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

ANNUAL REPORT
2014

* For identification purposes only

Contents

Forward-looking statements (the "Statements") contained in this Annual Report (the "Report") relating to the forecast business plans, prospects, financial forecasting, and growth strategies of the Group. These Statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this Report. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These Statements may prove to be incorrect and may not be realised in future. Underlying these Statements is a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of Statements in this Report should not be regarded as representations by the board of directors or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such Statements.

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 ADVISER

Stephenson Harwood (as to Hong Kong laws)

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
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Rabobank International, Singapore Branch
Société Générale, Singapore 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

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years/periods is set out below:

	2014	2013+ (unaudited)	2013#	FY12/13*	FY11/12* (restated)	FY10/11*
Results (HK$'000)						
Revenue	**8,181,009**	23,913,265	20,875,730	15,090,716	11,111,550	7,890,665
(Loss) profit before taxation	**(360,667)**	581,044	377,841	312,144	(122,564)	105,006
Taxation (charge) credit	**(10,862)**	(9,056)	(4,543)	(4,642)	11,895	(2,686)
(Loss) profit for the year/period	**(371,529)**	571,988	373,298	307,502	(110,669)	102,320
Consolidated Statement of Financial Position (HK$'000)						
Total assets	**4,358,981**	6,360,269	6,360,269	2,157,038	3,362,725	2,304,820
Total liabilities	**(3,254,830)**	(4,909,393)	(4,909,393)	(1,026,778)	(2,538,995)	(1,463,672)
Equity	**1,104,151**	1,450,876	1,450,876	1,130,260	823,730	841,148

* Year ended 31 March

\# Period from 1 April to 31 December 2013

\+ Period from 1 January to 31 December 2013

Chairman's Statement

To all shareholders,

I present herewith the audited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014 (the "year"). In September 2013, the Group's financial year end date has been changed to 31 December, effective from 2013, so as to enable the Company to align its financial year end date with that of the subsidiaries incorporated in the People's Republic of China (the "PRC"). Accordingly, the current financial year which covered the year from 1 January 2014 to 31 December 2014 is the first full year after the change in financial year end date. To facilitate meaningful comparison, unless specified, the comparative figures refer to the result of the year from 1 January 2013 to 31 December 2013. It should be noted that the financial data for the year from 1 January 2013 to 31 December 2013 has neither been reviewed nor audited by our auditor.

Revenue for the year was approximately Hong Kong ("HK") Dollars ("HK$") 8,181.0 million (2013: approximately HK$23,913.3 million). Loss attributable to owners of the Company for the year was approximately HK$354.7 million (2013: profit attributable to owners of the Company of approximately HK$572.7 million). Considering the effect of interest income from loan to Asia Sixth Energy Resources Limited ("Asia Sixth") and share-based payments expense, normalised loss attributable to owners of the Company for the year was approximately HK$322.1 million (2013: normalised profit attributable to owners of the Company of approximately HK$556.5 million). Details are set out in the section of "Normalised Profit attributable to Owners of the Company" under "Management Discussion and Analysis".

BUSINESS REVIEW AND PROSPECTS

Trading of Crude Oil, Petroleum Products and Petrochemicals

In 2014, the oil production volume in the United States rose sharply as a result of the low cost in producing oil shale. The record high volume of oil inventory and the intention of the Organization of Petroleum Exporting Countries to fight for the market share under its low oil price strategy led to the oil price fluctuation during the year. The oil market was in a bullish mood in the first half of 2014, while Brent crude price reached a high of United States Dollars ("US$") 115.17 per barrel ("BBL") in mid-June. However, the bullish trend was suddenly broken in mid-June and Brent crude price was down to US$56.21 per BBL in late-December, which represented a 51% drop in Brent crude price. Such volatile oil market inevitably cracked our crude oil and petroleum products businesses, and our Group needed to adjust our business strategy accordingly. Despite the successful expansion in product type and customer base, the revenue from petrochemical business slightly decrease as a result of the dropping oil price. In view of the economic growth slowdown in the PRC, our Group will strive for expanding its trading business to other markets, such as Thailand, and developing new products, such as bunker and gasoil.

Manufacture of Petrochemicals

Hainan Huizhi Petrochemical Fine Chemical Industry Limited Company ("Huizhi"), our non-wholly owned subsidiary in Yangpu Economic Development Zone, Hainan Province, commenced its trial operation of manufacturing and processing petrochemicals in April 2014. Since the second quarter of 2014, Huizhi produced approximately 94,300 metric tons ("MT") of pentane former and approximately 12,400 MT of sec-butyl acetate. With its full operation, Huizhi will be able to produce approximately 120,000 MT of pentane former and approximately 60,000 MT of sec-butyl acetate annually. We are confident that Huizhi will significantly strengthen the Group's profitability.

Chairman's Statement

Storage Business

Strong Petrochemical (Nantong) Logistics Company Ltd. ("Strong Nantong") operates its storage facilities with 21 storage tanks and a capacity of 139,000 cubic meters. The board of directors of the Company ("Directors", collectively the "Board") believes that the Group can establish and develop its domestic network and distribution business for the existing trading business on oil products, and making Strong Nantong wholly owned by the Group would benefit in the long run by having full, complete and direct control over the corporate and financial planning and business development strategy for Strong Nantong. As such, in September, the Group acquired a total of 49.0% equity interest in Teamskill Investments Limited ("Teamskill Investments"), the Company's non-wholly owned subsidiary which in turn wholly owned Strong Nantong, with a consideration of 57,794,409 new shares of the Company to make Strong Nantong as our wholly owned subsidiary. Details are set out in the section of "Material Acquisitions and Disposals, and Future Plans for Material Investments" under "Management Discussion and Analysis". During the year, Strong Nantong obtained the approval of "Provisions on the Trial Operation for Hazardous Chemicals". It commenced its trial operation of storing liquidated chemical products in late 2014 and it is expected that the trial operation will be completed in June 2015. In January 2015, Strong Nantong also obtained the qualification of public bonded warehouse for liquidated chemical products. Accordingly, all imported bonded goods in our bonded warehouse can be temporarily exempted from import taxes. Strong Nantong commenced providing bonded storage services in February 2015. We believe that Strong Nantong can gain advantages to expand its product type and customer base with these qualifications.

Sublease of Vessel

Srithai Capital Co., Ltd. ("Srithai Capital"), our joint venture company in Thailand since September 2013, acquired an oil tanker (the "Vessel") with a gross tonnage of approximately 149,407 MT and deadweight of approximately 281,050 MT in October 2013. In January 2014, the Vessel was rented by Strong Petrochemical Limited (Macao Commercial Offshore) ("Strong Macao"), the Company's wholly owned subsidiary, for self-storage. During the year, Strong Macao subleased the Vessel to a third party for oil products storage since it shifted its focus to cargoes with back-to-back arrangements and could not reach the Vessel's full capacity. In February 2015, Strong Macao leased back part of the capacity of the Vessel so as to cope with the demand of its crude oil trading business. This arrangement allows us to be flexible in carrying out transactions with back-to-back arrangements or transactions with oil storage needs, and building up our oil reserve at time of low oil price.

Prospects

In August 2014, we started investing in crude oil and oil products related derivative products and securities with the use of surplus cash. With our proprietary traders' solid experience in the trading of such products, though a loss was recorded in current year due to the extremely volatile oil market in the second half of 2014, we are confident that the business can enhance the Group's profitability in the future.

The Group established Hainan Strong Huinan Petrochemical Limited ("Huinan"), our wholly owned subsidiary in Yangpu Economic Development Zone, Hainan Province, during the year and its principle business will be manufacturing and processing petrochemicals such as kerosene hydrofining. Huinan has started the preliminary work of the construction of building facilities. With the experience in establishing Huizhi, we believe that Huinan will be successful and it can further expand our business scope.

Looking forward to 2015, in view of the volatile market, we will continue to develop our business and look for investment opportunities in an active but cautious manner so as to create value for our shareholders.

Chairman's Statement

APPRECIATION

Lastly, on behalf of the Board, I would like to express my sincere appreciation to our shareholders and business partners for their continued support, my gratitude to my fellow directors and staff members for their hard work.

Wang Jian Sheng
Chairman

Hong Kong, 19 March 2015

Management Discussion and Analysis

BUSINESS REVIEW

Trading of Crude Oil, Petroleum Products and Petrochemicals

Facing the volatile oil market, the Group strived to develop its trading business of crude oil, petroleum products and petrochemicals. In 2014, our Macao office focused on trading crude oil through back-to-back arrangements and proactively expanded into new markets. During the year, despite the effort of our Singapore office to develop trading of new petroleum products, trading volume and profit dropped significantly as a result of the change in The Association of Southeast Asian Nations ("ASEAN") Trade in Goods Agreement and China–ASEAN Free Trade Area of Rules of Origin and the slowdown of the PRC's economic growth. In the meantime, the Group expanded its petrochemical market by developing new products such as pentane former and ethylene glycol.

Manufacture of Petrochemicals

Huizhi, our non-wholly owned subsidiary which manufactures and processes petrochemicals, completed the fine-tuning of the manufacturing process in March 2014. Since Huizhi commenced its trial operation in April 2014, approximately 94,300 MT of pentane former and approximately 12,400 MT of sec-butyl acetate were produced. It is expected that Huizhi will commence its official operation in June 2015.

Storage Business

Strong Nantong, our wholly owned subsidiary since mid-September 2014, provides storage service with 21 storage tanks and a total capacity of 139,000 cubic meters. Strong Nantong is principally engaged in providing storage service for gasoline and diesel fuel. The storage volume dropped as a result of the collapse of oil price, and the total throughput dropped from approximately 1,107,400 MT in 2013 to approximately 424,500 MT in 2014.

Sublease of Vessel

In 2013, Srithai Capital acquired the Vessel which was rented by Strong Macao for self-storage. In view of the shift of trading focus and the excess capacity of the Vessel, Strong Macao subleased the Vessel to a third party for oil products storage in October 2014.

