



**STRONG PETROCHEMICAL HOLDINGS LIMITED**  
**海峽石油化工有限公司\***

(incorporated in the Cayman Islands with limited liability)  
Stock Code: 852

\* For identification purposes only



INTERIM REPORT  
**2023**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. WANG Jian Sheng (*Chairman*)

Mr. YAO Guoliang

### Independent Non-executive Directors

Ms. CHEUNG Siu Wan

Prof. CHAN Yee Kwong

Mr. DENG Heng

## BOARD COMMITTEES

### Audit Committee

Ms. CHEUNG Siu Wan (*Chairman*)

Prof. CHAN Yee Kwong

Mr. DENG Heng

### Remuneration Committee

Prof. CHAN Yee Kwong (*Chairman*)

Mr. DENG Heng

Mr. WANG Jian Sheng

### Nomination Committee

Mr. WANG Jian Sheng (*Chairman*)

Ms. CHEUNG Siu Wan

Mr. DENG Heng

## COMPANY SECRETARY

Mr. LAU Leong Ho

(Practising Solicitor) (Hong Kong)

## AUTHORISED REPRESENTATIVES

Mr. WANG Jian Sheng

Mr. YAO Guoliang

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1604, 16th Floor

Far East Finance Centre

16 Harcourt Road

Admiralty

Hong Kong

## INDEPENDENT AUDITOR

BDO Limited

Certified Public Accountants

Registered Public Interest

Entity Auditor

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited

Suite 3204, Unit 2A

Block 3, Building D, P.O. Box 1586

Gardenia Court, Camana Bay

Grand Cayman, KY1-1100

Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17th Floor, Far East Finance Centre  
16 Harcourt Road  
Admiralty  
Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Bank of Communications (Hong Kong)  
Limited  
China CITIC Bank International Limited  
Citibank, N.A.  
DBS Bank (Hong Kong) Limited

## WEBSITE

[www.strongpetrochem.com](http://www.strongpetrochem.com)

## SHARE INFORMATION

The Stock Exchange of Hong Kong Limited  
Stock code: 00852

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2023 (the “Six Month Period”), Strong Petrochemical Holdings Limited (the “Company”) and its subsidiaries (collectively, 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\$”) 488.6 million. Loss attributable to owners of the Company for the Six Month Period was approximately HK\$10.2 million.

### Trading of Commodities

During the Six Month Period, as a commodities trader with storage businesses, we exercised vigilance and prudence in our trading activities in response to the evolving dynamics of the energy trading market. Due to various factors, the oil market has suffered a significant drop in prices in the first half of 2023. The bankruptcy of Silicon Valley Bank and Credit Suisse crisis have caused a chain reaction impacting economic growth and have led to the price of Brent crude oil dropping by as much as 15%. The turmoil in the banking industry has also impacted the market’s sentiment towards oil demand. Although oil prices gradually rose afterwards, with the price of West Texas Intermediate (“WTI”) crude reaching its highest level in the first half of 2023 of United States dollar (“US\$”) 83 per barrel (“BBL”) in mid-April, concerns about supply uncertainty and weak demand caused oil prices to fall for the fifth consecutive month in May 2023, with prices of Brent crude futures and WTI futures dropping by 7% to 10%. The People’s Republic of China (the “PRC”)’s economic slowdown and the United States of America (the “US”)’s debt limit crisis have also contributed to the decline in oil prices. Despite the lifting of COVID-19 restrictions in the PRC, concerns about the banking industry and economic recession might have led investors to flee from risk assets, resulting in a significant drop in oil prices.

Facing the challenges posed by the market, the Group has continued to adapt and evolve in line with market demands and trends, and thus, we focus on back-to-back trade arrangement and keep a low level of inventories to minimise inventory risk. We remain committed to our focus on strengthening our position in the petrochemical trading market.

## 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. Based on the increased total throughput, stable growth of customers, and improved unit price from new customers, Strong Nantong achieved continuous growth in revenue and profits over the Six Month Period. In the second half of 2023, Strong Nantong focuses on optimising its storage tank usage plan while proactively cultivating long-term customer relationships. By doing so, Strong Nantong aims to achieve enhanced revenue stability and maximise profits for the Group. This strategic approach not only ensures a more steady and reliable revenue stream but also paves the way for sustained growth and prosperity. We are optimistic about the continued growths in the revenue and profits of Strong Nantong.

## 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 a petrochemicals manufacturing plant (the “Fujian Plant”) in Fujian Province of the PRC. The expected commencement date of operation of the Fujian Plant will be deferred to the first quarter of 2024 due to typhoon Doksuri which made landfall in Quanzhou City in late July 2023. Fujian Petrochemical has continued its trading business of petrochemicals 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. Given the robust and unwavering support from the local government, we are confident in and optimistic about the progress of the SEBS Project and the potential sales of the relevant products in future.

