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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the "Board") of Strong Petrochemical Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017, together with the comparative audited figures for the year ended 31 December 2016 as follows:

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Continuing operations			
Revenue	3	**12,162,601**	8,617,315
Cost of sales		**(11,975,477)**	(8,268,272)
Gross profit		**187,124**	349,043
Other income	4(a)	**75,009**	110,542
Other gains and losses	4(b)	**7,793**	(12,248)
Fair value changes on derivative financial instruments		**(60,646)**	(202,644)
Distribution and selling expenses		**(86,831)**	(102,516)
Administrative expenses		**(75,438)**	(65,092)
Other expenses		**(447)**	(451)
Finance costs	5	**(19,342)**	(13,752)
Share of loss of associates		**(6,236)**	(21,486)
Share of loss of a joint venture		**(1)**	–
Profit before taxation		**20,985**	41,396
Taxation (charge) credit	6	**(21)**	1,476
Profit for the year from continuing operations	7	**20,964**	42,872
Discontinued operations			
Profit for the period from discontinued operations	8	**–**	133,049
Profit for the year		**20,964**	175,921
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**20,648**	(16,753)
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 year		**20,648**	(16,685)
Total comprehensive income for the year		**41,612**	159,236

	NOTES	2017 HK$'000	2016 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**21,234**	172,157
Non-controlling interests		**(270)**	3,764
		20,964	175,921
Total comprehensive income (expense) attributable to:			
Owners of the Company		**41,846**	155,463
Non-controlling interests		**(234)**	3,773
		41,612	159,236
Earnings per share	*10*		
From continuing operations and discontinued operations			
— basic (HK$)		**0.01**	0.10
— diluted (HK$)		**0.01**	0.10
From continuing operations			
— basic (HK$)		**0.01**	0.02
— diluted (HK$)		**0.01**	0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**84,805**	82,768
Prepaid lease payments		**18,153**	17,395
Other assets		**1,059**	1,059
Interests in associates		**101,989**	99,822
Interests in a joint venture		**77,999**	–
		284,005	201,044
Current assets			
Inventories		**32,243**	931,471
Prepaid lease payments		**462**	432
Trade and bills receivables	*11*	**2,192,760**	1,416,841
Other receivables, deposits and prepayments		**317,271**	29,397
Taxation recoverable		**147**	325
Tax reserve certificate		**2,475**	–
Derivative financial instruments		**93,266**	120,683
Held for trading investments		**304**	29,281
Deposits placed with brokers		**83,461**	306,369
Pledged bank deposits		**44,585**	67,459
Bank balances and cash		**715,085**	230,256
		3,482,059	3,132,514
Current liabilities			
Trade and bills payables	*12*	**2,203,898**	689,529
Other payables and accrued charges		**78,189**	16,884
Receipts in advance		**1,277**	1,159
Taxation payable		**27**	–
Bank borrowings		**–**	1,178,306
Derivative financial instruments		**103,673**	218,304
		2,387,064	2,104,182
Net current assets		**1,094,995**	1,028,332
Net assets		**1,379,000**	1,229,376

	NOTES	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital		**53,143**	44,200
Reserves		**1,325,349**	1,184,434
Equity attributable to owners of the Company		**1,378,492**	1,228,634
Non-controlling interests		**508**	742
Total equity		**1,379,000**	1,229,376

