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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 UNAUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

For the reasons explained below under “Review of Unaudited Annual Results”, the auditing process for the annual results of Strong Petrochemical Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2019 has not been completed. In the meantime, the board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated financial results of the Group for the year ended 31 December 2019, together with the comparative audited figures for the year ended 31 December 2018 as follows:

* For identification purposes only

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 HK\$'000 (unaudited)	2018 HK\$'000 (audited)
Revenue	3		
Goods and services		17,342,010	22,810,604
Leases		14,243	–
		<u>17,356,253</u>	<u>22,810,604</u>
Cost of sales		<u>(17,025,450)</u>	<u>(22,565,318)</u>
Gross profit		330,803	245,286
Other income		25,154	110,622
Other gains and losses		(3,269)	95,449
Impairment loss under expected credit loss model		(20,000)	–
Gain (loss) on changes in fair value of derivative financial instruments, net		26,307	(281,494)
Distribution and selling expenses		(88,694)	(41,381)
Administrative expenses		(93,165)	(87,382)
Other expenses		–	(457)
Finance costs		(51,084)	(28,088)
Share of results of associates		(812)	(4,327)
Share of results of a joint venture		–	(1)
		<u>125,240</u>	<u>8,227</u>
Profit before taxation		125,240	8,227
Income tax credit (expense)	5	<u>57</u>	<u>(776)</u>
Profit for the year	6	<u>125,297</u>	<u>7,451</u>
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(5,335)	(11,850)
Reclassification adjustment upon deregistration of an associate		<u>(2,023)</u>	<u>–</u>
Other comprehensive expense for the year		<u>(7,358)</u>	<u>(11,850)</u>
Total comprehensive income (expense) for the year		<u><u>117,939</u></u>	<u><u>(4,399)</u></u>

	<i>NOTE</i>	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (audited)
Profit (loss) for the year attributable to:			
Owners of the Company		126,304	7,452
Non-controlling interests		(1,007)	(1)
		<u>125,297</u>	<u>7,451</u>
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		119,675	(4,375)
Non-controlling interests		(1,736)	(24)
		<u>117,939</u>	<u>(4,399)</u>
Earnings per share	7		
— basic (HK cents)		<u>5.95</u>	<u>0.35</u>
— diluted (HK cents)		<u>5.95</u>	<u>0.35</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 December 2019

	<i>NOTES</i>	2019 HK\$'000 (unaudited)	2018 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		259,837	75,433
Right-of-use assets		67,034	–
Prepaid lease payments		–	16,877
Goodwill		4,948	–
Other assets		1,059	1,059
Rental deposit		203	–
Interests in associates		44,825	64,872
		377,906	158,241
Current assets			
Inventories		23,553	16,976
Prepaid lease payments		–	441
Trade receivables	8	2,687,502	2,764,771
Other receivables, deposits and prepayments		298,565	246,615
Tax reserve certificates		8,175	3,675
Derivative financial instruments		25,424	1,932
Financial assets at fair value through profit or loss		825	33,463
Deposits placed with brokers		77,202	112,479
Pledged bank deposits		17,118	42,207
Bank balances and cash		358,075	204,311
		3,496,439	3,426,870
Assets classified as held for sale		–	77,999
		3,496,439	3,504,869
Current liabilities			
Trade payables	9	1,219,025	1,730,746
Other payables and accrued charges		85,001	24,719
Contract liabilities		25,966	518,509
Lease liabilities		1,242	–
Taxation payable		269	348
Bank and other borrowings		871,418	14,837
Derivative financial instruments		22,996	–
		2,225,917	2,289,159
Net current assets		1,270,522	1,215,710
Total assets less current liabilities		1,648,428	1,373,951

	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (audited)
Non-current liabilities		
Deferred tax liability	3,897	–
Lease liabilities	128	–
Bank borrowing	135,078	–
	<u>139,103</u>	<u>–</u>
Net assets	<u>1,509,325</u>	<u>1,373,951</u>
Capital and reserves		
Share capital	53,110	53,110
Reserves	1,440,032	1,320,357
Equity attributable to owners of the Company	1,493,142	1,373,467
Non-controlling interests	<u>16,183</u>	<u>484</u>
Total equity	<u>1,509,325</u>	<u>1,373,951</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2019

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 (the “HKEx”) 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 Company’s addresses of the registered office and principal place of business in Hong Kong 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 commodities, including crude oil, petroleum products, petrochemicals, coal and iron ore, and provision of petroleum products and petrochemicals storage services.

