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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018, together with the comparative audited figures for the year ended 31 December 2017 as follows:

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	**2018** *HK$'000*	2017 *HK$'000*
Revenue — trading of energy products	*3*	**22,810,604**	12,162,601
Cost of sales		**(22,565,318)**	(11,975,477)
Gross profit		**245,286**	187,124
Other income	*5*	**110,622**	75,009
Other gains and losses	*5*	**95,449**	7,793
Loss on changes in fair value of derivative financial instruments, net		**(281,494)**	(60,646)
Distribution and selling expenses		**(41,381)**	(86,831)
Administrative expenses		**(87,382)**	(75,438)
Other expenses		**(457)**	(447)
Finance costs	*6*	**(28,088)**	(19,342)
Share of results of associates		**(4,327)**	(6,236)
Share of results of a joint venture		**(1)**	(1)
Profit before taxation		**8,227**	20,985
Income tax expense	*7*	**(776)**	(21)
Profit for the year	*8*	**7,451**	20,964
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(11,850)**	20,648
Total comprehensive (expense) income for the year		**(4,399)**	41,612
Profit (loss) for the year attributable to:			
Owners of the Company		**7,452**	21,234
Non-controlling interests		**(1)**	(270)
		7,451	20,964
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(4,375)**	41,846
Non-controlling interests		**(24)**	(234)
		(4,399)	41,612
Earnings per share	*10*		
— basic (HK cents)		**0.35**	1.10
— diluted (HK cents)		**0.35**	1.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**75,433**	84,805
Prepaid lease payments		**16,877**	18,153
Other assets		**1,059**	1,059
Interests in associates		**64,872**	101,989
Interest in a joint venture		**–**	77,999
		158,241	284,005
Current assets			
Inventories		**16,976**	32,243
Prepaid lease payments		**441**	462
Trade and bills receivables	*11*	**2,764,771**	2,192,760
Other receivables, deposits and prepayments		**246,615**	317,271
Taxation recoverable		**–**	147
Tax reserve certificates		**3,675**	2,475
Derivative financial instruments		**1,932**	93,266
Financial assets at fair value through profit or loss		**33,463**	–
Held for trading investments		**–**	304
Deposits placed with brokers		**112,479**	83,461
Pledged bank deposits		**42,207**	44,585
Bank balances and cash		**204,311**	715,085
		3,426,870	3,482,059
Assets classified as held for sale		**77,999**	–
		3,504,869	3,482,059
Current liabilities			
Trade and bills payables	*12*	**1,730,746**	2,203,898
Other payables and accrued charges		**24,719**	78,189
Receipts in advance		**–**	1,277
Contract liabilities		**518,509**	–
Taxation payable		**348**	27
Bank borrowings		**14,837**	–
Derivative financial instruments		**–**	103,673
		2,289,159	2,387,064
Net current assets		**1,215,710**	1,094,995
Net assets		**1,373,951**	1,379,000

	2018	2017
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**53,110**	53,143
Reserves	**1,320,357**	1,325,349
Equity attributable to owners of the Company	**1,373,467**	1,378,492
Non-controlling interests	**484**	508
Total equity	**1,373,951**	1,379,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 of Hong Kong Limited 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 mainly trading of energy products, including crude oil, petroleum products, petrochemicals and coal.

The principal operations of the Group are conducted in Hong Kong Special Administrative Region ("Hong Kong"), Macao Special Administrative Region ("Macao"), the People's Republic of China (other than Hong Kong and Macao) (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")

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the amendments and interpretation 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 the consolidated financial statements.

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Trading of crude oil;
- Trading of petroleum products;
- Trading of petrochemicals; and
- Trading of coal.

Summary of effects arising from initial application of HKFRS 15

There is no impact of transition from HKAS 18 to HKFRS 15 on the Group's retained profits as at 1 January 2018.

The following adjustment was made to the amounts recognised in the consolidated statement of financial position as at 1 January 2018. Line items were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Note	Carrying amount previously recorded at 31 December 2017	Reclassification	Carrying amount under HKFRS 15 at 1 January 2018*
		HK$'000	*HK$'000*	*HK$'000*
Current liabilities				
Receipts in advance	*(i)*	1,277	(1,277)	–
Contract liabilities	*(i)*	–	1,277	1,277

* The amount in this column is before the adjustments from application of HKFRS 9 "Financial Instruments".