# MANAGEMENT DISCUSSION AND ANALYSIS

During the Six Month Period, the oil market experienced a rapidly changing environment. The average price of Brent crude oil climbed from US\$79.05 per BBL in early January to a peak of US\$84.55 per BBL in late January, before stabilizing around US\$75 per BBL mark in June. However, the market also witnessed a sharp drop in oil prices in March and May due to factors such as the banking crisis and concerns about economic recession. We will closely monitor the oil market's volatility to identify profitable trading opportunities for oil products.

Considering the current scarcity of prospects in the crude oil and petroleum products market, our Singapore office has persistently worked towards cultivating and preserving its business ties with the Indonesian coal suppliers throughout the Six Month Period.

Solar energy has become increasingly popular in Hong Kong. However, it contributes only a small portion to overall electricity generation until now. We remain optimistic about the potential growth of our solar energy business, and is proactively searching for new opportunities in emerging business areas to create additional revenue streams which will also promote a reduction in carbon emissions.

As we look ahead to the second half of 2023 and beyond, we will remain vigilant in monitoring the ever-evolving oil market landscape. We will continue to adapt and innovate in order to capitalise on emerging opportunities, mitigate risks, and drive sustainable growth for our shareholders and stakeholders.

## FINANCIAL REVIEW

### Revenue

#### Trading of commodities

The revenue from trading business of the Group was approximately HK\$462.7 million (the six months ended 30 June 2022 ("1H2022"): approximately HK\$455.3 million) for the Six Month Period, representing an increase of approximately 2%, compared with 1H2022. Approximately 2% (1H2022: 4%) of the Group's revenue from trading business was generated from trading of petroleum products for the Six Month Period. The revenue generated from the trading of petrochemicals for the Six Month Period was approximately 69% (1H2022: approximately 67%). For the Six Month Period, approximately 29% (1H2022: approximately 29%) of the Group's revenue from trading business was generated from the trading of coal.

# MANAGEMENT DISCUSSION AND ANALYSIS

The trading volume of petroleum products was 986 MT for the Six Month Period (1H2022: 1,810 MT). The trading volume of petrochemicals increased from 44,510 MT for 1H2022 to 53,921 MT for the Six Month Period which was resulted from the increased demand from our customers. The trading volume of coal decreased from 193,861 MT for 1H2022 to 155,029 MT for the Six Month Period because of the reduced demand.

Products	Unit	Six months ended 30 June			2022		
		Number of contracts	Sales quantity	Revenue HK\$ million	Number of contracts	Sales quantity	Revenue HK\$ million
Trading of commodities							
Petroleum products	MT	1	986	8.0	1	1,810	17.3
Petrochemicals	MT	83	53,921	320.6	106	44,510	303.7
Coal	MT	6	155,029	134.1	7	193,861	134.3
Total		90		462.7	114		455.3

## 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\$17.7 million for the Six Month Period (1H2022: approximately HK\$15.5 million). Approximately 65% (1H2022: 74%) of the Group's revenue from storage business was generated from general storage services, while approximately 35% (1H2022: 26%) was generated from other ancillary services such as pipeline transmission, waste treatment and vehicle loading. Revenue generated from leases was approximately HK\$8.1 million for the Six Month Period (1H2022: approximately HK\$7.0 million).



# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross Profit

Due to the lower profit margin in commodities trading under the unfavourable market conditions, the gross profit dropped to approximately HK\$17.7 million in the Six Month Period (1H2022: approximately HK\$22.4 million).

## Changes in Fair Value of Derivative Financial Instruments

The Group has engaged in trading of derivative financial instruments for investment purpose. 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\$1.3 million (1H2022: approximately HK\$7.4 million). The realised gain and unrealised gain on changes in fair value of derivative financial instruments were approximately HK\$0.5 million and HK\$0.8 million, respectively (1H2022: realised loss of approximately HK\$0.1 million and unrealised gain HK\$7.5 million respectively).

## Loss for the Period

Loss attributable to owners of the Company for the Six Month Period was approximately HK\$10.2 million (1H2022: profit attributable to owners of the Company of approximately HK\$13.8 million).

## Liquidity and Financial Resources

The bank balances and cash as at 30 June 2023 amounted to approximately HK\$330.7 million (31 December 2022: approximately HK\$288.0 million). The increase in bank balances and cash was mainly attributable to the increase in bank borrowings and the decrease in the pledged bank deposits.

The banking facilities as at 30 June 2023 were amounted to US\$178.0 million and Renminbi ("RMB") 17.0 million (equivalent to approximately HK\$1,406.8 million in total) from several banks. Save for the Group's bank borrowings of approximately HK\$53.3 million, the Group had no other bank overdraft as at 30 June 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gearing Ratio

As at 30 June 2023, the gearing ratio was 4% (31 December 2022: 0%). The gearing ratio was calculated as the Group's total borrowings divided by total assets. The increase in gearing ratio is mainly because the Group has raised bank borrowings to support the construction of the Fujian Plant.

