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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)**

**(1) ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022; AND  
(2) PROPOSED ADOPTION OF AMENDED AND  
RESTATED ARTICLES OF ASSOCIATION**

**(1) ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31  
DECEMBER 2022**

The board of directors (the “Board”) of Strong Petrochemical Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2022, together with the comparative audited figures for the year ended 31 December 2021 as follows:

\* *For identification purposes only*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 December 2022*

	NOTES	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3		
Goods and services		<b>910,893</b>	798,024
Leases		<b>12,222</b>	12,588
		<b>923,115</b>	810,612
Cost of sales		<b>(889,759)</b>	(772,180)
Gross profit		<b>33,356</b>	38,432
Other income	5	<b>39,710</b>	10,718
Other gains and losses	6	<b>12,779</b>	25,625
Other operating income	7	<b>28,147</b>	90,537
Impairment loss on other receivables		–	(1,836)
Impairment loss on investment properties		–	(24,910)
Reversal of impairment loss on interest in an associate		<b>4,394</b>	6,723
(Loss)/gain on financial assets at fair value through profit or loss, net	13	<b>(17,700)</b>	1,669
Gain on changes in fair value of derivative financial instruments, net		<b>21,771</b>	72,047
Distribution, selling and operating expenses		<b>(27,642)</b>	(121,581)
Administrative expenses		<b>(84,909)</b>	(87,383)
Finance costs		<b>(625)</b>	(3,497)
Share of results of associates		<b>4,281</b>	7,949
Loss on disposal of a subsidiary		–	(573)
Profit before taxation	9	<b>13,562</b>	13,920
Income tax expense	8	<b>(7,828)</b>	(7,696)
Profit for the year		<b>5,734</b>	6,224
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>(48,546)</b>	11,475
Reclassification of cumulative translation reserve to profit or loss upon disposal of subsidiaries		–	43
Other comprehensive (expense)/income for the year		<b>(48,546)</b>	11,518
Total comprehensive (expense)/income for the year		<b>(42,812)</b>	17,742

	NOTE	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit/(loss) for the year attributable to:			
Owners of the Company		<b>6,180</b>	6,224
Non-controlling interests		<b>(446)</b>	—
		<u><b>5,734</b></u>	<u>6,224</u>
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		<b>(42,366)</b>	17,736
Non-controlling interests		<b>(446)</b>	6
		<u><b>(42,812)</b></u>	<u>17,742</u>
Earnings per share	11		
— basic (HK cents)		<u><b>0.29</b></u>	<u>0.29</u>
— diluted (HK cents)		<u><b>0.29</b></u>	<u>0.29</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2022*

	NOTES	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>172,534</b>	129,186
Investment properties	12	<b>165,984</b>	174,400
Right-of-use assets		<b>66,840</b>	71,216
Other assets		<b>1,792</b>	1,828
Trade receivables	14	<b>119,931</b>	310,354
Rental deposit		<b>533</b>	214
Interests in associates		<b>71,668</b>	68,434
Financial asset at fair value through profit or loss	13	<b>152,564</b>	197,485
		<b>751,846</b>	953,117
<b>Current assets</b>			
Inventories		<b>35,177</b>	–
Trade receivables	14	<b>228,859</b>	232,433
Other receivables, deposits and prepayments		<b>23,127</b>	48,075
Income tax recoverables		<b>839</b>	–
Derivative financial instruments		<b>613</b>	59,980
Financial assets at fair value through profit or loss	13	<b>338</b>	417
Deposits placed with brokers		<b>123,219</b>	176,302
Pledged bank deposit		<b>26,598</b>	–
Bank balances and cash		<b>287,962</b>	158,152
		<b>726,732</b>	675,359
<b>Current liabilities</b>			
Trade payables	15	<b>38,855</b>	–
Other payables and accrued charges		<b>35,442</b>	106,410
Contract liabilities		<b>2,078</b>	1,756
Lease liabilities		<b>2,840</b>	1,360
Income tax payables		<b>1,046</b>	1,812
Derivative financial instruments		<b>514</b>	78,054
		<b>80,775</b>	189,392
Net current assets		<b>645,957</b>	485,967
Total assets less current liabilities		<b>1,397,803</b>	1,439,084