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, Macao and Taiwan) (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 users, the unaudited consolidated financial results are presented in Hong Kong Dollar (“HK\$”).

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

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

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases”, and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application.

	At 1 January 2019 HK\$'000 (unaudited)
Operating lease commitments disclosed as at 31 December 2018	3,478
Less: Recognition exemption — short-term leases	(95)
Recognition exemption — low value assets	(5)
Discounting impact using relevant incremental borrowing rates at the date of initial application of HKFRS 16	(71)
Lease liabilities as at 1 January 2019	<u>3,307</u>

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets <i>HK\$'000</i> (unaudited)
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	3,307
Add: Reclassified from prepaid lease payments	17,318
Adjustments on rental deposits at 1 January 2019	23
	20,648

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 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business 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 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, “the Amendments to References to the Conceptual Framework in HKFRS Standards”, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments 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 results in the foreseeable future.

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 judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

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 results.

Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

<i>Segments</i>	For the year ended 31 December 2019		
	Trading business <i>HK\$'000</i> (unaudited)	Storage business <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Types of goods or services in respect of contracts with customers			
Trading of commodities			
Crude oil	15,715,381	–	15,715,381
Petroleum products	106,477	–	106,477
Petrochemicals	826,932	–	826,932
Coal	523,499	–	523,499
Iron ore	115,891	–	115,891
	<u>17,288,180</u>	<u>–</u>	<u>17,288,180</u>
Storage and other ancillary services for energy products			
General storage services	–	40,942	40,942
Other ancillary services	–	12,888	12,888
	<u>–</u>	<u>53,830</u>	<u>53,830</u>
Total	<u>17,288,180</u>	<u>53,830</u>	<u>17,342,010</u>
			For the year ended 31 December 2018 Trading business <i>HK\$'000</i> (audited)

Types of goods in respect of contracts with customers

Trading of commodities	
Crude oil	20,405,367
Petroleum products	1,401,891
Petrochemicals	708,998
Coal	<u>294,348</u>
Total	<u>22,810,604</u>

(ii) Leases

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (audited)
For operating leases:		
Lease payments that are fixed or depend on an index or a rate	<u>14,243</u>	<u>–</u>

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.

Information about the Group's revenue from external customers is categorised by (a) the locations of shipment/delivery as designated by the customers, (b) the locations that the customers are instructed to pick up the commodities as determined by the Group and (c) the locations that the general storage and other ancillary services in respect of petroleum products and petrochemicals are rendered by the Group. Information about the Group's non-current assets is presented based on by geographical location of assets.

	Revenue from external customers		Non-current assets	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (audited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (audited)
Hong Kong	–	–	1,663	1,311
Macao	–	–	452	524
PRC	16,452,140	19,434,996	374,611	143,229
Singapore	–	–	977	529
Thailand	–	30,257	–	12,648
Malaysia	–	116,276	–	–
Korea	–	19,609	–	–
France	328,001	–	–	–
Egypt	–	1,871,657	–	–
India	–	354,859	–	–
Japan	169,550	261,940	–	–
Vietnam	406,562	661,402	–	–
Pakistan	–	30,426	–	–
Taiwan	–	29,182	–	–
	<u>17,356,253</u>	<u>22,810,604</u>	<u>377,703</u>	<u>158,241</u>

5. INCOME TAX CREDIT (EXPENSE)

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

	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (audited)
Enterprise Income Tax in the PRC:		
Current tax	(355)	(776)
Deferred taxation	412	–
	<u>57</u>	<u>(776)</u>

6. PROFIT FOR THE YEAR

	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (audited)
Profit for the year is arrived after charging (crediting):		
Auditor's remuneration	3,063	2,126
Depreciation of property, plant and equipment	22,071	7,314
Depreciation of right-of-use assets	4,219	–
Release of prepaid lease payments	–	457
Net foreign exchange gain	(507)	(1,172)
Operating lease rentals in respect of storage facilities and premises	–	8,446
Directors' emoluments	480	480
Other staff costs		
Salaries, bonus and other allowances	49,558	45,391
Retirement benefit schemes contributions	1,950	1,552
	51,988	47,423
Cost of inventories recognised as an expense (included in cost of sales)	<u>16,979,413</u>	<u>22,565,318</u>

7. 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:

	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (audited)
Earnings		
Earnings for the purposes of calculating basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	<u>126,304</u>	<u>7,452</u>
	2019 (unaudited)	2018 (audited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,124,412,090	2,125,679,022
Effect of dilutive potential ordinary shares:		
Share options of the Company	<u>—</u>	<u>6,405,463</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>2,124,412,090</u>	<u>2,132,084,485</u>

For the year ended 31 December 2019, the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of the share options is higher than the average market price for the year.

