



STRONG PETROCHEMICAL HOLDINGS LIMITED

海峡石油化工控股有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock Code: 852

INTERIM REPORT
2013



*For identification purposes only

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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

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 (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

AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

LEGAL ADVISORS

Edwards Wildman Palmer

(as to Hong Kong laws)

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, 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
United Overseas Bank Ltd.,
Singapore Branch

WEBSITE

www.strongpetrochem.com

SHARE INFORMATION

The Stock Exchange of Hong Kong Limited
Stock code: 00852

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 financial results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2013 (the “Six Month Period”).

Revenue for the Six Month Period was approximately Hong Kong dollars (“HK\$”) 10,201.3 million, representing an increase of approximately 39% when compared with the same period last year. Profit attributable to owners of the Company for the Six Month Period was approximately HK\$234.1 million.

Trading of Crude Oil, Petroleum Products and Petrochemicals

In 2013, despite the downward economic environment in the Asia Pacific region, our Group successfully sustained a growth in the revenue, especially that from petroleum business which records an increase of 276%. In the Six Month Period, our crude oil business focused on trading of better quality products with higher profit margin, instead of products with lower profit margin. With the effort of our Singapore office in expanding the business of petroleum products, the petroleum business took up an increasing portion of the Group’s revenue to 59% in the Six Month Period from 22% in same period last year. During the Six Month Period, the Group continued to develop its petrochemicals business by widen the market of mixed C₄ and the market of the People’s Republic of China (the “PRC”).

Manufacture and Development of Chemical Products

To enable the Group entering into the upstream sector of chemical industry and become a chemical manufacturer, we acquired 57% equity interest of Hainan Huizhi Petrochemical Fine Chemical Industry Limited Company (“Huizhi”), in the consideration of Renminbi (“RMB”) 28.5 million. The C₄ and C₅ reformers, sec-Butyl Acetate processing equipment and liquefied petroleum gas pipelines construction were completed in October 2013. It is expected that the remaining construction works will be completed by the end of 2013 and Huizhi will commence trial operations of manufacturing and processing aromatics and sec-Butyl Acetate in early 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Storage and Logistics Business

In June 2013, Strong Petrochemical (Nantong) Logistics Company Ltd., our non-wholly owned subsidiary, completed its trial run of storage facilities with 21 storage tanks and a capacity of 139,000 cubic meters and commenced operations. The operation permit of petroleum storage tank with a capacity of 24,000 cubic meters is expected to be obtained by the end of 2013. The reclamation rate of the oil gas reclamation plant reached 99.9%. For the Six Month Period, the total throughput reached 639,000 metric tons ("MT").

Our storage facilities project in Tianjin is carried out by the Group's 15% owned associate, Sinochem Tianjin Port Petrochemical Terminal Co., Ltd. ("Tianjin Terminal"). The Phase 1 construction of storage tanks and facilities with a capacity of 420,000 cubic meters and the Phase 2 construction of storage tanks and facilities with a capacity of 540,000 cubic meters were in operation. Extended construction of storage tanks, with a capacity of 130,000 cubic meters is expected to be completed by the end of 2015. The construction work of port oil pipeline connection project with a capacity of 300,000 MT has begun and is expected to be completed by the end of 2013. After State Council of the PRC promulgated Regulation of Administration of Railway Safety, Tianjin Terminal communicated closely with State Railway Administration with regards to the railway construction project to be commenced in 2014. The original plan of constructing storage tanks with a capacity of 480,000 cubic meters will be delayed until the completion of the extended construction, the port oil pipeline connection project and the railway construction project abovementioned. As at 30 September 2013, 9 long term contracts have been signed with customers and around 95.5% of the storage tanks have been rented out.

The Group also holds 15% equity interest of Tianjin Port Sinochem Petrochemical Dock Co., Ltd. which provides logistics services to Tianjin Terminal.