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	<u>1,674</u>	<u>223</u>
	<u>1,674</u>	<u>223</u>
Net assets	<u><b>1,396,129</b></u>	<u>1,438,861</u>
Capital and reserves		
Share capital	<b>53,084</b>	53,084
Reserves	<u>1,343,411</u>	<u>1,385,777</u>
Equity attributable to owners of the Company	<b>1,396,495</b>	1,438,861
Non-controlling interests	<u>(366)</u>	<u>–</u>
Total equity	<u><b>1,396,129</b></u>	<u>1,438,861</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2022*

## 1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 1 February 2008. The shares of the Company have been listed on the main board of The Stock Exchange of Hong Kong Limited since 12 January 2009. Its parent and ultimate holding company is Forever Winner International Ltd. (“Forever Winner”), a limited company incorporated in the British Virgin Islands. Mr. Wang Jian Sheng, the chairman and executive director of the Company, and Mr. Yao Guoliang, the chief executive officer and executive director of the Company, each holds 50% equity interest in Forever Winner. The Company’s addresses of the registered office and principal place of business 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 and coal, 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 financial statements’ users, the consolidated financial statements are presented in Hong Kong (“HK”) Dollar (“HK\$”).

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### (a) Adoption of amended HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020
Amendments to HKFRS 3	Reference to Conceptual Framework

None of these amendments has had a material effect on how the Group’s results and financial position for the current period have been prepared or presented in these consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

**(b) New or amended HKFRSs that have been issued but are not yet effective**

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### 3. REVENUE

#### (i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2022		
	Trading business <i>HK\$'000</i>	Storage business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Types of goods or services in respect of contracts with customers</b>			
Trading of commodities			
Petroleum products	31,386	–	31,386
Petrochemicals	602,587	–	602,587
Coal	245,880	–	245,880
	<u>879,853</u>	<u>–</u>	<u>879,853</u>
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	–	22,950	22,950
Other ancillary services	–	8,090	8,090
	<u>–</u>	<u>31,040</u>	<u>31,040</u>
Total	<u>879,853</u>	<u>31,040</u>	<u>910,893</u>



<b>Segments</b>	For the year ended 31 December 2021		
	Trading business <i>HK\$'000</i>	Storage business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Types of goods or services in respect of contracts with customers</b>			
Trading of commodities			
Petroleum products	118,300	–	118,300
Petrochemicals	448,981	–	448,981
Coal	204,787	–	204,787
	<u>772,068</u>	<u>–</u>	<u>772,068</u>
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	–	16,380	16,380
Other ancillary services	–	9,576	9,576
	<u>–</u>	<u>25,956</u>	<u>25,956</u>
Total	<u>772,068</u>	<u>25,956</u>	<u>798,024</u>
<b>(ii) Leases</b>			
		<b>2022</b>	2021
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
For operating leases:			
Lease income that is fixed or depends on a rate		<u><b>12,222</b></u>	<u>12,588</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 ( <i>note</i> )	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	–	–	<b>9,114</b>	3,273
The PRC	<b>677,236</b>	776,900	<b>143,272</b>	152,954
Singapore	–	–	<b>2,032</b>	1,128
Indonesia	<b>159,638</b>	17,154	–	–
India	<b>73,841</b>	–	–	–
Vietnam	<b>12,400</b>	16,558	–	–
	<b>923,115</b>	810,612	<b>154,418</b>	157,355

*note:* The non-current assets for the purpose of geographical information exclude financial assets at fair value through profit or loss, trade receivables, investment properties, rental deposit, certain right-of-use assets and property, plant and equipment.