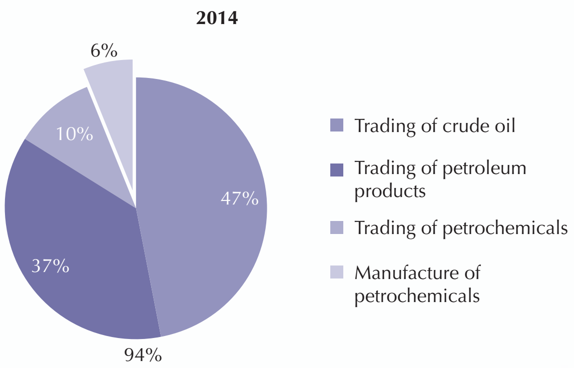
FINANCIAL REVIEW

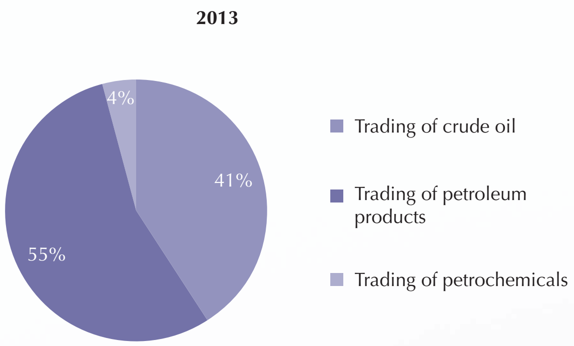
Revenue and Fair Value Changes on Derivative Financial Instruments

The Group is principally engaged in the trading of oil products and the manufacture of petrochemicals. Approximately 47% (2013: 41%) of the Group's revenue was generated from trading of crude oil for the year, while the revenue generated from trading of petroleum products was approximately 37% (2013: 55%) and the revenue generated from trading of petrochemicals was approximately 10% (2013: 4%). Approximately 6% of the revenue was generated from manufacture of petrochemicals which commenced during the year.

Management Discussion and Analysis

Analysis of revenue in percentage to total revenue by business:





The revenue of the Group was approximately HK$8,181.0 million (2013: approximately HK$23,913.3 million) for the year. The trading volume of crude oil decreased from 11,466,185 BBL to 5,370,113 BBL for the year since a PRC customer changed its trading pattern in early 2014 and our Macao office successfully negotiated with the customer to resume the trading relationship in the second half of the year. During the year, our Macao office expanded the Russian market while not many banks were willing to finance such cargoes due to international sanctions and this led to a forfeit of trading opportunities. As regards the petroleum products business, the change in ASEAN Trade in Goods Agreement and China–ASEAN Free Trade Area of Rules of Origin effective in early 2014 made the import specifications of biodiesel costly compared to the PRC's domestic productions. In addition, the PRC is facing a slowdown of economic growth which weakened its demand in petroleum products. As a result, the trading volume of petroleum products decreased from 1,997,377 MT to 611,462 MT for the year. The trading volume of petrochemicals increased from 102,253 MT to 116,332 MT since Nantong Strong International Trading Company Limited, our wholly owned subsidiary, vigorously expanded its business in the PRC petrochemical market by getting new customers, mainly the PRC petrochemical factories, and developing new products such as pentane former and ethylene glycol. Huizhi commenced its trial operation in April 2014 and the sales quantity from the manufactured petrochemicals was 72,982 MT.

		Year ended 31 December					
		2014			2013		
Revenue	Unit	**Number of shipment**	**Sales quantity**	**Revenue HK$'000**	Number of shipment	Sales quantity	Revenue HK$'000
Trading of major products							
Crude oil	BBL	**7**	**5,370,113**	**3,816,859.1**	17	11,466,185	9,787,453.8
Petroleum products	MT	**32**	**611,462**	**3,007,089.8**	108	1,997,377	13,184,345.7
Petrochemicals	MT	**168**	**116,332**	**840,003.3**	145	102,253	941,465.3
		207		**7,663,952.2**	270		23,913,264.8
Manufacture of petrochemicals	MT	**71**	**72,982**	**517,056.7**	–	–	–
Total		**278**		**8,181,008.9**	270		23,913,264.8

Compared with the sales proportion in 2013, the proportion of sales to customers in the PRC to total sales in 2014 increased from 87% to 96%. However, in view of the declining growth rate of the PRC, we will continue to solidify our business in the PRC market while strive to expand business in other markets.

Management Discussion and Analysis

The Group has established trading teams as well as daily management oversight, manages the overall physical cargo price exposure and controls this through offsetting oil derivative contracts according to the Group's risk management policy. As part of our rigorous control process, a daily reporting system is adopted for all physical and derivative contracts. Such risk control system enables effective and timely management of the Group's exposure to market risk.

During the year, the Group reported an aggregate loss on fair value changes on derivatives financial instruments for hedging transactions of approximately HK$164.6 million (2013: aggregate profit of approximately HK$31.8 million) and an aggregate loss on fair value changes on derivatives financial instruments for proprietary trading transactions of approximately HK$15.4 million (2013: nil), which were attributable to the volatile oil market in the second half of 2014.

Gross Profit

The overall gross profit of the Group decreased to approximately HK$108.3 million (2013: approximately HK$803.7 million), representing a decrease of approximately HK$695.4 million, for the year. The decrease in gross profit was largely attributable to the decrease in revenue and the recognition of inventory provision.

Normalised Profit attributable to Owners of the Company

As mentioned in the below section of "Material Acquisitions and Disposals, and Future Plans for Material Investments", in 2013, the Group entered into a share purchase agreement to assign the shareholder's loan of US$24.1 million to The Sixth Energy Limited ("Sixth Energy").

As mentioned in the section of "Share Options" under "Directors' Report", share options have been granted by the Company to eligible participants under the new share option scheme which was adopted in May 2014 during the year. The associated share-based payments expense was considered as one-off expense during the year.

By excluding the interest income from loan to Asia Sixth arising from the assignment of shareholder's loan of approximately HK$8.8 million (2013: approximately HK$16.2 million) and the share-based payments expense of approximately HK$41.4 million (2013: Nil), the loss for the year attributable to owners of the Company is adjusted downward from approximately HK$354.7 million, under the best estimate by management, to a normalised loss for the year attributable to owners of the Company of approximately HK$322.1 million.

	Year ended 31 December 2014 HK$ million	Year ended 31 December 2013 (Unaudited) HK$ million	Period from 1 April to 31 December 2013 HK$ million
(Loss) profit for the year attributable to owners of the Company	**(354.7)**	572.7	372.5
Deduct: Interest income from loan to Asia Sixth	**(8.8)**	(16.2)	(12.7)
Add: Share-based payments expense	**41.4**	–	–
Underlying (loss) earnings after tax	**(322.1)**	556.5	359.8

Management Discussion and Analysis

Liquidity and Financial Resources

The Group generally finances its daily operations from internally generated cash flows (the "Internal Funds") and banking facilities. As at 31 December 2014, the Group had deposits placed with brokers, pledged bank deposits, and bank balances and cash of approximately HK$29.3 million (2013: approximately HK$194.3 million), approximately HK$33.2 million (2013: approximately HK$65.3 million) and approximately HK$267.2 million (2013: approximately HK$345.3 million) respectively. The total of deposits placed with brokers, pledged bank deposits, and bank balances and cash (collectively, the "Liquidity Resources") were approximately HK$329.7 million (2013: approximately HK$604.9 million). Most of the Liquidity Resources were denominated in US$.

The equity attributable to the owners of the Company decreased by approximately HK$297.2 million to approximately HK$1,079.7 million as at 31 December 2014 (2013: approximately HK$1,376.9 million).

The Group had bank borrowings, represented by trust receipt, discounting, short-term loans and long-term loans repayable within 1 year, of approximately HK$1,643.9 million (2013: approximately HK$1,684.6 million). As at 31 December 2014, the Group's gearing ratio was approximately 40% (2013: 27%). The gearing ratio was calculated as the Group's total borrowing divided by total assets.

The Group will mainly use the Internal Funds to repay the due debts and relevant interests, in case of any shortfalls, the Group will consider to avail itself of new loans by unused banking facilities to finance the repayment of the principal and interest in a timely manner.

As at 31 December 2014, the Group has banking facilities of approximately US$1,476.3 million and Renminbi ("RMB") 148.0 million (equivalent to approximately HK$11,702.3 million in total) from several banks. Save as disclosed in notes 25 and 35 to the consolidated financial statements, the Group did not have any other charges an assets as at 31 December 2014.

The majority of the Group's sales and purchases are denominated in US$. The Group considers its foreign currency exposure is mainly arising from the exposure of exchange between US$ and HK$ with limited exposure to Singapore Dollar, Euro and RMB. Since the exchange rate of US$ against HK$ is relatively stable during the year, the exposure on foreign exchange is insignificant.

Contingent Liabilities

As at 31 December 2014, the Group did not have any significant contingent liabilities.

Capital Commitments

Save as disclosed in note 30 to the consolidated financial statements, the Group did not have any other significant capital commitments as at 31 December 2014.

Material Acquisitions and Disposals, and Future Plans for Material Investments

The success of the Group will depend, inter alia, on the realisation of the expected synergies, costs control, and growth opportunities and potentials upon integration of the acquired businesses. The Group concentrates on its core business and cautiously expands the scale and geographical spread of its business through organic growth and investment in selective acquisitions with great potential. There can be no assurance that a failure to operate the acquired businesses successfully and thereby not achieve the expected financial benefits, may not adversely affect the Group's financial position and results.

Management Discussion and Analysis

In early 2013, the Group entered into a share purchase agreement to dispose approximately 33.12% equity interest in the issued share capital of Asia Sixth and the shareholder's loan of US$24.1 million, at a total consideration of approximately US$24.1 million. During the year, Sixth Energy has paid the Group the consideration in the total sum of US$24.1 million for assignment of shareholder's loan. Announced on 1 August 2014, the original plan to dispose approximately 33.12% equity interest in Asia Sixth was terminated and replaced by another plan to dispose the entire equity interest in Asia Sixth. Pursuant to the termination agreement which Sixth Energy, Asia Sixth and the Group entered, Sixth Energy, Asia Sixth and Caspian Energy Inc. ("CEI", a publicly traded company on NEX, a separate board of TSX Venture Exchange) would enter into an agreement for the purpose of restructuring of Asia Sixth. Subject to the completion of restructuring of Asia Sixth and further subject to the applicable laws and regulations and the memorandum and articles of association of Asia Sixth, Asia Sixth agreed to acquire 67 shares of Asia Sixth from the Group at a consideration of 1.68% of the total issued common shares of CEI at the time of completion of restructuring of Asia Sixth. As at 31 December 2014, the restructuring of Asia Sixth has not yet been completed.