For the year ended 31 December 2018, the calculation of diluted earnings per share was 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 scheme.

8. TRADE RECEIVABLES

	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (audited)
Trade receivables		
— contracts with customers	2,685,965	2,764,771
— lease receivables	<u>1,537</u>	<u>—</u>
	<u>2,687,502</u>	<u>2,764,771</u>

As at 1 January 2018, trade receivables from contracts with customers amounted to approximately HK\$2,192,760,000.

The Group allows credit periods of 30 to 90 days to its customers from the trading business and 5 to 30 days to its customers from the storage business.

The following is an ageing analysis of trade receivables presented based on the invoice dates or goods delivery dates which approximated the revenue recognition dates as at 31 December 2019:

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (audited)
0 to 30 days	2,118,193	2,764,771
31 to 60 days	569,085	–
61 to 90 days	224	–
	<u>2,687,502</u>	<u>2,764,771</u>

9. TRADE PAYABLES

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (audited)
Trade payables at amortised cost	1,102,284	298,318
Trade payables designated at fair value through profit or loss	116,741	1,432,428
	<u>1,219,025</u>	<u>1,730,746</u>

The following is an ageing analysis of trade payables presented based on the invoice dates or goods receipt dates as at 31 December 2019:

	2019 HK\$'000 (unaudited)	2018 HK\$'000 (audited)
0 to 30 days	1,218,846	1,295,893
31 to 60 days	–	434,853
Over 90 days	179	–
	<u>1,219,025</u>	<u>1,730,746</u>

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 2019 (the “year”) was approximately HK\$17,356.3 million (2018: approximately HK\$22,810.6 million). Profit attributable to owners of the Company for the year was approximately HK\$126.3 million (2018: approximately HK\$7.5 million).

BUSINESS REVIEW

Trading of commodities

Fluctuation in oil price, excessive oil output capacity, together with the global economic instability in 2019 brought adverse impact to our trading business of commodities. Decrease in revenue comparing to last year was an expected outcome due to adverse market condition. In 2019, our trading strategy on crude oil continued to apply by focusing on back-to-back trade arrangement which was considered less risky when oil price was volatile. The drop in revenue generated from trading of crude oil was mainly resulted from the declined demand in the PRC market and the drop in oil price under the depression of trade war between the PRC and the United States of America. The trading business of petroleum products was severely impacted by the low demand in the PRC and Vietnam. As a result, the trading volume of petroleum products recorded an inevitable sink. As a smooth progress towards the long-term development of coal trading, revenue generated from trading of coal increased by approximately 78%. Meanwhile, thanks to the successful expansion of customer base in the PRC, our petrochemicals team had resulted a steady growth in both records of trading revenue and trading volume. With an aim to diversify the types of commodities, our Singapore office commenced the trading of ferrous metals in the fourth quarter of 2019 which further broadened our revenue base.

Storage and other ancillary services for energy products and leases

Strong Petrochemical (Nantong) Logistics Company Ltd. (“Strong Nantong”), our indirect 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 1,272,000 metric tons (“MT”) in 2018 to approximately 1,799,000 MT in 2019. During the year, Strong Nantong has built up more solid business relationships with long-term core customers which maintained a stable source of income from the storage business.

Huizhou Daya Bay Nicefame Chemical Storage and Trading Co., Ltd. (“Huizhou Nicefame”), our indirect non wholly-owned subsidiary, operates its storage facilities with a capacity of 105,000 cubic meters and is principally engaged in providing storage service for liquid petrochemicals and other hazardous chemicals. During the year, due to the continuous effort on providing quality services and the benefits of synergy effect of its storage and trading businesses, Huizhou Nicefame has resulted a satisfactory financial performance of boosted revenue and positive cash flows. Huizhou Nicefame has focused on maintaining business relationship with existing petrochemicals storage customers and aimed to expand its customer base.