## Charges of Assets and Contingent Liabilities

As at 30 June 2023, the Group's banking facilities were secured by certain right-of-use assets of approximately HK\$59.8 million (31 December 2022: approximately HK\$15.3 million), property, plant and equipment of approximately HK\$174.2 million (31 December 2022: Nil) and none of pledged bank deposits (31 December 2022: HK\$26.6 million).

As at 30 June 2023, the Group did not have any significant contingent liabilities.

## 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 2023, the Group had contracted for capital expenditure of approximately RMB289.6 million (equivalent to approximately HK\$314.1 million) in respect of the construction of the Fujian Plant (31 December 2022: approximately RMB360.1 million (equivalent to approximately HK\$403.1 million)).

## Interim Dividends

The board (the "Board") of directors (the "Directors") of the Company does not recommend the payment of any interim dividend for the Six Month Period (1H2022: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Significant Investment

The Group held a significant investment in SH Energy Fund 1 (“SH Energy”) as at 30 June 2023, 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 2023.

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 class A shares in SH Energy. The cost of such investment is US\$25.0 million (equivalent to approximately HK\$195.0 million), approximately 99% shares held in the investment. 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 2023, the accumulated investment made by the Group in SH Energy amounted to US\$25.0 million (equivalent to approximately HK\$195.0 million). The fair value of SH Energy was approximately US\$19.6 million (equivalent to approximately HK\$152.6 million) as at 30 June 2023, which represented approximately 10% of the Group’s total assets. The details of the fair value of SH Energy are set out in Note 12 to the condensed consolidated financial statements.

Save as disclosed above, there were no other significant investments held by the Group as at 30 June 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

Fujian Petrochemical 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 first quarter of 2024. Fujian Petrochemical was engaged in trading of petrochemicals during the Six Month Period.

The abovementioned investment is expected to be supported by bank borrowings and surplus funds.

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

## **Employees and Remuneration Policy**

Due to the development of the Fujian Plant, the number of the Group's employees increased to 142 as at 30 June 2023 (31 December 2022: 93). 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 2023, 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 a controlled corporation (note 2)	50,576,000	2.38
	Interest of concert parties (note 3)	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
	Interest of concert parties (note 4)	50,576,000	2.38

*notes:*

1. 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 International Ltd. ("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.
2. Mr. Wang Jian Sheng holds the entire issued share capital of Speed Success Group Limited ("Speed Success").
3. 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.
4. 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. Wang Jian Sheng indirectly owns approximately 2.38% equity interest in the Company through Speed Success, Mr. Yao Guoliang 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 2023, 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
Speed Success	Beneficial Owner (note 2)	50,576,000	2.38
Hongkong Hengyuan Investment Limited	Beneficial Owner (note 3)	353,603,681	16.65

notes:

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.
2. Mr. Wang Jian Sheng holds the entire issued share capital of Speed Success.
3. Mr. Chang Liang holds the entire issued share capital of Hongkong Hengyuan Investment Limited.

## 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 <sup>(1)</sup> (dd/mm/yy)	Exercise price HK\$	Price of share of the Company		Number of share options <sup>(2)</sup>			
			of share options HK\$	of share options HK\$	Outstanding at 1/1/2023	Exercised during the period	Lapsed during the period	Outstanding at 30/6/2023
Related entity participants or service providers with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue <sup>(3)</sup>	05/09/14	0.78	0.77	N/A	138,000,000	-	-	138,000,000
<b>Total</b>					<b>138,000,000</b>	<b>-</b>	<b>-</b>	<b>138,000,000</b>

notes:

- Under the Share Option Scheme, share options granted are exercisable during the period starting from 6 September 2014 to 14 May 2024.
- During the Six Month Period, no share options of the Company were lapsed or exercised.
- They represented advisers who had provided advisory services (mainly for business opportunity for trading of crude oil) to the Group.



## OTHER INFORMATION

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 2023 and as at 24 August 2023, the date of this report.

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.

### 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 report, the audit committee of the Company comprises all of the three independent non-executive Directors, namely, Ms. Cheung Siu Wan (Chairman), Prof. 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 code provisions as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Six Month Period.