In early 2014, the Group acquired over 45.0 million Class "A" common voting shares and approximately 15.0 million warrants of Sunshine Oilsands Ltd., an energy company listed on the Hong Kong and Toronto Stock Exchanges, at a price of HK$1.70 per share. Each warrant entitles the Group to acquire one common share at an exercise price of HK$1.88 per common share for a period of 24 months following the completion of acquisition.

In August 2014, the Group started investing in crude oil and oil products related derivative products and securities, and subsequently the Board decided to include the investment in financial products as one of the ordinary business activities. The Group monitors the proprietary trading closely under its risk management policy.

Announced on 5 September 2014, the Group entered into the two subscription agreements with Shanghai Tongran Petroleum & Chemical Industry Co., Ltd. ("Shanghai Tongran") and Shanghai Saibao Industrial Co., Ltd. ("Shanghai Saibao") respectively, in relation to subscription of 57,794,409 new shares of the Company at the consideration of transferring 32.5% and 16.5% of equity interest in Teamskill Investments held by Shanghai Tongran and Shanghai Saibao respectively. Upon completion on 18 September 2014, Teamskill Investments and its wholly owned subsidiary, Strong Nantong, became indirectly wholly owned by the Company.

Save as disclosed in notes 18, 29 and 36 to the consolidated financial statements, there were no other significant investments held during the year, or plans for material investments of capital assets as at the date of this report, nor were there other material acquisitions and disposals of subsidiaries during the year.

Employees

The number of employees of the Group was increased to 168 (2013: 150) as at 31 December 2014 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.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. WANG Jian Sheng ("Mr. Wang"), aged 61, is an executive Director and the chairman of the Company (the "Chairman") since February 2008. He has been a member of the remuneration committee of the Company (the "Remuneration Committee") and the chairman of the nomination committee of the Company (the "Nomination Committee") since November 2008 and March 2012 respectively. In October 2000, Mr. Wang invested in our Group and acted as a substantial shareholder. At the same time, he joined our Group as the supervisor. He graduated from Henan University of Science and Technology, formerly known as Luoyang Industrial College with a bachelor degree in metallic materials and heat process. He is responsible for overseeing the function of the Board, formulating major corporate and business strategies, and identifying business goals and the related business plan at the high level. He is an independent non-executive director of China Financial Services Holdings Limited (stock code: 605) whose shares are listed on the main board of the Stock Exchange of Hong Kong Limited (the "HKEx"). Mr. Wang owns the entire issued share capital of Sino Century Holdings Limited ("Sino Century") which in turn holds 50% shareholding in Forever Winner International Ltd. ("Forever Winner"), a shareholder of the Company holding 1,041,746,000 shares of the Company. Furthermore, since Mr. Wang and Mr. Yao Guoliang ("Mr. Yao") jointly control Forever Winner which in turn holds 1,041,746,000 shares of the Company, Mr. Wang and Mr. Yao are deemed as parties acting in concert. Therefore, as Mr. Yao currently beneficially owns approximately 5.08% equity interest in the Company, Mr. Wang shall be deemed to hold the same equity interest in the Company.

Mr. YAO Guoliang, aged 49, is an executive Director and the chief executive officer of the Company (the "CEO") since February 2008. In November 1999, Mr. Yao founded our Group, and has been a director and a trader of our Group since then. He graduated from University of International Business and Economics with a bachelor degree in economics. He has more than 20 years of experience in handling crude oil trading and associated hedging activities. Leveraging on his extensive experience in the oil industry, Mr. Yao is responsible for formulating our corporate and business strategies, business development and management, trade solicitation as well as hedging implementation. In addition to be the direct and beneficial owner of 89,800,000 shares of the Company, Mr. Yao also owns the entire issued share capital of Jin Yao Holdings Ltd. ("Jin Yao") which in turn holds 50% shareholding in Forever Winner, a shareholder of the Company holding 1,041,746,000 shares of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. LIN Yan ("Ms. Lin"), aged 51, has been an independent non-executive Director (an "INED") since 28 November 2008. She has been the chairman of the Remuneration Committee and a member of the audit committee of the Company (the "Audit Committee") since 28 November 2008. She is a member of Certified General Accountants Association of Ontario in Canada. She is currently executive vice president of Tebon Securities Co., Ltd. in Shanghai, the PRC. Ms. Lin has over 20 years of experience in the finance industry. She held the position as a senior compliance manager in Rabobank International, Hong Kong Branch from 1997 to 1999. In 2000 to 2001, she was the corporate controller of Assante Advisory Services in Toronto, Canada. She later joined China Eagle Securities Co., Ltd. in the PRC as the assistant chief finance officer until mid-2002. She obtained her bachelor of science degree majoring in chemistry from Huaqiao University, the PRC, in 1985. In 1993, she obtained a master degree in business administration from Queen´s University, Kingston, Canada. She has been a member of the Self-regulation Oversight Committee of the Securities Association of China since February 2008. Since May 2013, Ms. Lin is the independent director of Shanghai Zinmei Real Estate Company (上海新梅置業股份有限公司) (stock code: 600372) whose shares are listed on the Shanghai Stock Exchange and Anhui Huaxing Chemical Industry Company Ltd. (安徽華星化工股份有限公司) (stock code: 002018) whose shares are listed on the Shenzhen Stock Exchange. Ms. Lin holds 840,000 shares of the Company and 360,000 share options of the Company pursuant to the share option scheme adopted by the Company on 28 November 2008.

Biographical Details of Directors and Senior Management

Ms. CHEUNG Siu Wan ("Ms. Cheung"), aged 48, is an INED since 1 January 2012. Ms. Cheung has been the chairman of the Audit Committee and a member of the Nomination Committee since 1 January 2012 and 16 March 2012 respectively. Ms. Cheung graduated from both Hong Kong University of Science and Technology with a Master of Science in Accounting in 1995 and City University of Hong Kong with a Bachelor of Arts in Business in 1988 respectively. Ms. Cheung has extensive experience in China tax services. Ms. Cheung joined KPMG Hong Kong in 1996, and from 2004 to 2011, she was a partner of KPMG China. Ms. Cheung serves as the member of Steering Team of Association of Chartered Certified Accountants ("ACCA") Southern China from May 2008, of which from May 2009 to April 2011, as Chairman of Steering Team of ACCA Southern China. Ms. Cheung has also been the member of Steering Team of ACCA Shanghai since March 2010. From April 2009 to March 2013, Ms. Cheung acted as member of the Accountancy Training Board of Vocational Training Council and became the member of the Working Group of Seminars of the Accountancy Training Board from April 2013 onwards. Ms. Cheung is a part-time teacher of University of Macau and also HKU School of Professional and Continuing Education. Ms. Cheung is a fellow member of Hong Kong Institute of Certified Public Accountants and the ACCA.

Mr. GUO Yan Jun ("Mr. Guo"), aged 61, is an INED since 9 September 2011. Mr. Guo has been a member of Audit Committee and Remuneration Committee since 9 September 2011, and nomination committee since 16 March 2012. Mr. Guo graduated from China People's University with a Diploma in Law in 1984 and has extensive entrepreneurship experiences and experience of corporate operation and management. Mr. Guo is the chairman of CNHK Tech Co., Ltd. and CNHK Media Limited. He is currently an independent non-executive director of Honghua Group Limited (Stock code: 196) and Mei Ah Entertainment Group Limited (Stock code: 391) whose shares are listed on the main board of the HKEx.

SENIOR MANAGEMENT

Mr. ZHUANG Jia ("Mr. Zhuang"), aged 49, is the deputy general manager of our Group. He is responsible for the trading, shipping and business development of our Group and overseeing our petrochemical trading business. He is also a trader of our Group. His duties include negotiating with suppliers and customers on terms and pricing of trades, considering and executing hedging strategies, and monitoring open positions of derivative financial instruments of our Group. Mr. Zhuang obtained his bachelor of engineering degree from East China University of Science and Technology, previously known as East China Institute of Chemical Technology in the PRC, majoring in petroleum processing in 1988. He has more than 20 years of experience in the oil industry. After university graduation, he joined Sinochem Shanghai as a salesman in the petroleum department and was involved in the hedging activities from April 1993 to February 1994. During the period from March 1994 to January 1997, he was seconded to SCHECO (Hong Kong) Co., Limited, an overseas branch of Sinochem Shanghai, as a trading manager and later promoted to deputy general manager. After the secondment, he returned to Sinochem Shanghai and accepted the position as a manager in the import department until March 1998. Prior to joining our Group in March 2007, he was the trading manager for ICC Chemical Corporation (Shanghai Office) for more than 8 years and was responsible for trading petrochemicals.

Mr. HO Yuan ("Mr. Ho"), aged 53, is the vice president of Strong Macao. Mr. Ho obtained his bachelor of chemical engineering degree from South China University of technology in 1984. He joined China Petrochemical Corporation after university graduation and worked on petroleum refining. During the period from 1994 to 2011, he was responsible for trading crude oil and related products, derivatives trading, processing business and logistics. Mr. Ho joined the Group in 2011 and he is currently responsible for the daily operations of crude oil team of Strong Macao.

Biographical Details of Directors and Senior Management

Mr. Francis TAN Boon Chye ("Mr. Tan"), aged 61, is the general manager and a director of Strong Petroleum Singapore Private Ltd. ("Strong Singapore"). Mr. Tan is a member of the Institute Of Petroleum (London) since 1984. Mr. Tan has over 30 years of experience in the oil industry from cargo and blending operations, shipping & chartering, oil broking (middle distillates) as well as oil trading. Mr. Tan is responsible for the overall oil operations of Strong Singapore since he joined the Group in 2009.

Mr. WANG Si Jue, aged 53, is the general manager of Nantong Strong International Trading Company Limited and chairman of Huizhi. He holds an executive master of business administration degree from University of Houston in 2007, a master degree of chemical engineering in 2001 and a bachelor's degree in science majoring in petroleum refining in 1984 both from East China Institute of Chemical Technology (now known as East China University of Science and Technology). He joined the Group in 2011 and has over 30 years' experience in oil refinery and extensive operations and management in large enterprises.

