



**STRONG PETROCHEMICAL HOLDINGS LIMITED**  
**海峡石油化工有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

Stock code : 852



Interim Report

**2012**

\* For identification purposes only

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. WANG Jian Sheng  
Mr. YAO Guoliang

### Independent Non-executive Directors

Ms. CHEUNG Siu Wan  
Mr. GUO Yan Jun  
Ms. LIN Yan

## BOARD COMMITTEES

### Audit Committee

Ms. CHEUNG Siu Wan (*Chairman*)  
Mr. GUO Yan Jun  
Ms. LIN Yan

### Remuneration Committee

Ms. LIN Yan (*Chairman*)  
Mr. GUO Yan Jun  
Mr. WANG Jian Sheng

### Nomination Committee

Mr. WANG Jian Sheng (*Chairman*)  
Ms. CHEUNG Siu Wan  
Mr. GUO Yan Jun

## COMPANY SECRETARY

Ms. WONG Wai Han  
(appointed on 31 July 2012)  
Mr. CHENG Man Wah  
(appointed on 11 May 2012  
and resigned on 31 July 2012)

## 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

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

## AUDITOR

Deloitte Touche Tohmatsu  
Certified Public Accountants

## LEGAL ADVISOR

*Hong Kong laws*  
Lister Lo Lui & Choy  
In association with Edwards  
Wildman Palmer

# 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

Bank of China (Hong Kong) Limited  
Rabobank International Singapore Branch  
Société Générale Hong Kong Branch  
Standard Chartered Bank (Hong Kong)  
Limited  
The Bank of Tokyo-Mitsubishi UFJ Ltd.  
Singapore Branch

## WEBSITE

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

## STOCK CODE

852

# Management Discussion and Analysis

## BUSINESS REVIEW AND OUTLOOK

The directors (the “Directors”) of Strong Petrochemical Holdings Limited (the “Company”) are pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2012 (the “Six Month Period”).

Revenue for the Six Month Period was approximately HK\$7,358.5 million, representing an increase of approximately 145% when compared with the same period last year. The Group turned back from loss same period last year to profit for the Six Month Period. Profit attributable to owners of the Company for the Six Month Period was approximately HK\$93.1 million.

### Trading of Crude Oil, Petroleum and Petrochemical Products

The crude oil price in the Six Month Period was volatile and remained at high level. Brent crude prices coming off from a high average price of approximately United States (“US”) dollars (“US\$”) 123.5 per barrel in April 2012 and reaching approximately US\$94.8 per barrel in June 2012 before it broke upward again reaching approximately US\$112.9 per barrel in September 2012. The market is skeptical over the effect of the third round of quantitative easing on the real economy of the US and the threat of the Euro zone sovereignty debt crisis.

The volatility also brings the opportunity to the Group as our suppliers/customers prefer to seize their profit at earliest time and avoid the uncertainty. By adopting a proper marketing strategy to approach them, the client base has been expanded and some lost customers have been retrieved. Although the Group may subject to price risk especially as most of our revenue was priced on the floating price basis, the Group is using proper hedging tools by entering into derivatives financial instruments to minimise/reduce the risk. As a result, the substantial increase in revenue and turning back to profit were achieved.

# Management Discussion and Analysis

## Manufacture and Development of Chemical Products

In last financial year, a 57% indirectly owned subsidiary, Hainan Huizhi Petrochemical Fine Chemical Industry Limited Company (“Huizhi”) in Yangpu, Hainan Province, the People’s Republic of China (“PRC”), was acquired with an aim to participate in manufacturing and development of the chemical products including but not limited to light aromatics, sec-Butyl Acetate and C<sub>5</sub>. In April 2012, the piece of land has been approved by local government to construct the facilities and equipment for manufacture and processing of mixed aromatics. In August 2012, a foundation stone laying ceremony was held in Hainan Province to indicate that the construction was ready to start.

As scheduled, the principal facilities will expect to be completed in end of 2013. Upon completion, Huizhi will commence its trial operation. With full operation in place, it is expected a substantial revenue and satisfactory profit will be brought to the Group.