### 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, 24 August 2023

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	NOTES	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	3		
Goods and services		<b>480,470</b>	470,831
Leases		<b>8,148</b>	6,978
		<b>488,618</b>	477,809
Cost of sales		<b>(470,928)</b>	(455,381)
Gross profit		<b>17,690</b>	22,428
Other income	4	<b>12,010</b>	19,138
Other gains and losses	4	<b>(8,317)</b>	(16,218)
Other operating income	4	<b>–</b>	28,147
(Loss) gain on financial assets at fair value through profit or loss, net	12	<b>(43)</b>	27,247
Gain on changes in fair value of derivative financial instruments, net		<b>1,286</b>	7,440
Distribution, selling and operating expenses		<b>–</b>	(28,092)
Administrative expenses		<b>(32,649)</b>	(44,540)
Finance costs	5	<b>(415)</b>	(180)
Share of results of associates		<b>4,991</b>	2,629
(Loss) profit before taxation	7	<b>(5,447)</b>	17,999
Income tax expense	6	<b>(5,185)</b>	(4,348)
(Loss) profit for the period		<b>(10,632)</b>	13,651
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>(11,638)</b>	(26,034)
Total comprehensive expense for the period		<b>(22,270)</b>	(12,383)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	NOTE	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		(10,232)	13,778
Non-controlling interests		(400)	(127)
		<u>(10,632)</u>	<u>13,651</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(21,870)	(12,256)
Non-controlling interests		(400)	(127)
		<u>(22,270)</u>	<u>(12,383)</u>
(Loss) earnings per share	9		
— basic (HK cents)		<u>(0.48)</u>	<u>0.65</u>
— diluted (HK cents)		<u>(0.48)</u>	<u>0.65</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	NOTES	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	233,565	172,534
Investment properties	11	161,021	165,984
Right-of-use assets		62,801	66,840
Other assets		1,773	1,792
Trade receivables	13	80,398	119,931
Rental deposit		200	533
Interests in associates		74,188	71,668
Financial asset at fair value through profit or loss	12	152,564	152,564
		<b>766,510</b>	<b>751,846</b>
<b>Current assets</b>			
Inventories		31,193	35,177
Trade receivables	13	198,964	228,859
Other receivables, deposits and prepayments		37,927	23,127
Income tax recoverables		9	839
Derivative financial instruments		11,726	613
Financial assets at fair value through profit or loss	12	295	338
Deposits placed with brokers		107,111	123,219
Pledged bank deposits		–	26,598
Bank balances and cash		330,669	287,962
		<b>717,894</b>	<b>726,732</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	NOTES	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
<b>Current liabilities</b>			
Trade payables	14	–	38,855
Other payables and accrued charges		22,868	35,442
Contract liabilities		18,573	2,078
Lease liabilities		2,373	2,840
Income tax payables		1,890	1,046
Derivative financial instruments		10,789	514
		<b>56,493</b>	<b>80,775</b>
<b>Net current assets</b>		<b>661,401</b>	<b>645,957</b>
<b>Total assets less current liabilities</b>		<b>1,427,911</b>	<b>1,397,803</b>
<b>Non-current liabilities</b>			
Lease liabilities		712	1,674
Bank borrowings	15	53,340	–
		<b>54,052</b>	<b>1,674</b>
<b>Net assets</b>		<b>1,373,859</b>	<b>1,396,129</b>
<b>Capital and reserves</b>			
Share capital	16	53,084	53,084
Reserves		1,321,541	1,343,411
<b>Equity attributable to owners of the Company</b>		<b>1,374,625</b>	<b>1,396,495</b>
<b>Non-controlling interests</b>		<b>(766)</b>	<b>(366)</b>
<b>Total equity</b>		<b>1,373,859</b>	<b>1,396,129</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (note (i))	Legal reserve/ Statutory reserve HK\$'000 (note (ii))	Share-based payments reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000 (note (iii))	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2022	53,084	566,111	(1,922)	-	50,391	21,718	12,295	737,184	1,438,861	-	1,438,861
Profit (loss) for the period	-	-	-	-	-	-	-	13,778	13,778	(127)	13,651
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(26,034)	-	-	(26,034)	-	(26,034)
Total comprehensive (expense) income for the period	-	-	-	-	-	(26,034)	-	13,778	(12,256)	(127)	(12,383)
Contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	80	80
At 30 June 2022 (unaudited)	53,084	566,111	(1,922)	-	50,391	(4,316)	12,295	750,962	1,426,605	(47)	1,426,558
At 1 January 2023	53,084	566,111	(1,922)	4,708	50,391	(26,828)	12,295	738,656	1,396,495	(366)	1,396,129
Loss for the period	-	-	-	-	-	-	-	(10,232)	(10,232)	(400)	(10,632)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(11,638)	-	-	(11,638)	-	(11,638)
Total comprehensive expense for the period	-	-	-	-	-	(11,638)	-	(10,232)	(21,870)	(400)	(22,270)
Reclassification of special reserve to retained profits upon disposal of a subsidiary	-	-	(78)	-	-	-	-	78	-	-	-
At 30 June 2023 (unaudited)	53,084	566,111	(2,000)	4,708	50,391	(38,466)	12,295	728,502	1,374,625	(766)	1,373,859

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.

During the period ended 30 June 2023, a subsidiary was disposed of, and the relevant special reserve has been reclassified to retained profits.

- (ii) The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserve, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. Statutory reserve is created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory reserve prior to distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory reserve is more than 50% of its registered capital. The statutory reserve shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretionary reserve using its post-tax profits in accordance with resolutions of the shareholders.