Mr. Oystein BERENTSEN ("Mr. Berentsen"), aged 63, is the managing director of Strong Singapore. Mr. Berentsen holds a bachelor degree in management sciences from University of Manchester Institute of Science and Technology in 1975. He has more than 30 years of experience in the oil industry. He joined Statoil ASA ("Statoil") crude oil trading department in 1981 and was responsible for crude oil price analysis, marketing and trading physical and derivatives. In 1985, he opened Statoil's crude oil trading office in London and worked as Head of Global spot crude oil trading and marketing. During the period from 1993 to 2004, Mr. Berensten was working as manager of crude oil trading in Statoil head office which is located at Stavanger and later worked as manager of Far East crude oil business development of Statoil in London. Starting from 2005, Mr. Berentsen was the vice president of crude oil trading in Statoil Singapore and was responsible for Middle East and Asia crude oil trading until he joined the Group in May 2013. He is currently responsible for negotiating terms and pricing of crude oil trades with suppliers and customers, and considering and executing hedging strategies.

Corporate Governance Report

The Board presents herewith the Corporate Governance Report of the Company for the year ended 31 December 2014. The Company is committed to strict adherence to the high corporate governance standards. The Board believes it is fundamental and essential to fulfill public and corporate responsibilities, sustainable development of the Group, enhancing shareholders' value and safeguarding interests of stakeholders.

The Company has adopted and is fully compliant with all the provisions of the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2014.

THE BOARD

Responsibilities

The Board is responsible for the overall management, which assumes the responsibility for leadership and control of the Company, and the Directors are collectively responsible for promoting the success of the Company by directing and supervising its affairs, overseeing the achievement of strategic plans, and monitoring its long term performance to enhance shareholders' value. Management of the Company (the "Management") was delegated with authority and responsibility for the day-to-day operations of the Group under the leadership of the Board.

The role of Chairman, Mr. Wang Jian Sheng is separate from that of CEO, Mr. Yao Guoliang. Their respective responsibilities are clearly defined and segregated to reinforce their independence and accountability.

The Chairman is responsible for providing leadership and governance to the Board and ensuring that the Board and its committees function effectively. By approving strategies and policies of the Group and monitoring on their implementation by supervising the Management on their implementation to ensure value creation and maximisation for shareholders. He takes part in cultivating and maintaining good relationships with strategic associates and creating a favourable environment for the development of the Group's businesses.

The CEO is responsible for leading the day-to-day operations of the Group's businesses to achieve their business and financial targets. Acting as the principal manager, he develops operating plans and strategies to the Board and ensures the effective implementation of the strategies and policies adopted and prioritised by the Board supported with effective and competence Management built and maintained by him. He maintained ongoing dialogue with the Chairman and all Directors to keep them timely and appropriately informed of all major changes and business development.

Directors have full and timely access to information of the Group as the Chairman ensures that the Management will supply the Board and its committees with all relevant information in a timely manner, as well as the advices and services of the company secretary of the Company (the "Company Secretary"), with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors may make further enquiries if in their opinion it is necessary or appropriate to request for further information. They also have unrestricted access to the advices and services of the Company Secretary, who is held responsible for providing Directors with Board papers and related materials and ensuring that all proper Board procedures are followed and that all applicable laws and regulations are complied with. When needed and upon making reasonable request to the Board, the INEDs may seek independent professional advice at the Company's expense in assisting them to carry out their duties. Insurance cover has been appropriately arranged to the Directors in connection with the performance of their responsibilities.

Corporate Governance Report

The presence of three INEDs is considered by the Board to be a reasonable balance between executive and non-executive Directors. The Board is of the opinion that such balance can provide adequate checks and balances for safeguarding the interests of shareholders and of the Group.

All INEDs are engaged with a fixed term of one year service with the Company and may be terminated by either party giving not less than one month's prior written notice. Shareholders may propose a candidate for election as Director in accordance with the articles of association of the Company. All Directors appointed to fill a vacancy are subject to re-election at the first general meeting of shareholders after appointment in accordance with the Article 86(3) of the articles of association. In accordance with the Article 87 of the articles of association, every Director shall be subject to retirement by rotation at least once every three years.

The Company has received written annual confirmations from all INEDs as to their independence as required under the Listing Rules. All INEDs are absence from involvement in daily management of the Company or any relationships or circumstances which would interfere their independence.

The INEDs bring a wide range of business and financial expertise, experiences and independent judgment to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all INEDs make various contributions to the effective direction of the Company.

Board Diversity Policy

In order to achieve a diversity of perspectives among members of the Board, the Company has adopted the board diversity policy (the "Board Diversity Policy") throughout the year and has been made available on the website of the Company for better transparency and governance. It is the policy of the Company to consider a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, when determining the composition of the Board.

The Company will also take into account factors based on its own business model and specific needs from time to time. The appointments of all members of the Board will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

Delegation by the Board

The day-to-day management, administration and operation of the Company are delegated to the CEO and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board has the full support of the CEO and the senior management to discharge its responsibilities.

All committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, have specific terms of reference clearly defining the authorities and responsibilities of the respective committees. All committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions.

The Board reviews, on annual basis, all delegations by the Board to different committees to ensure that such delegations are appropriate and continue to be beneficial to the Company as a whole.

Corporate Governance Report

BOARD COMPOSITION, BOARD AND COMMITTEE MEETINGS

As at 31 December 2014, the Board comprises of two executive Directors and three INEDs. The Company has met the requirements of the Listing Rules relating to the appointment of at least three INEDs with at least one of whom is with appropriate professional qualifications or accounting or related financial management expertise throughout the year. All Directors give sufficient time and attention to the affairs of the Group.

The Board meets at least four times each year and more frequently as the needs of the business demand. The Company's memorandum of association and articles of association provide for participation at meetings via telephone and other electronic means. Apart from the Board meetings, the Board would from time to time devote separate sessions to consider and review the Group's strategy and business activities. The attendance of the Directors at the Board meetings during the year is set out in the table under section "Meetings Held and Attendance" below.

Practices and Conduct of Meetings

The annual meeting schedule and the agenda of each meeting are made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least 14 days before the meetings, who were all given an opportunity to include matters in the agenda for discussion. For other Board and committee meetings, reasonable notice is given.

The Company Secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations in connection with the meetings are observed and complied with. Papers for Board meetings or committee meetings together with all relevant information are sent to all Directors or committee members at least 3 days before each meeting to enable them to make informed decisions with adequate data. The Board and each Director also have direct and independent access to the Management whenever necessary.

According to the current Board practice, any material transaction involving a conflict of interest with a substantial shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association also contains provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

BOARD COMMITTEE

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. Specific responsibilities of each committee are described below. All committees have defined terms of reference which are of no less exacting terms than those set out in the CG Code.

Audit Committee

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

Corporate Governance Report

The Audit Committee has undertaken a review of all the non-audit services provided by Deloitte Touche Tohmatsu during the year ended 31 December 2014, and is satisfied that such services would not affect the independence of Deloitte Touche Tohmatsu as the Company's external auditor. The Audit Committee has recommended to the Board that Deloitte Touche Tohmatsu be nominated for reappointment as external auditor of the Company at the forthcoming annual general meeting ("AGM").

The terms of reference of the Audit Committee are posted on the Company's website and include the following:

Relationships with the Company's auditor

(i) To act as the key representative body for overseeing the Company's relation with the external auditor, and to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of their resignation or dismissal.

(ii) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standard, and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.

(iii) To develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

Review of the Company's financial information

(iv) To monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:

   (a) any changes in accounting policies and practices;

   (b) major judgmental areas;

   (c) significant adjustments resulting from audit;

   (d) the going concern assumptions and any qualifications;

   (e) compliance with accounting standards; and

   (f) compliance with the Main Board Listing Rules and legal requirements in relation to financial reporting.

Corporate Governance Report

(v) Regarding to (iv) above:

(a) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditor; and

(b) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor.

Oversight of the Company's financial reporting system and internal control procedures

(vi) To review the Company's financial controls, internal control and risk management systems.

(vii) To discuss the internal control system with the Management to ensure that the Management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

(viii) To consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and the Management's response to these findings.

(ix) Where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.

(x) To review the Group's financial and accounting policies and practices.

(xi) To review the external auditor's management letter, any material queries raised by the auditor to the Management about accounting records, financial accounts or systems of control and the Management's response.

(xii) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.

(xiii) To report to the Board on the matters set out herein.

(xiv) To consider other topics, as defined by the Board.

(xv) To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the year ended 31 December 2014, the Audit Committee held two meetings and reviewed the preliminary, interim and annual results, and internal controls of the Group, and performed the duties and responsibilities under the terms of reference and as set out in the CG Code.

The Audit Committee reviews the Group's risk management policy annually. A high level review of internal controls of the Group was performed at the end of the year. The Audit Committee will continue to examine the Group's systems and policies for assessing and taking action to contain the different types of risk in its various operations as part of the Audit Committee's ongoing review of the adequacy of the Group's internal controls.

Corporate Governance Report

The Audit Committee has full access to and co-operation of the Management and has been given the resources required for it to discharge its functions properly. It has full discretion to invite any Director and executive officer to attend its meetings. The Audit Committee has also met with the external auditor, without the presence of the Management during the year.

In addition, the Audit Committee keeps under constant review changes to the Hong Kong Financial Reporting Standards with the assistance of the external auditor to assess their application to the accounting policies adopted by the Group and, where applicable, their effective adoption by the Group.

All the recommendations of the Audit Committee to the Management and the Board were accepted and implemented.

Subsequent to the financial year end, the Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2014, including the accounting principles and practices adopted by the Group, and recommended them to the Board for approval.

Remuneration Committee

The Remuneration Committee comprises of three members whereas the majority of the members must be INEDs. Currently, the Remuneration Committee is chaired by Ms. Lin Yan, an INED. The Company Secretary acts as the secretary to the Remuneration Committee.

The Remuneration Committee is responsible for recommending to the Board a framework for the remuneration of Directors and key executives. The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and other benefits. The Remuneration Committee also oversees the administration of the Company's share option scheme. The Remuneration Committee's recommendations are made in consultation with the CEO and submitted for endorsement by the Board. No Director is involved in any decision making, in respect of any remuneration or compensation to be offered or granted to him/her.

The terms of reference of the Remuneration Committee are posted on the Company's website and include the following:

(i) To make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

(ii) To review and approve the Management's remuneration proposals with reference to the Board's corporate goals and objectives.