## 5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	922	111
Interest income from deposits placed with brokers	270	–
Interest income from trade receivables	28,901	2,378
Rental income	3,190	1,862
Government grants	2,215	570
Service income ( <i>note (i)</i> )	754	2,249
Others ( <i>note (ii)</i> )	3,458	3,548
	<u>39,710</u>	<u>10,718</u>

*notes:*

- (i) The Group entered into agency agreements (the “Agreements”) as an agent with various independent third parties (the “Principal”). Based on the Agreements, the Group performed coal transactions with the Principal’s counterparties on behalf of the Principal and earned service income.
- (ii) During the year ended 31 December 2022, others mainly comprise written-off of aged liabilities of approximately HK\$3,070,000 (2021: income from oil gas reclamation, bad debt recovery and written-off of excess accrued interest).

## 6. OTHER GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gains on disposal of property, plant and equipment	14	115
Gain on debt modification	11,353	26,747
Net foreign exchange gains/(losses)	515	(2,545)
Others	897	1,308
	<u>12,779</u>	<u>25,625</u>

## 7. OTHER OPERATING INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Income from time chartering ( <i>note (i)</i> )	20,260	35,252
Income from logistics and blending services ( <i>note (ii)</i> )	7,887	47,480
Share of profits from a joint operation, net	—	7,805
	<u>28,147</u>	<u>90,537</u>

*notes:*

- (i) During the year ended 31 December 2022, the Group engaged in time chartering business, of which approximately HK\$19,804,000 (2021: approximately HK\$72,969,000) related expenses were recorded under distribution, selling and operating expenses. The Group has ceased its time chartering business upon the rental expiry of the time charter during the year ended 31 December 2022.
- (ii) In view of the adverse commodities market condition with uncertain price trend and the on-going uncertainties related to the latest pandemic, the Group engaged in logistics and blending services during the years ended 31 December 2022 and 31 December 2021 to mitigate, amongst others, inventory and cash flow risk associated with trading of commodities. Related expenses of approximately HK\$7,838,000 (2021: approximately HK\$45,974,000) for logistics and blending services, were recorded under distribution, selling and operating expenses for the year ended 31 December 2022.

## 8. INCOME TAX EXPENSE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
Enterprise Income Tax in the PRC	7,544	7,251
Singapore Corporate Income Tax	284	445
	<u>7,828</u>	<u>7,696</u>

## 9. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration	2,089	2,011
Depreciation of property, plant and equipment	7,996	7,775
Depreciation of investment properties	9,396	10,677
Depreciation of right-of-use assets	4,192	4,250
Amortisation of other assets	36	36
Net foreign exchange (gains)/losses	(515)	2,545
Directors' emoluments	480	480
Other staff costs		
Salaries, bonus and other allowances	43,551	45,625
Retirement benefit schemes contributions	1,813	1,576
	45,844	47,681
Cost of inventories recognised as an expense (included in cost of sales)	873,716	754,724

## 10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

## 11. 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Profit</b>		
Profit for the purposes of calculating basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	6,180	6,224
	2022	2021
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	2,123,364,090	2,123,364,090

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares for both 2022 and 2021. Accordingly, the weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same as there were no potential dilutive ordinary shares during the years ended 31 December 2022 and 31 December 2021.

## 12. INVESTMENT PROPERTIES

The Group's investment properties comprise of a commercial property and car park spaces situated in Hong Kong. These properties were acquired in 2020 with estimated useful lives of 20 years. The Group assessed impairment loss for the investment properties by considering its recoverable amount, having regard to the change in market conditions in Hong Kong after the outbreak of COVID-19. The recoverable amount of the investment properties is estimated based on the fair value less costs of disposal of the investment properties, which is estimated reference to comparable sales transactions as available in the relevant market with adjustments to reflect the condition and location of the related properties. No impairment loss on investment properties was recognised for the year ended 31 December 2022 (2021: approximately HK\$24,910,000).