## Storage and Logistics Business

Our strategic logistic hub in Nantong city, Jiangsu Province, the PRC, operates through our non-wholly owned subsidiary, Strong Petrochemical (Nantong) Logistics Company Ltd. (“Strong Nantong”) was about to complete its construction. At the end of September 2012, the storage facilities with 21 storage tanks and capacity of 163,000 cubic meters have been completed and trial operation permit has been obtained. The preparation of Strong Nantong to build 3 additional storage tanks with estimated capacity of 8,000 cubic meters is about to complete. It is expected they can be completed within a year at cost of around Renminbi (“RMB”) 10.0 million (equivalent to approximately HK\$12.2 million). In addition, Strong Nantong has successfully reached agreement with the terminal in Nantong city to connect pipeline from the storage tanks directly to the terminal to save the transaction costs. The pipeline connection will be completed within six months.

Regarding our storage facilities in Tianjin, the PRC, it’s carried by Sinochem Tianjin Port Petrochemical Terminal Company Ltd., (“Tianjin Terminal”) which is 15% owned by the Group. The Phase I construction of storage tanks with capacity of 420,000 cubic meters was in operation whilst the Phase II construction of storage tanks with capacity of 540,000 cubic meters is now in trial operation and expected to commence operation in the coming year. At the end of Six Month Period, more than 10 long term contracts have been signed with the customers and around 76% of the storage tanks have been rented out. It is an encouraging result as, in term of occupancy rate, it ranked in top end in Tianjin.

# Management Discussion and Analysis

## Oil and Gas Exploration

In December 2011, the Group acquired 40% of equity interests in Asia Sixth Energy Resources Limited (“Asia Sixth”) which in turn effectively holds 24% in Aral Petroleum Capital LLP (“Aral”). Aral was granted an exploration licence and production licence of oil and gas in the Republic of Kazakhstan known as the North Block. Currently, Aral has two wells in production and one well in trial production. There are several oil prospects that are currently in the exploration stage. It is expected that the exploration is timely and capital intensive. However, a fruitful result might come.

## Outlook

Concerns over how precisely the European sovereign debt-related crisis could be resolved and the effect of the third round of quantitative easing on the real economy of the US would and have continued to erode global risk appetite. The PRC economy, despite showing signs of stabilization recently, is likely to remain lackluster against the backdrop of global slowdown. Each of these factors is likely to continue to hinder the gradual process of underlying economic recovery following the 2008 financial crisis.

Faced with ever-changing market complexities, the Group, whilst staying alert to market fluctuations, adhered to its strategy of pursuing internal improvement and external expansion. As certified by the satisfactory profit reached in the Six Month Period, the Group remains optimistic toward the core business development with an aim to maximise the returns for our shareholders in the future.

## FINANCIAL REVIEW

The Group is principally engaged in the trading of oil products. Approximately 77% (2011: 54%) of the Group’s revenue was generated from trading of crude oil for the Six Month Period, while the revenue generated from trading of petroleum products was approximately 22% (2011: 25%) and the revenue generated from trading of petrochemical products was approximately 1% (2011: 21%).

# Management Discussion and Analysis

## Revenue

		Six months ended 30 September					
Products	Units	2012			2011		
		Number of shipment	Sales quantity	Revenue HK\$ million	Number of shipment	Sales quantity	Revenue HK\$ million
Crude oil	BBL	13	6,526,373	5,643.6	3	1,818,156	1,624.1
Petroleum products	MT	80	295,615	1,593.1	10	139,632	761.3
Petrochemical products	MT	38	14,553	121.8	23	61,839	614.5
Total		<u>131</u>		<u>7,358.5</u>	<u>36</u>		<u>2,999.9</u>

Crude oil trading continued to be the principal trading activity of the Group. The revenue generated from trading crude oil was HK\$5,643.6 million, almost 2.5 times more than that in last year same period. The revenue from petroleum products trading business also recorded 109% more than that in the same period last year. The increase is primarily attributable to the improvement in the market structure, and the light grade crude oil price spread was getting wider and thus increase the demand of medium-light crude oil and petroleum product as those prices are relatively stable.

## Gross Profit

Gross profit for the Six Month Period was approximately HK\$108.9 million, whilst for the same period last year, only HK\$6.6 million gross profit was recorded. Benefiting from the improvement in the market structure in the crude oil market, an increase in overall gross profit margin was achieved.

By reflecting the substantial increase in revenue and also the improved gross profit margin, the gross profit for crude oil trading was HK\$119.3 million for the Six Month Period, HK\$106.4 million more than that in the same period last year. As such, even though there was slightly increase in the gross loss of petroleum and petrochemical products trading businesses from HK\$6.3 million last year same period to HK\$10.4 million the Six Month Period, the overall gross profit for the Six Month Period still exceeded that of last year same period by more than HK\$100.0 million.