- (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 2023

	NOTE	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Net cash from operating activities		<b>15,836</b>	140,864
Net cash (used in) from investing activities			
Decrease in deposits placed with brokers		<b>16,109</b>	53,868
Payments for construction and purchase of property, plant and equipment		<b>(70,260)</b>	(49,658)
Reduction (addition) of pledged bank deposits		<b>26,598</b>	(2,329)
Interest received		<b>3,761</b>	121
		<b>(23,792)</b>	2,002
Net cash from (used in) financing activities			
Proceeds from bank borrowings		<b>54,653</b>	–
Repayments of lease liabilities		<b>(1,428)</b>	(1,391)
Contribution from a non-controlling shareholder of a subsidiary		–	80
Interest paid	5	<b>(341)</b>	(49)
		<b>52,884</b>	(1,360)
Net increase in cash and cash equivalents		<b>44,928</b>	141,506
Cash and cash equivalents at 1 January		<b>287,962</b>	158,152
Effect of foreign exchange rate changes		<b>(2,221)</b>	(14,513)
Cash and cash equivalents at 30 June, representing bank balances and cash		<b>330,669</b>	285,145



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 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 24 August 2023.

## 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 adoption of new and amended 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 2022.

### Adoption of new and amended HKFRSs

In the Six Month Period, the Group has adopted the following new and amended HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s financial year beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

The adoption of the new and amended 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.

The Group has not adopted the new and amended HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and amended HKFRSs but is not yet in a position to state whether these new and amended HKFRS would have a material impact on its results of operations and financial position.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 3. REVENUE AND SEGMENT INFORMATION

### Revenue

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

Segments	Six months ended 30 June 2023		
	Trading business	Storage business	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
<b>Types of goods or services in respect of contracts with customers</b>			
Trading of commodities			
Petroleum products	7,964	-	7,964
Petrochemicals	320,668	-	320,668
Coal	134,104	-	134,104
	<u>462,736</u>	<u>-</u>	<u>462,736</u>
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	-	11,527	11,527
Other ancillary services	-	6,207	6,207
	<u>-</u>	<u>17,734</u>	<u>17,734</u>
Total	<u>462,736</u>	<u>17,734</u>	<u>480,470</u>
<b>Geographical markets</b>			
The PRC	328,632	17,734	346,366
Other regions	134,104	-	134,104
Total	<u>462,736</u>	<u>17,734</u>	<u>480,470</u>
<b>Timing of revenue recognition</b>			
A point in time	462,736	-	462,736
Over time	-	17,734	17,734
Total	<u>462,736</u>	<u>17,734</u>	<u>480,470</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 3. REVENUE AND SEGMENT INFORMATION – continued

### Revenue – continued

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

Segments	Six months ended 30 June 2022		
	Trading business HK\$'000 (unaudited)	Storage business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>Types of goods or services in respect of contracts with customers</b>			
Trading of commodities			
Petroleum products	17,384	–	17,384
Petrochemicals	303,663	–	303,663
Coal	134,284	–	134,284
	<u>455,331</u>	<u>–</u>	<u>455,331</u>
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	–	11,484	11,484
Other ancillary services	–	4,016	4,016
	<u>–</u>	<u>15,500</u>	<u>15,500</u>
Total	<u>455,331</u>	<u>15,500</u>	<u>470,831</u>
<b>Geographical markets</b>			
The PRC	321,047	15,500	336,547
Other regions	134,284	–	134,284
Total	<u>455,331</u>	<u>15,500</u>	<u>470,831</u>
<b>Timing of revenue recognition</b>			
A point in time	455,331	–	455,331
Over time	–	15,500	15,500
Total	<u>455,331</u>	<u>15,500</u>	<u>470,831</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 3. REVENUE AND SEGMENT INFORMATION – continued

### Revenue – continued

#### (ii) Leases

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
For operating leases:		
Lease income that is fixed or depends on a rate	<b>8,148</b>	6,978

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Trading business	<b>462,736</b>	455,331
Storage business	<b>17,734</b>	15,500
Revenue from contracts with customers	<b>480,470</b>	470,831
Leases	<b>8,148</b>	6,978
Total revenue	<b>488,618</b>	477,809

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 3. REVENUE AND SEGMENT INFORMATION – *continued*

### 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.

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 (*note*), petroleum products, petrochemicals and coal); and
- (ii) Storage business (provision of general storage and other ancillary services in respect of petroleum products and petrochemicals).