Note:

(i) As at 1 January 2018, advances received from customers of approximately HK$1,277,000 in respect of sales of goods under contracts with customers previously included in receipts in advance were reclassified to contract liabilities.

In the opinion of the directors of the Company, except for the reclassification mentioned above, the application of HKFRS 15 in the current year has had no material impact on the Group's financial performance and positions for current and prior years but results in more extensive disclosures in the consolidated financial statements.

The following table summerises the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	**Adjustment**	**Amount without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Receipts in advance	–	518,509	518,509
Contract liabilities	518,509	(518,509)	–

2.2 HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (a) the classification and measurement of financial assets and financial liabilities, (b) expected credit losses ("ECL") for financial assets and (c) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Held for trading investments HK$'000	Financial assets at fair value through profit or loss ("FVTPL") required by HKFRS 9 HK$'000	Trade receivables at amortised cost (previously classified as loans and receivables) HK$'000	Trade payables at amortised cost HK$'000	Trade receivables at FVTPL required by HKFRS 9 HK$'000	Trade payables designated at FVTPL HK$'000
Closing balance at 31 December 2017 — HKAS 39		304	–	1,691,405	1,702,712	–	–
Effect arising from initial application of HKFRS 9:							
Reclassification							
From held for trading investments	*(i)*	(304)	304	–	–	–	–
From loans and receivables	*(ii)*	–	–	(281,301)	–	281,301	–
From trade payables	*(ii)*	–	–	–	(280,033)	–	280,033
Opening balance at 1 January 2018		–	304	1,410,104	1,422,679	281,301	280,033

Notes:

(i) The Group has reassessed its investments in equity securities classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application of HKFRS 9. Based on the facts and circumstances as at the date of initial application, approximately HK$304,000 of the Group's investments were held for trading and continued to be measured at FVTPL.

The remaining financial assets at FVTPL of the Group are derivatives not designated as effective hedging instruments and are continued to be measured at FVTPL under HKFRS 9.

There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

(ii) Trade receivables and trade payables at amortised cost

Trade receivables arising from provisionally priced sales previously classified as loans and receivables were reclassified to trade receivables at FVTPL upon the application of HKFRS 9 because the embedded derivative component for the provisionally priced trade receivables does not meet the HKFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. They are now accounted for as one instrument measured at FVTPL until final settlement. Furthermore, upon the application of HKFRS 9, the Group elected to designate trade payables containing embedded derivative component at FVTPL consistent with the accounting required for trade receivables containing the embedded derivative component to eliminate any accounting mismatches that would have arisen.

As at 1 January 2018, no credit loss allowance was recognised against retained profits, in the opinion of the directors of the Company, the estimated allowance under the ECL model was not significant.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
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 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments and interpretation to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance with the nature, as appropriate.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

The application of new requirements may result in changes in measurement, presentation and disclosure.

HK(IFRIC)-Int 23 "Uncertainty over Income Tax Treatments"

HK(IFRIC)-Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used or proposed to be used by an entity in its income tax filings.

The directors of the Company do not anticipate the application of HK(IFRIC)-Int 23 will have a material impact on the taxation recognised on the ground that the field audit is at preliminary fact-finding stage and the relevant tax authority has not raised any disagreement up to the date of this announcement.

Amendments to HKFRS 3 "Definition of a Business"

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments will be mandatorily effective to the Group prospectively for acquisition transactions completed on or after 1 January 2020.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. REVENUE

A. For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

	2018
	HK$'000
Revenue from trading of energy products:	
Crude oil	**20,405,367**
Petroleum products	**1,401,891**
Petrochemicals	**708,998**
Coal	**294,348**
	22,810,604

The revenue from the above trading of energy products is recognised at a point in time when the performance obligation as specified in the contracts with customers is satisfied.

B. For the year ended 31 December 2017

An analysis of the Group's revenue from its major activities is as follows:

	2017
	HK$'000
Revenue from trading of energy products:	
Crude oil	11,384,202
Petroleum products	401,786
Petrochemicals	363,739
Coal	12,874
	12,162,601

4. SEGMENT INFORMATION

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 energy products are either arranged to be delivered to the designated locations as specified by the customers or the customers are instructed to pick up the energy products at particular locations as determined by the Group.

