an independent non-executive Director with effect from 1 July 2017.

Note 4: 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 2017, the Directors are not aware of any other person (other than the interests of the Directors or the chief executive of the Company) who 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	Approximate	
		Number of ordinary shares held	percentage of shareholding (%)
Forever Winner	Beneficial owner (Note)	1,041,746,000	58.92
Mr. Yao Guoliang	Beneficial owner	124,222,000	7.03

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.

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 2017, and approximately 1.4% of the number of the issued shares of the Company (i.e. 2,121,622,090 shares) as at 17 August 2017, the date of this announcement, respectively.

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)	Price of share of the Company			Number of share options			
		Exercise price HK\$	At the grant date	At the exercise date	Outstanding at 1/1/2017	Lapsed during the period	Exercised during the period	Outstanding at 30/6/2017
			of share options HK\$	of share options HK\$				
Independent non-executive Director								
Ms. Lin Yan (Note 2)	07/05/09	0.645	0.645	N/A	360,000	-	-	360,000
Subtotal of Director					360,000	-	-	360,000
Employees	07/05/09	0.645	0.645	N/A	640,000	-	-	640,000
Other participants in aggregate	07/05/09	0.645	0.645	N/A	29,280,000	-	-	29,280,000
Total					30,280,000	-	-	30,280,000

Note 1: 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.

Note 2: Ms. Lin Yan has tendered her resignation as an independent non-executive Director with effect from 1 July 2017.

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\$	Price of share of the Company		Outstanding at 1/1/2017	Number of share options		
			At the grant date of share options HK\$	At the exercise date of share options HK\$		Lapsed during the period	Exercised during the period	Outstanding at 30/6/2017
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 scheme mandate limit in respect of the granting of share options to subscribe for shares under the New Share Option Scheme was refreshed at the annual general meeting of the Company (the "AGM") held on 28 June 2017. According to the scheme mandate limit as refreshed at the AGM, the Company may further grant share options under the New Share Option Scheme to subscribe up to 176,801,840 shares, representing 10% of the number of the issued shares of the Company as at the date of the AGM (i.e. 1,768,018,409 shares).

The number of securities available for issue under the New Share Option Scheme, including the share options granted but not exercised and the share options that can be granted under the refreshed scheme mandate limit, was 314,801,840 shares, representing approximately 17.8% of the number of the issued shares of the Company (i.e. 1,768,018,409 shares) as at 30 June 2017 and approximately 14.8% of the number of the issued shares of the Company (i.e. 2,121,622,090 shares) as at 17 August 2017, 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. As at the date of this announcement, the audit committee of the Company comprises all of the three independent non-executive Directors, namely, Ms. Cheung Siu Wan (Chairman), Mr. Guo Yan Jun and Dr. Chan Yee Kwong. The unaudited interim results of the Group for the Six Month Period have been reviewed by the audit committee of the Company comprising Ms. Cheung Siu Wan (Chairman), Mr. Guo Yan Jun and Dr. Chan Yee Kwong.

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 who has tendered her resignation with effect from 1 July 2017, was unable to attend the AGM held on 28 June 2017 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 Directors’ securities transactions. Having made specific enquiries 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 2017

		Six months ended 30 June	
	NOTES	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Continuing operations			
Revenue		4,669,432	4,805,428
Cost of sales		(4,662,561)	(4,710,137)
Gross profit		6,871	95,291
Other income		18,292	48,399
Other gains and losses		3,560	(11,606)
Fair value changes on derivative financial instruments		91,494	(136,331)
Distribution and selling expenses		(42,636)	(60,250)
Administrative expenses		(32,965)	(30,919)
Other expenses		(219)	(230)
Finance costs	4	(7,351)	(5,386)
Share of profits of associates		10	4,877
Profit (loss) before taxation		37,056	(96,155)
Taxation credit (charge)	5	3	(354)
Profit (loss) for the period from continuing operations	6	37,059	(96,509)
Discontinued operations			
Profit for the period from discontinued operations	7	–	133,049
Profit for the period		37,059	36,540
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		9,643	(5,115)
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)
Cumulative fair value change of available-for-sale financial assets recycled to profit or loss upon disposal		–	10,322
Other comprehensive income (expense) for the period		9,643	(5,047)
Total comprehensive income for the period		46,702	31,493