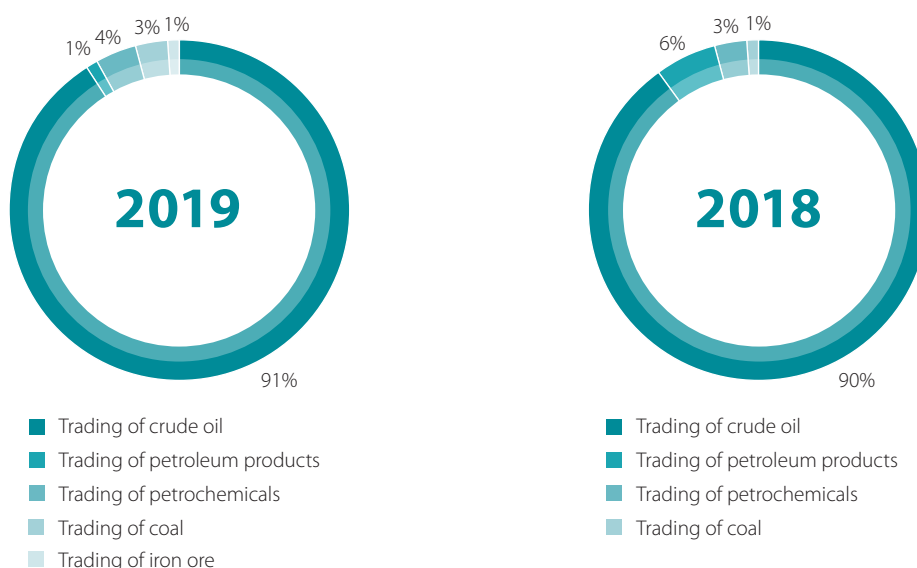
FINANCIAL REVIEW

Revenue

Trading of commodities

The Group is principally engaged in the trading of commodities. The revenue from trading business of the Group was approximately HK\$17,288.2 million (2018: approximately HK\$22,810.6 million) for the year. Approximately 91% (2018: 90%) of the Group's revenue from trading business was generated from trading of crude oil for the year, while the revenue generated from trading of petroleum products was approximately 1% (2018: 6%) and the revenue generated from trading of petrochemicals was approximately 4% (2018: 3%). Revenue generated from trading of coal was approximately 3% (2018: 1%) and the revenue generated from trading of iron ore was approximately 1% (2018: 0%). The trading of iron ore was commenced in September 2019 which generated approximately 1% of the Group's revenue from trading business.

Analysis of revenue in percentage to total revenue from trading business by types of commodities:



The trading volume of crude oil decreased from 37,219,278 barrels (“BBL”) in the last year to 30,167,689 BBL for the year since the overall demand in crude oil from the PRC customers decreased. Due to the weak demand in petroleum products in the PRC and Vietnam, the trading volume of petroleum products decreased from 288,896 MT in the last year to 23,225 MT for the year. The trading volume of petrochemicals increased from 124,868 MT in the last year to 147,567 MT for the year because of the expansion of customer base in the PRC. The market expansion in the PRC and Vietnam drove the trading volume of coal to increase from 603,140 MT in the last year to 1,351,131 MT for the year. The initial trading of iron ore during the year contributed a trading volume of 175,753 MT.

Products	Unit	Year ended 31 December					
		2019	2019	2019	2018	2018	2018
		Number of contracts (unaudited)	Sales quantity (unaudited)	Revenue HK\$'000 (unaudited)	Number of contracts (audited)	Sales quantity (audited)	Revenue HK\$'000 (audited)
Trading of commodities							
Crude oil	BBL	33	30,167,689	15,715,380.7	41	37,219,278	20,405,367.1
Petroleum products	MT	8	23,225	106,476.9	34	288,896	1,401,891.1
Petrochemicals	MT	190	147,567	826,931.7	205	124,868	708,998.0
Coal	MT	14	1,351,131	523,499.1	8	603,140	294,347.7
Iron ore	MT	1	175,753	115,891.3	–	–	–
Total		<u>246</u>		<u>17,288,179.7</u>	<u>288</u>		<u>22,810,603.9</u>

Storage and other ancillary services for energy products and leases

Revenue generated from the provision of general storage and other ancillary services for petroleum products and petrochemicals was approximately HK\$53.8 million for the year. Approximately 76% of the Group's revenue from storage business was generated from general storage services, while approximately 24% was generated from other ancillary services such as pipeline transmission, waste treatment and vehicle loading.

