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

2011 INTERIM REPORT

*For identification purposes only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WANG Jian Sheng
Mr. YAO Guoliang

Independent Non-executive Directors

Mr. ZHU Yao Bin
Mr. LAU Hon Kee
Ms. LIN Yan
Mr. GUO Yan Jun

BOARD COMMITTEES

Audit Committee

Mr. LAU Hon Kee *(Committee Chairperson)*
Mr. ZHU Yao Bin
Ms. LIN Yan
Mr. GUO Yan Jun

Remuneration Committee

Ms. LIN Yan *(Committee Chairperson)*
Mr. LAU Hon Kee
Mr. WANG Jian Sheng
Mr. GUO Yan Jun

COMPANY SECRETARY

Mr. PANG Man Chun Manson

AUTHORISED REPRESENTATIVES

Mr. YAO Guoliang
Mr. PANG Man Chun Manson

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1604, 16th Floor,
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR

Angela Ho & Associates

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman
KY1-007
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Bank of Tokyo-Mitsubishi UFJ Ltd.
Singapore Branch

Société Genérale
Hong Kong Branch

Standard Chartered Bank (Hong Kong) Limited

Rabobank International
Singapore Branch

Bank of China (Hong Kong) Limited

WEBSITE

www.strongpetrochem.com

STOCK CODE

852

FINANICAL REVIEW

The Group is principally engaged in the trading of oil products. 54.1% of the Group's revenue is generated from trading of crude oil for the six months ended 30 September 2011 (66.9% for the six months ended 30 September 2010). The revenue generated from trading of petroleum products is approximately 25.4% (27.2% for the six months ended 30 September 2010) and the revenue generated from trading of petrochemical products is approximately 20.5% (5.9% for the six months ended 30 September 2010).

Revenue

		Six months ended 30 September					
		2011			2010		
Products	**Units**	**Number of shipment**	**Sales quantity**	**Turnover HK$ million**	Number of shipment	Sales quantity	Turnover HK$ million
Crude oil	BBL	**3**	**1,818,156**	**1,624.1**	8	4,323,830	2,664.1
Petroleum products	BBL	**10**	**923,895**	**761.3**	5	2,014,052	1,082.6
Petrochemical products	MT	**23**	**61,839**	**614.5**	10	32,690	236.3
Total		**36**		**2,999.9**	23		3,983.0

Revenue for the six months period ended 30 September 2011 was approximately HK$2,999.9 million, representing a decrease of 24.7% when compared to approximately HK$3,983.0 million for the same period of last year. It was primarily attributable to the decrease in liquidity of crude oil trading cycle for the past six months owing to demand slow down from China spot market.

Crude oil trading remains as the principal trading activity of the Group. International crude oil price experienced alternate rises with subsequent repetitious volatility and remained at high levels. During the first half of 2011, the average spot price of Brent crude oil was approximately US$111 per barrel, representing an increase of 43.9% as compared with the corresponding period of last year, while the average spot price of West Texas Intermediate crude oil was approximately US$98 per barrel, representing a year-on-year increase of 26.0%.

With such impact, the Group's average selling price of crude oil, petroleum products and petrochemical products has increased 45.0%, 53.3% and 37.4%, respectively. The increase in selling price for crude oil was in line with that of Brent crude oil because it was used as a key factor for our pricing formula.

Cost of Sales

Cost of sales for the six months period ended 30 September 2011 was approximately HK$2,993.3 million, representing a decrease of 23.7% when compared to HK$3,923.6 million for the same period of last year.

Gross Profit

Gross profit for the six months period ended 30 September 2011 was approximately HK$6.6 million, representing a 88.9% decrease when compared to HK$59.4 million of profit for the same period of last year. Due to the backwardation market structure and demand slow down from China spot market for the crude oil trading business. The surge in oil price had an unfavorable effect on our gross profit under transparent market. It narrowed down our gross profit margin accordingly.

As the change in market structure, gross margin getting thinner especially for the oil spot market, the gross profit was HK$12.9 million (2010: HK$66.9 million) for the six months period ended 30 September 2011. The increase in sales of petrochemical products was offset by the decrease in those of petroleum products, adding the decrease in liquidity of trading cycle also lead to a stock provision of HK$5.5 million. Aggregation of petroleum products and petrochemical products trading businesses recorded gross loss amounted to HK$6.3 million (2010: HK$7.5 million) in the reporting period.