The Group's revenue from external customers as categorised by (a) the locations of shipment/delivery as designated by the customers and (b) the locations that the customers pick up the energy products as determined by the Group and information about the Group's non-current assets by geographical location of assets are presented below:

	Revenue from external customers		**Non-current assets**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**1,311**	1,449
Macao	**–**	–	**524**	598
PRC	**19,434,996**	8,701,732	**143,229**	242,166
Thailand	**30,257**	137,238	**12,648**	38,777
Malaysia	**116,276**	504,943	**–**	–
Korea	**19,609**	456,752	**–**	–
United States of America	**–**	674,394	**–**	–
United Arab Emirates	**–**	433,826	**–**	–
Singapore	**–**	313,311	**529**	1,015
Philippines	**–**	339,552	**–**	–
Indonesia	**–**	192,575	**–**	–
Egypt	**1,871,657**	–	**–**	–
India	**354,859**	–	**–**	–
Japan	**261,940**	–	**–**	–
Vietnam	**661,402**	283,345	**–**	–
Turkey	**–**	124,933	**–**	–
Pakistan	**30,426**	–	**–**	–
Taiwan	**29,182**	–	**–**	–
	22,810,604	12,162,601	**158,241**	284,005

5. OTHER INCOME, GAINS AND LOSSES

A. Other income

	2018	2017
	HK$'000	*HK$'000*
Rental income from short-term leasing of unutilised property, plant and equipment	**21,496**	18,316
Bank interest income	**5,716**	1,870
Dividend income from held for trading investments	**–**	725
Dividend income from financial assets at FVTPL	**222**	–
Interest income from loans receivables	**1,200**	12,731
Non-performance and insurance claims	**10,192**	31,200
Penalty interest income	**69,769**	–
Others	**2,027**	10,167
	110,622	75,009

B. Other gains and losses

	2018	2017
	HK$'000	*HK$'000*
Unrealised gains on changes in fair value of held for trading investments, net	**–**	4,030
Realised gains on changes in fair value of held for trading investments, net	**–**	2,981
	–	7,011
Unrealised losses on changes in fair value of financial assets at FVTPL, net	**(4,569)**	–
Realised gains on changes in fair value of financial assets at FVTPL, net	**838**	–
	(3,731)	–
Gain (loss) on disposal of property, plant and equipment	**174**	(1)
Gain on changes in fair value under provisional pricing arrangements, net	**101,581**	–
Impairment loss on interest in an associate	**(4,763)**	–
Others	**2,188**	783
	95,449	7,793

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Bank charges on letter of credit facilities	**15,715**	5,595
Interests on bank borrowings	**12,373**	13,747
	28,088	19,342

7. INCOME TAX EXPENSE

Income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2018	2017
	HK$'000	*HK$'000*
Enterprise Income Tax in the PRC		
Current tax	**776**	26
Overprovision in prior years	**–**	(5)
	776	21

8. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit for the year is arrived after charging (crediting):		
Auditor's remuneration	**2,126**	1,985
Depreciation of property, plant and equipment	**7,314**	7,074
Release of prepaid lease payments	**457**	447
Net foreign exchange (gain) loss	**(1,172)**	1,685
Operating lease rentals in respect of storage facilities, a vessel and premises	**8,446**	67,528
Directors' emoluments	**480**	435
Other staff costs		
Salaries, bonus and other allowances	**45,391**	31,836
Retirement benefit schemes contributions	**1,552**	1,345
	47,423	33,616
Cost of inventories recognised as an expense (included in cost of sales)	**22,565,318**	11,975,477

9. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Final dividends paid:		
Nil in respect of 2017 (2017: HK6 cents per share in respect of 2016)	**–**	106,081
Interim dividends paid:		
Nil in respect of 2018 (2017: HK1 cent per share in respect of 2017)	**–**	21,222
	–	127,303

The directors of the Company do not recommend the payment of final dividends for the year ended 31 December 2018.

10. EARNINGS PER SHARE

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

	2018	2017
	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	**7,452**	21,234

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,125,679,022**	1,923,593,721
Effect of dilutive potential ordinary shares:		
Share options of the Company	**6,405,463**	38,124,962
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,132,084,485**	1,961,718,683

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.

11. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables at amortised cost	**318,272**	1,691,405
Trade receivables at FVTPL	**2,446,499**	–
Bills receivables	**–**	501,355
	2,764,771	2,192,760

The Group allows credit periods of 30 to 90 days to its trade customers from energy products trading business.

The following is an ageing analysis of trade receivables at FVTPL and trade receivables at amortised cost from contracts with customers presented based on the invoice dates which approximated the revenue recognition dates as at 31 December 2018:

	2018
	HK$'000
0 to 30 days	**2,764,771**

As at 31 December 2018, no trade receivables are past due at the end of the reporting period.

The following is an ageing analysis of trade receivables at amortised cost and bills receivables presented based on the invoice dates which approximated the revenue recognition dates as at 31 December 2017:

	2017
	HK$'000
0 to 30 days	1,971,658
31 to 60 days	215,584
91 to 180 days	5,518
	2,192,760

As at 31 December 2017, included in the Group's trade receivables were debtors with aggregate carrying amount of approximately HK$5,518,000 with ageing over 90 days, which was based on the invoice date, were past due as at the end of the reporting period. The Group had not provided for impairment loss for these balances as the directors of the Company considered these balances were of good credit quality as the debtors had no history of defaults and all of these balances had been subsequently settled.

No allowance was recognised for trade and bill receivables during the year ended 31 December 2017.

12. TRADE AND BILLS PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables at amortised cost	**298,318**	1,702,712
Trade payables designated at FVTPL	**1,432,428**	–
Bills payable	**–**	501,186
	1,730,746	2,203,898

The following is an ageing analysis of trade payables designated at FVTPL and trade payables at amortised cost presented based on the invoice dates as at 31 December 2018:

	2018
	HK$'000
0 to 30 days	**1,295,893**
31 to 60 days	**434,853**
	1,730,746

The following is an ageing analysis of trade payables at amortised cost and bills payables presented based on the invoice dates as at 31 December 2017:

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

The credit period granted by suppliers on purchase of goods is normally 30 to 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue for the year ended 31 December 2018 (the "year") was approximately Hong Kong dollar ("HK$") 22,810.6 million (2017: approximately HK$12,162.6 million). Profit attributable to owners of the Company for the year was approximately HK$7.5 million (2017: approximately HK$21.2 million).

BUSINESS REVIEW

Trading of Crude Oil, Petroleum Products, Petrochemicals and Coal

Despite of the keen competition of the volatile oil market, the Group strived to look for opportunities to make profit in a cautious manner and maintain its revenue growth. Since the majority of our customers are located in the People's Republic of China (the "PRC"), our crude oil, petroleum products, petrochemicals and coal trading are highly related to the PRC's economic growth which can be reflected from Caixin China General Manufacturing Purchasing Managers' Index. During the year, our Macao office continued to focus on trading crude oil through back-to-back trade arrangement which generated lower profit margin while it is less risky in consideration of the uncertain oil price trend simultaneously. Our Singapore petroleum products team and Shandong petroleum products team successfully expanded the petroleum products customer base, and the revenue generated from petroleum products for the year increased by 2.5 times, compared to that in the last year. Revenue generated from petrochemicals for the year increased by approximately 95% due to the improved sentiment of the PRC market. During the year, our Singapore office further expanded its coal business and revenue generated from coal for the year increased.

Storage Business

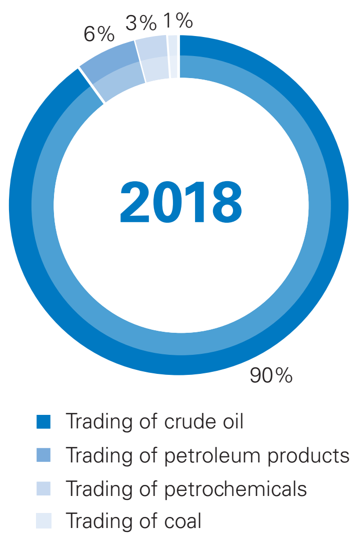
Strong Petrochemical (Nantong) Logistics Company Ltd. ("Strong Nantong"), our wholly owned subsidiary, provides storage services with 21 storage tanks and a capacity of 139,000 cubic meters. Strong Nantong is principally engaged in providing storage services for gas oil and diesel fuel. The total throughput increased from approximately 1,180,000 metric tons ("MT") in 2017 to approximately 1,272,000 MT in 2018. During the year, Strong Nantong has built up more solid business relationship with long-term core customers and this generated more stable income from storage business.