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets		
— Unlisted equity investment	152,564	197,485
Current assets		
— Listed securities held for trading	338	417
	<u>152,902</u>	<u>197,902</u>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/gain on financial assets at fair value through profit or loss, net:		
Dividend income from unlisted equity investment	27,300	—
(Loss)/gain on fair value change in unlisted equity investment	(44,921)	2,485
Loss on fair value change in listed securities held for trading	(79)	(816)
	<u>(17,700)</u>	<u>1,669</u>

#### 14. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables		
— contracts with customers ( <i>note</i> )	348,411	542,787
— lease receivables	379	—
	<u>348,790</u>	<u>542,787</u>
Classified as:		
Non-current assets	119,931	310,354
Current assets	228,859	232,433
	<u>348,790</u>	<u>542,787</u>

*note:* At 31 December 2022 and 31 December 2021, all trade receivables were 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	5,399	1,716
Over 365 days	343,391	541,071
	<u>348,790</u>	<u>542,787</u>

#### 15. TRADE PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables at amortised cost	<u>38,855</u>	<u>—</u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	<u>38,855</u>	<u>—</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 2022 (the “year”) was approximately HK\$923.1 million (2021: approximately HK\$810.6 million). Profit attributable to owners of the Company for the year was approximately HK\$6.2 million (2021: approximately HK\$6.2 million).

### **BUSINESS REVIEW**

#### **Trading of Commodities**

The fade out of prolonged effects of COVID-19 pandemic, reduction of international military conflicts intensity and the expectation of economic restart casted positive impacts on the Group’s trading activities. 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. We strove to maintain business relationships with our key customers, and looked for new business opportunities in the meantime. During the year, the Group did not conduct trades for crude oil as it adopted a conservative approach and chose to stay calm during this undetermined period and keep an eye on profitable trading opportunities. The major cause of increase in revenue generated from trading of petrochemicals was due to the recovered demand in the PRC market and strengthened cooperation with state-owned enterprises and new customers. As a result, the trading volume of petrochemicals recorded an increase. The trading volume of coal increased slightly mainly because of the recovered demand from the Vietnam power plants under the fade out of the pandemic. The decreases in revenue and trading volume of petroleum products were due to the low profit margin in back-to-back trade. Therefore, we have shifted our focus to petrochemicals trading business.

#### **Storage and Other Ancillary Services for Petroleum Products and Petrochemicals 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 1,919,000 metric tons (“MT”) in 2021 to approximately 1,979,000 MT in 2022. During the year, Strong Nantong has achieved record high result in both revenue and profit before taxation due to its ability to charge for higher service fee premium and the increase in utilisation rate of storage tanks. By increasing the percentage of long-term lease storage, reducing temporary storage lease, and by introducing new customers and expanding customer base, Strong Nantong continued to generate higher income from the storage business.