Other Income

Other income for the six months period ended 30 September 2011 was approximately HK$10.3 million (2010: HK$3.9 million). The increase was mainly represented by the service income of HK$1.5 million earned in the period and exchange gains from foreign exchange contract amounted to HK$5.5 million.

Fair Value Changes on Derivative Financial Instruments

The Group has engaged in trading in derivative financial instruments. The purposes of hedging activities are to minimize the price risk exposure of each trade and to reduce the fluctuation in the operating results.

For the six months period ended 30 September 2011, the aggregate gain on fair value changes on derivative financial instruments was amounted to approximately HK$53.7 million (2010: HK$137.3 million). The realized loss and unrealized gain on fair value changes on derivative financial instruments were approximately HK$11.4 million and HK$65.1 million respectively (2010: realized and unrealized gains of HK$103.3 million and HK$34.0 million).

Distribution and Selling Expenses

The distribution and selling expenses for the six months period ended 30 September 2011 was approximately HK$52.2 million (2010: HK$42.2 million). It was mainly due to the increase in floating storage running cost. Distribution and selling expenses consist costs to exploring new suppliers and customers, the operation of the floating storage unit, and cargo sale commissions.

Administrative and Other Expenses

The total administrative and other expenses incurred by the Group for the six months period ended 30 September 2011 was approximately HK$21.0 million (2010: HK$22.2 million). Administrative and other expenses were stable and they mainly reflect costs of human resources and the running costs of Group's operations in the Hong Kong, Macao and the PRC.

Finance Costs

The finance costs for the six months period ended 30 September 2011 was HK$12.9 million (2010: HK$12.5 million). It was mainly attributed by the short term credit facilities as well as bank charges. The slow down of trading cycle has resulted in increase in interest costs due to the extension on trust receipt loan settlement. Finance costs remained at the same level as same period last year despite the decrease in revenue for the said period.

Share of Loss of Associates

Share of loss of associates was approximately HK$1.4 million (2010: HK$0.4 million), representing an increase of expenditures incurred by the associate, Tianjin Port Sinochem Petrochemical Dock Co., Ltd. during the trial run period.

(Loss) Profit for the Period

Loss for the six months period ended 30 September 2011 was approximately HK$17.1 million, representing a decrease of HK$140.5 million when comparing with profit of HK$123.4 million for the six months period ended 30 September 2010. It was mainly represented by the combined effect of drop in gross profit amounted to HK$52.8 million and the decrease in fair value gain from derivative financial instruments of HK$83.6 million.

LIQUIDITY AND FINANCIAL RESOURCE

The bank balances and cash as at 30 September 2011 was amounted to HK$165.2 million which is decreased by approximately 58.8% when comparing with HK$400.9 million as at 31 March 2011. Decrease in bank balance and cash were mainly contributed by the sharp increase in pledged bank deposits for inventory procurement financing.

The banking facilities as at 30 September 2011 amounted to US$490 million (equivalent to HK$3,822 million). Save for the Group's bank borrowings of approximately HK$1,022.2 million, the Group had no bank overdraft as at 30 September 2011.

Net cash used in operating activities for the period ended 30 September 2011 was approximately HK$367.7 million. Net cash used in investing activities was approximately HK$165.2 million. Net cash from financing activities was approximately HK$296.8 million and was contributed by the bank borrowings for inventory procurement.

Gearing Ratio

As at 30 September 2011, current ratio of the Group was 1.47 times (1.35 times as at 31 March 2011) and the gearing ratio was 1.2 times (0.9 times as at 31 March 2011). Gearing ratio is equal to bank borrowing divided by total equity. Increase in gearing ratio is mainly due to the increase in bank borrowings for inventory procurement as well as the extension on trust receipt loan settlement.

Charges of Assets and Contingent Liabilities

As at 30 September 2011, the Group's banking facilities were secured by pledged bank deposits of approximately HK$201.8 million, pledged inventories of approximately HK$837.7 million and properties owned by the Group.

As at 30 September 2011, the Group had no significant contingent liabilities.

Foreign Exchange Exposure

The functional currency of the Group is denominated in US dollars, while the reporting currency is denominated in Hong Kong Dollars. Since the exchange rate of US dollars against Hong Kong dollars is relatively stable during the period, the exposure on foreign exchange is minimal.