(iii) Either:

  (a) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or

  (b) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

  This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

Corporate Governance Report

(iv) To make recommendations to the Board on the remuneration of non-executive Directors.

(v) To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

(vi) To review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive.

(vii) To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and that are otherwise reasonable and appropriate.

(viii) To ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

During the year ended 31 December 2014, the Remuneration Committee held one meeting to review the remuneration package, including the treatment and the vesting recommendations for the share options granted, of the Directors and senior management.

No individual Director is involved in deciding his or her own remuneration.

The remuneration of senior management was within the following bands:

	Number of individuals	
The emolument bands (in HK$)	**Year ended 31 December 2014**	Nine-month ended 31 December 2013
Nil to HK$1,000,000	**1**	2
HK$1,000,001 — HK$2,000,000	**2**	2
HK$2,000,001 — HK$3,000,000	**1**	–
HK$3,000,001 — HK$4,000,000	**–**	1
HK$4,000,001 — HK$5,000,000	**1**	–

Nomination Committee

The Nomination Committee comprises of the Chairman and two INEDs, and is chaired by the Chairman. The Company Secretary acts as the secretary to the Nomination Committee.

The Nomination Committee is guided by its terms of reference, which sets out its responsibilities. It is responsible for the review of candidates for nomination or re-nomination as Director, taking into consideration each candidate's qualifications and experience and how he/she can contribute to the effectiveness of the Board. The Nomination Committee is also responsible for recommending a framework for evaluation of the Board effectiveness, as well as evaluation of Board effectiveness and the contribution of each individual Director to the effectiveness of the Board.

Corporate Governance Report

The terms of reference of the Nomination Committee are posted on the Company's website and include the following:

(i) review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) be responsible for nominating for the approval of the Board, candidates to fill Board vacancies as and where they arise;

(iii) before appointment is made by the Board, evaluate the balance of skill, knowledge and experience on the Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment;

(iv) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(v) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO;

(vi) assess the independence of INEDs;

(vii) review the Board Diversity Policy and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and make disclosure of its review results in the corporate governance report of the Company; and

(viii) do any such things to enable the Nomination Committee to discharge its duties conferred on it on by the Board.

During the year ended 31 December 2014, one meeting was held to review the composition of the Board and the suitability of Directors proposed for re-appointment at the Company's AGM.

The Nomination Committee is also charged with the responsibility of determining annually whether a Director is independent. Each member of Nomination Committee will not take part in determining his/her own re-nomination or independence.

Under the articles of association, at least one-third of the Directors are required to retire from office by rotation and they are eligible for re-election at the Company's AGM. Thus, each Director must retire from office at least once every three years. In addition, all Directors appointed to fill a vacancy are subject to re-election at the first general meeting of shareholders after appointment in accordance with the Article 86(3) of the articles of association.

The Nomination Committee had recommended the re-nomination of Mr. Wang Jian Sheng and Ms. Cheung Siu Wan for re-election at the forthcoming AGM. The Board had accepted the Nomination Committee's recommendation.

Corporate Governance Report

Meetings Held and Attendance

Details of Directors' attendance of the Board meetings, three committees meetings and the AGM held during the year ended 31 December 2014 are set out as follows:

	Meetings attended/Meetings held				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**AGM held on 15 May 2014**
Executive Directors					
Mr. Wang Jian Sheng *(Chairman)*	14/14	N/A	1/1	1/1	1/1
Mr. Yao Guoliang *(CEO)*	14/14	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Ms. Cheung Siu Wan	13/14	2/2	N/A	1/1	1/1
Mr. Guo Yan Jun	13/14	2/2	1/1	1/1	1/1
Ms. Lin Yan	13/14	2/2	1/1	N/A	1/1

Apart from regular Board meetings, the Chairman also held meeting with INEDs without presence of executive Directors during the year.

Apart from the AGM held on 15 May 2014, the Company has not held any other general meetings.

CORPORATE GOVERNANCE FUNCTIONS

The Board did not establish a corporate governance committee but has delegated its responsibility for performing corporate governance duties to the respective Board Committees. During the year, the Board and Board Committees have reviewed the Group's policies and practices on corporate governance and made recommendations to the Board; reviewed and monitored the training and continuous professional development of Directors and senior management; reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; reviewed and monitored the CG Code of conduct applicable to employees and Directors; and reviewed the Group's compliance with the CG Code and disclosure in the Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

Corporate Governance Report

INDUCTION AND CONTINUOUS DEVELOPMENT OF DIRECTORS

All Directors, upon appointment to the Board, shall receive an induction package (the "Package") designed to enhance their knowledge and understanding of the Group's culture and operations by senior management. The Package usually includes a briefing on the Group's structure, businesses and governance practices. Every Board member receives a memorandum on director's responsibilities upon joining the Board, which lays down the guidelines on conduct, Directors' duties, and other key governance issues.

The Company provided continuous professional training and all Directors (namely, Mr. Wang Jian Sheng, Mr. Yao Guoliang, Ms. Cheung Siu Wan, Mr. Guo Yan Jun and Ms. Lin Yan) received regular updates and presentations on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are also encouraged to attend relevant training courses at the Company's expense.

COMPANY SECRETARY

The appointment and removal of the Company Secretary is subject to Board approval in accordance with the articles of association of the Company. Ms. Wong Wai Han ("Ms. Wong") has been appointed as Company Secretary with effect from 31 July 2012.

Ms. Wong is currently a practising solicitor in Hong Kong. She has experience in corporate finance and compliances matters for the listed companies in Hong Kong. Ms. Wong obtained a bachelor of laws from City University of Hong Kong in 1998 and obtained the second degree in Chinese laws from Tsinghua University in 2004. Ms. Wong is also one of the joint company secretaries of each of Hengxin Technology Ltd. (Stock code: 1085) and Techcomp (Holdings) Limited (stock code: 1298), both companies' shares are listed on the main board of the HKEx and the Singapore Exchange Securities Trading Limited. Ms. Wong is an associate of Stephenson Harwood, a practising law firm in Hong Kong. She is not an employee of the Company and she provides services to the Company as an external service provider. Ms. Wong has complied with the requirement under Rule 3.29 of the Listing Rules during the year.

The external service provider's primary contact person of the Company is Mr. Li Chik Ming, the chief financial officer of the Company, in relation to any corporate secretarial matters.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for the preparation of consolidated financial statements which give a true and fair view of the state of affairs of the Group. In preparing the consolidated financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

In preparing the consolidated financial statements, the Directors consider that the financial statements of the Group are prepared on a going concern basis and appropriate accounting policies have been consistently applied. The Directors have also made judgments and estimates that are prudent and reasonable in the preparation of the financial statements.

The statement of the external auditor about the reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 35 and 36 of the annual report.

Corporate Governance Report

AUDITOR'S REMUNERATION

Auditor's remuneration in relation to audit amounted to HK$1,693,000 (nine-month ended 31 December 2013: HK$1,653,000). The external auditor is refrained from engaging in non-assurance services except for limited tax related services or specifically approved items. The Audit Committee reviews and approves the external auditor's statutory audit scope and non-audit services. The following remuneration was paid by the Group to its auditor, Deloitte Touche Tohmatsu:

	Year ended 31 December 2014 HK$'000	Nine-month ended 31 December 2013 HK$'000
Audit service	**1,693**	1,653
Non-audit services	**543**	863
	2,236	2,516

INTERNAL CONTROL

The Board has overall responsibility for the maintenance of sound and effective internal controls to safeguard shareholders' investment and the assets of the Group. The Board has entrusted the Audit Committee with the responsibility to review, and has delegated to the Management the implementation of such systems of internal controls as well as the review of relevant financial, operational, and compliance controls, and risk management systems.

A risk management system is in place to ensure the regular identification, evaluation and management of risks faced by the Group. Procedures have been set up for, inter alia, safeguarding assets against unauthorised use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications. The system is regularly reviewed by the Board and to amend from time to time.

Formal risk management policies has been put in place to ensure the regular identification, evaluation and management of risks faced by the Group. The system and policies of the Group are designed to help minimise and manage business risks, protect the assets of the Group from misappropriation or impairment, accurately report the results and financial position of the Group, to ensure compliance with relevant legal and regulatory requirement, and to adopt appropriate recommended best practices. This includes taking into consideration environmental, social, and corporate governance matters.

Management throughout the Group maintains and monitors the internal control systems on an ongoing basis. Risk assessment and evaluation are an integral part of the annual planning process. The Group's external auditor, Deloitte Touche Tohmatsu, reports findings to the Audit Committee and contributes an independent perspective on relevant internal controls arising from the audit. The Audit Committee reports to the Board on matters in relation to the oversight of the financial reporting system, internal control procedures and risk management systems. The Board has conducted a review of the Company's internal control systems for the year ended 31 December 2014 by considering the work performed by the Audit Committee.

Corporate Governance Report

In addition to the internal control review conducted by the Board, the Group had engaged an independent risk advisory consultant from one of reputable accountancy and professional services firms to perform risk assessment procedures in respect of our risk management functions in relating to the policies and procedures of the hedging activities and proprietary trading activities for the year ended 31 December 2014. Report on the results of assessment and recommendations were provided to the Management and the Audit Committee.

The Audit Committee considered that there was no significant breach of limits or risk management policies during the year 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 in order to enhance the risk management frameworks and procedures of the Company.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Board recognises the importance of maintaining on-going communication with shareholders. The Company promotes communications with shareholders through several communication channels including publication of notices, circulars, announcement of key developments, interim and annual reports as prescribed under the Listing Rules which can also be accessed via the "Investor Relations" section of the Company's website.

The aims of the Company are to improve its transparency, gain more understanding and confidence in relation to the Group's business developments and acquire more market recognition and support from the shareholders.

Shareholders are encouraged to attend all general meetings of the Company. The notice of the AGM was circulated to all shareholders in accordance with the requirements of the Listing Rules and the articles of association of the Company. It is a standard practice to have the non-executive Directors available to answer questions relating to their roles, tenure, and the Board Committees. The results of voting by poll are published on the websites of the HKEx and the Company after the meetings.

