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STRONG PETROCHEMICAL HOLDINGS LIMITED

海峽石油化工控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 852)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the "Board") of directors (the "Director(s)") of Strong Petrochemical Holdings Limited (the "Company") presents herewith the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2021 (the "Six Month Period").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

For the Six Month Period, the Group focused on its principal businesses of trading of commodities and storage and other ancillary services for petroleum products and petrochemicals and leases.

Revenue for the Six Month Period was approximately Hong Kong (“HK”) dollar (“HK\$”) 347.0 million. Loss attributable to owners of the Company for the Six Month Period was approximately HK\$5.3 million.

Trading of Commodities

As a trader of commodities with certain storage businesses, we remained judicious and careful in our trading business in view of the subsequent development of the energy trading market after the anniversaries of numerous COVID-19 pandemic incidents during the Six Month Period. COVID-19 variants and the prolonged United States-China tensions continued to cast negative impacts on the Group’s trading activities. Although the recovered demand for commodities and the resulting increment in their prices created many profit opportunities for trading operations willing to take the risk, such circumstances did not entirely benefit the Group’s financial performance for the Six Month Period as the Group adopted a conservative approach on the trading of crude oil and petroleum commodities. We believe only the survivor makes fortunes. The Group chose to stay on the market sideline intentionally during this difficult pandemic period and kept track of profitable trading opportunities. Simultaneously, we inclined to retain sufficient investment fund for the project of a petrochemicals manufacturing plant (the “Fujian Plant”) in Fujian Province of the People’s Republic of China (the “PRC”), which is one of the most favourable future development directions of the Group.

In response to the current market condition, for the sake of a more prudent and cautious decision-making approach in the trading of commodities, the Group continued to focus on back-to-back trade arrangement and keep a low level of inventories to minimise inventory risk. To deal with the volatile situation, we strove to maintain business relationships with our key customers, and looked for new business opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

Storage and Other Ancillary Services for Petroleum Products and Petrochemicals and Leases

Strong Petrochemical (Nantong) Logistics Company Ltd. (“Strong Nantong”), an indirect wholly-owned subsidiary of the Company, operates its storage facilities of 21 storage tanks with a capacity of 139,000 cubic meters in Nantong City, Jiangsu Province, the PRC. It is principally engaged in providing storage services for gasoline, diesel fuel and methyl alcohol. Due to the increased total throughput, Strong Nantong has recorded increases in both revenue and profit. In the second half of 2021, Strong Nantong targets to increase the percentage of long-term lease storage and maintain its profitability in the long run. In addition, through the enforcement of strategic plans such as the optimisation of logistic arrangements for customer’s goods, the prompt communication with local terminals, and the improvement of awareness on shipping berth dynamics, Strong Nantong can strongly enhance its reputation and competitiveness to attract new customers and win new service contracts.

Outlook

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 the Fujian Plant in Fujian Province of the PRC. The expected commencement date of operation of the Fujian Plant will be deferred to the middle of 2022 due to delay in construction progress affected by the COVID-19 pandemic. Fujian Petrochemical continued its trading business of petrochemicals and expanded its supplier and customer bases for establishing its prospective manufacturing business before the completion of the Fujian Plant construction. Fujian Petrochemical is currently developing a two phases production project for a petrochemical product named Styrene Ethylene Butylene Styrene Thermoplastic Elastomer (the “SEBS Project”), with expected annual production scale of 50,000 metric tons (“MT”). The SEBS Project has been listed as one of the PRC’s local provincial key projects. With the impetus and solid supports given by the local government, we are positive and optimistic about the development of the SEBS Project and the future product sales.

Brent crude oil price surged by over 50% in the first six months of 2021 from United States dollar (“US\$”) \$50.56 per barrel (“BBL”) in January 2021 to US\$76.60 per BBL in June 2021, such increase represented the strongest rebound after the outbreak of COVID-19 pandemic. However, the decision of the Organization of the Petroleum Exporting Countries to increase oil production in mid-July 2021 to deal with the clear sign of improvement of oil demand may affect the international oil price. We will keep a close eye on profitable trading opportunities of oil products in the volatile oil market.

MANAGEMENT DISCUSSION AND ANALYSIS

Considering the limited opportunities in the crude oil and petroleum commodities market currently, our Singapore office has taken initiative to develop and maintain the business relationship with the Indonesian coal supplier during the Six Month Period. We are eager to strive for business opportunities in newly developed business areas in the hope of developing new revenue streams to the Group. We noticed the ship chartering market continued to prosper in the second half of the year 2020 and therefore we attempted to provide chartering services to oil trading companies for carriage of oil and petroleum products during the Six Month Period.

Looking ahead to the post-pandemic period, we will formulate appropriate business strategies to develop our trading, storage and potential new businesses while diversifying business risks simultaneously. We will continue to look for new opportunities to maximise the return for the shareholders.