Capital Commitments

Reference has been on the annoncement dated on 9 September 2011. New partners has been introduced to the Nantong Project. The estimated total capital expenditure required has been reassessed and reduced to RMB55.0 million. The Group had authorised but not contracted capital expenditure of approximately RMB44.0 million for the period in respect of the Nantong Project.

Projects' Status

Nantong Project is the development of storage of petrochemical and petroleum products business in Nantong City, Jiangsu Province, the PRC. It is carried out by 南通潤德石油化工有限公司(Strong Petrochemical (Nantong) Logistics Co., Ltd.*), an indirect wholly owned subsidiary of the Company.

On 9 September 2011, Wide Sea International Limited ("Wide Sea"), a wholly-owned subsidiary of the Company, and Teamskill Investments Limited ("Teamskill Investments"), a wholly-owned subsidiary of Wide Sea, entered into a subscription agreement with 上海通燃石油化工有限公司 (Shanghai Tongran Petroleum & Chemical Co., Ltd.*) ("Tongran") and 上海賽寶石油化工有限公司 (Shanghai Saibao Petroleum & Chemical Co., Ltd. *) ("Saibao") pursuant to which Teamskill Investments agreed to allot and issue and Tongran and Saibao agreed to subscribe respectively for 32.5% and 16.5% of the enlarged issued share capital of Teamskill Investments at a subscription sum of RMB30,875,000 (equivalent to approximately HK$37,667,500) and RMB15,675,000 (equivalent to approximately HK$19,123,500) respectively (the "Subscription").

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As at 30 September 2011, in light of the Subscription, further consideration and evaluation of the Nantong Project and the Group's operations requirements, the management expected that the required sum for financing the Nantong Project will be less than that as initially planned and the estimated total capital expenditure sum required for the Nantong Project will be amounted to RMB55.0 million, which consist of the subscription sum of an aggregate amount of approximately RMB46.6 million and cash sum of approximately RMB1.0 million to be contributed by the Group. In view of this, the management decided to change part of the unutilized IPO proceeds for Nantong Project and reallocate the amounted of approximately HK$105.0 million for the Group's general working capital expenditures and potential investments usage.

The Tianjin Storage Project is the establishment and operation of storage facilities for crude oil, petroleum products and petrochemical products located in Tianjin Nanjiang Port Zone. It is carried out by Sinochem Tianjin Port Petrochemical Terminal Co., Ltd. (the "Tianjin Company"). An indirect wholly owned subsidiary of the Company holds 15% interest of the Tianjin Company. Phase 1 construction has been completed and trial run has been carried out. We have signed seven sets of storage and transit agreement, on kerosene, diesel fuel and mixed aromatic, six of them are on temporary usage while the remaining is on long term basis and has exceeded 204,500 tonnes totally. Phase 2 was under construction. There will be a total of 48 storage facilities for crude, petroleum and petrochemical products. Phase 2 construction is expected to be completed on March 2012. The railway construction has been included in the Phase 2 construction. The railway construction is expected to be completed by the end of June 2012.

Internal Control Review

The Group has conducted periodical review on its internal control system to ensure that it is sound and effective. Appropriate policies and procedures have been established to identify, evaluate and manage the risks in order to safeguard the Group's assets and shareholders' interest, to maintain proper accounts and to ensure compliance with rules and regulations.

During the period, the board of directors (the "Board") conducted a high level review on the effectiveness of the internal control system of the Group and the management is following up with the recommendations.

The Audit Committee considered that there was no significant breach of limits or risk management policies that would bring to the attention of the Board. The Board, with the management, is following up the recommendations provided by our review team and independent risk advisory consultant to enhance the risk management frameworks and procedures of the Company.

BUSINESS REVIEW AND OUTLOOK

Since the second half of 2010, the upstream sector has been another area the Group is keen to develop for future major growth and value adding to the shareholders. In November 2010, the Group entered into a subscription agreement with The Sixth Energy Limited and Asia Sixth Energy Resources Limited ("Asia Sixth") allowing the Group to effectively own 24% in Aral Petroleum Capital LLP which was granted an exploration licence and production licence of crude oil in North Block in Aktobe Oblast in the Republic of Kazakhstan. The exploration licence covers an area of 3,449 km^2 with a series of exploration structures, the low, best and high estimate prospective recoverable resources are approximately 72.78 million barrels, 217.70 million barrels and 708.21 million barrels respectively. Meanwhile, the production licence covers a producing oil field, East Zhagabulak ("EZ field"), with 2 producing wells (EZ213 and EZ301). The estimated proved plus probable reserves (2P) for EZ field are approximately 6.23 million barrels. Up to the date of this report, the acquisition is yet to complete as certain conditions precedent of the subscription have not been fulfilled. Accordingly all parties involved have agreed to extend the long stop date for completion to 20 January 2012 or any date mutually agreed in writing by all the parties. The investing public will be inform timely if there is any progress in relation to the acquisition.