# Management Discussion and Analysis

## Fair Value Changes on Derivative Financial Instruments

The Group has engaged in trading of derivative financial instruments for hedging purposes. 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 Month Period, the aggregate gain on fair value changes on derivative financial instruments was amounted to approximately HK\$43.7 million (2011: HK\$53.7 million). The realized loss and unrealized gains on fair value changes on derivative financial instruments were approximately HK\$6.4 million and HK\$50.1 million respectively (2011: realized loss and unrealized gain of HK\$11.4 million and HK\$65.1 million respectively).

## Profit (Loss) for the Period

Profit attributable to owners of the Company for the Six Month Period was approximately HK\$93.1 million, whilst for the same period last year, the Group incurred loss of HK\$17.1 million.

As mentioned in our latest annual report, there was a shipment (the “Shipment”) with approximately 902,000 net US barrels concluded and delivered in March 2012. However, part of the revenue adjustment of the Shipment and most of the fair value changes on derivative financial instrument which the Group entered the derivatives contracts in order to hedge the exposure to crude oil price volatility of the Shipment can only be recognised in this financial year. The net profit of the Shipment recognised in this financial year was HK\$47.9 million. By excluding the net profit effect of the Shipment, the normalised profit attributable to owners of the Company for Six Month Period should be HK\$45.2 million.

## LIQUIDITY AND FINANCIAL RESOURCE

The bank balances and cash as at 30 September 2012 was amounted to HK\$160.5 million which was increased by approximately 3% when comparing with HK\$156.4 million as at 31 March 2012. The slight increase in bank balance and cash were mainly contributed by the increase in accounts payable, offset by inventory procurement and decrease in bank borrowing.

The banking facilities as at 30 September 2012 amounted to US\$490.0 million (equivalent to HK\$3,822.0 million). Save for the Group’s bank borrowings of approximately HK\$582.6 million, the Group had no bank overdraft as at 30 September 2012.

# Management Discussion and Analysis

## Gearing Ratio

As at 30 September 2012, the gearing ratio was 14.0% (31 March 2012: 24.5% (restated)). Gearing ratio was calculated as the Group's total borrowing divided by total assets. Decrease in gearing ratio is mainly due to settlement in trust receipt loan.

## Charges of Assets and Contingent Liabilities

As at 30 September 2012, the Group's banking facilities were secured by pledged bank deposits of approximately HK\$112.6 million and pledged inventories of approximately HK\$667.1 million.

As at 30 September 2012, the Group did not have 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 Six Month Period, the exposure on foreign exchange is minimal.

The Group has not implemented any foreign currency hedging policy at the moment. Management has continuously monitoring the level of foreign currency receipts and payments and their net exposure to foreign exchange risk is kept at acceptable level from time to time and will consider hedging the foreign exchange exposure if it is significant to the Group. During the Six Month Period, the management has arranged limited foreign currency hedging to reduce the exposure of currency risk of crude oil cargoes denoted in Euro. It is the Group's policy not to conduct any speculative trading in derivative financial instrument.

## Capital Commitments

As at 30 September, 2012, the Group had authorised but not contracted for capital expenditure of approximately RMB178.1 million (equivalent to approximately HK\$222.4 million) (31 March 2012: RMB189.2 million (equivalent to approximately HK\$236.5 million)) in respect of the construction of the petroleum and petrochemical products storage facilities on two leasehold land parcels in Nantong city, Jiangsu Province, the PRC and construction of facilities and equipment for manufacture and processing of mixed aromatics in Yangpu, Hainan Province, the PRC.

# Management Discussion and Analysis

## INTERIM DIVIDENDS

The Board did not recommend the payment of an interim dividend for the Six Month Period (2011: Nil).

## EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2012, the number of employees of the Group was increased to 79 (31 March 2012: 40) to cope with our expansion. The Group's remuneration packages are maintained at competitive level and are determined on the basis of performance, qualification and experience of individual employee.

We recognise the importance of a good relationship with our employees by providing competitive remuneration package commensurate with prevailing market practice to our employees, including provident fund, life and medical insurances, discretionary bonus, share options, and training for human resources upskilling.