Revenue generated from leases was approximately HK\$14.2 million for the year.

Fair Value Changes on Derivative Financial Instruments

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 gain on fair value changes on derivative financial instruments of approximately HK\$26.3 million (2018: aggregate loss of approximately HK\$281.5 million).

Gross Profit

The overall gross profit of the Group for the year increased to approximately HK\$330.8 million (2018: approximately HK\$245.3 million). The increase in gross profit was primarily a result of the increase in profit margin benefited from the ability to charge for higher cargo premium for crude oil trading.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company for the year was approximately HK\$126.3 million (2018: approximately HK\$7.5 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 2019, the Group had deposits placed with brokers, pledged bank deposits, and bank balances and cash of approximately HK\$77.2 million (2018: approximately HK\$112.5 million), approximately HK\$17.1 million (2018: approximately HK\$42.2 million) and approximately HK\$358.1 million (2018: approximately HK\$204.3 million) respectively. The total of deposits placed with brokers, pledged bank deposits, and bank balances and cash (collectively, the “Liquidity Resources”) were approximately HK\$452.4 million (2018: approximately HK\$359.0 million). Most of the Liquidity Resources were denominated in US\$.

The equity attributable to owners of the Company increased by approximately HK\$119.6 million to approximately HK\$1,493.1 million as at 31 December 2019 (2018: approximately HK\$1,373.5 million).

As at 31 December 2019, the Group had bank and other borrowings, represented by short-term loans and a long-term loan, of approximately HK\$1,006.5 million (2018: approximately HK\$14.8 million). As at 31 December 2019, the Group’s gearing ratio was approximately 26% (2018: 0%) mainly because of the bank and other borrowings of Huizhou Nicefame, the non-wholly-owned subsidiary of Nicefame Global Limited (“Nicefame Global”) which was acquired by the Group during the year. The purpose of such bank and other borrowings was to support the storage business of Huizhou Nicefame. The gearing ratio was calculated as the Group’s total borrowings 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 utilising unused banking facilities to finance the repayment of the principal and interest in a timely manner.

As at 31 December 2019, the Group has banking facilities of US\$1,085.0 million and Renminbi (“RMB”) 35.0 million (equivalent to approximately HK\$8,502.1 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 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 2019, the Group did not have any significant contingent liabilities.

Capital Commitments

As at 31 December 2019, the Group had contracted for capital expenditure of approximately RMB4.6 million (equivalent to approximately HK\$5.1 million) in respect of the construction of a petrochemicals manufacturing plant in Fujian Province, the PRC.

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

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.

As announced on 21 December 2018, Green Concept Global Limited ("Green Concept"), an indirect wholly-owned subsidiary of the Company, acknowledged and accepted the notice of exercise of right of first refusal (the "Notice") under the shareholders' agreement dated 7 September 2017 in connection with GSR GO Scale Capital Advisors, Ltd. ("GSR GO") and entered into between Green Concept and Mr. Sonny Wu ("Mr. Wu"), the other shareholder of GSR GO and other parties. The Notice was delivered by Mr. Wu, pursuant to which the 36 voting shares owned by Green Concept in GSR GO, representing approximately 49.3% shareholding in GSR GO, would be disposed to a company (the "Purchaser") 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 "GSR GO Disposal"). The GSR GO Disposal was completed on 30 May 2019 and GSR GO ceased to be a joint venture of the Company since then. As announced on 18 July 2019, Green Concept, the Purchaser and Mr. Wu entered into a supplemental agreement to the GSR GO Disposal for an extension of settlement date for completion (the "Supplemental Agreement"). Pursuant to the Supplemental Agreement, the date of settlement for completion of the outstanding consideration of US\$10.0 million (equivalent to approximately HK\$78.0 million) by the Purchaser to Green Concept shall be extended to no later than 30 May 2020, with a choice to extend one calendar year to no later than 30 May 2021, subject to the approval of Green Concept. Details of the GSR GO Disposal have been disclosed in the Company's abovementioned announcement. We plan to use the net proceeds from the GSR GO Disposal on pursuing investment opportunities in business development in future.