FINANCIAL REVIEW

Revenue

Trading of commodities

The revenue from trading business of the Group was approximately HK\$331.2 million (the six months ended 30 June 2020 ("1H2020"): approximately HK\$4,837.3 million) for the Six Month Period, representing a decrease of approximately 93%, compared with 1H2020. The Group did not have any revenue generated from trading businesses of crude oil (1H2020: approximately 84%), petroleum products (1H2020: approximately 6%) and iron ore (1H2020: approximately 2%) for the Six Month Period. The revenue generated from the trading of petrochemicals for the Six Month Period was approximately 82% (1H2020: approximately 7%). For the Six Month Period, approximately 18% (1H2020: approximately 1%) of the Group's revenue from trading business was generated from the trading of coal. The Group has made a decision to exit from iron ore trading during the Six Month Period.

For 1H2020, the trading volumes of crude oil, petroleum products and iron ore were 12,100,625 BBL, 57,254 MT and 156,778 MT respectively. The trading volume of petrochemicals decreased from 91,382 MT for 1H2020 to 48,480 MT for the Six Month Period which was resulted from the disposal of Huizhou Daya Bay Nicefame Chemical Storage and Trading Co., Ltd. ("Huizhou Nicefame") in December 2020 which contributed 61,027 MT to the trading volumes of petrochemicals in 1H2020. The trading volume of coal decreased from 150,307 MT for 1H2020 to 126,150 MT for the Six Month Period because of the decreasing demand from the Vietnam power plants affected by the COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

Products	Unit	Six months ended 30 June					
		Number of contracts	2021 Sales quantity	Revenue HK\$ million	Number of contracts	2020 Sales quantity	Revenue HK\$ million
Trading of commodities							
Crude oil	BBL	-	-	-	13	12,100,625	4,041.7
Petroleum products	MT	-	-	-	23	57,254	272.4
Petrochemicals	MT	124	48,480	272.7	79	91,382	365.4
Coal	MT	4	126,150	58.5	3	150,307	50.9
Iron ore	MT	-	-	-	1	156,778	106.9
Total		128		331.2	119		4,837.3

Storage and other ancillary services for petroleum products and petrochemicals and leases

Revenue generated from the provision of general storage and other ancillary services for petroleum products and petrochemicals was approximately HK\$11.0 million for the Six Month Period (1H2020: approximately HK\$19.2 million). Approximately 66% (1H2020: 52%) of the Group's revenue from storage business was generated from general storage services, while approximately 34% (1H2020: 48%) was generated from other ancillary services such as pipeline transmission, waste treatment and vehicle loading. Revenue generated from leases was approximately HK\$4.8 million for the Six Month Period (1H2020: approximately HK\$22.2 million). The decreases in revenue generated from the provision of general storage and other ancillary services for petroleum products and petrochemicals and leases were mainly due to the disposal of Huizhou Nicefame which contributed approximately HK\$8.9 million and HK\$17.2 million respectively to revenue generated from the provision of general storage and other ancillary services for petroleum products and petrochemicals and revenue generated from leases to the Group in 1H2020.

Gross Profit

Due to the adverse economic environment and the cautious trading approach adopted by the Group, the gross profit dropped to approximately HK\$11.9 million in the Six Month Period (1H2020: approximately HK\$62.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Changes in Fair Value of Derivative Financial Instruments

The Group has engaged in trading of derivative financial instruments for hedging and investment purposes. The purposes of hedging activities are to minimise the price risk exposure of each trade and to reduce the fluctuation in the operating results. Simultaneously, the Group intends to enhance its profitability with the use of surplus cash through investing in crude oil and oil products related derivative products and securities.

For the Six Month Period, the Group reported an aggregate gain on changes in fair value of derivative financial instruments of approximately HK\$20.7 million (1H2020: approximately HK\$7.9 million). The realised gain and unrealised loss on changes in fair value of derivative financial instruments were approximately HK\$24.1 million and HK\$3.4 million, respectively (1H2020: approximately HK\$9.2 million and HK\$1.3 million respectively).

Loss for the Period

Loss attributable to owners of the Company for the Six Month Period was approximately HK\$5.3 million (1H2020: approximately HK\$98.6 million).

Liquidity and Financial Resources

The bank balances and cash as at 30 June 2021 amounted to approximately HK\$132.1 million (31 December 2020: approximately HK\$144.2 million). The decrease in bank balances and cash was mainly attributable to the increases in deposits placed with brokers and payment for acquisition of property, plant and equipment.

The banking facilities as at 30 June 2021 were amounted to US\$51.0 million and Renminbi ("RMB") 17.0 million (equivalent to approximately HK\$418.2 million in total) from several banks. Save for the Group's bank borrowings of approximately HK\$20.4 million, the Group had no other bank overdraft as at 30 June 2021.

Gearing Ratio

As at 30 June 2021, the gearing ratio was approximately 8% (31 December 2020: approximately 8%). The gearing ratio was calculated as the Group's total borrowings divided by total assets.

Charges of Assets and Contingent Liabilities

As at 30 June 2021, the Group's banking facilities were secured by right-of-use assets of approximately HK\$17.1 million (31 December 2020: approximately HK\$ 17.1 million).