Given China demonstrates robust growth, the Group remains optimistic toward the core business development despite the uncertainties in the recent complicated economic environment. The management is confident that the loss result for the reporting period did not affect the long-term prospects of the Group. By integrating the upstream, trading and downstream businesses, the Group strived to become a competitive energy conglomerate in the region.

INTERIM DIVIDENDS

The Board has resolved that no interim dividend for the six months ended 30 September 2011 was paid, declared or proposed during the reported period (30 September 2010: Nil).

EMPLOYMENT AND REMUNERATION POLICY

At 30 September 2011, the Group had 34 employees. The Group implemented its remuneration policy, bonus and share options schemes based on the achievements and performance of employees.

An remuneration committee has been established by the Company to make recommendations on the Company's remuneration policy.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company during the six months period ended 30 September 2011.

SUBSTANTIAL SHAREHODLERS

As at 30 September 2011, the following person (not being a director or a chief executive of the Company) have interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Name of shareholder	Nature of interest	Total Number of shares	Percentage of shareholding %
Forever Winner International Ltd.	Beneficial Owner	1,041,446,000(L)	64.50

Note: (L) Long position

Each of Sino Century Holdings Limited and Jin Yao Holdings Ltd. holds 50% of the entire issued share capital of Forever Winner International Ltd. ("Forever Winner"). Mr. Wang holds the entire issued share capital of Sino Century Holdings Limited. Mr. Yao holds the entire issued share capital of Jin Yao Holdings Ltd..

Saved as disclosed above, the register required to be kept under section 336 of the SFO shows that as at 30 September 2011, the Company had not been notified of any other person who had an interest or short position in the shares and underlying shares of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES

As at 30 September 2011, the interest and short positions of the directors and chief executives in the shares and underlying shares of the Company its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Ordinary shares of HK$0.025 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (%)
Mr. Wang Jian Sheng *(Note)*	Interest of a controlled corporation	1,041,446,000 (L)	64.50
Mr. Yao Gaoliang *(Note)*	Interest of a controlled corporation	1,041,446,000 (L)	64.50
Mr. Wong Wing	Beneficial owner	2,200,000 (L)	0.14
Ms. Lin Yan	Beneficial owner	840,000 (L)	0.05
Mr. Zhu Yao Bin	Beneficial owner	840,000 (L)	0.05

Note: (L) Long position

Each of Sino Century Holdings Limited and Jin Yao Holdings Ltd. holds 50% of the entire issued share capital of Forever Winner. Mr. Wang holds the entire issued share capital of Sino Century Holdings Limited. Mr. Yao holds the entire issued share capital of Jin Yao Holdings Ltd..

SHARE OPTIONS

Information in respect to the share option scheme of the Company as required by the Listing Rules is as follows:

Eligible participants	Date of grant (dd/mm/yy)	Exercise price HK$	Number of share options outstanding at 1/4/2011	Number of share options exercised during the period	Number of share options outstanding at 30/9/2011
Executive director	7/5/2009	0.645	3,800,000	1,500,000	2,300,000
Mr. Wong Wing					
Independent non-executive directors					
Mr. Lau Hon Kee	7/5/2009	0.645	1,200,000	—	1,200,000
Ms. Lin Yan	7/5/2009	0.645	360,000	—	360,000
Mr. Zhu Yao Bin	7/5/2009	0.645	360,000	—	360,000
sub-total of directors			5,720,000	1,500,000	4,220,000
Employees	7/5/2009	0.645	8,060,000	1,120,000	6,940,000
Others *(Note a)*	7/5/2009	0.645	132,430,000	280,000	132,150,000
Total			146,210,000	2,900,000	143,310,000

Note:

(a) Others represent individuals associated with suppliers and consultants.