## Other Information

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

During the Six Month Period, the Company had repurchased a total of 542,000 ordinary shares of the Company at an aggregate of HK\$445,000 on The Stock Exchange of Hong Kong ("Stock Exchange"), all of which were subsequently cancelled. Particular of the shares repurchased are as follow:

Month of repurchase	Number of ordinary shares of HK\$0.025 each	Purchase price paid per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
July 2012	4,000	0.52	0.52	2,000
September 2012	538,000	0.87	0.68	443,000
Total	<u>542,000</u>			<u>445,000</u>

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

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the Six Month Period.

## Other Information

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30 September 2012, the interests and short positions of the Directors and chief executives 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 ("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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

#### Long position in ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares held	Approximate percentage of shareholding (%)
Mr. Wang Jian Sheng	Interest of a controlled corporation <i>(Note)</i>	1,041,446,000	64.51
Mr. Yao Gaoliang	Interest of a controlled corporation <i>(Note)</i>	1,041,446,000	64.51
Ms. Lin Yan	Beneficial owner	840,000	0.05

Note:

These shares are registered in the name of Forever Winner International Ltd. ("Forever Winner"). 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..

## Other Information

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 2012, the Directors are not aware of any other person (other than the interests of the Director or a chief executive of the Company) 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 the SFO:

#### Long position in the ordinary shares of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding (%)
Forever Winner	Beneficial Owner ( <i>note a</i> )	1,041,446,000	64.51
Atlantis Capital Holdings Ltd. ("Atlantis")	Interest of controlled corporations ( <i>note b</i> )	80,756,000	5.00

Notes:

- (a) 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..
- (b) According to the form of disclosure of interests submitted by Atlantis and Ms. Liu Yang ("Ms. Liu") on 18 November 2011 (the date of relevant event being 17 November 2011), these shares were controlled by Atlantis through the controlled corporations namely Atlantis Fund Management (Ireland) Limited, Atlantis Investment Management (London) Limited and Atlantis Investment Management (Hong Kong) Limited. Atlantis is wholly owned by Ms. Liu, by virtue of the provisions of SFO, Ms. Liu is deemed to be interested in all the shares in which Atlantis was interested.

## Other Information

### SHARE OPTIONS

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

Nature or category of participant (the "Eligible participants")	Date of grant <sup>(1)</sup> (dd/mm/yy)	Exercise price HK\$	Number of share options <sup>(2)</sup>			
			Outstanding at 1/4/2012	Reclassification during the period	Exercised during the period	Outstanding at 30/9/2012
<b>Independent non-executive directors</b>						
Ms. Lin Yan	07/05/2009	0.645	360,000	—	—	360,000
<b>Subtotal of directors</b>			360,000	—	—	360,000
<b>Employees</b>	07/05/2009	0.645	9,240,000	—	—	9,240,000
<b>Other participants in aggregate</b>	07/05/2009	0.645	133,710,000	—	—	133,710,000
<b>Total</b>			<u>143,310,000</u>	<u>—</u>	<u>—</u>	<u>143,310,000</u>

Notes:

- Options granted are exercisable during the period starting from 8 May 2009 to 28 November 2018. The options granted under the Share Option Scheme has vesting period in three tranches of 40%, 30% and 30% of its options granted from the grant date to 8 May 2009, 8 May 2010 and 8 May 2011 respectively.
- During the six months ended 30 September 2012, no share options of the Company was cancelled or forfeited.

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

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 three independent non-executive directors, namely, Ms. Cheung Siu Wan (Chairman), Mr. Guo Yan Jun and Ms. Lin Yan. The unaudited interim results of the Group for the Six Month Period have been reviewed by the Audit Committee.

## Other Information

### COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE CODE

The Company has complied with the Code on Corporate Governance Code ("CG Code") (effective from 1 April 2012) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the period, with the exception of the following deviations:–

Pursuant to Code A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend the general meetings of the Company. Mr. Guo Yan Jun and Ms. Lin Yan, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 17 August 2012 due to other prior business engagement.