*note:* The Group did not conduct trades for crude oil for both periods as it adopted a conservative approach on the trading of crude oil commodities in response to the current market condition.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 3. REVENUE AND SEGMENT INFORMATION – continued

### Segment information – continued

#### 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 2023*

	Trading business HK\$'000 (unaudited)	Storage business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from contracts with customers	462,736	17,734	480,470
Leases	–	8,148	8,148
Total revenue	462,736	25,882	488,618
Segment results	(5,260)	15,587	10,327
Share of results of associates			4,991
Loss on financial assets at fair value through profit or loss ("FVTPL"), net			(43)
Unallocated finance costs			(48)
Unallocated income and gains			4,943
Unallocated expenses and losses ( <i>note</i> )			(25,617)
Loss before taxation			(5,447)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 3. REVENUE AND SEGMENT INFORMATION – continued

### Segment information – continued

#### Segment revenue and results – continued

For six months ended 30 June 2022

	Trading business HK\$'000 (unaudited)	Storage business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from contracts with customers	455,331	15,500	470,831
Leases	–	6,978	6,978
Total revenue	<u>455,331</u>	<u>22,478</u>	<u>477,809</u>
Segment results	<u>2,359</u>	<u>11,449</u>	13,808
Share of results of associates			2,629
Gain on financial assets at FVTPL, net			27,247
Other operating income from time chartering, net			6
Other operating income from logistics and blending services, net			49
Unallocated finance costs			(9)
Unallocated income and gains			2,832
Unallocated expenses and losses (note)			<u>(28,563)</u>
Profit before taxation			<u>17,999</u>

note: Unallocated expenses and losses mainly comprised of depreciation of investment properties and administrative costs of the headquarter.

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 2023

## 4. OTHER INCOME, OTHER GAINS AND LOSSES, AND OTHER OPERATING INCOME

### A. Other income

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Bank interest income	2,905	121
Interest income from deposits placed with brokers	856	–
Interest income from trade receivable	5,645	15,875
Rental income	631	1,595
Government grants	1,881	1,233
Others	92	314
	<b>12,010</b>	<b>19,138</b>

### B. Other gains and losses

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
(Losses) gains on disposal of property, plant and equipment	(1)	14
Net foreign exchange losses	(8,500)	(16,819)
Others	184	587
	<b>(8,317)</b>	<b>(16,218)</b>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 4. OTHER INCOME, OTHER GAINS AND LOSSES, AND OTHER OPERATING INCOME – *continued*

### C. Other operating income

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Income from time chartering ( <i>note (i)</i> )	–	20,260
Income from logistics and blending services ( <i>note (ii)</i> )	–	7,887
	–	<u>28,147</u>

notes:

- (i) During the six months ended 30 June 2022, the Group engaged in time chartering business, of which approximately HK\$20,254,000 related expenses were recorded under distribution, selling and operating expenses.
- (ii) In view of the adverse commodities market condition with uncertain price trend and the on-going uncertainties related to the pandemic, the Group engaged in logistics and blending services to mitigate, amongst others, inventory and cash flow risk associated with trading of commodities during the six months ended 30 June 2022. Related expenses of approximately HK\$7,838,000 for logistics and blending services was recorded under distribution, selling and operating expenses.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 5. FINANCE COSTS

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Bank charges on letter of credit facilities	366	131
Interest on bank and other borrowings (note)	–	3
Interest on lease liabilities	49	46
	<b>415</b>	<b>180</b>

note: Fujian Petrochemical obtained bank borrowings to support the construction of the Fujian Plant. For the Six Month Period, interest on bank borrowings of approximately HK\$359,000 was capitalised under property, plant and equipment.

## 6. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Current tax		
Enterprise Income Tax ("EIT") in the PRC (note (i))	5,185	3,917
Singapore Corporate Income Tax (note (ii))	–	156
Underprovision of taxation in prior year		
EIT in the PRC	–	275
	<b>5,185</b>	<b>4,348</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 6. INCOME TAX EXPENSE – continued

notes:

- (i) 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. On 18 March 2022, the Ministry of Finance and the State Taxation Administration implemented preferential income tax policies for low-profit small businesses with annual taxable income that exceeds RMB1 million but does not exceed RMB3 million will be counted as 25% of the actual amount at a tax rate of 20% which would be retrospectively implemented from 1 January 2022 to 31 December 2024.

The withholding tax rate was 10% on the remittance of dividends from the subsidiary in the PRC. For the Six Month Period, approximately HK\$1,302,000 of withholding tax was paid in respect of dividend declared by a subsidiary in the PRC (1H2022: Nil).

- (ii) The Singapore Corporate Income Tax is determined by applying the Singapore tax rate of 17%. With the approval of the Group’s application for Global Trader Programme by International Enterprise Singapore, certain qualified income generated by a subsidiary operating in Singapore for 1H2022 from physical trading of energy products is taxed at a concessionary rate of 10% until the end of year 2024. No provision for Singapore Corporate Tax had been made for the Six Month Period since tax loss was incurred for the subsidiary operating in Singapore.
- (iii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the condensed consolidated financial statements. Accordingly, Hong Kong Profits Tax for subsidiaries operating in Hong Kong is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax has been made for both periods since tax losses are incurred for the subsidiaries operating in Hong Kong or the assessable profit is wholly absorbed by tax losses brought forward from previous years.
- (iv) No provision for Macao Complementary Tax has been made for both periods since loss was incurred for the subsidiary operating in Macao.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 7. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
(Loss) profit before taxation is arrived after charging (crediting):		
Auditor's remuneration	939	884
Depreciation of property, plant and equipment	3,480	4,231
Depreciation of investment properties	4,964	4,671
Depreciation of right-of-use assets	2,122	2,082
Amortisation of other assets	18	18
Net foreign exchange losses	8,500	16,819
Impairment loss on inventories	479	284
Share of results of associates	(4,991)	(2,629)
Directors' emoluments	240	240
Other staff costs		
Salaries, bonus and other allowances	14,659	22,549
Retirement benefit schemes contributions	756	998
	15,655	23,787
Cost of inventories recognised as an expense (included in cost of sales)	463,751	447,682