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company											
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Special reserve** *HK$'000* (Note 1)	**Legal reserve** *HK$'000* (Note 2)	**Share options reserve** *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Other reserve** *HK$'000* (Note 3)	**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 difference arising on translation	–	–	–	–	–	–	(16,762)	–	–	(16,762)	9	(16,753)
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 year	–	–	–	–	–	–	–	–	172,157	172,157	3,764	175,921
Total comprehensive (expense) income for the year	–	–	–	–	–	(1,368)	(15,326)	–	172,157	155,463	3,773	159,236
Contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	1,131	1,131
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(32,471)	(32,471)
Dividend paid *(note 9)*	–	–	–	–	–	–	–	–	(17,680)	(17,680)	–	(17,680)
	–	–	–	–	–	–	–	–	(17,680)	(17,680)	(31,340)	(49,020)
At 31 December 2016	44,200	339,520	(1,922)	49	51,564	–	(14,569)	12,295	797,497	1,228,634	742	1,229,376
Exchange difference arising on translation	–	–	–	–	–	–	20,612	–	–	20,612	36	20,648
Profit (loss) for the year	–	–	–	–	–	–	–	–	21,234	21,234	(270)	20,964
Total comprehensive income (expense) for the year	–	–	–	–	–	–	20,612	–	21,234	41,846	(234)	41,612
Issue of shares	8,840	223,831	–	–	–	–	–	–	–	232,671	–	232,671
Issue of shares on exercise of share options	103	3,714	–	–	(1,173)	–	–	–	–	2,644	–	2,644
Dividend paid *(note 9)*	–	–	–	–	–	–	–	–	(127,303)	(127,303)	–	(127,303)
	8,943	227,545	–	–	(1,173)	–	–	–	(127,303)	108,012	–	108,012
At 31 December 2017	53,143	567,065	(1,922)	49	50,391	–	6,043	12,295	691,428	1,378,492	508	1,379,000

Notes:

1. 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 shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. 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 of Macau Patacas 100,000 was transferred to the legal reserve.

3. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 1 February 2008. The shares of the Company have been listed on the main board of the Stock Exchange since 12 January 2009. Its parent and ultimate holding company is Forever Winner International Ltd. ("Forever Winner"), a limited company incorporated in the British Virgin Islands. Mr. Wang Jian Sheng, the chairman and executive director of the Company and Mr. Yao Guoliang, the chief executive officer and executive director of the Company each holds 50% equity interest in Forever Winner. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 1604, 16th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, respectively.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are trading of crude oil, petroleum products, petrochemicals and coal.

The Group's principal operations are conducted in Hong Kong, Macao, the People's Republic of China (the "PRC") and Singapore. The functional currency of the Company and most of its subsidiaries is United States Dollar ("US$"), as the Group mainly trades in US$ with its customers and suppliers. However, for the convenience of the financial statements users, the consolidated financial statements are presented in Hong Kong Dollar ("HK$").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014–2016 cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK(IFRIC) — Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC) — Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

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 Petrochemical Fine Chemical Co., Ltd. ("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 8.

After the disposal of Strong Asia Group, the Group is currently principally engaged in trading of crude oil, petroleum products, petrochemicals and coal ("Trading business"). Accordingly, the Trading business as a whole constitutes one operating and reportable segment.

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 year 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.

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
Trading business:		
Crude oil	**11,384,202**	8,311,350
Petroleum products	**401,786**	103,687
Petrochemicals	**363,739**	202,278
Coal	**12,874**	–
	12,162,601	8,617,315

Geographical information

The Group's operations are currently carried out by the subsidiaries operating in Hong Kong, Macao, the PRC and Singapore. Based on the terms of the contracts, the products are arranged to be delivered to the designated location as specified by the customers.

The Group's revenue from external customers from continuing operations as categorised by the location of shipment/delivery as designated by the customers and information about the Group's non-current assets by geographic location of assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**1,449**	1,110
Macao	**–**	–	**598**	735
PRC	**8,701,732**	5,590,659	**242,166**	164,679
Thailand	**137,238**	201,975	**38,777**	33,026
Malaysia	**504,943**	958,847	**–**	–
Korea	**456,752**	–	**–**	–
USA	**674,394**	444,606	**–**	–
United Arab Emirates	**433,826**	–	**–**	–
Singapore	**313,311**	67,260	**1,015**	1,494
Philippines	**339,552**	–	**–**	–
Indonesia	**192,575**	73,327	**–**	–
Egypt	**–**	401,342	**–**	–
India	**–**	118,381	**–**	–
Japan	**–**	760,918	**–**	–
Vietnam	**283,345**	–	**–**	–
Turkey	**124,933**	–	**–**	–
	12,162,601	8,617,315	**284,005**	201,044

Information about major customers

Revenue from customers of the corresponding year which contributed over 10% of the total sales of the Group are as follows:

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
Customer A	**5,945,038**	4,580,784
Customer B	**N/A***	1,002,264
Customer C	**1,294,331**	985,158

* Revenue below 10% of total sales for the respective year is not disclosed.