### 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 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, 27 November 2012



# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2012

	NOTES	Six months ended 30 September	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Revenue		7,358,524	2,999,877
Cost of sales		(7,249,626)	(2,993,306)
Gross profit		108,898	6,571
Other income, gain and losses		6,004	10,268
Fair value changes on derivative financial instruments		43,717	53,708
Distribution and selling expenses		(24,947)	(52,186)
Administrative expenses		(22,672)	(19,420)
Other expenses		(237)	(1,601)
Finance costs	5	(6,521)	(12,944)
Share of loss of associates		(11,671)	(1,428)
Profit (loss) before taxation		92,571	(17,032)
Taxation	6	(75)	(103)
Profit (loss) for the period	7	92,496	(17,135)
Other comprehensive income			
Exchange differences arising on translation		(2,667)	5,913
Total comprehensive income (expense) for the period		89,829	(11,222)
Profit (loss) for the period attributable to:			
Owners of the Company		93,099	(17,135)
Non-controlling interests		(603)	—
		92,496	(17,135)
Total comprehensive income (expense) attributable to:			
Owners of the Company		91,242	(11,222)
Non-controlling interests		(1,413)	—
		89,829	(11,222)
Earnings (Loss) per share	9		
– basic (HK\$)		0.06	(0.01)
– diluted (HK\$)		0.06	(0.01)

# Condensed Consolidated Statement of Financial Position

At 30 September 2012

	NOTES	30 September 2012 <i>HK\$'000</i> <i>(unaudited)</i>	31 March 2012 <i>HK\$'000</i> <i>(restated)</i>
<b>Non-current assets</b>			
Property, plant and equipment	10	83,218	69,607
Prepaid lease payments		21,036	21,461
Available-for-sale investments		1,952	392
Interests in associates		221,476	234,336
Loan to an associate		108,685	101,889
Deferred tax asset		4,358	4,358
		<b>440,725</b>	<b>432,043</b>
<b>Current assets</b>			
Inventories		717,732	1,253
Prepaid lease payments		473	477
Trade and bills receivables	11	2,601,272	2,468,047
Other receivables, deposits and prepayments		25,575	31,965
Amounts due from non-controlling shareholders of a subsidiary		—	13,261
Tax recoverable		40	20
Derivative financial instruments		44,636	8,772
Bank structured deposit		—	19,504
Deposits placed with brokers		71,704	80,472
Pledged bank deposits		112,608	254,824
Bank balances and cash		160,487	156,408
		<b>3,734,527</b>	<b>3,035,003</b>

# Condensed Consolidated Statement of Financial Position

At 30 September 2012

	NOTES	30 September 2012 <i>HK\$'000</i> <i>(unaudited)</i>	31 March 2012 <i>HK\$'000</i> <i>(restated)</i>
<b>Current liabilities</b>			
Trade and bills payables	12	2,548,121	1,653,937
Other payables and accruals		19,166	28,024
Receipt in advance		5,845	2,257
Amounts due to non-controlling shareholders of a subsidiary		1,615	4,913
Bank borrowings	13	582,593	849,782
Tax payable		89	82
		<b>3,157,429</b>	<b>2,538,995</b>
<b>Net current assets</b>		<b>577,098</b>	<b>496,008</b>
<b>Total assets less current liabilities</b>		<b>1,017,823</b>	<b>928,051</b>
<b>Equity</b>			
Share capital	14	40,358	40,360
Reserves		906,469	815,282
<b>Equity attributable to owners of the Company</b>		<b>946,827</b>	<b>855,642</b>
<b>Non-controlling interests</b>		<b>70,996</b>	<b>72,409</b>
<b>Total equity</b>		<b>1,017,823</b>	<b>928,051</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2012

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

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2012

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Legal reserve	Share options reserve	Translation reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note a)	(Note b)							
At 1 April											
2012 (restated)	40,360	209,270	(1,922)	49	42,099	16,991	10,533	538,262	855,642	72,409	928,051
Exchange differences arising on translation	—	—	—	—	—	(1,857)	—	—	(1,857)	(810)	(2,667)
Profit for the period	—	—	—	—	—	—	—	93,099	93,099	(603)	92,496
Total comprehensive income (expense) for the period	—	—	—	—	—	(1,857)	—	93,099	91,242	(1,413)	89,829
Shares repurchased and cancelled	(2)	(55)	—	—	—	—	—	—	(57)	—	(57)
	(2)	(55)	—	—	—	—	—	—	(57)	—	(57)
At 30 September											
2012 (unaudited)	40,358	209,215	(1,922)	49	42,099	15,134	10,533	631,361	946,827	70,996	1,017,823

Notes:

- 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.
- 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 Statement of Cash Flows