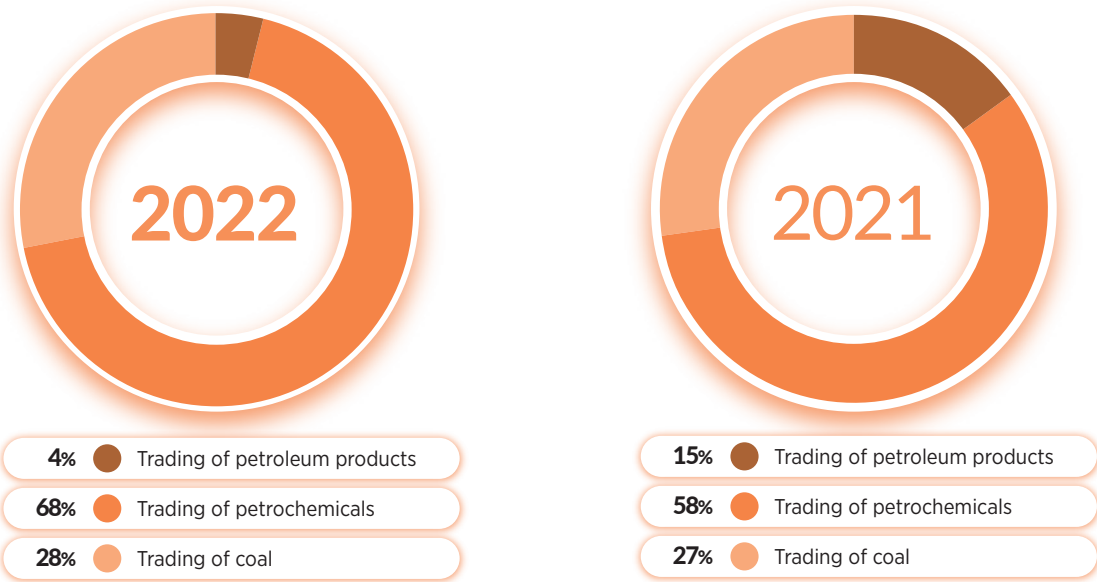
# FINANCIAL REVIEW

## 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\$879.9 million (2021: approximately HK\$772.1 million) for the year. Approximately 68% (2021: 58%) of the Group’s revenue from trading business was generated from trading of petrochemicals for the year, while the revenue generated from trading of petroleum products was approximately 4% (2021: 15%). Revenue generated from trading of coal was approximately 28% (2021: 27%).

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



Due to our shift in focus to petrochemicals, the trading volume of petroleum products decreased significantly from 14,701 MT last year to 3,660 MT for the year. The trading volume of petrochemicals increased from 78,632 MT last year to 93,878 MT for the year since the demand in the PRC market recovered. The trading volume of coal increased slightly from 312,735 MT last year to 341,926 MT for the year.

Products	Unit	Year ended 31 December					
		2022			2021		
		Number of contracts	Sales quantity	Revenue HK\$'000	Number of contracts	Sales quantity	Revenue HK\$'000
Trading of commodities							
Petroleum products	MT	2	3,660	31,386	4	14,701	118,300
Petrochemicals	MT	187	93,878	602,587	225	78,632	448,981
Coal	MT	11	341,926	245,880	9	312,735	204,787
Total		<u>200</u>		<u>879,853</u>	<u>238</u>		<u>772,068</u>

*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\$31.0 million for the year (2021: approximately HK\$26.0 million). Approximately 74% (2021: 63%) of the Group's revenue from storage business was generated from general storage services. Other ancillary services, such as pipeline transmission, waste treatment and vehicle loading, accounted for approximately 26% (2021: 37%) of the Group's revenue from storage business.

Revenue generated from leases was approximately HK\$12.2 million (2021: approximately HK\$12.6 million) for the year.

**Fair Value Changes on Derivative Financial Instruments**

The Group has established trading teams to manage the overall physical cargo price exposure and controls it through offsetting oil derivative contracts according to the Group's risk management policy. As part of our stringent 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 market risk exposure.

During the year, the Group reported an aggregate gain on fair value changes on derivative financial instruments of approximately HK\$21.8 million (2021: approximately HK\$72.0 million).

## **Gross Profit**

The overall gross profit of the Group for the year decreased to approximately HK\$33.4 million (2021: approximately HK\$38.4 million). The slight decrease in gross profit was mainly due to the adverse economic environment.

## **Profit Attributable to Owners of the Company**

Profit attributable to owners of the Company for the year was approximately HK\$6.2 million (2021: approximately HK\$6.2 million).

## **Properties Held for Investment**

As at 31 December 2022, the Group held properties in Hong Kong with address of Penthouse and Car Parking Space Nos. 13 & 14 on 2/F, Overseas Trust Bank Building, No. 160 Gloucester Road, Hong Kong. The investment properties were used for office purpose since the acquisition in August 2020. The investment properties have been leased on a term of three years in June 2021 to generate operating lease income which amounted to approximately HK\$3.2 million for the Group during the year (2021: approximately HK\$1.9 million). No impairment loss on investment properties was made during the year (2021: approximately HK\$24.9 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 2022, the Group had deposits placed with brokers, pledged bank deposit and bank balances and cash of approximately HK\$123.2 million (2021: approximately HK\$176.3 million), approximately HK\$26.6 million (2021: Nil) and approximately HK\$288.0 million (2021: approximately HK\$158.2 million) respectively. The total of deposits placed with brokers, pledged bank deposit and bank balances and cash (collectively, the “Liquidity Resources”) were approximately HK\$437.8 million (2021: approximately HK\$334.5 million). Most of the Liquidity Resources were denominated in US\$.