The eligible participants shall exercise the share options during the following periods:

(i) 40% of the share options from 8 May 2009;

(ii) another 30% of the share options from 8 May 2010;

(iii) the remaining 30% of the share options from 8 May 2011, and in each case, not later than 28 November 2018.

AUDIT COMMITTEE

The Audit Committee has been established to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee comprises all of the four independent non-executive directors, namely, Mr. Lau Hon Kee (Chairman), Mr. Zhu Yao Bin, Ms. Lin Yan and Mr. Guo Yan Jun. The unaudited interim results of the Group for the six months ended 30 September 2011 have been reviewed by the Audit Committee.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the 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 enquiry of all Directors of the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code for the 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 months ended 30 September 2011.

By the order the Board
Wang Jian Sheng
Chairman

Hong Kong, 28 November 2011

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2011

	NOTES	Six months ended 30 September 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Revenue		**2,999,877**	3,982,978
Cost of sales		**(2,993,306)**	(3,923,571)
Gross profit		**6,571**	59,407
Other income		**10,268**	3,915
Fair value changes on derivative financial instruments		**53,708**	137,261
Distribution and selling expenses		**(52,186)**	(42,161)
Administrative expenses		**(19,420)**	(20,794)
Other expenses		**(1,601)**	(1,376)
Finance costs	4	**(12,944)**	(12,451)
Share of loss of associates		**(1,428)**	(449)
(Loss) profit before taxation		**(17,032)**	123,352
Taxation	5	**(103)**	—
(Loss) profit for the period	6	**(17,135)**	123,352
Other comprehensive income			
Exchange differences arising on translation		**5,913**	2,750
Total comprehensive (expense) income for the period		**(11,222)**	126,102
(Loss) earnings per share	8		
– basic (HK$)		**(0.01)**	0.08
– diluted (HK$)		**(0.01)**	0.07

Condensed Consolidated Statement of Financial Position

At 30 September 2011

	NOTES	30 September 2011 HK$'000 (unaudited)	31 March 2011 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**159,165**	157,218
Prepaid lease payments		**21,580**	21,114
Available-for-sale investments		**392**	392
Bank structured deposit		**—**	19,579
Interests in associates		**137,848**	134,847
Deferred tax asset		**4,358**	4,358
		323,343	337,508
Current assets			
Inventories		**1,067,451**	1,024,350
Prepaid lease payments		**467**	459
Trade and bills receivables	10	**52,167**	437,800
Other receivables, deposits and prepayments		**26,086**	21,204
Derivative financial instruments		**65,131**	—
Tax recoverable		**—**	3,651
Deposits placed with brokers		**29,048**	63,372
Bank structured deposit		**19,169**	—
Pledged bank deposits		**201,771**	15,610
Bank balances and cash		**165,242**	400,866
		1,626,532	1,967,312
Current liabilities			
Trade and bills payables	11	**49,018**	667,471
Receipt in advance		**3,731**	—
Other payables and accruals		**30,076**	22,286
Bank borrowings	12	**1,022,180**	727,253
Derivative financial instruments		**—**	34,436
Tax payable		**4,826**	4,749
		1,109,831	1,456,195

Condensed Consolidated Statement of Financial Position

At 30 September 2011

	NOTE	**30 September 2011**	31 March 2011
		HK$'000	*HK$'000*
		(unaudited)	*(audited)*
Net current assets		**516,701**	511,117
Total assets less current liabilities		**840,044**	848,625
Equity			
Share capital	13	**40,364**	40,292
Reserves		**792,203**	800,856
Total equity		**832,567**	841,148
Non-current liability			
Deferred tax liability		**7,477**	7,477
		840,044	848,625

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2011

	Share capital	Share premium	Special reserve	Legal reserve	Share option reserve	Translation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note a)	*(Note b)*				
At 1 April 2010 (audited)	40,147	202,496	(1,922)	49	35,428	3,438	489,507	769,143
Exchange differences arising on translation	–	–	–	–	–	2,750	–	2,750
Profit for the period	–	–	–	–	–	–	123,352	123,352
Total comprehensive income for the period	–	–	–	–	–	2,750	123,352	126,102
Recognition of equity-settled share-based payments	–	–	–	–	5,197	–	–	5,197
Issue of shares on exercise of share options	177	6,403	–	–	(2,007)	–	–	4,573
Final dividend recognised as distribution (note 7)	–	–	–	–	–	–	(48,389)	(48,389)
	177	6,403	–	–	3,190	–	(48,389)	(38,619)
At 30 September 2010 (unaudited)	40,324	208,899	(1,922)	49	38,618	6,188	564,470	856,626