		Six months ended 30 June	
	NOTES	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		37,325	32,427
Non-controlling interests		(266)	4,113
		<u>37,059</u>	<u>36,540</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		46,950	27,331
Non-controlling interests		(248)	4,162
		<u>46,702</u>	<u>31,493</u>
Earnings (loss) per share	9		
From continuing operations and discontinued operations			
— basic (HK\$)		<u>0.02</u>	<u>0.02</u>
— diluted (HK\$)		<u>0.02</u>	<u>0.02</u>
From continuing operations			
— basic (HK\$)		<u>0.02</u>	<u>(0.06)</u>
— diluted (HK\$)		<u>0.02</u>	<u>(0.06)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	NOTES	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	82,961	82,768
Prepaid lease payments		17,706	17,395
Other assets		1,059	1,059
Interests in associates		104,107	99,822
		205,833	201,044
Current assets			
Inventories		851,876	931,471
Prepaid lease payments		445	432
Trade and bills receivables	11	1,490,223	1,416,841
Other receivables, deposits and prepayments		28,631	29,397
Loans receivables	12	113,100	–
Taxation recoverable		335	325
Derivative financial instruments		60,462	120,683
Held for trading investments		32,765	29,281
Deposits placed with brokers		93,447	306,369
Pledged bank deposits		50,634	67,459
Bank balances and cash		321,373	230,256
		3,043,291	3,132,514
Current liabilities			
Trade and bills payables	13	1,142,776	689,529
Other payables and accrued charges		18,891	16,884
Receipts in advance		3,334	1,159
Bank borrowings	14	771,560	1,178,306
Derivative financial instruments		36,485	218,304
Dividend payable		106,081	–
		2,079,127	2,104,182
Net current assets		964,164	1,028,332
Net assets		1,169,997	1,229,376
Capital and reserves			
Share capital	15	44,200	44,200
Reserves		1,125,303	1,184,434
Equity attributable to owners of the Company		1,169,503	1,228,634
Non-controlling interests		494	742
Total equity		1,169,997	1,229,376

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note a)	Legal reserve HK\$'000 (Note b)	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000 (Note c)	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
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 (note 7)	-	-	-	-	-	-	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 (expense) income for the period	-	-	-	-	-	(1,368)	(3,728)	-	32,427	27,331	4,162	31,493
Disposal of subsidiaries (note 7)	-	-	-	-	-	-	-	-	-	-	(32,471)	(32,471)
Dividend paid (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
At 1 January 2017	44,200	339,520	(1,922)	49	51,564	-	(14,569)	12,295	797,497	1,228,634	742	1,229,376
Exchange differences arising on translation	-	-	-	-	-	-	9,625	-	-	9,625	18	9,643
Profit (loss) for the period	-	-	-	-	-	-	-	-	37,325	37,325	(266)	37,059
Total comprehensive income (expense) for the period	-	-	-	-	-	-	9,625	-	37,325	46,950	(248)	46,702
Dividend recognised as distribution (note 8)	-	-	-	-	-	-	-	-	(106,081)	(106,081)	-	(106,081)
	-	-	-	-	-	-	-	-	(106,081)	(106,081)	-	(106,081)
At 30 June 2017 (unaudited)	44,200	339,520	(1,922)	49	51,564	-	(4,944)	12,295	728,741	1,169,503	494	1,169,997

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 Macao patacas 100,000 was transferred to the legal reserve.
- (c) Other reserve was resulted from (i) the deemed disposal of partial interests in subsidiaries without losing the Group's control over the subsidiaries, and (ii) 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 2017

	NOTE	Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Net cash from operating activities		377,207	164,206
Net cash from (used in) investing activities			
Decrease (increase) in deposits placed with brokers		212,922	(229,953)
Purchase of property, plant and equipment		(1,859)	(19,191)
Withdrawal (placement) of pledged bank deposits		16,825	(4,539)
Proceeds from disposal of subsidiaries	7	–	149,785
Proceeds from disposal of available-for-sale financial assets		–	17,031
Interest received		3,520	1,307
Advance of loans receivables		(226,200)	–
Repayment of loans receivables		113,100	2,340
		118,308	(83,220)
Net cash (used in) from financing activities			
New bank and other borrowings raised		9,359,423	1,787,816
Repayment of bank borrowings		(9,766,337)	(1,477,238)
Dividend paid		–	(17,680)
		(406,914)	292,898
Net increase in cash and cash equivalents		88,601	373,884
Cash and cash equivalents at 1 January		230,256	242,226
Effect of foreign exchange rate changes		2,516	(983)
Cash and cash equivalents at 30 June, represented by bank balances and cash		321,373	615,127

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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 2017.

Amendments to HKAS 7	Disclosure initiatives
Amendments to HKAS 12	Recognition of deferred tax assets for unrealized losses
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 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.

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

The Directors are currently assessing the impact of those new and revised standards, amendments and interpretation 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 Petrochemical (Asia) Company Limited ("Strong Asia") and its non-wholly owned subsidiary, Hainan Huizhi (together with Strong Asia, collectively, "Strong Asia Group"), 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.