The equity attributable to owners of the Company decreased by approximately HK\$42.4 million to approximately HK\$1,396.5 million as at 31 December 2022 (2021: approximately HK\$1,438.9 million).

As at 31 December 2022, the Group had no bank borrowings (2021: Nil). As at 31 December 2022, the Group’s gearing ratio was 0% (2021: 0%). The gearing ratio is calculated as the Group’s total borrowings divided by total assets.

The Group aims to use the Internal Funds to repay all 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 2022, the Group has banking facilities of US\$38.0 million and Renminbi (“RMB”) 17.0 million (equivalent to approximately HK\$315.4 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 and RMB. Since the exchange rate of US\$ against HK\$ is relatively stable during the year, the exposure on foreign exchange is insignificant.

### **Pledge of Group Assets**

As at 31 December 2022, right-of-use assets of approximately HK\$15.3 million (2021: approximately HK\$17.1 million) and pledged bank deposits of approximately HK\$26.6 million (2021: Nil) had been pledged to secure certain banking facility granted to the Group.

### **Contingent Liabilities**

As at 31 December 2022, the Group did not have any significant contingent liabilities.

### **Litigation**

#### *Litigation against Shandong Shengxing Chemical Co., Ltd. for unpaid trade debts*

Reference is made to the announcement of the Company dated 11 December 2020, Strong Petrochemical Limited (Macao Commercial Offshore) (“Strong Macao”), the Company’s indirect wholly-owned subsidiary which was closed last year, has instituted legal proceedings against Shandong Shengxing Chemical Co., Ltd. (山東勝星化工有限公司) (“Shandong Shengxing”) in Dongying Intermediate People’s Court of Shandong Province of the People’s Republic of China (中華人民共和國山東省東營市中級人民法院) (the “Dongying Court”) in relation to unpaid trade debts which were due and payable to Strong Macao (the “Shandong Shengxing Legal Proceedings”).

According to the long-term trading cooperation agreements signed by Strong Macao and Shandong Shengxing on 24 August 2017 and 6 December 2019 respectively, Strong Macao agreed to sell crude oil to Shandong Shengxing and Shandong Shengxing agreed to purchase crude oil from Strong Macao.

Shandong Shengxing defaulted on its payment of the price of the crude oil payable to Strong Macao (the “Shandong Shengxing Default”) in the total sum of approximately US\$91.5 million (equivalent to approximately HK\$713.7 million) (the “Shandong Shengxing Outstanding Sum”). During the period from 1 June 2020 to 22 July 2020, Shandong Shengxing has made partial repayments of the Shandong Shengxing Outstanding Sum in a total sum of US\$8.5 million (equivalent to approximately HK\$66.3 million). As at 16 November 2020 and 31 December 2020, the unsettled Shandong Shengxing Outstanding Sum amounted to approximately US\$83.0 million (equivalent to approximately HK\$647.4 million) (the “Shandong Shengxing Unsettled Outstanding Sum”). Strong Macao filed a Writ for the commencement of the Shandong Shengxing Legal Proceedings to claim for the Shandong Shengxing Unsettled Outstanding Sum on 16 November 2020, which was accepted by the Dongying Court on the same day.