## 8. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Six Month Period (1H2022: Nil).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
<b>(Loss) profit</b>		
(Loss) profit for the purposes of calculating basic and diluted (loss) earnings per share		
(Loss) profit for the period attributable to owners of the Company	(10,232)	13,778
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	2,123,364,090	2,123,364,090

For the Six Month Period and 1H2022, the computation of diluted (loss) 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.

## 10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June 2023		For the year ended 31 December 2022
	HK\$'000 (unaudited)	HK\$'000 (audited)	
At the beginning of the period/year	172,534	129,186	
Exchange realignment	(5,104)	(10,565)	
Acquired from acquisition of a subsidiary	–	192	
Additions	69,616	61,717	
Disposals	(1)	–	
Depreciation charge	(3,480)	(7,996)	
At the end of the period/year	233,565	172,534	

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT – *continued*

Due to typhoon Doksuri which made landfall in Quanzhou City in late July 2023, the expected commencement date of operation of the Fujian Plant which are classified as construction in progress (included in property, plant and equipment) with carrying amount of approximately HK\$174,168,000 as at 30 June 2023, will be deferred to the first quarter of 2024. The Group considered the impacts from the incident are immaterial.

## 11. INVESTMENT PROPERTIES

The Group's investment properties comprise of a commercial property and car park spaces with estimated useful lives of 20 years situated in Hong Kong.

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

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Non-current asset		
— Unlisted equity investment	152,564	152,564
Current assets		
— Listed securities held for trading	295	338
	<b>152,859</b>	<b>152,902</b>

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
(Loss) gain on financial assets at FVTPL, net:		
Dividend income from unlisted equity investment	–	27,300
Loss on fair value change in listed securities held for trading	(43)	(53)
	<b>(43)</b>	<b>27,247</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

– continued

### Unlisted equity investment

On 31 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).

As at 31 December 2021, unpaid amount of US\$3,500,000 (equivalent to approximately HK\$27,300,000) was included in other payable. During the six months ended 30 June 2022, the amount was settled through the declaration of dividend by SH Energy of the same amount which was one of the major non-cash transactions of the Group for the six months ended 30 June 2022.

Fair value measurement of the Group's investment in SH Energy is classified as Level 3 of the fair value hierarchy (Note 19). For the year ended 31 December 2022, the management of the Group assessed the fair value of its investment in SH Energy with the assistance of an independent qualified professional valuer engaged by the Group. The fair value is determined using income approach calculation. In determining the fair value of its investment in SH Energy, the management of the Group estimated the proceeds on ultimate disposal of SH Energy based on the estimation of the present value of the future cash flows expected to arise from the dividends to be recovered from SH Energy. Based on the fair value assessment, the fair value of the investment amounted to approximately US\$19,560,000 (equivalent to approximately HK\$152,564,000) as at 31 December 2022. The management of the Group determined that there was no major indication for material change over the Six Month Period and the carrying value approximated the fair value as at 30 June 2023.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

– continued

### Listed securities held for trading

	<b>30 June 2023 HK\$'000 (unaudited)</b>	31 December 2022 HK\$'000 (audited)
Listed securities held for trading:		
— Equity securities listed in Hong Kong	<b>231</b>	260
— Equity securities listed outside Hong Kong	<b>64</b>	78
	<b>295</b>	338

Fair value measurement of the Group's investment in listed securities is classified as Level 1 of the fair value hierarchy (Note 19), as the fair value is based on quoted bid prices in active markets. For the Six Month Period, a fair value loss of approximately HK\$43,000 (1H2022: approximately HK\$53,000) was recognised.