MANAGEMENT DISCUSSION AND ANALYSIS

Acquisition of Vessel

In September 2013, the Group entered into a joint venture agreement with an independent Thailand company to acquire 49% equity interest of a joint venture company, Srithai Capital Co., Ltd. ("Srithai Capital"), in the consideration of Thailand Baht 49.0 million (equivalent to approximately HK\$12.1 million). Pursuant to a vessel purchase agreement, Srithai Capital completed the acquisition of an oil tanker (the "Vessel") from an independent third party in October 2013 for storage of oil products. The Vessel is a double hulled oil tanker built in 1998 with a gross tonnage of approximately 149,407 MT and deadweight of approximately 281,050 MT. The vessel will be rented by the Company's wholly owned subsidiary, Strong Petrochemical Limited (Macao Commercial Offshore), for storing oil products in Malaysia. The Group anticipates benefits from storage expenses saving for self storage and provision of value added services to our customers.

Change of Financial Year End Date

As announced on 23 September 2013, the board of directors of the Company (the "Board") resolved to change the financial year end date of the Company from 31 March to 31 December so as to enable the Company to align its financial year end date with that of the subsidiaries incorporated in the PRC. Accordingly, the next audited financial statements to be published shall cover a period of nine months from 1 April 2013 to 31 December 2013. The Company will announce and publish its results for the nine months ended 31 December 2013 on or before 31 March 2014.

FINANCIAL REVIEW

Revenue

The Group is principally engaged in the trading of oil products, including crude oil, petroleum products and petrochemicals. Approximately 37% (2012: approximately 77%) 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 59% (2012: approximately 22%) and the revenue generated from trading of petrochemicals was approximately 4% (2012: approximately 1%).

MANAGEMENT DISCUSSION AND ANALYSIS

The revenue of the Group was approximately HK\$10,201.3 million (2012: approximately HK\$7,358.5 million) for the Six Month Period, representing an increase of approximately 39% compare with same period last year. The decrease in trading volume of crude oil from 6,526,373 barrels ("BBL") to 4,507,367 BBL for the Six Month Period was led by the weak demand of products with lower profit margin in the Asia Pacific region. Our Singapore office commenced its trade in petroleum products starting from the first quarter of 2013, and other offices continued to expand the market. The trading volume of petroleum products increased almost 2.2 times from 295,615 MT to 942,188 MT for the Six Month Period. The trading volume of petrochemicals increased from 14,553 MT to 45,296 MT for the Six Month Period since Nantong Strong International Trading Company Limited, our wholly owned subsidiary, obtained some new customers and our Hong Kong office expanded the business by trading more types of products such as Orthoxylene during the period.

Products	Unit	Six months ended 30 September					
		Number of shipment	2013		Number of shipment	2012	
			Sales quantity	Revenue HK\$ million		Sales quantity	Revenue HK\$ million
Crude oil	BBL	9	4,507,367	3,805.9	13	6,526,373	5,643.6
Petroleum products	MT	44	942,188	5,989.8	80	295,615	1,593.1
Petrochemicals	MT	73	45,296	405.6	38	14,553	121.8
Total		126		10,201.3	131		7,358.5

Gross Profit

Benefiting from the increase in revenue and the ability to charge for the higher cargo premium for crude oil, petroleum products and petrochemicals, an increase in overall gross profit to approximately HK\$367.7 million (2012: approximately HK\$108.9 million) was achieved.

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 minimise the price risk exposure of each trade and to reduce the fluctuation in the operating results.

For the Six Month Period, the Group reported an aggregate profit on fair value changes on derivatives financial instruments of approximately HK\$26.7 million (2012: approximately HK\$43.7 million). The realised loss and unrealised gain on fair value changes on derivative financial instruments were approximately HK\$17.4 million and HK\$44.1 million respectively (2012: realised loss and unrealised gain of approximately HK\$6.4 million and HK\$50.1 million respectively).

Profit for the Period

Profit attributable to owners of the Company for the Six Month Period was approximately HK\$234.1 million, representing an increase of approximately 151% compare with approximately HK\$93.1 million of profit for the same period of last year.

Liquidity and Financial Resources

The bank balances and cash as at 30 September 2013 was amounted to approximately HK\$417.1 million which was increased by approximately 15% when comparing with approximately HK\$361.9 million as at 31 March 2013. The increase in bank balance and cash were mainly contributed by the increase of cash from operating activities and financing activities, partially offset by cash used in investing activities.