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012 <i>HK\$'000</i> <i>(unaudited)</i>	2011 <i>HK\$'000</i> <i>(unaudited)</i>
Net cash from (used in) operating activities	<u>108,440</u>	<u>(367,717)</u>
Net cash from (used in) investing activities		
Bank interest received	238	170
Purchase of property, plant and equipment	(14,494)	(13,520)
Decrease (increase) in pledged bank deposits	142,216	(186,161)
Decrease in deposits placed with brokers	8,768	34,324
Decrease in bank structured deposit	18,463	—
Purchase of available-for-sale investments	(1,560)	—
	<u>153,631</u>	<u>(165,187)</u>
Net cash (used in) from financing activities		
Payment on repurchase of shares	(57)	—
Proceeds from exercise of share options	—	1,870
New bank loans raised	1,607,087	2,720,072
Repayment of bank borrowings	(1,874,276)	(2,425,145)
Repayment to non-controlling shareholders of a subsidiary	(3,298)	—
Capital injection from other shareholder of a subsidiary	13,261	—
	<u>(257,283)</u>	<u>296,797</u>
Net increase (decrease) in cash and cash equivalents	4,788	(236,107)
Cash and cash equivalents at 1 April	156,408	400,866
Effect of foreign exchange rate changes	(709)	483
Cash and cash equivalents at 30 September, represented by bank balances and cash	<u>160,487</u>	<u>165,242</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

## 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 consolidated financial statements for the six months ended 30 September 2012 are the same with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012.

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, which are effective for the Group’s financial year beginning on 1 April 2012.

Amendments to HKFRS 7

Financial instruments: Disclosures —  
Transfers of Financial Assets

Amendments to HKAS 12

Deferred Tax: Recovery of Underlying Assets

The adoption of the new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

## 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 (Amendments)	Annual Improvements to HKFRSs 2009-2011 cycle <sup>2</sup>
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated financial statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>1</sup>
HKAS 19 (as revised in 2011)	Employment Benefits <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

The directors of the Company (the “Directors”) are currently assessing the impact of these new HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s result of operations.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

## 3. RESTATEMENT OF COMPARATIVE FINANCIAL INFORMATION

For year ended 31 March 2012, the Group completed the acquisition of an associate, Asia Sixth Energy Resources Limited (“Asia Sixth”). Since the management of Asia Sixth required additional time to determine the fair values of assets and liabilities of a subsidiary acquired by Asia Sixth at initial recognition, no reliable consolidated financial information of Asia Sixth made available to enable the Group to accounts for its interest in Asia Sixth at initial recognition and to equity account for its interests in Asia Sixth for the period from 28 December 2011 (the “Date of Acquisition”) to 31 March 2012. Accordingly, the Group’s interest in Asia Sixth and loan to Asia Sixth was stated at cost less any identified impairment loss as at 31 March 2012.

During the six months ended 30 September 2012, the management of Asia Sixth has provided the relevant financial information such that the Group can apply initial accounting to accounts for its interest in Asia Sixth at initial recognition and to equity account for its interests in Asia Sixth for the period from the Date of Acquisition to 31 March 2012. Accordingly, the comparative figures as stated in the condensed consolidated statement of financial position as at 31 March 2012 have been restated. The initial accounting for the acquisition has been determined provisionally since the management of Asia Sixth is still awaiting for the receipt of final professional valuations in relation to their net assets and liabilities.

**Impact of the restatement on the condensed consolidated financial position of the Group as at 1 April 2012:**

	<b>As previously reported HK\$'000</b>	<b>Adjustment HK\$'000</b>	<b>As restated HK\$'000</b>
Interests in associates	135,388	98,948	234,336
Loan to an associate	187,979	(86,090)	101,889
Total effects on net assets	915,193	12,858	928,051
Retained profits	(525,404)	(12,858)	538,262

The restatement has no impact on the loss and loss per share for the period ended 30 September 2011.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

## 4. 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 crude oil, petroleum products and petrochemical products (“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 2012. 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.

## 5. FINANCE COSTS

	Six months ended 30 September	
	2012 <i>HK\$'000</i> <i>(unaudited)</i>	2011 <i>HK\$'000</i> <i>(unaudited)</i>
Interests on short-term borrowings	3,083	10,722
Bank charges on letter of credit facilities	3,438	2,222
	<u>6,521</u>	<u>12,944</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

## 6. TAXATION

	Six months ended 30 September	
	2012 <i>HK\$'000</i> <i>(unaudited)</i>	2011 <i>HK\$'000</i> <i>(unaudited)</i>
Current tax:		
PRC Enterprise Income Tax	<u>75</u>	<u>103</u>
	<u>75</u>	<u>103</u>

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 was 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