4. OTHER INCOME, GAINS AND LOSSES

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
(a) Other income		
Rental income from short-term leasing of unutilised property, plant and equipment and storage area of the rented vessel	**18,316**	35,683
Bank interest income	**1,870**	492
Dividend income from held for trading investments	**725**	781
Service income	**–**	56,160
Non-performance and insurance claims	**31,200**	5,898
Interest income from loans receivables	**12,731**	1,661
Others	**10,167**	9,867
	75,009	110,542
(b) Other gains and losses		
Unrealised gain (loss) on change in fair value of held for trading investments	**4,030**	(2,192)
Loss on disposal of available-for-sale financial assets	**–**	(10,322)
Realised gain on change in fair value of held for trading investments upon disposal	**2,981**	–
Loss on disposal of property, plant and equipment	**(1)**	(5)
Others	**783**	271
	7,793	(12,248)

5. FINANCE COSTS

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
Bank charges on letter of credit facilities	**5,595**	3,328
Interests on bank borrowings	**13,747**	10,424
	19,342	13,752

6. TAXATION (CHARGE) CREDIT

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**(26)**	(7)
Overprovision of taxation in prior years:		
PRC Enterprise Income Tax	**5**	–
Singapore Income Tax	**–**	1,483
	(21)	1,476

No provision for Hong Kong Profits Tax has been made for both years 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 both years.

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 years.

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

7. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
Profit for the year is arrived after charging (crediting):		
Auditor's remuneration	**1,985**	1,425
Depreciation of property, plant and equipment	**7,074**	7,418
Release of prepaid lease payments	**447**	451
Net foreign exchange loss (gain)	**1,685**	(1,472)
Operating lease rentals in respect of storage facilities, a vessel and rented premises	**67,528**	65,761
Directors' emoluments	**435**	420
Other staff costs		
Salaries, bonus and other allowances	**31,836**	31,374
Retirement benefit schemes contributions	**1,345**	1,314
	33,616	33,108
Cost of inventories recognised as an expense (included in cost of sales)	**11,975,477**	8,268,272

8. DISCONTINUED OPERATIONS

In prior year, 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 which 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 period was analysed as follows:

	1.1.2016 to 22.4.2016
	HK$'000
Profit for the period	11,910
Gain on disposal of subsidiaries	121,139
	133,049

Discontinued operations

	1.1.2016 to 22.4.2016 *HK$'000*
Profit for the period was arrived after charging (crediting):	
Auditor's remuneration	96
Depreciation of property, plant and equipment	9,181
Release of prepaid lease payments	217
Net foreign exchange gain	(74)
Operating lease rentals in respect of storage facilities, a vessel and rental premises	110
Directors' emoluments	–
Other staff costs	
Salaries, bonus and other allowances	5,043
Retirement benefit schemes contributions	351
	5,394
Cost of inventories recognised as an expense (included in cost of sales)	124,842
Bank interest income	(12)

	1.1.2016 to 22.4.2016 *HK$'000*
The results of Strong Asia Group for the preceding period were as follows:	
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 attributable to:	
Owners of the Company	7,797
Non-controlling interests	4,113
	11,910

9. DIVIDEND

	2017	2016
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Final dividend paid:		
HK$0.06 per share in respect of 2016		
(2016: HK$0.01 per share in respect of 2015)	**106,081**	17,680
Interim dividend paid:		
HK$0.01 per share in respect of 2017 (2016: nil)	**21,222**	–
	127,303	17,680

The directors of the Company do not recommend the payment of final dividend for the year ended 31 December 2017.

10. EARNINGS 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:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**21,234**	172,157

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,923,593,721**	1,768,018,409
Effect of dilutive potential ordinary shares:		
Share options of the Company	**38,124,962**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,961,718,683**	1,768,018,409

The calculation of diluted earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares adjusted by the weighted average number of ordinary shares assumed to have been issued under the Company's share option schemes.

For the year ended 31 December 2016, there was no dilutive effect from the Company's outstanding share options as the exercise price of these share options was higher than the average market price of the Company's shares during that year.