The banking facilities as at 30 September 2013 amounted to approximately US\$1.0 billion (equivalent to approximately HK\$7.8 billion) from several banks. Save for the Group's bank borrowings of approximately HK\$850.1 million, the Group had no bank overdraft as at 30 September 2013.

Gearing Ratio

As at 30 September 2013, the gearing ratio was approximately 19% (31 March 2013: approximately 26%). The debt ratio was calculated as the Group's total borrowing divided by total assets. Decrease in gearing ratio is mainly due to increase in trade and bills receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

Charges of Assets and Contingent Liabilities

As at 30 September 2013, the Group's banking facilities were secured by pledged bank deposits of approximately HK\$437.6 million and pledged inventories of approximately HK\$813.8 million.

As at 30 September 2013, 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\$ is relatively stable during the Six Month Period, the exposure on foreign exchange is insignificant.

The Group has not implemented any foreign currency hedging policy at the moment. Nonetheless, the 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. The management has arranged limited foreign currency hedging to reduce the exposure of currency risk of crude oil cargoes denoted in Euro.

Capital Commitment

As at 30 September 2013, the Group had contracted for capital expenditure of approximately RMB85.3 million (equivalent to approximately HK\$107.6 million) (31 March 2013: approximately RMB61.2 million (equivalent to approximately HK\$75.7 million)) and authorised but not contracted for capital expenditure of approximately RMB107.0 million (equivalent to approximately HK\$134.9 million) (31 March 2013: approximately RMB71.8 million (equivalent to approximately HK\$89.0 million)) respectively in respect of the construction of the petroleum products and petrochemicals storage facilities on two leasehold land parcels in Nantong City, Jiangsu Province, the PRC and construction of facilities and equipments for manufacturing and processing of mixed aromatics in Yangpu Economic Development Zone, Hainan Province, the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividends

The Board did not recommend the payment of any interim dividend for the Six Month Period (2012: Nil).

Employment and Remuneration Policy

As at 30 September 2013, the Group increased the number of employees to 143 (31 March 2013: 131) to cope with our expansion, especially in the PRC. 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.

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

During the Six Month Period, the Company repurchased a total of 870,000 ordinary shares of the Company at an aggregate of HK\$773,000 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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\$	
August 2013	196,000	0.90	0.86	174,000
September 2013	674,000	0.93	0.87	599,000
Total	870,000			773,000

The repurchased shares were cancelled during the Six Month Period and the issued share capital of the Company was reduced by the nominal value thereof.

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 2013, 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, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") are set out below:

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

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate percentage of shareholding (%)
Mr. Wang Jian Sheng	Interest of a controlled corporation (Note 1)	1,041,446,000	-	1,041,446,000	64.54
Mr. Yao Gaoliang	Interest of a controlled corporation (Note 1)	1,041,446,000	-	1,041,446,000	64.54
Ms. Lin Yan	Beneficial owner (Note 2)	840,000	360,000	1,200,000	0.07

Notes:

1. 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 Jian Sheng holds the entire issued share capital of Sino Century Holdings Limited. Mr. Yao Gaoliang holds the entire issued share capital of Jin Yao Holdings Ltd..
2. The number of underlying shares held are the share options granted by the Company, details of which are set out in the section headed "Share Options" below.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 2013, the Directors are not aware of any other person (other than the interests of the Directors or 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 HK\$0.025 each of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding (%)
Forever Winner	Beneficial Owner (Note)	1,041,446,000	64.54

Note:

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

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	Date of grant ⁽¹⁾ (dd/mm/yy)	Exercise price HK\$	Number of share options ⁽²⁾			
			Outstanding at 1/4/2013	Lapsed during the period	Exercised during the period	Outstanding at 30/9/2013
Independent non-executive Directors						
Ms. Lin Yan	07/05/09	0.645	360,000	-	-	360,000
Subtotal of Directors			360,000	-	-	360,000
Employees	07/05/09	0.645	12,400,000	-	(2,000,000)	10,400,000
Other participants in aggregate	07/05/09	0.645	130,550,000	(4,020,000)	(400,000)	126,130,000
Total			143,310,000	(4,020,000)	(2,400,000)	136,890,000

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 Month Period, 4,020,000 share options of the Company were lapsed.