As at 30 June 2021, the Group did not have any significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Exposure

The functional currency of the Group is denominated in US\$, while the reporting currency is denominated in HK\$. Since the exchange rate of US\$ against HK\$ has been relatively stable during the Six Month Period, the exposure on foreign exchange was insignificant.

The Group has not implemented any foreign currency hedging policy at the moment. Nonetheless, the management of the Group has been continuously monitoring the level of foreign currency receipts and payments, ensuring that their net exposure to foreign exchange risk is kept at an acceptable level from time to time and will consider hedging the foreign exchange exposure if it is significant to the Group.

Capital Commitment

As at 30 June 2021, the Group had contracted for capital expenditure of approximately RMB41.5 million (equivalent to approximately HK\$49.9 million) in respect of the construction of the Fujian Plant (31 December 2020: approximately RMB18.4 million (equivalent to approximately HK\$21.9 million)).

Interim Dividends

The Board does not recommend the payment of an interim dividend for the Six Month Period (1H2020: nil).

Significant Investment

The Group held a significant investment in SH Energy Fund 1 ("SH Energy") as at 30 June 2021, which represented over 5% of the Group's total assets and a significant portion in the net assets of the Group as at 30 June 2021.

Set below are the brief description of the business, performance and prospect of SH Energy.

MANAGEMENT DISCUSSION AND ANALYSIS

As announced on 7 August 2020 and 14 August 2020, Strong New Energy Global Limited, an indirect wholly-owned subsidiary of the Company, has agreed to make a capital commitment to subscribe for up to 2.5 million class A shares in SH Energy. The cost of such investment is US\$25.0 million (equivalent to approximately HK\$195.0 million). SH Energy is managed by a fund manager and seeks to achieve its investment objective by investing in privately held oil and gas assets and companies in the explorative and/or production stage, as well as assets and companies involved in the upstream and/or downstream oil and gas production processes. By investing in SH Energy, it is expected that the Group can benefit from diversifying its revenue stream through investments in oil and gas assets and companies which demonstrate a strong performance record, which will in turn broaden the Group's revenue base in the future. As at 30 June 2021, the accumulated investment made by the Group in SH Energy amounted to US\$17.5 million (equivalent to approximately HK\$136.5 million). The fair value of SH Energy was US\$25.0 million (equivalent to approximately HK\$195.0 million) as at 30 June 2021, which represented approximately 11% of the Group's total assets. During the Six Month Period, no distribution of dividend was received from the investment in SH Energy.

Save as disclosed above, there were no other significant investments held by the Group as at 30 June 2021.

Material Acquisitions and Disposals, and Future Plans for Material Investments

In June 2021, Strong Petrochemical Limited (Macao Commercial Offshore) ("Strong Macao") was closed with its original businesses transferred to its fellow subsidiary.

Fujian Petrochemical, an indirect wholly-owned subsidiary of the Company is in the process of setting up the Fujian Plant in Fujian Province of the PRC. The expected commencement date of operation will be the middle of 2022. Fujian Petrochemical was engaged in trading of petrochemicals during the Six Month Period.

Save as disclosed above, there were no other 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 Six Month Period.

Employees and Remuneration Policy

The number of the Group's employees increased to 97 as at 30 June 2021 (31 December 2020: 94). The Group's remuneration packages are maintained at competitive levels and are determined on the basis of performance, qualification and experience of individual employee.

We recognise the importance of maintaining good relationships with our employees by providing our employees with competitive remuneration packages that commensurate with prevailing market practice, including but not limited to provident fund, life and medical insurances, discretionary bonus, share options, and trainings for human resources upskilling.

OTHER INFORMATION

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

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the Company's associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are set out below:

Long position in the ordinary shares of HK\$0.025 each of the Company

Name of Director	Nature of interest	Number of ordinary shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. Wang Jian Sheng	Interest of a controlled corporation (note 1)	1,041,746,000	49.06
	Interest of concert parties (note 2)	124,984,000	5.89
Mr. Yao Guoliang	Beneficial owner	124,984,000	5.89
	Interest of a controlled corporation (note 1)	1,041,746,000	49.06

Note 1: These shares are registered in the name of Forever Winner International Ltd. ("Forever Winner"). Each of Sino Century Holdings Limited ("Sino Century") and Jin Yao Holdings Ltd. ("Jin Yao") holds 50% of the entire issued share capital of Forever Winner. Mr. Wang Jian Sheng holds the entire issued share capital of Sino Century. Mr. Yao Guoliang holds the entire issued share capital of Jin Yao.

Note 2: Since Mr. Wang Jian Sheng and Mr. Yao Guoliang jointly control Forever Winner which in turn holds 1,041,746,000 shares of the Company, Mr. Wang Jian Sheng and Mr. Yao Guoliang are deemed as parties acting in concert. Therefore, as Mr. Yao Guoliang currently beneficially owns approximately 5.89% equity interest in the Company, Mr. Wang Jian Sheng shall be deemed to hold the same equity interest in the Company.