Pursuant to the Company's articles of association, shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene an extraordinary general meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Company's articles of association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

Corporate Governance Report

Shareholder(s) may at any time send their enquiries to the Board in writing through Mr. Li Chik Ming, the chief financial officer of the Company whose contact details are as follows:

Mr. Li Chik Ming
Chief Financial Officer
Strong Petrochemical Holdings Limited
Room 1604, 16th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong
Tel: (852) 2834 3393
Email: info@strongpetrochem.com

The Company adheres the importance of the shareholders' privacy and will not disclose such information without their consent, unless required by law, the HKEx, order or requirement of any court or other competent authority.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal associated and subsidiary companies are set out in notes 18 and 37 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 37.

The Board does not recommend the payment of a final dividend per ordinary share of the Company in respect of the year ended 31 December 2014 (nine months ended 31 December 2013: HK5 cents).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from, Tuesday 12 May 2015 to Thursday, 14 May 2015 both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM of the Company to be held on 14 May 2015, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 11 May 2015.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results, net assets and total equity of the Group for the last five financial years/periods is set out on page 3.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2014, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$720.2 million.

Directors' Report

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors	Independent Non-executive Directors
Mr. Wang Jian Sheng	Ms. Cheung Siu Wan
Mr. Yao Guoliang	Mr. Guo Yan Jun
	Ms. Lin Yan

In accordance with the Article 87 of the articles of association, Mr. Wang Jian Sheng and Ms. Cheung Siu Wan should retire at the forthcoming AGM and, being eligible, offer themselves for re-election at the forthcoming AGM.

The Directors' biographical details are set out on pages 12 to 13.

The Company received confirmation from each of the INEDs of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all the INEDs as independent from the date of their appointment to 31 December 2014.

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in the below section of "Continuing Connected Transactions" and note 33 to the consolidated financial statements of this annual report, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, none of the Directors, the management shareholders of the Company and their respective associates (as defined in the Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Directors' Report

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2014, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of 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 HKEx pursuant to 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	Percentage of the issued share capital of the Company (%)
Mr. Wang Jian Sheng	Interest of a controlled corporation (Note 1)	1,041,746,000	–	1,041,746,000	58.92
	Interest of concert parties (Note 2)	89,800,000	–	89,800,000	5.08
Mr. Yao Guoliang	Beneficial owner	89,800,000	–	89,800,000	5.08
	Interest of a controlled corporation (Note 1)	1,041,746,000	–	1,041,746,000	58.92
Ms. Lin Yan	Beneficial owner (Note 3)	840,000	360,000	1,200,000	0.07

Note 1: Each of Sino Century and Jin Yao holds 50% of the entire issued share capital of Forever Winner. Mr. Wang holds the entire issued share capital of Sino Century. Mr. Yao holds the entire issued share capital of Jin Yao.

Note 2: Since Mr. Wang and Mr. Yao jointly control Forever Winner which in turn holds 1,041,746,000 shares of the Company, Mr. Wang and Mr. Yao are deemed as parties acting in concert. Therefore, as Mr. Yao currently beneficially owns approximately 5.08% equity interest in the Company, Mr. Wang shall be deemed to hold the same equity interest in the Company.

Note 3: 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.

Save for those disclosed above, as at 31 December 2014, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to Company and the HKEx pursuant to the Model Code.

Apart from the section headed "Share Options" as disclosed later in this report, none of the Directors or chief executive (including their spouses and children under the age of 18), during the year ended 31 December 2014, held any interests in or was granted any right to subscribe for the securities of Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Directors' Report

SHARE OPTIONS

During the year, the old share option scheme adopted on 28 November 2008 (the "Old Share Option Scheme") was terminated and the new share option scheme (the "New Share Option Scheme") was adopted on 15 May 2014 in view of the New Share Option Scheme being able to provide the Company with more flexibility in long term planning of granting of the share options to the employees, directors, consultants, advisers and shareholders of the Group in a longer period in the future so as to provide appropriate incentives or rewards to them for their contributions or potential contributions to the Group. The outstanding share options granted under the Old Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Old Share Option Scheme.

The movements in the share options of the Company under the Old Share Option Scheme during the year are set out as follows:

		Price of share of the Company			Number of share options[2]			
Nature or category of participant	**Date of grant[1] (dd/mm/yy)**	**Exercise price HK$**	**At the grant date of share options[3] HK$**	**At the exercise date of share options[4] HK$**	**Outstanding at 01/01/2014**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31/12/2014**
Independent non-executive Director								
Ms. Lin Yan	07/05/09	0.645	0.655	N/A	360,000	–	–	360,000
Subtotal of Director					360,000	–	–	360,000
Employees	07/05/09	0.645	0.655	1.59	7,000,000	(1,740,000)	–	5,260,000
Other participants in aggregate	07/05/09	0.645	0.655	1.55	126,130,000	(101,470,000)	–	24,660,000
Total					133,490,000	(103,210,000)	–	30,280,000

Notes:

1. Options granted are exercisable during the period starting from 8 May 2009 to 28 November 2018. The options granted under the Old Share Option Scheme have 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.

2. During the year, no share option of the Company was lapsed.

3. The stated price was the closing price of the shares of the Company on the HKEx on the trading day immediately prior to the date of the grant of the share options.

4. The stated price was the weighted average closing price of the shares of the Company immediately before the date(s) on which the share options were exercised.

Directors' Report

The movements in the share options of the Company under the New Share Option Scheme during the year are set out as follows:

	Price of share of the Company				Number of share options		
Nature or category of participant	Date of grant[1] (dd/mm/yy)	Exercise price HK$	At the grant date of share options[2] HK$	At the exercise date of share options HK$	Granted at 05/09/2014	Exercised during the period	Outstanding at 31/12/2014
Other participants in aggregate	05/09/14	0.78	0.77	N/A	138,000,000	–	138,000,000
Total					138,000,000	–	138,000,000

Notes:

1. Options granted are exercisable during the period starting from 6 September 2014 to 14 May 2024.

2. The stated price was the closing price of the shares of the Company on the HKEx on the trading day immediately prior to the date of the grant of the share options.

Save as disclosed above, at no time during the year 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors are not aware of any other person, (other than the interests of the Director or chief executive of the Company) had an interest or short position 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 shares of the Company

Name of shareholder	Nature of interest	Number of ordinary shares	Approximate percentage of shareholding %
Forever Winner	Beneficial Owner (Note)	1,041,746,000	58.92
Mr. Yao Guoliang	Beneficial Owner	89,800,000	5.08

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

Directors' Report

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into a tenancy agreement with Strong Property Limited, which constituted continuing connected transactions and related party transactions and are set out in note 33 to the consolidated financial statements.

The continuing connected transaction under the above tenancy agreement falls within the de minimis threshold under Rule 14A.76(1) of the Listing Rules and therefore is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements contemplated under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 85% and 81% of the total sales and purchases for the year, respectively. The Group's largest customer and supplier accounted for approximately 43% and 36% of the total sales and purchases for the year, respectively.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has a beneficial interest in these major customers or suppliers.

EMOLUMENT POLICY

The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The Group implemented its remuneration policy, bonus and share option schemes based on the achievements and performance of employees.

The emoluments of the Directors will be decided by the Remuneration Committee having regard to the Group's operating results, individual performance and comparable market statistics. Details of Directors' emolument and other staff costs are set out in notes 11 and 10 respectively to the consolidated financial statements.

RETIREMENT BENEFIT PLANS

Other than operating the Hong Kong Mandatory Provident Fund Schemes, participating in the defined contribution pension scheme operated by the Macao government authority, the Central Provident Fund operated by Singapore government and the PRC state-managed retirement benefits scheme, the Group has not operated any other retirement benefits schemes for the Group's employees. Particulars of the retirement benefit plans are set out in note 32 to the consolidated financial statements.

Directors' Report

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

During the year, the Company repurchased a total of 9,934,000 ordinary shares of the Company at an aggregate purchase price of HK$9,295,000 on the HKEx, representing approximately 0.58% of the issued share capital of the Company as at the date of the passing of the ordinary resolution under which the general mandate to repurchase shares was granted. Particulars of the shares repurchased are as follow:

Month of repurchase	No. of ordinary shares of HK$0.025 each	Purchase price paid per share Highest	Purchase price paid per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$
May 2014	6,234,000	0.99	0.93	6,018,000
July 2014	1,200,000	0.98	0.94	1,158,000
September 2014	1,500,000	0.86	0.84	1,276,000
October 2014	1,000,000	0.86	0.84	843,000
Total	9,934,000			9,295,000

The repurchased shares were cancelled during the year 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 year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float.

AUDITOR

A resolution will be proposed at the forthcoming AGM to re-appoint Messrs Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Wang Jian Sheng
Chairman

19 March 2015

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF STRONG PETROCHEMICAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Strong Petrochemical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 115, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2014, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its loss and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTES	**1.1.2014 to 31.12.2014 HK$'000**	1.4.2013 to 31.12.2013 HK$'000
Revenue	6	**8,181,009**	20,875,730
Cost of sales		**(8,072,691)**	(20,206,338)
Gross profit		**108,318**	669,392
Other income	7(a)	**61,848**	22,647
Other gains and losses	7(b)	**(44,950)**	3,619
Fair value changes on derivative financial instruments		**(180,046)**	50,598
Distribution and selling expenses		**(166,752)**	(268,289)
Administrative expenses		**(111,098)**	(67,877)
Other expenses		**(1,177)**	(596)
Finance costs	8	**(26,147)**	(24,282)
Share of losses of associates		**(663)**	(7,371)
(Loss) profit before taxation		**(360,667)**	377,841
Taxation charge	9	**(10,862)**	(4,543)
(Loss) profit for the year/period	10	**(371,529)**	373,298
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**(1,451)**	8,928
Fair value change of available-for-sale financial assets		**(49,957)**	–
Impairment loss on available-for-sale financial assets		**49,957**	–
Total comprehensive (expense) income for the year/period		**(372,980)**	382,226
(Loss) profit for the year/period attributable to:			
Owners of the Company		**(354,715)**	372,519
Non-controlling interests		**(16,814)**	779
		(371,529)	373,298
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(355,597)**	379,506
Non-controlling interests		**(17,383)**	2,720
		(372,980)	382,226
(Loss) earnings per share	13		
— basic (HK$)		**(0.21)**	0.23
— diluted (HK$)		**(0.21)**	0.22