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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

Pursuant to Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend the general meetings and develop a balanced understanding of the views of shareholders. Ms. Lin Yan, the independent non-executive Director, was unable to attend the annual general meeting of the Company held on 7 August 2013 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 securities transactions by the Directors. Having made specific enquiry by the Company, all Directors have confirmed that they had complied with the required standards set out in the Model Code during the Six Month Period.

SUFFICIENCY OF PUBLIC FLOAT

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

By order of the Board

Wang Jian Sheng

Chairman

Hong Kong, 26 November 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	NOTES	Six months ended 30 September	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Revenue		10,201,343	7,358,524
Cost of sales		(9,833,670)	(7,249,626)
Gross profit		367,673	108,898
Other income		14,528	7,034
Other gains and losses		3,387	(1,030)
Fair value changes on derivative financial instruments		26,711	43,717
Distribution and selling expenses		(113,055)	(24,947)
Administrative expenses		(43,543)	(22,672)
Other expenses		(299)	(237)
Finance costs	4	(13,512)	(6,521)
Share of losses of associates		(4,069)	(11,671)
Profit before taxation		237,821	92,571
Taxation	5	(2,802)	(75)
Profit for the period	6	235,019	92,496
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		6,325	(2,667)
Total comprehensive income for the period		241,344	89,829

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	NOTES	Six months ended 30 September	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Profit for the period attributable to:			
Owners of the Company		234,058	93,099
Non-controlling interests		961	(603)
		235,019	92,496
Total comprehensive income for the period attributable to:			
Owners of the Company		239,060	91,242
Non-controlling interests		2,284	(1,413)
		241,344	89,829
Earnings per share	8		
— basic (HK\$)		0.15	0.06
— diluted (HK\$)		0.14	0.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	NOTES	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	157,272	117,172
Prepaid lease payments		54,428	21,063
Other investment		1,560	1,560
Other assets		1,059	1,059
Interests in associates		127,250	128,943
		341,569	269,797
Current assets			
Inventories		828,774	819,044
Prepaid lease payments		1,167	479
Trade and bills receivables	10	1,679,954	183,215
Other receivables, deposits and prepayments		125,635	88,824
Tax recoverable		93	20
Derivative financial instruments		418,384	21,869
Deposits placed with brokers		116,132	163,136
Pledged bank deposits		437,621	73,506
Bank balances and cash		417,069	361,856
		4,024,829	1,711,949
Assets classified as held for sale		183,750	175,292
		4,208,579	1,887,241

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	NOTES	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Current liabilities			
Trade and bills payables	11	1,869,312	381,307
Other payables, deposits received and accruals		140,765	28,503
Receipt in advance		4,601	22,081
Bank borrowings	12	828,080	536,820
Derivative financial instruments		374,787	43,472
Tax payable		2,790	155
		3,220,335	1,012,338
Net current assets		988,244	874,903
Total assets less current liabilities		1,329,813	1,144,700
Equity			
Share capital	13	40,339	40,300
Reserves		1,193,898	1,018,679
Equity attributable to owners of the Company		1,234,237	1,058,979
Non-controlling interests		73,565	71,281
Total equity		1,307,802	1,130,260
Non-current liability			
Bank borrowings	12	22,011	14,440
		1,329,813	1,144,700

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note a)	Legal reserve HK\$'000 (Note b)	Share options reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2012	40,360	209,270	(1,922)	49	42,099	16,991	10,533	433,941	751,321	72,409	823,730
Exchange differences arising on translation	-	-	-	-	-	(1,857)	-	-	(1,857)	(810)	(2,667)
Profit (loss) 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	527,040	842,506	70,996	913,502