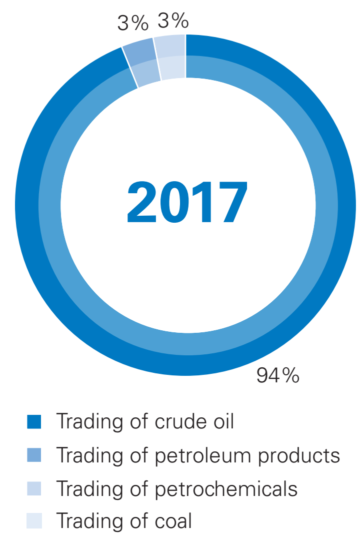
FINANCIAL REVIEW

Revenue and Fair Value Changes on Derivative Financial Instruments

The Group is principally engaged in the trading of energy products. Approximately 90% (2017: 94%) 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 6% (2017: 3%) and the revenue generated from trading of petrochemicals was approximately 3% (2017: 3%). Revenue generated from trading of coal was 1% (2017: less than 1%).

Analysis of revenue in percentage to total revenue by business:





The revenue of the Group was approximately HK$22,810.6 million (2017: approximately HK$12,162.6 million) for the year. The trading volume of crude oil increased from 25,963,313 barrels ("BBL") in the last year to 37,219,278 BBL for the year since the overall demand in crude oil from the PRC customers increased. During the year, our petroleum products team continued to expand its customer base in Thailand and Vietnam and this made the trading volume of petroleum products increase from 86,714 MT in the last year to 288,896 MT for the year. The trading volume of petrochemicals increased from 67,235 MT in the last year to 124,868 MT for the year because of the increasing demand in petrochemicals in the PRC. The trading volume of coal increased from 36,300 MT in the last year to 603,140 MT for the year since our Singapore office has won a tender of a Vietnam power station.

		Year ended 31 December					
		2018			2017		
Trading of energy products	Unit	**Number of contracts**	**Sales quantity**	**Revenue**	Number of contracts	Sales quantity	Revenue
				HK$'000			*HK$'000*
Crude oil	BBL	**41**	**37,219,278**	**20,405,367.1**	41	25,963,313	11,384,202.5
Petroleum products	MT	**34**	**288,896**	**1,401,891.1**	9	86,714	401,786.1
Petrochemicals	MT	**205**	**124,868**	**708,998.0**	97	67,235	363,738.5
Coal	MT	**8**	**603,140**	**294,347.7**	1	36,300	12,874.3
Total		**288**		**22,810,603.9**	148		12,162,601.4

The Group has established trading teams as well as daily management oversight, which 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 of approximately HK$281.5 million (2017: approximately HK$60.6 million).

Gross Profit

The overall gross profit of the Group for the year increased to approximately HK$245.3 million (2017: approximately HK$187.1 million). The increase in gross profit was primarily a result of the increase in revenue, partially offset by the decrease in profit margin led by the crude oil team's focus on back-to-back trade arrangement with lower profit margin.

Profit attributable to Owners of the Company

Profit for the year attributable to owners of the Company was approximately HK$7.5 million (2017: approximately HK$21.2 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 2018, the Group had deposits placed with brokers, pledged bank deposits, and bank balances and cash of approximately HK$112.5 million (2017: approximately HK$83.5 million), approximately HK$42.2 million (2017: approximately HK44.6 million) and approximately HK$204.3 million (2017: approximately HK$715.1 million) respectively. The total of deposits placed with brokers, pledged bank deposits, and bank balances and cash (collectively, the "Liquidity Resources") were approximately HK$359.0 million (2017: approximately HK$843.2 million). Most of the Liquidity Resources were denominated in United States Dollar ("US$").

The equity attributable to owners of the Company decreased by approximately HK$5.0 million to approximately HK$1,373.5 million as at 31 December 2018 (2017: approximately HK$1,378.5 million).