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	14	**362,295**	297,634
Prepaid lease payments	15	**53,219**	54,581
Available-for-sale financial assets	16	**27,543**	–
Other assets	17	**49,520**	32,220
Interests in associates	18	**130,888**	136,610
		623,465	521,045
Current assets			
Inventories	19	**1,830,694**	1,365,401
Prepaid lease payments	15	**1,180**	1,186
Trade and bills receivables	20	**1,020,250**	3,197,614
Other receivables, deposits and prepayments	20	**108,391**	102,024
Tax recoverable		**21**	93
Derivative financial instruments	26	**444,972**	378,525
Other investment	21	**312**	1,491
Deposits placed with brokers	22	**29,339**	194,295
Pledged bank deposits	23	**33,189**	65,290
Bank balances and cash	23	**267,168**	345,326
		3,735,516	5,651,245
Assets classified as held for sale	29	**–**	187,979
		3,735,516	5,839,224
Current liabilities			
Trade and bills payables	24	**949,472**	2,501,257
Other payables and accruals	24	**88,832**	191,796
Receipt in advance		**37,732**	14,580
Bank borrowings	25	**1,643,856**	1,684,621
Derivative financial instruments	26	**434,220**	387,021
Tax payable		**10,777**	4,482
		3,164,889	4,783,757
Liabilities associated with assets classified as held for sale	29	**–**	78,000
		3,164,889	4,861,757
Net current assets		**570,627**	977,467
Total assets less current liabilities		**1,194,092**	1,498,512

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Equity			
Share capital	28	**44,200**	40,424
Reserves		**1,035,482**	1,336,451
Equity attributable to owners of the Company		**1,079,682**	1,376,875
Non-controlling interests		**24,469**	74,001
Total equity		**1,104,151**	1,450,876
Non-current liability			
Bank borrowings	25	**89,941**	47,636
		1,194,092	1,498,512

The consolidated financial statements on pages 37 to 115 were approved and authorised for issue by the Board of Directors on 19 March 2015 and are signed on its behalf by:

Wang Jian Sheng
DIRECTOR

Yao Guoliang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note 1)	Legal reserve HK$'000 (Note 2)	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note 3)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'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	–	–	–	–	–	–	6,987	–	–	6,987	1,941	8,928
Profit for the period	–	–	–	–	–	–	–	–	372,519	372,519	779	373,298
Total comprehensive income for the period	–	–	–	–	–	–	6,987	–	372,519	379,506	2,720	382,226
Shares repurchased and cancelled	(21)	(752)	–	–	–	–	–	–	–	(773)	–	(773)
Issue of shares on exercise of share options	145	5,274	–	–	(1,679)	–	–	–	–	3,740	–	3,740
Dividend recognised as distribution (note 12)	–	–	–	–	–	–	–	–	(64,577)	(64,577)	–	(64,577)
At 31 December 2013	40,424	211,870	(1,922)	49	40,420	–	24,902	10,533	1,050,599	1,376,875	74,001	1,450,876
Exchange differences arising on translation	–	–	–	–	–	–	(882)	–	–	(882)	(569)	(1,451)
Fair value change of available-for-sale financial assets	–	–	–	–	–	(49,957)	–	–	–	(49,957)	–	(49,957)
Impairment loss on available-for-sale financial assets	–	–	–	–	–	49,957	–	–	–	49,957	–	49,957
Loss for the year	–	–	–	–	–	–	–	–	(354,715)	(354,715)	(16,814)	(371,529)
Total comprehensive expense for the year	–	–	–	–	–	–	(882)	–	(354,715)	(355,597)	(17,383)	(372,980)
Shares repurchased and cancelled	(248)	(9,047)	–	–	–	–	–	–	–	(9,295)	–	(9,295)
Issue of shares on exercise of share options	2,580	94,217	–	–	(30,228)	–	–	–	–	66,569	–	66,569
Shares issued as consideration for acquisition of additional interests of a subsidiary (note 36)	1,444	42,480	–	–	–	–	–	1,762	–	45,686	(45,686)	–
Contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	13,537	13,537
Equity-settled share-based payments (note 34)	–	–	–	–	41,372	–	–	–	–	41,372	–	41,372
Dividend recognised as distribution (note 12)	–	–	–	–	–	–	–	–	(85,928)	(85,928)	–	(85,928)
At 31 December 2014	44,200	339,520	(1,922)	49	51,564	–	24,020	12,295	609,956	1,079,682	24,469	1,104,151

Notes:

1. 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 (the "Stock Exchange").

2. According to the law and regulation of Macao Special Administrative Region ("Macao"), 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.

3. Other reserve was resulted from the deemed disposal of partial interests in subsidiaries without losing the Group's control over the subsidiaries in previous years. Other reserve recognised during the year ended 31 December 2014 represents the difference between the fair value of ordinary shares issued by the Company and the carrying amount of the additional interests in a subsidiary acquired by the Group during the year.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	1.1.2014 to 31.12.2014 HK$'000	1.4.2013 to 31.12.2013 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(360,667)**	377,841
Adjustments for:		
Write-down of inventories	**60,250**	–
Bank interest income	**(503)**	(560)
Imputed interest income from loan to an associate	**–**	(12,689)
Interest income from loan to an associate	**(8,790)**	–
Interest income from other assets	**(4,094)**	–
Finance costs	**26,147**	24,282
Depreciation	**23,596**	5,479
Release of prepaid lease payments	**1,177**	596
Share-based payments expense	**41,372**	–
Loss on disposal of property, plant and equipment	**3**	–
Change in fair value of derivative financial instruments	**(19,248)**	(13,107)
Impairment loss on available-for-sale financial assets	**49,957**	–
Impairment loss on interest in an associate	**4,410**	–
Impairment loss on other receivables	**8,475**	–
Loss on change in fair value on other investment	**1,179**	69
Share of losses of associates	**663**	7,371
Operating cash flows before movements in working capital	**(176,073)**	389,282
Increase in inventories	**(525,543)**	(546,357)
Decrease (increase) in trade and bills receivables	**2,177,364**	(3,014,399)
Increase in other receivables, deposits and prepayments	**(39,523)**	(13,200)
(Decrease) increase in trade and bills payables	**(1,551,785)**	2,119,950
Increase (decrease) in receipt in advance	**23,152**	(7,501)
(Decrease) increase in other payables and accruals	**(96,750)**	125,292
Cash used in operations	**(189,158)**	(946,933)
Interest paid and bank charges	**(26,147)**	(24,282)
Income tax paid	**(4,495)**	(288)
NET CASH USED IN OPERATING ACTIVITIES	**(219,800)**	(971,503)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	1.1.2014 to 31.12.2014 HK$'000	1.4.2013 to 31.12.2013 HK$'000
INVESTING ACTIVITIES		
Interest received	9,293	560
Purchase of available-for-sale financial assets	(77,500)	–
Purchase of property, plant and equipment	(70,922)	(144,860)
Payment for prepaid lease	–	(34,241)
Proceeds from assignment of loan to an associate	109,979	78,000
Acquisition of an associate	–	(12,095)
Withdrawal of pledged bank deposits	32,101	8,216
Decrease (increase) in deposits placed with brokers	164,956	(31,159)
Cash advanced to a controlling shareholder of an associate	(13,310)	(31,161)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	154,597	(166,740)
FINANCING ACTIVITIES		
Dividend paid	(85,928)	(64,577)
Payment on repurchase of shares	(9,295)	(773)
Proceeds from exercise of share options	66,569	3,740
New bank loans raised	6,494,821	7,935,515
Repayment of bank borrowings	(6,493,013)	(6,754,994)
Contribution from non-controlling shareholders of a subsidiary	13,537	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(13,309)	1,118,911
NET DECREASE IN CASH AND CASH EQUIVALENTS	(78,512)	(19,332)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	345,326	361,856
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	354	2,802
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	267,168	345,326
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	267,168	345,326

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 1 February 2008. The shares of the Company have been listed on the main board of the Stock Exchange since 12 January 2009. Its parent and ultimate holding company is Forever Winner International Ltd. ("Forever Winner"), a limited company incorporated in the British Virgin Islands. Mr. Wang Jian Sheng, the chairman and executive director of the Company and Mr. Yao Guoliang, the chief executive officer and executive director of the Company each holds 50% equity interest in Forever Winner. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 1604, 16th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, respectively.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are trading of crude oil, petroleum products and petrochemicals, and manufacturing and processing of petrochemicals. Details are set out in note 37.

In prior financial period, the reporting period end date of the Group was changed from 31 March to 31 December because the directors of the Company determined to bring the annual reporting period end date of the Group in line with the financial year end date of the subsidiaries in the People's Republic of China (the "PRC"), which are statutorily required to close their accounts with financial year end date of 31 December. Accordingly, the consolidated financial statements for the prior period cover nine months from 1 April 2013 to 31 December 2013. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a nine-month period from 1 April 2013 to 31 December 2013 and therefore may not be comparable with amounts shown for the current year which cover a twelve-month period from 1 January 2014 to 31 December 2014.

The Group's principal operations are conducted in Hong Kong, Macao, the PRC and Singapore. The functional currency of the Company and most of its subsidiaries is United States Dollar ("US$"), as the Group mainly trades in US$ with its customers and suppliers. However, for the convenience of the financial statement users, the consolidated financial statements are presented in Hong Kong Dollar ("HK$").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following new interpretation and amendments to HKFRSs (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011)	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC)-Int 21	Levies

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

Application of new and revised HKFRSs *(continued)*

The application of these new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current year and prior period and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (as revised in 2014)	Financial instruments[5]
HKFRS 15	Revenue from contracts with customers[4]
Amendments to HKAS 1	Disclosure initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[3]
Amendments to HKAS 19 (as revised in 2011)	Defined benefit plans: Employee contributions[1]
Amendments to HKAS 27	Equity method in separate financial statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle[3]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
3 Effective for annual periods beginning on or after 1 January 2016.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9 (as revised in 2014) Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for the general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial instruments: Recognition and measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Based on an analysis of the Group's financial instruments as at 31 December 2014, the directors of the Company anticipate that the application of HKFRS 9 in the future will affect the classification and measurement of the Group's available-for-sale financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction contracts and the related Interpretations when it becomes effective.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 15 Revenue from contracts with customers *(continued)*

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidation financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance, which for the current financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with the transitional and saving provisions which are set out in Part 9 of Schedule 11 of the Hong Kong Companies Ordinance (Cap. 622).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for in accordance with HKFRS 5 Non-current assets held for sale and discontinued operations). Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost or deemed capital contribution and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 Financial Instruments: Recognition and measurement are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39 Financial Instruments: Recognition and measurement. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income taxes and HKAS 19 (as revised in 2011) Employee benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based payment at the acquisition date (see the accounting policy); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current assets held for sale and discontinued operations are measured in accordance with that standard.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate, the investment, or the portion of the investment, that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment, or the portion of the investment, is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate.