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note a)	Legal reserve HK\$'000 (Note b)	Share			Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
					options	Translation						
					reserve	reserve	reserve					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 April 2013	40,300	207,348	(1,922)	49	42,099	17,915	10,533	742,657	1,058,979	71,281	1,130,260	
Exchange differences arising on translation	-	-	-	-	-	5,002	-	-	5,002	1,323	6,325	
Profit for the period	-	-	-	-	-	-	-	234,058	234,058	961	235,019	
Total comprehensive income for the period	-	-	-	-	-	5,002	-	234,058	239,060	2,284	241,344	
Issue of shares on exercise of share options	60	2,170	-	-	(682)	-	-	-	1,548	-	1,548	
Shares repurchased and cancelled	(21)	(752)	-	-	-	-	-	-	(773)	-	(773)	
Final dividends recognised as distribution	-	-	-	-	-	-	-	(64,577)	(64,577)	-	(64,577)	
	39	1,418	-	-	(682)	-	-	(64,577)	(63,802)	-	(63,802)	
At 30 September 2013 (unaudited)	40,339	208,766	(1,922)	49	41,417	22,917	10,533	912,138	1,234,237	73,565	1,307,802	

Notes:

- (a) 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 Group structure prior to the listing of the Company's share on The Stock Exchange of Hong Kong Limited.
- (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 STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from operating activities	210,984	108,440
Net cash (used in) from investing activities		
Bank interest received	437	238
Purchase of property, plant and equipment	(41,601)	(14,494)
Prepaid leases payments made	(33,954)	–
(Placement) withdrawal of pledged bank deposits	(364,115)	142,216
Decrease in deposits placed with brokers	47,004	8,768
Settlement of bank structured deposit	–	18,463
Purchase of other investment	–	(1,560)
	(392,229)	153,631
Net cash from (used in) financing activities		
Payment on repurchase of shares	(773)	(57)
Proceeds from exercise of share options	1,548	–
New bank loans raised	3,545,242	1,607,087
Repayment of bank borrowings	(3,246,737)	(1,874,276)
Repayment to non-controlling shareholders of a subsidiary	–	(3,298)
Capital injection from other shareholders of a subsidiary	–	13,261
Dividends paid	(64,577)	–
	234,703	(257,283)
Net increase in cash and cash equivalents	53,458	4,788
Cash and cash equivalents at 1 April	361,856	156,408
Effect of foreign exchange rate changes	1,755	(709)
Cash and cash equivalents at 30 September, represented by bank balances and cash	417,069	160,487

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

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 of Hong Kong Limited (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 (the "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, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2013.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2013.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle, except for the amendments to HKAS 1
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

2. PRINCIPAL ACCOUNTING POLICIES – Continued

New and Revised Standards on Consolidation, Joint Arrangements, Associates and Disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (revised 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (revised 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with condensed consolidated financial statements and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

Based on the existing group structure, the application of these five standards is not expected to have a significant impact on the amounts reported in the condensed consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

2. PRINCIPAL ACCOUNTING POLICIES – Continued

HKFRS 13 Fair Value Measurement – Continued

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

The Directors are of the opinion that the application of HKFRS 13 has no material impact on the Group's fair value measurement as set out in these condensed consolidated financial statements of the Group.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

2. PRINCIPAL ACCOUNTING POLICIES – Continued

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income – Continued

Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements

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

Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011)	Investment Entities ¹
HKFRS 9	Financial Instruments ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK (IFRIC) Interpretation 21	Levies ¹

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 January 2015

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 2013

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 crude oil, petroleum products and petrochemicals (the "Trading business") as a whole 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.

The management plans to develop an oil storage business (the "Oil Storage business") in the People's Republic of China (the "PRC" excluding Hong Kong and Macao). Up to 30 September 2013, certain storage facilities have completed. Some insignificant revenue and expenses were generated and incurred correspondingly. Up to 30 September 2013, the executive directors did not regularly review any discrete information of the Oil Storage business for the purpose of resource allocation and assessment of performance. Accordingly, it does not constitute as an operating segment.

4. FINANCE COSTS

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on bank borrowings wholly repayable within five years	7,431	3,083
Bank charges on letter of credit facilities	6,081	3,438
	13,512	6,521

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

5. TAXATION

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	25	75
Other jurisdictions	2,777	–
	<u>2,802</u>	<u>75</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%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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 2013

6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Release of prepaid lease payments (included in other expenses)	299	237
Depreciation of property, plant and equipment	3,623	306
Net foreign exchange gains	(1,140)	(247)
	<u> </u>	<u> </u>

7. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2013 (30 September 2012: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