From continuing operations

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

	2017 *HK$'000*	2016 *HK$'000*
Earnings		
Profit for the year attributable to owners of the Company	**21,234**	172,157
Less: Profit for the year from discontinued operations	**–**	(128,936)
Earnings for the purpose of calculating basic and diluted earnings per share from continuing operations	**21,234**	43,221

The calculation of diluted earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares adjusted by the weighted average number of ordinary shares assumed to have been issued under the Company's share option schemes.

For the year ended 31 December 2016, there was no dilutive effect from the Company's outstanding share options as the exercise price of these share options was higher than the average market price of the Company's shares during that year.

From discontinued operations

For the year ended 31 December 2016, 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 year 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.

11. TRADE AND BILLS RECEIVABLES

	2017 *HK$'000*	2016 *HK$'000*
Trade receivables from third parties	**1,691,405**	1,415,849
Bills receivables	**501,355**	992
	2,192,760	1,416,841

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:

	2017 *HK$'000*	2016 *HK$'000*
0 to 30 days	**1,971,658**	1,409,041
31 to 60 days	**215,584**	–
91 to 180 days	**5,518**	–
Over 180 days	**–**	7,800
	2,192,760	1,416,841

The credit period on sale of goods is 30 to 90 days. The Group does not hold any collateral over these balances. Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$5,518,000 (2016: HK$7,800,000) with aging over 90 days (2016: over 180 days), which is based on the invoice date, are past due as at the reporting date for which the Group has not provided for impairment loss. The directors of the Company consider these trade receivables are of good credit quality as the debtors have no history of defaults and all of these balances had been subsequently settled.

No allowance is recognised for trade and bill receivables during the year.

	2017	2016
	HK$'000	*HK$'000*
Movement in allowance for doubtful debts:		
Balance at beginning of the year	**–**	5,249
Disposal of subsidiaries	**–**	(5,249)
	–	–

Before accepting any new customers, the Group will assess the potential customer's credit quality by reference to the experience of the management and define credit limit by customer. Such credit limit is reviewed by the management periodically.

12. TRADE AND BILLS PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**1,453,278**	689,529
31 to 60 days	**716,497**	–
91 to 180 days	**34,123**	–
	2,203,898	689,529

The credit period on purchase of goods is normally 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

MANAGEMENT DISCUSSION AND ANALYSIS

After the disposal of Hainan Huizhi Petrochemical Fine Chemical Co., Ltd., 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 energy products which is considered as "continuing operations".

The figures for the year 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 year ended 31 December 2016.

Revenue for the year ended 31 December 2017 (the "year") was approximately Hong Kong ("HK") Dollar ("HK$") 12,162.6 million (2016: approximately HK$8,617.3 million). Profit attributable to owners of the Company for the year was approximately HK$21.2 million (2016: approximately HK$172.2 million).

BUSINESS REVIEW

Trading of Crude Oil, Petroleum Products, Petrochemicals and Coal

Same as last year, 2017 was again a volatile year for the oil price. Brent crude oil price swung in the first half of 2017, and was on a relatively stable upward trend in the second half of the year. Both the change of market structure and the economic growth of the People's Republic of China (the "PRC") had great impact on our strategies towards our crude oil, petroleum products and petrochemicals trading. In 2017, our Macao office focused on trading crude oil through back-to-back arrangement and started trading with teapot refineries in the PRC. The petroleum products team proactively developed the trading of coal to cope with the sluggish petroleum products market in the first half of 2017 while it responded quickly to the recovery of demand in petroleum products in the second half of the year. During the year, another petroleum products team was set up in Shandong Province, the PRC, to focus on trading of petroleum products in the PRC. Demand in petrochemicals rebounded in the second half of 2017, and trading volume of petrochemicals increased as a result.