## 7. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 September	
	2012 <i>HK\$'000</i> <i>(unaudited)</i>	2011 <i>HK\$'000</i> <i>(unaudited)</i>
Profit (Loss) for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments (included in other expenses)	237	234
Depreciation of property, plant and equipment		
– Vessel (Note)	—	11,757
– Others	306	109
Net foreign exchange (gain) losses	(247)	244
Write-down of inventories (included in cost of sales)	—	5,452
Gross rental income from leasing of storage spaces of vessel	—	(3,059)
	<u>          </u>	<u>          </u>

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, together with the attributable operating costs of vessel, was included in other expenses. The remaining amount of HK\$11,213,000, together with the attributable operating costs of the vessel, was included in distribution and selling expenses.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

## 8. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2012 (30 September 2011: Nil).

## 9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 September	
	2012 <i>(unaudited)</i>	2011 <i>(unaudited)</i>
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	1,614,381,323	1,612,220,666
Effect of dilutive potential ordinary shares:		
Share options	18,788,297	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share	<u>1,633,169,620</u>	<u>1,612,220,666</u>

The incremental shares from assumed exercise of share options were excluded in calculation of the diluted loss per share for the period ended 30 September 2011 since the exercise of those share options would result in a decrease in loss per share.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

## 10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

	As at 30 September 2012 <i>HK\$'000</i> <i>(unaudited)</i>	As at 31 March 2012 <i>HK\$'000</i> <i>(audited)</i>
At beginning of the period	69,607	157,218
Exchange realignment	(577)	347
Additions	14,494	58,330
Disposals	—	(123,445)
Acquisition of subsidiaries	—	991
Depreciation charge	(306)	(23,834)
	<u>83,218</u>	<u>69,607</u>

## 11. 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 2012 <i>HK\$'000</i> <i>(unaudited)</i>	31 March 2012 <i>HK\$'000</i> <i>(audited)</i>
0 to 30 days	<u>2,601,272</u>	<u>2,468,047</u>

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

## 12. 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:

	<b>30 September 2012 HK\$'000 (unaudited)</b>	31 March 2012 HK\$'000 (audited)
0 to 30 days	<b><u>2,548,121</u></b>	<u>1,653,937</u>

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

## 13. BANK BORROWINGS

The bank borrowings at the end of the reporting period represented the trust receipt loans used to purchase inventories, and short-term loan. The loans carried interest at variable market rates of range from 0.7% to 2.8% (31 March 2012: 1.0% to 3.5%) per annum and are repayable within 3 months.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

## 14. SHARE CAPITAL

	Number of shares <i>(unaudited)</i>	Share capital <i>HK\$'000</i> <i>(unaudited)</i>
Ordinary shares of HK\$0.025 each		
Authorised:		
At 30 September 2011, 31 March 2012 and 30 September 2012	<u>4,000,000,000</u>	<u>100,000</u>
Issued:		
At 1 April 2011	1,611,674,000	40,292
Exercise of share options	<u>2,900,000</u>	<u>73</u>
At 30 September 2011	1,614,574,000	40,365
Shares repurchased and cancelled	<u>(188,000)</u>	<u>(5)</u>
At 31 March 2012	1,614,386,000	40,360
Share repurchased and cancelled (note)	<u>(82,000)</u>	<u>(2)</u>
At 30 September 2012	<u>1,614,304,000</u>	<u>40,358</u>

Note:

During the six months ended 30 September 2012, the Company had repurchased a total of 542,000 ordinary shares of HK\$0.025 each of the Company on the Stock Exchange of which 82,000 shares were cancelled before the end of reporting period and 460,000 shares were subsequently cancelled in October 2012.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

## 15. CAPITAL AND OTHER COMMITMENTS

As at 30 September, 2012, the Group had authorised but not contracted for capital expenditure of approximately RMB178.1 million (equivalent to approximately HK\$222.4 million) (31 March 2012: RMB189.2 million (equivalent to approximately HK\$236.5 million)) in respect of the construction of the petroleum and petrochemical products storage facilities on two leasehold land parcels in Nantong city, Jiangsu Province, the PRC and construction of facilities and equipment for manufacture and processing of mixed aromatics in Yangpu, Hainan Province, the PRC.

## 16. RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2012, the Group paid the rental expenses of approximately HK\$499,000 (2011: HK\$499,000) to Strong Property Limited, a company in which the controlling shareholders have beneficial interests, for the use of office premises.