8. EARNINGS PER SHARE

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

	Six months ended	
	30 September 2013	2012
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,614,075,487	1,614,381,323
Effect of dilutive potential ordinary shares:		
Share options	38,900,224	18,788,297
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,652,975,711	1,633,169,620

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

	As at	As at
	30 September 2013	31 March 2013
	HK\$'000 (unaudited)	HK\$'000 (audited)
At beginning of the period	117,172	69,607
Exchange realignment	2,122	230
Additions	41,601	49,845
Disposals	–	–
Depreciation charge	(3,623)	(2,510)
	157,272	117,172

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

10. TRADE AND BILLS RECEIVABLES

The following is an aged analysis of trade and bills receivables presented based on the invoice date at the end of the reporting period which approximated the revenue recognition dates:

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
0 to 30 days	<u>1,679,954</u>	<u>183,215</u>

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

11. TRADE AND BILLS PAYABLES

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

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
0 to 30 days	<u>1,857,097</u>	<u>139,897</u>
31 to 60 days	<u>12,215</u>	<u>241,410</u>
	<u>1,869,312</u>	<u>381,307</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

12. BANK BORROWINGS

	30 September 2013 HK\$'000 (unaudited)	31 March 2013 HK\$'000 (audited)
Loans from discounted bills	–	40,068
Bank loans	850,091	511,192
	850,091	551,260
Analysed as:		
Secured	850,091	511,192
Unsecured	–	40,068
	850,091	551,260
Carrying amount repayable:		
Within one year	828,080	536,820
More than one year, but not exceeding two years	12,612	9,287
More than two years, but not exceeding five years	9,399	5,153
	850,091	551,260
Less: Amounts due within one year shown under current liabilities	(828,080)	(536,820)
Amounts shown under non-current liabilities	22,011	14,440

The loans carried interest at variable market rates of range from 0.59% to 6.88% (31 March 2013: 0.70% to 6.88%) per annum. The bank borrowings are secured by the storage tanks, plant and machinery, prepaid lease payments, certain inventories, bills receivables and bank deposits.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

13. SHARE CAPITAL

	Number of shares (unaudited)	Share capital HK\$'000 (unaudited)
Ordinary shares of HK\$0.025 each		
Authorised:		
At 30 September 2012, 31 March 2013 and 30 September 2013	4,000,000,000	100,000
Issued:		
At 1 April 2012	1,614,386,000	40,360
Shares repurchased and cancelled (<i>note</i>)	<u>(82,000)</u>	<u>(2)</u>
At 30 September 2012	1,614,304,000	40,358
Shares repurchased and cancelled	<u>(2,286,000)</u>	<u>(58)</u>
At 31 March 2013	1,612,018,000	40,300
Exercise of share options	2,400,000	60
Shares repurchased and cancelled (<i>note</i>)	<u>(870,000)</u>	<u>(21)</u>
At 30 September 2013	1,613,548,000	40,339

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 Hong Kong Limited of which 82,000 shares were cancelled before the end of reporting period and 460,000 shares were subsequently cancelled in October 2012.

During the six months ended 30 September 2013, the Company had repurchased a total of 870,000 ordinary shares of HK\$0.025 each of the Company on The Stock Exchange of Hong Kong Limited and all the shares were cancelled during the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

14. CAPITAL AND OTHER COMMITMENTS

As at 30 September 2013, the Group had contracted for capital expenditure of approximately RMB85.3 million (equivalent to approximately HK\$107.6 million) (31 March 2013: approximately RMB61.2 million (equivalent to approximately HK\$75.7 million)) and authorised but not contracted for capital expenditure of approximately RMB107.0 million (equivalent to approximately HK\$134.9 million) (31 March 2013: approximately RMB71.8 million (equivalent to approximately HK\$89.0 million)) respectively in respect of the construction of the petroleum products and petrochemicals storage facilities on two leasehold land parcels in Nantong City, Jiangsu Province, the PRC and construction of facilities and equipments for manufacturing and processing of mixed aromatics in Yangpu Economic Development Zone, Hainan Province, the PRC.

15. RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2013, the Group paid the rental expenses of approximately HK\$598,800 (2012: HK\$499,000) to Strong Property Limited, a company in which the controlling shareholders have controlling interests, for the use of office premises.