Storage Business

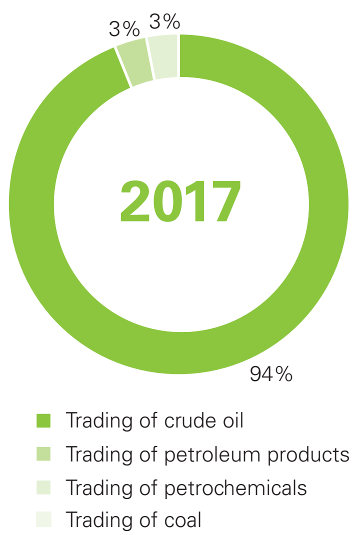
Strong Petrochemical (Nantong) Logistics Company Ltd. ("Strong Nantong"), our wholly owned subsidiary, provides storage service with 21 storage tanks and a capacity of 139,000 cubic meters. Strong Nantong is principally engaged in providing storage service for gas oil and diesel fuel. Strong Nantong improved its vehicle discharge system during the year and more customers used vehicles to discharge the petroleum products. Although the total throughput decreased slightly from approximately 1,190,000 metric tons ("MT") in 2016 to approximately 1,180,000 MT in 2017, Strong Nantong recorded an increase in revenue because of the new charge on vehicle discharge. Due to the continuous effort of its personnel to provide quality service and increase the capacity of long-term lease storage tanks, the improved financial performance of Strong Nantong is demonstrated by its first time profit generated in 2017.

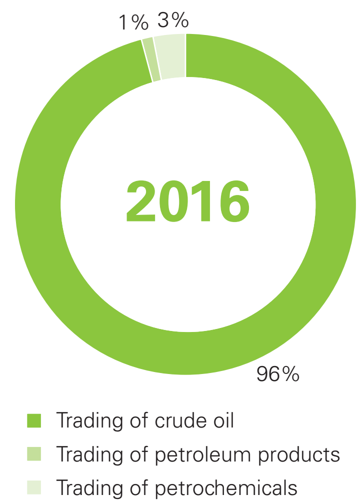
FINANCIAL REVIEW

Revenue and Fair Value Changes on Derivative Financial Instruments

The Group is principally engaged in the trading of energy products. Approximately 94% (2016: 96%) of the Group's revenue was generated from trading of crude oil for the year, while the revenue generated from trading of petroleum products was approximately 3% (2016: 1%) and the revenue generated from trading of petrochemicals was approximately 3% (2016: 3%). Revenue generated from coal trading which was commenced in the second half of 2017 was less than 1%.

Analysis of revenue in percentage to total revenue by business:





The revenue of the Group was approximately HK$12,162.6 million (2016: approximately HK$8,617.3 million) for the year. Despite the increasing oil price which led to a dramatic increase in revenue, the trading volume of crude oil decreased from 26,418,059 barrels ("BBL") in the last year to 25,963,313 BBL for the year since the demand in crude oil from an existing customer dropped. The gradual improvement of demand in petroleum products in the PRC led to an increase in the trading volume of petroleum products from 31,003 MT in the last year to 86,714 MT for the year. The PRC customers have restored their confidence in the PRC's economy which is consistent with the statistics of Caixin China General Manufacturing Purchasing Managers' Index. This made the trading volume of petrochemicals increased from 50,259 MT in the last year to 67,235 MT for the year. The Group started its coal trading in the second half of the year and the trading volume of coal was 36,300 MT.

		Year ended 31 December					
		2017			2016		
Product	Unit	**Number of shipment**	**Sales quantity**	**Revenue** *HK$'000*	Number of shipment	Sales quantity	Revenue *HK$'000*
Trading of major products							
Crude oil	BBL	**42**	**25,963,313**	**11,384,202.5**	37	26,418,059	8,311,350.4
Petroleum products	MT	**12**	**86,714**	**401,786.1**	13	31,003	103,686.8
Petrochemicals	MT	**102**	**67,235**	**363,738.5**	47	50,259	202,277.3
Coal	MT	**1**	**36,300**	**12,874.3**	–	–	–
Total		**157**		**12,162,601.4**	97		8,617,314.5

The Group has established trading teams as well as daily management oversight, manages the overall physical cargo price exposure and controls this through offsetting oil derivative contracts according to the Group's risk management policy. As part of our rigorous control process, a daily reporting system is adopted for all physical and derivative contracts. Such risk control system enables effective and timely management of the Group's exposure to market risk.

During the year, the Group reported an aggregate loss on fair value changes on derivative financial instruments for hedging transactions of approximately HK$45.0 million (2016: approximately HK$209.9 million) and an aggregate loss on fair value changes on derivative financial instruments for proprietary trading transactions of approximately HK$15.6 million (2016: aggregate gain of approximately HK$7.3 million).