OTHER INFORMATION

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2021, the Directors are not aware of any other person (other than the interests of the Directors or the chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Long position in the ordinary shares of HK\$0.025 each of the Company

Name of shareholder	Nature of interest	Number of ordinary shares held	Approximate percentage of the issued share capital of the Company (%)
Forever Winner	Beneficial owner (note 1)	1,041,746,000	49.06
Mr. Yao Guoliang	Beneficial owner	124,984,000	5.89
Hongkong Hengyuan Investment Limited	Beneficial owner (note 2)	353,603,681	16.65

Note 1: Each of Sino Century and Jin Yao holds 50% of the entire issued share capital of Forever Winner. Mr. Wang Jian Sheng holds the entire issued share capital of Sino Century. Mr. Yao Guoliang holds the entire issued share capital of Jin Yao.

Note 2: Mr. Chang Liang holds the entire issued share capital of Hongkong Hengyuan Investment Limited.

OTHER INFORMATION

SHARE OPTIONS

A share option scheme (the "Share Option Scheme") was adopted on 15 May 2014 as the Share Option Scheme is able to provide the Company with more flexibility in long term planning of granting of the share options to the employees, directors, consultants, advisers and shareholders of the Group in a longer period in the future so as to provide appropriate incentives or rewards to them for their contributions or potential contributions to the Group.

The movements in the share options of the Company under the Share Option Scheme during the Six Month Period are set out as follows:

Nature or category of participant	Date of grant (dd/mm/yy)	Price of share of the Company			Number of share options			
		Exercise price HK\$	At the grant	At the exercise	Outstanding at 1/1/2021	Exercised during the period	Lapsed during the period	Outstanding at 30/6/2021
			date of share options HK\$	date of share options HK\$				
Other participants in aggregate	05/09/14	0.78	0.77	N/A	138,000,000	-	-	138,000,000
Total					138,000,000	-	-	138,000,000

Note: Under the Share Option Scheme, share options granted are exercisable during the period starting from 6 September 2014 to 14 May 2024.

The number of securities available for issue under the Share Option Scheme was 314,801,840 shares, representing approximately 14.8% of the number of the issued shares of the Company (i.e. 2,123,364,090 shares) as at 30 June 2021 and as at 26 August 2021, the date of this announcement.

Save as disclosed above, at no time during the Six Month Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER INFORMATION

AUDIT COMMITTEE

An audit committee has been established to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this announcement, the audit committee of the Company comprises all of the three independent non-executive Directors, namely, Ms. Cheung Siu Wan (Chairman), Dr. Chan Yee Kwong and Mr. Deng Heng. The unaudited interim results of the Group for the Six Month Period have been reviewed by the audit committee of the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has fully complied with the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the Six Month Period, with the exception of the following deviation:

Pursuant to Code Provision A.6.7 of the CG Code, 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. Wang Jian Sheng, the executive Director, Dr. Chan Yee Kwong and Mr. Deng Heng, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 27 May 2021 due to other prior business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries by the Company, all Directors have confirmed that they had complied with the required standards set out in the Model Code during the Six Month Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the Six Month Period.

By order of the Board
Wang Jian Sheng
Chairman

Hong Kong, 26 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	NOTES	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	3		
Goods and services		342,195	4,856,505
Leases		4,833	22,190
		347,028	4,878,695
Cost of sales		(335,155)	(4,816,344)
Gross profit		11,873	62,351
Other income	4	4,601	1,806
Other gains and losses		(609)	(3,990)
Gain on changes in fair value of derivative financial instruments, net		20,745	7,881
Distribution and selling expenses		(1,278)	(93,476)
Administrative expenses		(41,295)	(40,084)
Finance costs	5	(2,106)	(11,999)
Share of results of associates		5,901	1,402
Loss before taxation	7	(2,168)	(76,109)
Income tax expense	6	(3,175)	(18,940)
Loss for the period		(5,343)	(95,049)
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		4,127	(6,018)
Total comprehensive expense for the period		(1,216)	(101,067)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	NOTE	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<hr/>			
(Loss) profit for the period attributable to:			
Owners of the Company		(5,343)	(98,553)
Non-controlling interests		–	3,504
		(5,343)	(95,049)
<hr/>			
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(1,221)	(104,268)
Non-controlling interests		5	3,201
		(1,216)	(101,067)
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Loss per share	9		
— basic (HK cents)		(0.25)	(4.64)
— diluted (HK cents)		(0.25)	(4.64)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	NOTES	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	102,316	84,881
Investment properties	11	204,648	209,987
Right-of-use assets		67,624	68,695
Other assets		1,846	1,865
Prepayment		3,080	3,045
Rental deposit		–	321
Interests in associates		58,612	52,080
Financial asset at fair value through profit or loss	12	195,000	195,000
		633,126	615,874
Current assets			
Inventories		12,675	24,399
Trade receivables	13	640,680	713,876
Other receivables, deposits and prepayments		155,218	107,566
Derivative financial instruments		127,505	53,253
Financial assets at fair value through profit or loss	12	1,287	1,233
Deposits placed with brokers		105,694	87,593
Bank balances and cash		132,142	144,173
		1,175,201	1,132,093