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2011

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note a)	Legal reserve HK$'000 (Note b)	Share option reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2011 (audited)	40,292	206,790	(1,922)	49	42,174	10,327	543,438	841,148
Exchange differences arising on translation	–	–	–	–	–	5,913	–	5,913
Loss for the period	–	–	–	–	–	–	(17,135)	(17,135)
Total comprehensive income for the period	–	–	–	–	–	5,913	(17,135)	(11,222)
Recognition of equity-settled share-based payments	–	–	–	–	771	–	–	771
Issue of shares on exercise of share options	72	2,645	–	–	(847)	–	–	1,870
	72	2,645	–	–	(76)	–	–	2,641
At 30 September 2011 (unaudited)	40,364	209,435	(1,922)	49	42,098	16,240	526,303	832,567

Notes:

(a) 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 Group structure prior to the listing of the Company's share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(b) According to the law and regulation of Macao Special Administrative Region, a legal reserve is required to be established up to a minimum of 50% of the company's paid up capital and is established in any year in which a dividend is appropriated. A subsidiary of the Company established in Macao appropriated a final dividend for the year ended 31 March 2006 to the Company, as a result, 50% of the issued capital MOP100,000 was transferred to the legal reserve.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2011

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Net cash used in operating activities	**(367,717)**	(268,130)
Net cash (used in) from investing activities		
Bank interest received	**170**	119
Purchase of property, plant and equipment	**(13,520)**	(535)
Investments in associates	**—**	(6,203)
Increase in pledged bank deposits	**(186,161)**	(13,016)
Decrease in deposits placed with brokers	**34,324**	45,532
	(165,187)	25,897
Net cash from financing activities		
Proceeds from exercise of share options	**1,870**	4,573
New bank loans raised	**2,720,072**	2,896,699
Repayment of bank borrowings	**(2,425,145)**	(2,696,708)
Dividend paid	**—**	(48,389)
	296,797	156,175
Net decrease in cash and cash equivalents	**(236,107)**	(86,058)
Cash and cash equivalents at 1 April	**400,866**	152,605
Effect of foreign exchange rate changes	**483**	156
Cash and cash equivalents at 30 September, represented by bank balances and cash	**165,242**	66,703

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard 34 (HKAS 34), "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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.

The accounting policies and methods of computation used in the condensed financial statements for the six months ended 30 September 2011 are the same with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosure
HKAS 32 (Amendments)	Classification of Right Issues
HK (IFRIC)-INT 14 (Amendments)	Prepayments of a minimum funding requirement
HK (IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the amounts reported in these Condensed Consolidated Financial Statements and/or disclosures set out in these Condensed Consolidated Financial Statements.

2. PRINCIPAL ACCOUNTING POLICIES – Continued

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRS 7 (Amendment)	Disclosures - Transfer of financial assets[1]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosures of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[3]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[4]
HKAS 19 (Revised 2011)	Employee benefits[2]
HKAS 27 (Revised 2011)	Separate financial statements[2]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[2]
HK(IFRIC) - INT 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.

2 Effective for annual periods beginning on or after 1 January 2013.

3 Effective for annual periods beginning on or after 1 July 2012.

4 Effective for annual periods beginning on or after 1 January 2012.

2. PRINCIPAL ACCOUNTING POLICIES – Continued

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flow that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Based on the internal information that is regularly reviewed by the executive directors of the Company, the financial information for the single business operation of trading of petroleum products and crude oil ("Trading business") as a whole, irrespective of the location of oil trading companies, is used for the purposes of assessment of performances. Accordingly, the Trading business as a whole constitutes one operating segment for the purpose of segment information presentation under HKFRS 8.

Though the management plans to develop an oil storage business in the PRC, the storage facilities are still in construction and it has not yet generated any revenue up to 30 September 2011. The Group's turnover and results are principally derived from the Trading business and management of the Group has been managing the Group as a single operating segment in both periods. The turnover and results are disclosed in the condensed consolidated statement of comprehensive income.