Gross Profit

The overall gross profit of the Group for the year dropped to approximately HK$187.1 million (2016: HK$349.0 million) though the revenue increased as a result of raising oil price. The drop in gross profit was primarily due to the decrease in profit margin led by the crude oil team's focus on back-to-back trade arrangement with lower profit margin and intense market competition in the petrochemicals market.

Profit attributable to Owners of the Company

Profit for the year attributable to owners of the Company was approximately HK$21.2 million (2016: approximately HK$172.2 million).

Liquidity and Financial Resources

The Group generally finances its daily operations from internally generated cash flows (the "Internal Funds") and banking facilities. As at 31 December 2017, the Group had deposits placed with brokers, pledged bank deposits, and bank balances and cash of approximately HK$83.5 million (2016: approximately HK$306.4 million), approximately HK$44.6 million (2016: approximately HK$67.5 million) and approximately HK$715.1 million (2016: approximately HK$230.3 million) respectively. The total of deposits placed with brokers, pledged bank deposits, and bank balances and cash (collectively, the "Liquidity Resources") were approximately HK$843.2 million (2016: approximately HK$604.2 million). Most of the Liquidity Resources were denominated in United States Dollar ("US$").

The equity attributable to the owners of the Company increased by approximately HK$149.9 million to approximately HK$1,378.5 million as at 31 December 2017 (2016: approximately HK$1,228.6 million).

As at 31 December 2017, the Group did not have any bank borrowings, represented by trust receipt, discounting, short-term loans and long-term loans repayable within 1 year (2016: approximately HK$1,178.3 million). As at 31 December 2017, the Group's gearing ratio was 0% (2016: approximately 35%). The gearing ratio was calculated as the Group's total borrowing divided by total assets.

The Group will mainly use the Internal Funds to repay the due debts and relevant interests, in case of any shortfalls, the Group will consider to avail itself of new loans by unused banking facilities to finance the repayment of the principal and interest in a timely manner.

As at 31 December 2017, the Group has banking facilities of approximately US$686.3 million and Renminbi ("RMB") 35.0 million (equivalent to approximately HK$5,394.6 million in total) from several banks.

The majority of the Group's sales and purchases are denominated in US$. The Group considers its foreign currency exposure is mainly arising from the exposure of exchange between US$ and HK$ with limited exposure to Singapore Dollar, Euro and RMB. Since the exchange rate of US$ against HK$ is relatively stable during the year, the exposure on foreign exchange is insignificant.

Contingent Liabilities

As at 31 December 2017, the Group did not have any significant contingent liabilities.

Capital Commitments

As at 31 December 2017, the Group had contracted for capital expenditure of approximately RMB681,000 (equivalent to approximately HK$815,000) (2016: approximately RMB350,000 (equivalent to approximately HK$391,000)) and US$90,000,000 (equivalent to HK$702,000,000) (2016: nil) in respect of the construction of petroleum products and petrochemicals storage facilities in Nantong City, Jiangsu Province, the PRC, and the investment in the fund in GSR Electric Vehicle, L.P. (the "Fund"), respectively.

Material Acquisitions and Disposals, and Future Plans for Material Investments

The success of the Group will depend, inter alia, on the realisation of the expected synergies, cost control, and growth opportunities and potentials upon integration of the acquired businesses. The Group concentrates on its core business and cautiously expands the scale and geographical spread of its business through organic growth and investment in selective acquisitions with great potential. There can be no assurance that a failure to operate the acquired businesses successfully and thereby not achieving the expected financial benefits, may not adversely affect the Group's financial position and results.