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	NOTES	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Current liabilities			
Trade payables	14	–	28,945
Other payables and accrued charges	14	94,948	104,181
Contract liabilities		21,354	6
Lease liabilities		1,479	2,085
Taxation payable		468	–
Bank and other borrowings	15	141,606	140,198
Derivative financial instruments		128,060	50,428
		387,915	325,843
Net current assets			
		787,286	806,250
Total assets less current liabilities			
		1,420,412	1,422,124
Non-current liability			
Lease liabilities		–	496
		–	496
Net assets			
		1,420,412	1,421,628
Capital and reserves			
Share capital	16	53,084	53,084
Reserves		1,366,820	1,368,041
Equity attributable to owners of the Company			
		1,419,904	1,421,125
Non-controlling interests			
		508	503
Total equity			
		1,420,412	1,421,628

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Legal reserve	Share-based payments reserve	Translation reserve	Other reserve	Retained profits	Sub-total			
	HK\$'000	HK\$'000	HK\$'000 (note (i))	HK\$'000 (note (ii))	HK\$'000	HK\$'000	HK\$'000 (note (iii))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	53,093	566,232	(1,922)	49	50,391	(12,426)	12,295	823,924	1,491,636	16,328	1,507,964	
(Loss) profit for the period	-	-	-	-	-	-	-	(98,553)	(98,553)	3,504	(95,049)	
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(5,715)	-	-	(5,715)	(303)	(6,018)	
Total comprehensive (expense) income for the period	-	-	-	-	-	(5,715)	-	(98,553)	(104,268)	3,201	(101,067)	
Repurchase of shares	(9)	(121)	-	-	-	-	-	-	(130)	-	(130)	
At 30 June 2020 (unaudited)	53,084	566,111	(1,922)	49	50,391	(18,141)	12,295	725,371	1,387,238	19,529	1,406,767	
At 1 January 2021	53,084	566,111	(1,922)	49	50,391	10,206	12,295	730,911	1,421,125	503	1,421,628	
Loss for the period	-	-	-	-	-	-	-	(5,343)	(5,343)	-	(5,343)	
Exchange differences arising on translation of foreign operations	-	-	-	-	-	4,122	-	-	4,122	5	4,127	
Total comprehensive income (expense) for the period	-	-	-	-	-	4,122	-	(5,343)	(1,221)	5	(1,216)	
Reclassification of legal reserve to retained profits upon closure of the Macao subsidiary	-	-	-	(49)	-	-	-	49	-	-	-	
At 30 June 2021 (unaudited)	53,084	566,111	(1,922)	-	50,391	14,328	12,295	725,617	1,419,904	508	1,420,412	

Notes:

- (i) The special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganisation to rationalise the structure of the Group prior to the listing of the Company's share on the Stock Exchange.
- (ii) According to the law and regulation of Macao Special Administrative Region ("Macao"), a legal reserve is required to be established up to a minimum of 50% of a company's paid up capital and is established in any year in which a dividend is appropriated. A subsidiary of the Company established in Macao appropriated a final dividends for the year ended 31 March 2006 to its holding company, as a result, 50% of the issued capital of Macao Patacas 100,000 was transferred to the legal reserve. During the Six Month Period, the Macao subsidiary was closed and the legal reserve has been reclassified as retained profits.
- (iii) Other reserve was resulted from (a) the deemed disposal of partial interests in subsidiaries without losing the Group's control over the subsidiaries, and (b) the difference between the fair value of ordinary shares issued by the Company and the carrying amount of the additional interests in a subsidiary acquired by the Group in previous years.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from operating activities	26,893	511,470
Net cash used in investing activities		
Increase in deposits placed with brokers	(18,101)	(22,443)
Payment for acquisition of right-of-use assets	–	(43,483)
Payment for acquisition of other asset	–	(885)
Payment for acquisition of property, plant and equipment	(20,827)	(3,009)
Placement of pledged bank deposits	–	(5,353)
Interest received	49	395
	(38,879)	(74,778)
Net cash used in financing activities		
Proceeds from bank borrowings	20,407	1,738,976
Repayments of bank and other borrowings	(20,114)	(2,405,091)
Repayments of lease liabilities	(1,101)	(1,325)
Payment on repurchase of shares	–	(130)
Interest paid	(460)	(6,311)
	(1,268)	(673,881)
Net decrease in cash and cash equivalents	(13,254)	(237,189)
Cash and cash equivalents at 1 January	144,173	358,075
Effect of foreign exchange rate changes	1,223	(1,425)
Cash and cash equivalents at 30 June, representing bank balances and cash	132,142	119,461

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It was authorised for issue on 26 August 2021.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the Six Month Period are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the Six Month Period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s financial year beginning on 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
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The application of the amendments to HKFRSs in the Six Month Period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