4. FINANCE COSTS

Continuing operations

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Bank charges on letter of credit facilities	1,694	1,748
Interests on bank borrowings	5,657	3,638
	<u>7,351</u>	<u>5,386</u>

5. TAXATION CREDIT (CHARGE)

Continuing operations

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	(3)	(354)
Overprovision of taxation in prior period:		
PRC Enterprise Income Tax	6	–
	<u>3</u>	<u>(354)</u>

No provision for Hong Kong Profits Tax has been made for the 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% for the both periods.

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 both periods.

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

6. PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit (loss) for the period is arrived after charging (crediting):		
Depreciation of property, plant and equipment	3,461	3,871
Release of prepaid lease payments	219	230
Net foreign exchange loss (gain)	514	(664)

7. DISCONTINUED OPERATIONS

During the preceding interim period, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire share capital of Strong Asia, a company which owned 57% equity interest in Hainan Huizhi carried out the Group's business in manufacturing of petrochemicals. The disposal was completed on 22 April 2016. Since then the Group lost control of Strong Asia Group. The Group's business in manufacturing of petrochemicals was treated as discontinued operations.

The profit from the discontinued operations for the preceding interim period was analysed as follows:

	1 January 2016 to 22 April 2016 HK\$'000 (unaudited)
Profit for the period	11,910
Gain on disposal of subsidiaries	121,139
	<u>133,049</u>

Profit for the period was arrived after charging (crediting):

Depreciation of property, plant and equipment	9,181
Release of prepaid lease payments	217
Net foreign exchange gain	(74)

7. DISCONTINUED OPERATIONS – Continued

The results of Strong Asia Group for the preceding interim period was as follows:

	1 January 2016 to 22 April 2016 HK\$'000 (unaudited)
Revenue	146,496
Cost of sales	(124,842)
Other income	12
Other gains and losses	(23)
Distribution and selling expenses	(485)
Administrative expenses	(5,413)
Other expenses	(217)
Finance costs	(1,693)
Profit before taxation	13,835
Taxation charge	(1,925)
Profit for the period	11,910
Profit for the period attribution to:	
Owners of the Company	7,797
Non-controlling interests	4,113
	11,910

7. 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 payments	30,442
Inventories	42,058
Trade receivables	809
Other receivables, deposits and prepayments	24,555
Bank balances and cash	6,381
Other payables and accrued charges	(25,721)
Receipts in advance	(10,039)
Bank and other borrowings	(226,903)
Taxation payable	(3,065)
Net assets disposed of Strong Asia Group	64,962
Non-controlling interests	(32,471)
Other payables	3,498
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

7. DISCONTINUED OPERATIONS – Continued

1 January 2016 to
22 April 2016
HK\$'000
(unaudited)

Net cash flows from operating activities	10,425
Net cash flows used in investing activities	(13,289)
Net cash flows used in financing activities	(2,367)
Effect of foreign exchange rate changes	(138)
Net cash flows	<u>(5,369)</u>

8. DIVIDENDS

On 17 August 2017, the Board has resolved to declare an interim dividend of HK1 cent per share (2016: Nil). The interim dividend will be payable on or around Wednesday, 4 October 2017 to those shareholders whose names appear on the register of members of the Company on Friday, 8 September 2017.

During the six months ended 30 June 2017, a final dividend of HK6 cents per share in respect of the year ended 31 December 2016 amounting to approximately HK\$106,081,000 was declared and approved by the Company's shareholders at the AGM on 28 June 2017.

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

9. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2017	2016
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Earnings		
Earnings for the purposes of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>37,325</u>	<u>32,427</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u>1,768,018,409</u>	<u>1,768,018,409</u>

For the six months ended 30 June 2017 and 2016, there are no dilutive effects from the Company's outstanding share options as the exercise price of these share options is higher than the average market price of the Company's shares during that period.

9. EARNINGS (LOSS) PER SHARE – Continued

From continuing operations

The calculation of the basic and diluted earnings (loss) per share from continuing operations attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company	37,325	32,427
Less: Profit for the period from discontinued operations	—	(128,936)
Earnings (loss) for the purposes of calculating basic and diluted earnings (loss) per share from continuing operations	37,325	(96,509)

For the six months ended 30 June 2017 and 2016, there are no dilutive effects from the Company's outstanding share options as the exercise price of these share options is higher than the average market price of the Company's shares during that period.

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

From discontinued operations

Basic earnings per share for the discontinued operations was HK\$0.08 per share and the diluted earnings per share from discontinued operations was HK\$0.08 per share, based on the profit for the six months ended 30 June 2016 from discontinued operations of HK\$128,936,000.