## 13. TRADE RECEIVABLES

	<b>30 June 2023 HK\$'000 (unaudited)</b>	31 December 2022 HK\$'000 (audited)
Trade receivables		
— contracts with customers ( <i>note</i> )	<b>278,030</b>	348,411
— lease receivables	<b>1,332</b>	379
	<b>279,362</b>	348,790
Classified as:		
Non-current assets	<b>80,398</b>	119,931
Current assets	<b>198,964</b>	228,859
	<b>279,362</b>	348,790

*note:* At 30 June 2023 and 31 December 2022, 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.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 13. TRADE RECEIVABLES – *continued*

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:

	<b>30 June 2023 HK\$'000 (unaudited)</b>	31 December 2022 HK\$'000 (audited)
0 to 30 days	<b>3,694</b>	5,399
31 to 60 days	<b>222</b>	–
Over 365 days	<b>275,446</b>	343,391
	<b>279,362</b>	348,790

Included in the trade receivables as at 30 June 2023, an amount of approximately HK\$275,446,000 from one customer was past due for over 365 days. However, the customer and the Group entered into a debt renegotiation plan and a supplemental modification agreement on 8 December 2021 and 29 December 2022 respectively. In accordance with the repayment schedule stipulated in the debt renegotiation plan, monthly repayments will be made from 2022 to 2024. In accordance with the supplemental modification agreement, repayments of principal shall be partially made in 2023 and the remaining principal shall be fully repaid by the end of June 2024; repayment of accumulated interest shall be made by the end of December 2024. During the Six Month Period, the customer made repayments in accordance with the supplemental modification agreement. 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 2023

## 14. TRADE PAYABLES

	<b>30 June 2023 HK\$'000 (unaudited)</b>	31 December 2022 HK\$'000 (audited)
Trade payables at amortised cost	—	38,855

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:

	<b>30 June 2023 HK\$'000 (unaudited)</b>	31 December 2022 HK\$'000 (audited)
0 to 30 days	—	38,855

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 15. BANK BORROWINGS

	<b>30 June 2023 HK\$'000 (unaudited)</b>	31 December 2022 HK\$'000 (audited)
Bank borrowings — secured	<b>53,340</b>	—
The carrying amount of the above borrowings are repayable ( <i>note</i> ):		
Within a period of more than two years but not exceeding five years	<b>24,892</b>	—
More than five years	<b>28,448</b>	—
Amount shown under non-current liabilities	<b>53,340</b>	—

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

As at 30 June 2023, the bank borrowings carry interest at floating rate of 4.4% (Loan Prime Rate plus 0.2%) and are secured by certain right-of-use assets and property, plant and equipment.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.025 each		
Authorised:		
At 31 December 2022 (audited) and 30 June 2023 (unaudited)	<u>4,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31 December 2022 (audited) and 30 June 2023 (unaudited)	<u>2,123,364,090</u>	<u>53,084</u>

## 17. CAPITAL COMMITMENTS

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the construction of the Fujian Plant	<u>314,107</u>	<u>403,147</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 18. RELATED PARTY 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	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (audited)
Strong Property Limited ( <i>note</i> )	Rental expenses	994	994

*note:* 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 2023

## 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 value 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 asset at FVTPL HK\$'000
<b>Unlisted equity investment</b>	
At 31 December 2022 (audited) and 30 June 2023 (unaudited)	<b>152,564</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

– continued

### (i) Fair value 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 2023 and 31 December 2022

	At 30 June 2023			Total HK\$'000
	Level 1 HK\$'000 (note (i))	Level 2 HK\$'000	Level 3 HK\$'000 (note (iii))	
<b>Financial assets</b>				
Financial assets at FVTPL				
Unlisted equity investment	-	-	152,564	152,564
Derivative financial instruments (note (ii))	-	11,726	-	11,726
Listed securities held for trading	295	-	-	295
<b>Financial liabilities</b>				
Financial liabilities at FVTPL				
Derivative financial instruments (note (ii))	-	10,789	-	10,789

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

– continued

### (i) Fair value 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 2023 and 31 December 2022 – continued

	At 31 December 2022			Total HK\$'000
	Level 1	Level 2	Level 3	
	HK\$'000 (note (i))	HK\$'000	HK\$'000 (note (iii))	
<b>Financial assets</b>				
Financial assets at FVTPL				
Unlisted equity investment	–	–	152,564	152,564
Derivative financial instruments (note (ii))	–	613	–	613
Listed securities held for trading	338	–	–	338

### Financial liabilities

Financial liabilities at FVTPL

Derivative financial instruments (note (ii))	–	514	–	514
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notes:

- (i) Quoted bid prices in active markets.
- (ii) Difference between the contracted strike prices and prevailing futures, swaps and options prices or published indexes. Such prevailing futures, swaps and options prices or published indexes are derived from the relevant futures exchanges or prices publication as specified in the contracts.
- (iii) The underlying investment in SH Energy is an oil reserve in the PRC. As at 31 December 2022, the fair value valuation has adopted certain key assumptions provided by management of the Group, including, but not limited to, the validity of the cash flow projection. Other key inputs used in the valuation include average EBITDA margin of 66%, pre-tax discount rate of 18.6%, discount for lack of marketability of 15.8% and discount for lack of control of 15.5%. No fair value assessment was required as in the opinion of the Directors, the fair value approximated the carrying value.

There were no transfers among Level 1, 2 and 3 during the Six Month Period.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

– *continued*

**(ii) Fair value 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.