Segments	Six months ended 30 June 2021		
	Trading business HK\$'000 (unaudited)	Storage business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Types of goods or services in respect of contracts with customers			
Trading of commodities			
Crude oil	-	-	-
Petroleum products	-	-	-
Petrochemicals	272,668	-	272,668
Coal	58,515	-	58,515
Iron ore	-	-	-
	331,183	-	331,183
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	-	7,304	7,304
Other ancillary services	-	3,708	3,708
	-	11,012	11,012
Total	331,183	11,012	342,195
Geographical markets			
The PRC	313,735	11,012	324,747
Other regions	17,448	-	17,448
Total	331,183	11,012	342,195
Timing of revenue recognition			
A point in time	331,183	-	331,183
Over time	-	11,012	11,012
Total	331,183	11,012	342,195

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION – *continued*

Revenue – *continued*

(i) Disaggregation of revenue from contracts with customers – *continued*

Segments	Six months ended 30 June 2020		
	Trading business HK\$'000 (unaudited)	Storage business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Types of goods or services in respect of contracts with customers			
Trading of commodities			
Crude oil	4,041,688	–	4,041,688
Petroleum products	272,456	–	272,456
Petrochemicals	365,390	–	365,390
Coal	50,910	–	50,910
Iron ore	106,899	–	106,899
	4,837,343	–	4,837,343
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	–	10,060	10,060
Other ancillary services	–	9,102	9,102
	–	19,162	19,162
Total	4,837,343	19,162	4,856,505
Geographical markets			
The PRC	4,001,325	19,162	4,020,487
Other regions	836,018	–	836,018
Total	4,837,343	19,162	4,856,505
Timing of revenue recognition			
A point in time	4,837,343	–	4,837,343
Over time	–	19,162	19,162
Total	4,837,343	19,162	4,856,505

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION – *continued*

Revenue – *continued*

(ii) Leases

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
For operating leases:		
Lease income that is fixed or depends on a rate	4,833	22,190

(iii) Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Trading business	331,183	4,837,343
Storage business	11,012	19,162
Revenue from contracts with customers	342,195	4,856,505
Leases	4,833	22,190
Total revenue	347,028	4,878,695

Segment information

Operating segments and the amounts of each segment item reported in the condensed consolidated financial statements are identified from the financial information provided regularly to the executive directors of the Company for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities. No operating segments have been aggregated to form the reporting segments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION – *continued*

Segment information – *continued*

Segment revenue, expenses, and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment assets excluding tax recoverable are managed on a group basis. Segment liabilities excluding tax payable are managed on a group basis. The Group's operating and reportable segments are therefore as follows:

- (i) Trading business (trading of commodities including crude oil, petroleum products, petrochemicals, coal and iron ore); and
- (ii) Storage business (provision of general storage and other ancillary services in respect of petroleum products and petrochemicals).

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For six months ended 30 June 2021

	Trading business HK\$'000 (unaudited)	Storage business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from contracts with customers	331,183	11,012	342,195
Leases	–	4,833	4,833
Total revenue	331,183	15,845	347,028
Segment results	(629)	4,692	4,063
Share of results of associates			5,901
Finance costs			(1,588)
Unallocated income and gains			1,622
Unallocated expenses and losses			(12,166)
Loss before taxation			(2,168)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION – *continued*

Segment information – *continued*

Segment revenue and results – *continued*

For six months ended 30 June 2020

	Trading business HK\$'000 (unaudited)	Storage business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from contracts with customers	4,837,343	19,162	4,856,505
Leases	–	22,190	22,190
Total revenue	4,837,343	41,352	4,878,695
Segment results	(79,604)	14,176	(65,428)
Share of results of associates			1,402
Finance costs			(6,284)
Unallocated income and gains			619
Unallocated expenses and losses			(6,418)
Loss before taxation			(76,109)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the Six Month Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. OTHER INCOME

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Bank interest income	49	360
Interest income from deposits placed with brokers	–	35
Rental income	240	–
Insurance claims	24	–
Government grants	465	437
Service income	688	–
Others (note)	3,135	974
	4,601	1,806

Note: Others mainly comprise income from oil gas reclamation, bad debt recovery and written-off of excess accrued interest for the Six Month Period (1H2020: demurrage recovery and compensation received).

5. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Bank charges on letter of credit facilities	515	5,688
Interest on bank and other borrowings	1,567	6,269
Interest on lease liabilities	24	42
	2,106	11,999

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
Hong Kong Profits Tax	–	18,989
Enterprise Income Tax (“EIT”) in the PRC	1,666	–
Singapore Income Tax	199	–
Underprovision of taxation in prior year		
EIT in the PRC	1,310	–
	3,175	18,989
Deferred tax	–	(49)
	3,175	18,940

The Group further purchased tax reserve certificates (“TRC”) of HK\$2,800,000 in relation to the year of assessment of 2013/14. In June 2020, the Inland Revenue Department of Hong Kong (the “IRD”) preliminarily agreed the settlement proposal raised by the Company, and the Group made a provision for Hong Kong Profits Tax of HK\$18,989,000, including under provision in prior years of HK\$13,989,000 and a penalty of HK\$5,000,000. In July 2020, the Company received the official reply from the IRD confirming its agreement on the settlement proposal. In September 2020, the Group settled the tax liability of HK\$18,989,000 and the IRD case was closed. TRC of HK\$10,975,000 was fully utilised to partially settle the tax liability.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Rules of the EIT Law in the PRC, the tax rate of the PRC subsidiaries is 25% for both periods.