Pursuant to a ruling made by the Dongying Court on 21 December 2020 (the “Dongying Court Ruling”), the Shandong Shengxing Default constituted a breach of contract. It was adjudged that Shandong Shengxing should bear the payment responsibility and compensate the economic loss of Strong Macao resulting from the Shandong Shengxing Default. Shandong Shengxing was therefore liable for the payment of Shandong Shengxing Unsettled Outstanding Sum. During the year ended 31 December 2021, the Group received partial payments from Shandong Shengxing of approximately US\$17.4 million (equivalent to approximately HK\$135.7 million). In December 2021, a debt renegotiation plan has been reached by the Group with Shandong Shengxing in which Shandong Shengxing agreed to repay the Shandong Shengxing Unsettled Outstanding Sum in full by instalments with accrued interest before December 2024 (the “Shandong Shengxing Agreement”). During the year ended 31 December 2022, Shandong Shengxing paid approximately US\$30.5 million (equivalent to approximately HK\$237.9 million in total) as partial settlement of the Shandong Shengxing Unsettled Outstanding Sum in accordance with the Shandong Shengxing Agreement. In December 2022, the Group and Shandong Shengxing has reached another agreement on the repayment schedule that Shandong Shengxing has to repay the Shandong Shengxing Unsettled Outstanding Sum in full by instalments before 30 June 2024 and the accrued interest before 31 December 2024 (the “Shandong Shengxing Supplemental Agreement”). The Group reserves the right to enforce the Dongying Court Ruling if Shandong Shengxing delays to settle or default any of the repayment instalments. Subsequent to the year end, Shandong Shengxing has paid approximately US\$7.3 million (equivalent to approximately HK\$57.0 million) as partial settlement of the Shandong Shengxing Unsettled Outstanding Sum up to the date of this announcement in accordance with the Shandong Shengxing Supplemental Agreement.

Considering the availability of securities held by the Group including the share charge in relation to 68% equity interest of Shandong Shengxing, the Board considers that the Shandong Shengxing Legal Proceedings will not have any material adverse impact on the overall operation and financial condition of the Company, and thus, no provision of impairment on trade receivables from Shandong Shengxing is made. The Group will continue to proactively recover the Shandong Shengxing Unsettled Outstanding Sum.

## **Capital Commitments**

As at 31 December 2022, the Group had contracted for capital expenditure of approximately RMB360.1 million (equivalent to approximately HK\$403.1 million (2021: approximately RMB33.3 million (equivalent to approximately HK\$40.7 million))) in respect of the construction of a petrochemicals manufacturing plant (the “Fujian Plant”) in Fujian Province, the PRC.

## **Significant Investment**

The Group held a significant investment in SH Energy Fund 1 (“SH Energy”) as at 31 December 2022, which represented over 5% of the Group’s total assets and a significant portion in the net assets of the Group as at 31 December 2022.

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

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 participating 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 31 December 2022, the accumulated investment made by the Group in SH Energy amounted to US\$25.0 million (equivalent to approximately HK\$195.0 million) (2021: US\$21.5 million (equivalent to approximately HK\$167.7 million)). The fair value of SH Energy was approximately US\$19.6 million (equivalent to approximately HK\$152.6 million) as at 31 December 2022 (2021: approximately US\$25.3 million (equivalent to approximately HK\$197.5 million)), which represented approximately 10% (2021: 12%) of the Group’s total assets. During the year, fair value loss on investment in SH Energy of approximately US\$5.7 million (equivalent to approximately HK\$44.9 million) (2021: fair value gain on investment in SH Energy of approximately US\$0.3 million (equivalent to approximately HK\$2.5 million)) was recognised as a result of the change in fair value. During the year, a dividend of US\$3.5 million (equivalent to approximately HK\$27.3 million) (2021: Nil) was declared from SH Energy, while the dividend amount was offset against the payable for the outstanding investment commitment of US\$3.5 million (equivalent to approximately HK\$27.3 million).

Save as disclosed above, there were no other significant investments held by the Group as at 31 December 2022.

## **Material Acquisitions and Disposals, and Future Plans for Material Investments**

The realisation of the expected synergies, cost control, and growth opportunities and potentials upon integration of the acquired businesses are important to the Group's success. The Group focuses 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. Failure to operate the acquired businesses successfully and thereby not achieving the expected financial benefits, may adversely affect the Group's financial position and results.