In February 2019 and March 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”) and a supplemental sale and purchase agreement (the “Excellent Harvest Supplemental Agreement”) respectively with an independent third party. Pursuant to the Sale and Purchase Agreement and the Excellent Harvest Supplemental Agreement, Excellent Harvest acquired 51% equity interest in 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 Nicefame which is principally engaged in operating its petrochemicals storage facilities in Huizhou City, Guangdong Province, the PRC. This transaction was completed in February 2019 and Huizhou Nicefame became an indirect non wholly-owned subsidiary of the Company. In June 2019, Huizhou Nicefame commenced its trading of petrochemicals.

As 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. As announced on 3 May 2019, 6 May 2019 and 13 March 2020, the transaction was extended till 30 June 2020 since some of the conditions precedent could not be fulfilled. The Group is in the process of completing the transaction.

Fujian Hong Kong Petrochemical Limited (“Fujian Petrochemical”), an indirect wholly-owned subsidiary of the Company, was established in Quanzhou City, Fujian Province, the PRC in April 2019 with principal activities of manufacturing and trading of petrochemicals. Fujian Petrochemical has been in the process of setting up a petrochemicals manufacturing plant in Fujian Province of the PRC since late 2019. The expected commencement date of operation of the plant is late 2021. In July 2019, Fujian Petrochemical commenced its trading business.

Srithai Capital Limited, an associate of the Company in which the Company held 49% equity interest indirectly and a company incorporated in Thailand, was under the company closing process during the year. The liquidation registration procedure was completed in December 2019.

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

Due to the acquisition of Nicefame Global and its subsidiary in February 2019, the number of employees of the Group increased to 140 as at 31 December 2019 (2018: 80). 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 700,000 ordinary shares of the Company at an aggregate purchase price of approximately HK\$233,330 on the HKEx, representing approximately 0.03% 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 follows:

Month of repurchase	No. of ordinary shares of HK\$0.025 each	Purchase price paid per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
December 2019	<u>700,000</u>	0.340	0.305	<u>233,330</u>

The repurchases of the Company's shares during the year were effected by the directors of the Company (the "Directors") with a view to benefiting the shareholders as a whole by enhancing the net asset value per share of the Company.

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 2019 (2018: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from, Monday, 25 May 2020 to Thursday, 28 May 2020, 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 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 22 May 2020.

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 2019, 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. Ms. Cheung Siu Wan and Mr. Deng Heng, the independent non-executive Directors (“INEDs”), were unable to attend the AGM held on 28 May 2019 due to other prior business engagements.

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 Directors’ securities transactions. Having made specific enquiries by the Company, all Directors have confirmed that they had complied with the required standards set out in the Model Code during the 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.

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 the Group’s auditor, Messrs. Deloitte Touche Tohmatsu (the “Auditor”), during the financial year ended 31 December 2019, and is satisfied that such services would not affect the independence of the Auditor as the Company’s external auditor. The Audit Committee has recommended to the Board that the Auditor be nominated for reappointment as external auditor of the Company at the forthcoming AGM.

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to the impact of the COVID-19 coronavirus outbreak, the Auditor has not fully completed the auditing process for the annual results of the Group for the year ended 31 December 2019. In order to keep the shareholders of the Company (the “Shareholders”) and potential investors informed of the business operation and financial position of the Group, after discussion with the Auditor, the Board decided to publish the unaudited annual results announcement of the Company for the year ended 31 December 2019 together with the audited comparative figures for the corresponding period in 2018 on the planned date of announcement. Further announcement(s) relating to the audited results of the Group will be issued when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The unaudited annual results contained herein have been reviewed by the Audit Committee.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Auditor and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement(s) as and when necessary if there is other material development in the completion of the auditing process. The Company expects the auditing process to be completed on or before 30 April 2020.

PUBLICATION OF ANNUAL REPORT

This unaudited annual results announcement is published on the websites of the HKEx (<http://www.hkex.com.hk>) and the Company (<http://www.strongpetrochem.com>). The annual report of the Company for the year ended 31 December 2019 containing all the information as required by the Listing Rules will be despatched to the Shareholders and made available for review on the same websites in due course.

The financial information contained herein in respect of the annual results of the Group is unaudited and has not been agreed with the Auditor. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 26 March 2020

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.