Pursuant to the Decree Law No. 58/99M, Chapter 2, Article 12 dated 18 October 1999, issued by Macao, Strong Macao was exempted from Macao Complementary Tax for 1H2020. Pursuant to the Law No. 15/2018 enacted by the Macao Legislative Assembly on 27 December 2018, the existing offshore company regime would be abolished as from 1 January 2021. No provision for Macao Profits Tax has been made for the Six Month Period since tax loss was incurred for subsidiaries operating in Macao.

The Singapore Income Tax is determined by applying the Singapore tax rate of 10%. No provision for Singapore Income Tax had been made for 1H2020 as the subsidiary operating in Singapore incurred tax losses.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

7. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before taxation is arrived after charging (crediting):		
Auditor's remuneration	1,051	1,308
Depreciation of property, plant and equipment	3,840	10,940
Depreciation of investment properties	5,339	–
Depreciation of right-of-use assets	1,830	2,196
Net foreign exchange losses	1,068	500
Impairment loss on inventories	–	3,090
Share of results of associates	(5,901)	(1,402)
Directors' emoluments	240	240
Other staff costs		
Salaries, bonus and other allowances	18,044	23,496
Retirement benefit schemes contributions	751	654
	19,035	24,390
Cost of inventories recognised as an expense (included in cost of sales)	326,895	4,794,629

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Six Month Period (1H2020: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Loss		
Loss for the purposes of calculating basic and diluted loss per share		
Loss for the period attributable to owners of the Company	(5,343)	(98,553)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	2,123,364,090	2,123,549,563

For the Six Month Period and 1H2020, the incremental shares from assumed exercise of share options are excluded in calculation of the diluted loss per share since the assumed exercise of those share options will result in a decrease in loss per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
At beginning of the period	84,881	260,104
Exchange realignment	958	13,977
Acquired from acquisition of subsidiaries	–	53
Disposals of subsidiaries	–	(181,569)
Additions	20,359	13,255
Disposals	(42)	(1)
Depreciation charge	(3,840)	(20,938)
	102,316	84,881

11. INVESTMENT PROPERTIES

The Group's investment properties comprise of commercial properties situated in Hong Kong. These properties were acquired during the year ended 31 December 2020 with estimated useful lives of 20 years.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Non-current assets		
— Unlisted equity investment	195,000	195,000
Current assets		
— Listed securities held for trading	1,287	1,233
	196,287	196,233

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVTPL”) – *continued*

Unlisted equity investment

In August 2020, the Group subscribed for 2.5 million Class A Shares in SH Energy. SH Energy is an exempted company incorporated under the laws of the Cayman Islands with limited liability on 14 July 2020. The cost of such investment is US\$25,000,000 (equivalent to approximately HK\$195,000,000), including the unpaid amount of US\$7,500,000 (equivalent to approximately HK\$58,500,000) as at 30 June 2021.

Fair value measurement of the Group’s investment in SH Energy is classified as Level 3 of the fair value hierarchy (*Note 19*). Based on the assessment, the management of the Group determined that there was no major indication for material fair value change or impairment over the Six Month Period, and the fair value of the investment approximates its carrying value at the end of the reporting period.

Listed securities held for trading

	30 June 2021 HK\$’000 (unaudited)	31 December 2020 HK\$’000 (audited)
Listed securities held for trading:		
— Equity securities listed in Hong Kong	1,180	1,147
— Equity securities listed outside Hong Kong	107	86
	1,287	1,233

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

13. TRADE RECEIVABLES

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Trade receivables		
— contracts with customers (note)	640,446	713,216
— lease receivables	234	660
	640,680	713,876

Note: As at 30 June 2021 and 31 December 2020, all trade receivables are at amortised cost.

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 based on the invoice dates or goods delivery dates which approximated the revenue recognition dates at the end of the reporting period:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
0 to 30 days	7,446	45,010
91 to 365 days	–	647,647
Over 365 days	633,234	21,219
	640,680	713,876

Included in the trade receivables as at 30 June 2021, an amount of approximately HK\$633,234,000 from one customer were past due for over 365 days. However, the customer kept making repayment regularly. Considering the value of the securities held by the Group in respect of these trade receivables exceeds their carrying amounts, the Directors are in the view that no expected credit loss provision is required on these trade receivables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

A. Trade payables

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Trade payables at amortised cost	–	28,945

The following is an ageing analysis of trade payables based on the invoice dates or goods receipt dates at the end of the reporting period:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
0 to 30 days	–	28,945

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

B. Other payables and accrued charges

As at 30 June 2021, other payables and accrued charges mainly comprise payable for an unlisted equity investment of approximately HK\$58,500,000 (31 December 2020: HK\$58,500,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

15. BANK AND OTHER BORROWINGS

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Bank borrowings — secured	20,430	20,198
Shareholder loans — unsecured	121,176	120,000
Total	141,606	140,198
Carrying amount repayable (note):		
Within one year shown under current liabilities	141,606	140,198

Note: The amounts due are based on scheduled repayment dates set out in the borrowing agreements.