4. FINANCE COSTS

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Interests on short-term borrowings	**10,722**	9,647
Bank charges on letter of credit facilities	**2,222**	2,804
	12,944	12,451

5. TAXATION

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Current tax:		
PRC Enterprise Income Tax	**103**	—
	103	—

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits based on existing legislations, interpretations and practices. The PRC Enterprise Income Tax rate applicable to the Group's subsidiaries is 25%.

No provision for Hong Kong Profits Tax was provided as there were no assessable profit for both periods.

Pursuant to the Decree Law No. 58/99M, Chapter 2, Article 12 dated 18 October 1999, issued by the Macao Special Administration Region Government, Strong Petrochemical Limited (Macao Commercial Offshore) is exempted from Macao Complementary Tax.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Profit for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments (included in other expenses)	**234**	221
Depreciation of property, plant and equipment		
- Vessel (Note)	**11,757**	11,757
- Others	**109**	106
Net foreign exchange losses	**244**	433
Loss on disposal of property, plant and equipment	**—**	1
Write-down (reversals of write-down) of inventories (included in cost of sales)	**5,452**	(1,786)
Gross rental income from leasing of storage spaces of vessel	**(3,059)**	(2,972)

Note:

As one-third of the vessel was leased out for rental income from 25 June 2011 to 25 July 2011, the respective depreciation of vessel amounting to HK$544,000 (2010: HK$653,000), together with the attributable operating costs of vessel, was included in other expenses. The remaining amount of HK$11,213,000 (2010: HK$11,104,000), together with the attributable operating costs of the vessel, was included in distribution and selling expenses.

7. DIVIDENDS

The dividend recognised as a distribution during the period ended 30 September 2010 represents the final dividend of approximately HK$48,389,000 declared and paid by the Company to the shareholders.

The Board has resolved that no interim dividend for the six months ended 30 September 2011 was paid, declared or proposed during the reported period (30 September 2010: Nil).

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the (loss) profit for the period attributable to owners of the Company and on the number of shares as follows:

	Six months ended 30 September	
	2011 *(unaudited)*	2010 *(unaudited)*
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	**1,612,220,666**	1,608,364,262
Effect of dilutive potential ordinary shares:		
Share options	**65,613,084**	69,405,469
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	**1,677,833,750**	1,677,769,731

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2011, the Group incurred expenditure of approximately HK$13,520,000 (2010: HK$535,000) on property, plant and equipment. It included HK$13,483,000 (2010: HK$486,000) in respect of the construction of the petroleum and petrochemical products storage facilities on the two leasehold land parcel acquired in Nantong City, Jiangsu Province, the PRC.

10. TRADE AND BILLS RECEIVABLES

The following is an analysis of trade and bills receivables by age, presented based on the invoice date at the end of the reporting period:

	30 September 2011	31 March 2011
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Trade receivables:		
0 to 30 days	**26,616**	437,800
Bills receivables:		
0 to 30 days	**25,551**	—
	52,167	437,800

The credit period on sale of goods is 30 to 90 days.

11. TRADE AND BILLS PAYABLES

The following is an analysis of trade and bills payables by age, presented based on the invoice date at the end of the reporting period:

	30 September 2011	31 March 2011
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Trade payables:		
0 to 30 days	**—**	588,535
Bills payables:		
0 to 30 days	**49,018**	78,936
	49,018	667,471

The credit period on purchases of goods is 30 days.

12. BANK BORROWINGS

The bank borrowings at the end of the reporting period represented the trust receipt loans used to purchase inventories. The loans carried interest at variable market rates of range from 2.00% to 2.96% (2010: 0.7269% to 2.9971%) per annum and are repayable within 3 months.

13. SHARE CAPITAL

	Note	Number of shares *(unaudited)*	Share capital HK$'000 *(unaudited)*
Ordinary shares of HK$0.025 each			
Authorised:			
At 30 September 2010, 31 March 2011 and 30 September 2011		4,000,000,000	100,000
Issued:			
At 1 April 2010		1,605,860,000	40,147
Exercise of share option		7,090,000	177
At 30 September 2010		1,612,950,000	40,324
Exercise of share option		840,000	21
Shares repurchased and cancelled	(a)	(2,116,000)	(53)
At 31 March 2011		1,611,674,000	40,292
Share options exercised		2,900,000	72
At 30 September 2011		1,614,574,000	40,364

13. SHARE CAPITAL – Continued

Note:

(a) During the Year 2010/11, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchases	No. of ordinary shares of HK$0.025 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
	'000	HK$	HK$	HK$'000
December 2010	1,110	1.40	1.32	1,523
January 2011	1,006	1.40	1.36	1,397
	2,116			2,920

The above shares were cancelled upon repurchase. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's listed shares during the year.

14. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible employees, directors of the Group and some individuals associated with suppliers and consultants. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at 1 April 2011	146,210,000
Exercised during the period	(2,900,000)
Outstanding at 30 September 2011	143,310,000

No options were granted during the current interim period. The closing price of the Company's shares immediately before 7 May 2009, the date of options granted, was HK$0.645 per share.

14. SHARE-BASED PAYMENTS – Continued

The fair value of the options granted, measured at the date of grant on 7 May 2009 was approximately HK$46,836,000. The following significant assumptions were used to derive the fair value, using the binominal model:

	Date of grant 7 May 2009
Spot price (closing price of grant date, after adjusting for the Share Subdivision)	0.645
Exercise price	0.645
Expected volatility	43.285%
Dividend yield	0%
Risk-free rate	2.092%
Exercise multiple	2 to 2.8

The binominal model has been used to estimate the fair value of the options. The variables and assumptions used in estimating the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

During the current period, an amount of share option expense of HK$771,000 (six months ended 30 September 2010: HK$5,197,000) has been recognised in the statement of comprehensive income.

In respect of the share options exercised during the period, the weighted average share price at the dates of exercise is HK$1.12.

At each reporting date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share options reserve.

15. CAPITAL AND OTHER COMMITMENTS

Reference has been on the annoncement dated on 9 September 2011. New partners has been introduced to the Nantong Project. The estimated total capital expenditure required has been reassessed and reduced to RMB55,000,000. As at 30 September 2011, the Group had authorised but not contracted capital expenditure of approximately RMB44,006,000 (equivalent to approximately HK$53,969,000) (2010: RMB92,961,000 (equivalent to approximately HK$107,657,000) in respect of the Nantong Project.

16. PLEDGE OF ASSETS

Apart from the pledged bank deposits as disclosed in the condensed consolidated statement of financial position, the Group has pledged inventories of approximately HK$837,656,000 and properties with carrying value of approximately HK$1,104,000 respectively at 30 September 2011 to secure the short term bank loans granted to the Group.

17. RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2011, the Group paid the rental expenses of approximately HK$499,000 (2010: HK$499,000) to Strong Property Limited, a company in which the controlling shareholders have beneficial interests, for the use of office premises.

* For identification purpose only

18. EVENTS AFTER THE END OF INTERIM PERIOD

(a) As mentioned in the announcements dated 18 November 2010, 19 May 2011, 20 July 2011 and 19 October 2011 in relation to a discloseable transaction for the acquisition of 40% equity interests in Asia Sixth Energy Resources Limited, up to the date of this report, the acquisition is yet to complete as certain conditions precedent of the subscription have not been fulfilled. Accordingly all parties involved have agreed to extend the long stop date for completion to 20 January 2012 or any date mutually agreed in writing by all the parties. The investing public will be informed timely if there is any progress in relation to the acquisition.

(b) On 9 September 2011, Wide Sea International Limited ("Wide Sea"), a wholly-owned subsidiary of the Company, and Teamskill Investments Limited ("Teamskill Investments"), a wholly-owned subsidiary of Wide Sea, entered into a subscription agreement with 上海通燃石油化工有限公司 (Shanghai Tongran Petroleum & Chemical Co., Ltd.*) ("Tongran") and 上海賽寶石油化工有限公司 (Shanghai Saibao Petroleum & Chemical Co., Ltd.*) ("Saibao") pursuant to which Teamskill Investments agreed to allot and issue and Tongran and Saibao agreed to subscribe respectively for 32.5% and 16.5% of the enlarged issued share capital of Teamskill Investments at a subscription sum of RMB30,875,000 (equivalent to approximately HK$37,667,500) and RMB15,675,000 (equivalent to approximately HK$19,123,500) respectively (the "Subscription").

It is expected that the Subscription will be completed by 31 December 2011. Upon completion of the Subscription, Teamskill Investments and its subsidiary, 南通潤德石油化工有限公司 (Strong Petrochemical (Nantong) Logistics Co., Ltd.*) will be owned as to 51% by the Group and will become non-wholly owned subsidiaries of the Group.