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
At beginning of the period	82,768	319,146
Exchange realignment	2,415	(5,225)
Additions	1,253	11,896
Disposals/written off	(14)	(5)
Disposals of subsidiaries (note 7)	–	(226,445)
Depreciation charge	(3,461)	(16,599)
	<u>82,961</u>	<u>82,768</u>

11. TRADE AND BILLS RECEIVABLES

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

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
0 to 30 days	1,130,729	1,409,041
31 to 60 days	359,494	–
Over 180 days	–	7,800
	<u>1,490,223</u>	<u>1,416,841</u>

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

12. LOANS RECEIVABLES

Loans receivables represent cash advances to independent third parties.

On 8 June 2017, Strong Petrochemical Limited (the "Lender") entered into the facility agreement with the borrower and the guarantor pursuant to which the Lender has agreed to provide the loan in the principal amount of US\$29,000,000 (equivalent to approximately HK\$226,200,000) to the borrower for a period of one month. In addition to the corporate guarantee provided by the guarantor in favour of the Lender under the facility agreement, the loan is secured by the share charge and the guarantee. The loan carries fixed interests rates of 18% per annum. During the current interim period, the borrower partially repaid USD14,500,000 (equivalent to approximately HK\$113,100,000). Details of the agreement, please refer to announcement made on 8 June 2017.

On 25 December 2015, the Group and the borrower entered into the loans agreements to which the Group made total cash advances of Renminbi ("RMB") 46,000,000 (equivalent to approximately HK\$54,907,000) to the borrower. The loans were unsecured and carried fixed interest rates of 12% per annum, of which loans receivables of RMB42,000,000 (equivalent to approximately HK\$50,132,000) and RMB4,000,000 (equivalent to approximately HK\$4,775,000) would be repayable in three months and six months from the date of advances respectively. All loans receivables had been fully settled during 2016.

13. 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 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
0 to 30 days	1,130,078	689,529
31 to 60 days	6,762	–
61 to 90 days	5,936	–
	<u>1,142,776</u>	<u>689,529</u>

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

14. BANK BORROWINGS

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Secured bank borrowings	<u>771,560</u>	<u>1,178,306</u>
Carrying amount repayable:		
Within one year	<u>771,560</u>	<u>1,178,306</u>
	771,560	1,178,306
Less: Amounts due within one year shown under current liabilities	<u>(771,560)</u>	<u>(1,178,306)</u>
Amounts shown under non-current liability	<u>–</u>	<u>–</u>

At 30 June 2017, the loans carry interest at variable market rates ranging from 1.72% to 2.70% per annum. The loans are secured by certain inventories, bills receivables and bank deposits.

At 31 December 2016, the loans carried interest at variable market rates ranging from 1.96% to 4.99% per annum. The loans were secured by certain storage tanks, plant and machinery, prepaid lease payments, inventories and bank deposits.

15. SHARE CAPITAL

	Number of shares (unaudited)	Amount HK\$'000 (unaudited)
Ordinary shares of HK\$0.025 each		
Authorised:		
At 1 January 2016, 30 June 2016, 31 December 2016 and 30 June 2017	4,000,000,000	100,000
Issued and fully paid:		
At 1 January 2016, 30 June 2016, 31 December 2016 and 30 June 2017	1,768,018,409	44,200

16. CAPITAL COMMITMENTS

As at 30 June 2017, the Group did not have any capital commitment (31 December 2016: approximately HK\$391,000).

17. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2017, the Group paid the rental expenses of approximately HK\$840,000 (2016: approximately HK\$750,000) and approximately HK\$31,980,000 (2016: approximately HK\$31,356,000) to Strong Property Limited and Srithai Capital Co., Ltd. for the use of office premises and storage area of the vessel respectively. Strong Property Limited is owned and controlled by one key management personnel of the Group and Srithai Capital Co., Ltd. is an associate of the Company.

18. 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 2017 (unaudited)	31 December 2016 (audited)		
1)	Derivative financial instruments	Assets – HK\$60,462,000; and Liabilities – HK\$36,485,000	Assets – HK\$120,683,000; and Liabilities – HK\$218,304,000	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 (the "USA"): – Oil and gas industry – HK\$44,000 Listed equity securities in Hong Kong: – Other financials industry – HK\$32,019,000 Listed equity securities in Canada: – Oil and gas industry – HK\$702,000	Listed equity securities in the USA: – Oil and gas industry – HK\$76,000 Listed equity securities in Hong Kong: – Other financials industry – HK\$28,753,000 Listed equity securities in Canada: – Oil and gas industry – HK\$452,000	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.

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 Month Period 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, 17 August 2017

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 Mr. Guo Yan Jun, Ms. Cheung Siu Wan and Dr. Chan Yee Kwong.

* For identification purposes only