Announced on 7 September 2017, an indirect wholly-owned subsidiary of the Company, Green Concept Global Limited ("Green Concept"), entered into a subscription agreement (the "Subscription Agreement") with GSR Electric Vehicle Partners, L.P. (the "General Partner"), and a sale and purchase agreement (the "Sale and Purchase Agreement") with Mr. Sonny Wu ("Mr. Wu") and GSR Electric Vehicle SPV Limited (the "Guarantor"), on 7 September 2017 respectively. The General Partner, Mr. Wu and the Guarantor are independent third parties of the Group. Pursuant to the Subscription Agreement, Green Concept has conditionally agreed to make a capital commitment to the Fund of US$90.0 million (equivalent to approximately HK$702.0 million), representing 18% of the initial size of the Fund. The completion of the transaction will take place on 31 March 2018 which is subject to fulfillment or waiver of some conditions. Pursuant to the Sale and Purchase Agreement, Green Concept has conditionally agreed to buy the 36 voting shares, representing approximately 49.3% of the shareholding in the GSR GO Scale Capital Advisors, Ltd., which is principally engaged in the management and investment in funds, as well as holding the license with respect to the services know-how and the business intellectual property related to the battery business under the licensing agreement entered into with Nissan Motor Co., Ltd., at a consideration of US$10.0 million (equivalent to approximately HK$78.0 million). This transaction has been completed in September 2017.

The Group is negotiating with Jiangsu Dagong Co., Ltd. (江蘇大港股份有限公司) (stock code: 002077) whose shares are listed on the Shenzhen Stock Exchange, and Mr. Wu about setting up a joint venture company in the PRC principally investing in the production site of manufacturing lithium-ion batteries with the know-how related to manufacture of lithium-ion batteries provided by Nissan Motor Co., Ltd..

The Fund investment, the acquisition and the set up of the joint venture company are in line with the Group's strategy of tapping into new energy industry and they are able to widen the revenue base of the Group.

Pursuant to a memorandum of agreement, Srithai Capital Co., Ltd., the associate of the Company in which the Company holds 49% equity interest indirectly, agreed to dispose the oil tanker (the "Vessel") to an independent third party in January 2018 at a price of approximately US$15.2 million (equivalent to approximately HK$118.6 million) and delivered the Vessel to the independent third party in mid-February 2018.

Save as disclosed above, there were no other significant investments held during the year, or plans for material investments of capital assets as at the date of this announcement, nor were there other material acquisitions and disposals of subsidiaries during the year.

Employees

The number of employees of the Group was 81 (2016: 84) as at 31 December 2017. 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.

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

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

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: HK6 cents per ordinary share of the Company).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from, Friday, 18 May 2018 to Thursday, 24 May 2018 both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the annual general meeting of the Company (the "AGM") to be held on 24 May 2018, 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 Thursday, 17 May 2018.

CORPORATE GOVERNANCE REPORT

The Company has adopted and is fully compliant with all the provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2017, 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 of the Company ("INED") 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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Company's directors' securities transactions. Having made specific enquiries by the Company, all directors of the Company have confirmed that they had complied with the required standards set out in the Model Code during the year.

The Company has established written guidelines on no less exacting terms than the Model Code for dealings in the Company's securities by relevant employees who are likely to be in possession of unpublished inside information in relation to the Company or its securities. The Company has received written annual compliance declaration from employees to confirm their compliance.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three INEDs who possess relevant business and financial management experience. The company secretary of the Company acts as the secretary to the Audit Committee. None of the members is employed by or otherwise affiliated with the former or existing auditor of the Company. The Audit Committee is chaired by Ms. Cheung Siu Wan, one of the INEDs having professional qualifications, and accounting and financial management skills to understand financial statements and contribute to the corporate governance of the Company under the Listing Rules.

The Audit Committee has undertaken a review of all the non-audit services provided by Messrs. Deloitte Touche Tohmatsu during the financial year ended 31 December 2017, and is satisfied that such services would not affect the independence of Messrs. Deloitte Touche Tohmatsu as the Company's external auditor. The Audit Committee has recommended to the Board that Messrs. Deloitte Touche Tohmatsu be nominated for reappointment as external auditor of the Company at the forthcoming AGM.

Subsequent to the financial year end, the Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2017, including the accounting principles and practices adopted by the Group, and recommended them to the Board for approval.

By order of the Board
STRONG PETROCHEMICAL HOLDINGS LIMITED
Wang Jian Sheng
Chairman

Hong Kong, 22 March 2018

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. Cheung Siu Wan, Dr. Chan Yee Kwong and Mr. Deng Heng.