Fujian Hong Kong Petrochemical Limited, 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 completion date of the Fujian Plant will be in late 2023 and the expected commencement date of operation will be the fourth quarter of 2023.

It is part of the Group's business in developing, constructing and operating solar energy systems. Through the operation and management of solar energy systems projects installed on the rooftops of premises and buildings, the Group expects to have contractual right to a guaranteed portion of the electricity revenue arising from the sale of electricity to the power companies in Hong Kong generated by the solar energy systems under the Feed-in Tariff Scheme of the Hong Kong government. With the cooperation with and support from potential property and land owners for solar energy systems projects, the Group envisions to become a leading solar energy systems operator in Hong Kong in the future.

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

## **Employees**

The number of employees of the Group is 93 as at 31 December 2022 (2021: 93). 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**

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 2022 (2021: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from, Monday, 22 May 2023 to Thursday, 25 May 2023, 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 25 May 2023, 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, 17th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong not later than 4:30 p.m. on Friday, 19 May 2023.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has fully complied with the Corporate Governance Code (the “CG Code”) and met the code provisions set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year, with the exception of deviation that Mr. Yao Guoliang, the executive director of the Company, was unable to attend the AGM held on 26 May 2022 due to other prior business engagement. When directors of the Company are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Company prior to the meeting. Ms. Cheung Siu Wan, an independent non-executive director of the Company (“INED(s)”) who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre and competence for answering questions at the AGM. Views expressed by the shareholders of the Company at general meetings are recorded and circulated for discussion by all directors of the Company regardless of attendance.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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



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

### **SCOPE OF WORK OF MESSRS. BDO LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditor, Messrs. BDO Limited, with the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. BDO Limited on this announcement.

### **AUDIT COMMITTEE**

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

The Audit Committee has undertaken a review of all the non-audit services provided by the Group's auditor, Messrs. BDO Limited, during the financial year ended 31 December 2022, and is satisfied that such services would not affect the independence of Messrs. BDO Limited as the Group's external auditor. The Audit Committee has recommended to the Board that Messrs. BDO Limited be nominated for reappointment as external auditor of the Company at the forthcoming AGM.

Subsequent to the financial year end, the Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2022, including the accounting principles and practices adopted by the Group, and recommended them to the Board for approval.

## **(2) PROPOSED ADOPTION OF AMENDED AND RESTATED ARTICLES OF ASSOCIATION**

This announcement is made by the Company pursuant to Rule 13.51(1) of the Listing Rules. The Board proposes to amend and restate the articles of association of the Company (the “Articles of Association”). According to the Consultation Conclusions on Listing Regime for Overseas Issuers published by The Stock Exchange of Hong Kong Limited in November 2021, the Listing Rules have been amended with effect from 1 January 2022 which requires, among others, listed issuers to adopt a uniform set of 14 “Core Standards” for shareholder protections for issuers. Furthermore, the Company proposes to modernise and provide flexibility to the Company in relation to the conduct of general meetings. As such, the Board proposes to amend the Articles of Association for the purposes of, among others, (i) allowing a general meeting to be held as an electronic meeting (also referred to as virtual general meeting) or a hybrid meeting; (ii) bringing the Articles of Association in line with amendments made to Listing Rules and applicable laws and procedures of the Cayman Islands; and (iii) making certain minor housekeeping amendments to the Articles of Association for the purpose of clarifying existing practice and making consequential amendments in line with the amendments to the Articles of Association (collectively, the “Amendments”). Details of the proposed Amendments will be set out in the circular to be despatched to the shareholders of the Company in due course.

At the upcoming AGM, a special resolution will be proposed for the shareholders of the Company to consider and, if thought fit, approve the proposed adoption of the new set of amended and restated Articles of Association incorporating the Amendments.

A circular containing, amongst other things, further information regarding the Amendments, together with the notice of the AGM will be 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, 23 March 2023

*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, Prof. Chan Yee Kwong and Mr. Deng Heng.*