As at 31 December 2018, the Group had bank borrowings, represented by short-term loans, of approximately HK$14.8 million (2017: nil). As at 31 December 2018, the Group's gearing ratio was approximately 0% (2017: 0%). 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 2018, the Group has banking facilities of US$640.0 million and Renminbi ("RMB") 35.0 million (equivalent to approximately HK$5,031.9 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 2018, the Group did not have any significant contingent liabilities.

Capital Commitments

As at 31 December 2018, the Group did not have any significant capital commitments.

As at 31 December 2017, the Group had contracted for capital expenditure of approximately RMB0.7 million (equivalent to approximately HK$0.8 million) and US$90.0 million (equivalent to HK$702.0 million) 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., 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.

Pursuant to a memorandum of agreement, Srithai Capital Co., Ltd. ("Srithai"), 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. As at the date of this announcement, Srithai is under the company closing process and the liquidation registration procedure started in January 2019.

Announced on 21 December 2018, Green Concept Global Limited ("Green Concept"), the Company's indirect wholly-owned subsidiary, acknowledged and accepted the notice of exercise of right of first refusal under the shareholders' agreement dated 7 September 2017 in connection with GSR GO Scale Capital Advisors, Ltd. ("GSR GO") and entered into amongst others, Green Concept and Mr. Sonny Wu ("Mr. Wu") delivered by Mr. Wu, pursuant to which the 36 voting shares in GSR GO, representing approximately 49.3% shareholding in GSR GO, would be disposed to a company designated by Mr. Wu, an independent third party of the Group, at a consideration of US$10.0 million (equivalent to approximately HK$78.0 million) (the "Disposal"). This transaction is expected to be completed by 30 May 2019, while the completion of the Disposal is unconditional. Upon completion of this transaction, GSR GO will cease to be a joint venture of the Company.

In February 2019, Excellent Harvest Holdings Ltd. ("Excellent Harvest"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement"). Pursuant to the Sale and Purchase Agreement, Excellent Harvest acquired 51% equity interest in Nicefame Global Limited ("Nicefame Global") at a consideration of US$3.0 million (equivalent to approximately HK$23.4 million). Nicefame Global owns 90% equity interest in Huizhou Daya Bay Nicefame Chemical Storage and Trading Co., Ltd. which is principally engaged in operating its oil product storage facilities in Huizhou City, Guangdong Province, the PRC. This transaction has been completed in February 2019.

Announced on 5 March 2019, Quality Global Holdings Limited ("Quality Global"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Copower Enterprise Group Limited ("Copower Enterprise"), an independent third party of the Group, pursuant to which Quality Global has conditionally agreed to acquire and Copower Enterprise has conditionally agreed to sell the entire share capital of Copower Properties Investments Company Limited ("Copower Properties") at a consideration of HK$78.0 million. Copower Properties is principally engaged in property investment. This transaction is expected to be completed in early May 2019. Upon completion of this transaction, Copower Properties will become an indirect wholly-owned subsidiary of the Company.

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 80 (2017: 81) as at 31 December 2018. 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 packages which commensurate with the 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

During the year, the Company repurchased a total of 1,310,000 ordinary shares of the Company at an aggregate purchase price of approximately HK$650,000 on The Stock Exchange of Hong Kong Limited, representing approximately 0.06% of the issued share capital of the Company as at the date of the passing of the ordinary resolution under which the general mandate to repurchase shares was granted. Particulars of the shares repurchase are as follow:

Month of repurchase	No. of ordinary shares of HK$0.025 each	Purchase price paid per share		Aggregate consideration paid
		Highest	Lowest	
		HK$	*HK$*	*HK$*
September 2018	1,240,000	0.51	0.475	617,000
October 2018	70,000	0.50	0.46	33,000
Total	1,310,000			650,000

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

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

DIVIDENDS

The Board does not recommend the payment of final dividends for the year ended 31 December 2018 (2017: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from, Thursday, 23 May 2019 to Tuesday, 28 May 2019, 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 28 May 2019, 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 Wednesday, 22 May 2019.

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 2018, with the exception of the following deviation:

Pursuant to Code Provision A.6.7 of the CG Code, generally independent non-executive directors and other non-executive directors should attend the general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Deng Heng, the independent non-executive director of the Company ("INED"), was unable to attend the AGM held on 24 May 2018 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 2018 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 of 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 2018, 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 2018, 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, 27 March 2019

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.