As at 30 June 2021, the bank borrowings carry interest at Loan Prime Rate (“LPR”) plus 0.65% per annum (31 December 2020: LPR plus 1% per annum).

As at 30 June 2021 and 31 December 2020, the shareholder loans carry interest of 1-month Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.75% per annum.

As at 30 June 2021 and 31 December 2020, the bank borrowings are secured by certain right-of-use assets.

The bank borrowings are denominated in RMB, which was the functional currency of the relevant group entity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.025 each		
Authorised:		
At 1 January 2020 (audited), 30 June 2020 (unaudited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	4,000,000,000	100,000
Issued and fully paid:		
At 1 January 2020 (audited)	2,123,712,090	53,093
Repurchase and cancellation of shares	(348,000)	(9)
At 30 June 2020 (unaudited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	2,123,364,090	53,084

17. CAPITAL COMMITMENTS

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	49,868	21,865

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

18. RELATED PARTY TRANSACTIONS

(a) Shareholder loans

During the Six Month Period, the Group entered into the following loan agreements with its related parties:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Mr. Wang Jian Sheng (note)	60,588	60,000
Mr. Yao Guoliang (note)	60,588	60,000
	121,176	120,000

Note: During the year ended 31 December 2020, the Group entered into shareholder loan agreements with each of Mr. Wang Jian Sheng and Mr. Yao Guoliang, the controlling shareholders of the Company, pursuant to which each of Mr. Wang Jian Sheng and Mr. Yao Guoliang agreed to provide an unsecured term loan of HK\$60,000,000, in aggregate of HK\$120,000,000 (the "Shareholder Loans") to the Group in order to support its operating activities. The Group shall repay the Shareholder Loans on 10 September 2021 or upon demand. Each of the Shareholder Loans bears an interest of 1-month HIBOR plus 1.75% per annum. The amounts of shareholder loans as at 30 June 2021 comprise the principle and the interest accrued.

(b) Transaction

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group has the following transaction with its related party during the period:

Name of related party	Nature of transaction	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)
Strong Property Limited	Rental expenses	994	994

Strong Property Limited is owned and controlled by one key management personnel of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and key input(s) used).

Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) is as follows:

	Financial assets at FVTPL HK\$'000
Unlisted equity investment	
At 31 December 2020 (audited), 1 January 2021 (unaudited) and 30 June 2021 (unaudited)	195,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – *continued*

- (i) **Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis – *continued***
Fair value hierarchy at 30 June 2021 and 31 December 2020

	At 30 June 2021			Total HK\$'000
	Level 1 HK\$'000 (note (i))	Level 2 HK\$'000	Level 3 HK\$'000 (note (iii))	
Financial assets				
Financial assets at FVTPL				
Unlisted equity investment	-	-	195,000	195,000
Derivative financial instruments (note (ii))	-	127,505	-	127,505
Listed securities held for trading	1,287	-	-	1,287
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments (note (ii))	-	128,060	-	128,060

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – *continued*

(i) Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis – *continued* Fair value hierarchy at 30 June 2021 and 31 December 2020 – *continued*

	At 31 December 2020			Total HK\$'000
	Level 1 HK\$'000 (note (i))	Level 2 HK\$'000	Level 3 HK\$'000 (note (iii))	
Financial assets				
Financial assets at FVTPL				
Unlisted equity investment	–	–	195,000	195,000
Derivative financial instruments (note (ii))	–	53,253	–	53,253
Listed securities held for trading	1,233	–	–	1,233
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments (note (ii))	–	50,428	–	50,428

Notes:

- (i) Quoted bid prices in active markets.
- (ii) Difference between the contracted strike prices and prevailing futures and swap prices or published indexes. Such prevailing futures and swap prices or published indexes are derived from the relevant futures exchanges or prices publication as specified in the contracts.
- (iii) Weight average cost of capital, earnings before interest, taxes, depreciation, and amortisation margins, discount for lack of marketability and the discount for lack of control.

There were no transfers between Level 1 and 2 during the Six Month Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – *continued*

(ii) Fair values of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considered that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the condensed consolidated financial statements approximate their fair values.

PUBLICATION OF INTERIM RESULTS

This results announcement is published on the website of the Company at www.strongpetrochem.com and the Stock Exchange's website at www.hkexnews.hk. The interim report of the Company for the Six Month Period containing all the information required by the Listing Rules will be published on the above websites and despatched to the shareholders of the Company in due course.

By order of the Board

STRONG PETROCHEMICAL HOLDINGS LIMITED

Wang Jian Sheng

Chairman

Hong Kong, 26 August 2021

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.

* *For identification purpose only*