After the disposal takes place, the Group accounts for any retained interest in the associate in accordance with HKAS 39 Financial Instruments: Recognition and measurement unless the retained interest continues to be an associate, in which case the Group uses the equity method (see the accounting policy regarding investments in associates above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services rendered in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and titles have been passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods and services, or for administrative purposes, other than construction in progress, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress including property, plant and equipment in the course of construction for production or for its own use purposes is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Prepaid lease payments represent leasehold interests in land under operating lease arrangements and are released over the lease-term on a straight-line basis.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of relevant lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the year/period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme"), Macao Social Security Fund and the state-managed retirement benefit scheme of the PRC and Singapore, which are defined contribution plans, are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "loss before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at FVTPL, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified at FVTPL, of which interest income is included in net gains or losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL

Financial assets at FVTPL are financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, bills receivables, other receivables and deposits, cash advance to a controlling shareholder of an associate, deposits placed with brokers, pledged bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Change in estimate of cash flows

If the estimates of receipts from financial assets revise, the Group adjusts the carrying amount of the financial assets to reflect actual and revised estimated cash flows. The Group recalculates the carrying amount of the financial assets by computing the present value of estimated future cash flows at the financial instruments' original effective interest rate. The difference between the carrying amount and the revised present value is recognised as income or expense in profit or loss.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For all financial assets other than those at FVTPL, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities at FVTPL

Financial liabilities at FVTPL are financial liabilities held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as an income immediately.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in the share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share options reserve will continue to be held in share options reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

Equity-settled share-based payment transactions *(continued)*

Share options granted to suppliers/consultants/advisers

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt representing bank borrowings disclosed in note 25, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, share premium, retained profits and other reserves as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, repurchase of shares as well as the issue of new debt.

5. FINANCIAL INSTRUMENTS

	2014 HK$'000	2013 HK$'000
Categories of financial instruments		
Financial assets		
FVTPL		
— Held for trading	445,284	380,016
Available-for-sale financial assets	27,543	–
Loans and receivables (including cash and cash equivalents)	1,461,597	4,025,818
Financial liabilities		
FVTPL		
— Held for trading	434,220	387,021
Amortised cost	2,747,102	4,361,655

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, other investment, trade and bills receivables, other receivables and deposits, cash advance to a controlling shareholder of an associate, deposits placed with brokers, pledged bank deposits, bank balances and cash, trade and bills payables, other payables, bank borrowings and derivative financial instruments. The risks associated with these financial instruments include market risks (interest rate risk, currency risk and other price risk), liquidity risk and credit risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure to financial risks or the manner in which it manages and measures the risks.

Market risks

Interest rate risk

The Group manages the interest rate exposure based on the interest rate level as well as potential impact on the Group's results arising from volatility of the interest rate. The management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's cash flow interest rate risk primarily relates to its variable-rate deposits placed with brokers, pledged bank deposits and bank balances, and bank borrowings, as set out in notes 22, 23 and 25 respectively. The Group's fair value interest rate risk relates to the fixed rate cash advance to a controlling shareholder of an associate as set out in note 17.

The Group's cash flow interest rate is mainly concentrated on fluctuation of variable rates arising from the Group's US$ denominated borrowings.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate bank balances, pledged bank deposits, deposits placed with brokers and bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of bank balances, pledged bank deposits, deposits placed with brokers and bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis points (2013: 10 basis points) increase or decrease is used for bank balances, pledged bank deposits, deposits placed with brokers and a 50 basis points (2013: 50 basis points) increase or decrease is used for bank borrowings which represents management's assessment of reasonably possible changes in interest rates.

For bank balances, pledged bank deposits, deposits placed with brokers, if the interest rate increases by 10 basis points (2013: 10 basis points) and all other variables were held constant, the Group's loss for the year would decrease by approximately HK$330,000 (1.4.2013 to 31.12.2013: profit for the period would increase by approximately HK$605,000). No sensitivity for the decrease in interest rate is performed as the directors considered the existing interest rate level for majority of bank balances, pledged bank deposits and deposits placed with brokers is so low that close to zero and the financial impact would not be material.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risks *(continued)*

Sensitivity analysis (continued)

For bank borrowings, if interest rate increases/decreases by 50 basis points (2013: 50 basis points) and all other variables were held constant; the Group's loss for the year would increase/decrease by approximately HK$8,669,000 (1.4.2013 to 31.12.2013: profit for the period would decrease/increase by approximately HK$8,661,000).

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as exposure at the end of the reporting period does not reflect the exposure during the year/period.

Currency risk

The majority of the Group's sales and purchases are denominated in the functional currency of the Group. Occasionally, some purchases are denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Functional currency as US$ against				
HK$	**106,083**	2,511	**32**	40
EURO ("EUR")	**267**	312	**–**	–
Other currencies	**3,362**	775	**21**	–
US$ against functional currency as Renminbi ("RMB")	**28,485**	29,597	**10,735**	–

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

For entities with a US$ functional currency holding monetary assets denominated in HK$, the directors considered that, as HK$ is pegged to US$, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of HK$ against US$.

Sensitivity analysis

If US$ against RMB increases/decreases by 5%, with all other variables were held constant, the Group's loss for the year would decrease/increase by approximately HK$888,000 (1.4.2013 to 31.12.2013: profit for the period would increase/decrease by approximately HK$1,480,000). 5% is the sensitivity rate used by the management in the assessment of the reasonably possible change in foreign exchange rate.

The directors considered that other than those mentioned above, the sensitivity of the Group's exposure against the changes in other foreign exchange rates is not significant as the foreign currency denominated monetary assets and liabilities of individual group entities were insignificant at the end of the reporting periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risks *(continued)*

Other price risk

(i) *Oil price risk*

The Group has entered into derivative contracts for hedging and proprietary trading activities, including futures and swaps in both over-the-counter and different exchanges, in accordance with risk management policy of the Group. Derivative transactions entered into for risk management purpose will be monitored for suitability in terms of size with reference to the corresponding inventory held/shipment involved. Under the risk management policy, the open derivative positions are limited and monitored by different risk tolerance thresholds, including lots size thresholds for the equivalent physical cargo quantities, a sensitivity threshold based on absolute monetary amount, and a company threshold on net current assets. The management closely monitors the oil price trend in the market and other sources and its inventory position. Based on the oil price analysis and expected trading period, the management reduces the risk exposure by entering the long and short position of respective derivative financial instruments.

The Group's derivative financial instruments are measured at fair value provided by financial institutions with reference to the quoted crude oil futures prices, oil indexes or oil prices publication as specified in the contracts. Therefore, the Group is exposed to oil price risk and the management monitors the price movements and takes appropriate actions when it is required.

Sensitivity analysis

If the reference oil prices/indexes had been 10% higher/lower and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately HK$11,938,000 (1.4.2013 to 31.12.2013: profit for the period would decrease/increase by approximately HK$452,000). The sensitivity rate of 10% represents management's assessment of the reasonably possible change in the reference oil prices/indexes.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent risk of the oil prices/indexes as the year end exposure does not reflect the exposure during the year/period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risks *(continued)*

Other price risk (continued)

(ii) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities. As at 31 December 2014, the Group's equity price risk is mainly concentrated on equity instruments operating in oil and gas industry sector quoted in the Hong Kong Stock Exchange and New York Stock Exchange.

The Group's objective is to earn relatively competitive returns by investing in a diverse portfolio of high quality and liquid securities.

Sensitivity analysis

For the available-for-sale financial assets, if the prices of the equity securities had been 10% higher and all other variables were held constant, investment revaluation reserve would increase by approximately HK$2,754,000 (1.4.2013 to 31.12.2013: nil) as a result of the increase in fair value of available-for-sale financial assets.

For the available-for-sale financial assets, if the prices of the equity securities had been 10% lower and all other variables were held constant, the Group's loss for the year would increase by approximately HK$2,754,000 (1.4.2013 to 31.12.2013: nil) as a result of the impairment due to decrease in fair value of available-for-sale financial assets.

For the other investment, no sensitivity analysis is presented as the investment amount was insignificant at the end of the reporting period.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent risk of the equity price as the year end exposure does not reflect the exposure during the year/period.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2014, the Group has available unutilised short-term bank loan facilities of approximately US$1,274,343,000 (equivalent to approximately HK$9,939,876,000) (2013: approximately US$785,327,000 (equivalent to approximately HK$6,125,554,000)) and approximately RMB22,630,000 (equivalent to approximately HK$28,687,000) (2013: nil).

The following tables detail the Group's remaining contractual maturities for its financial liabilities based on the agreed repayment dates. For non-derivative liabilities the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cashflows. For derivative instruments settled on a net basis, undiscounted contractual net cash outflow are presented. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contracted maturities are essential for an understanding of the timing of the cash flows of derivatives.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

To the extent that interests are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1 month to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 December 2014							
Non-derivative financial liabilities							
Trade and bills payables	–	949,472	–	–	–	949,472	949,472
Other payables	–	23,298	381	40,154	–	63,833	63,833
Bank borrowings — variable rate	2.03	1,586,421	27,444	38,521	100,538	1,752,924	1,733,797
		2,559,191	27,825	78,675	100,538	2,766,229	2,747,102
Derivatives — net settlement							
— futures contracts		1,613	30,808	401,302	–	433,723	433,723
— options contracts		497	–	–	–	497	497
		2,110	30,808	401,302	–	434,220	434,220
As at 31 December 2013							
Non-derivative financial liabilities							
Trade and bills payables	–	2,500,196	1,061	–	–	2,501,257	2,501,257
Other payables	–	84,241	50	43,850	–	128,141	128,141
Bank borrowings — variable rate	1.87	1,652,783	1,401	35,935	50,837	1,740,956	1,732,257
		4,237,220	2,512	79,785	50,837	4,370,354	4,361,655
Derivatives — net settlement							
— futures contracts		96,468	10,518	47,375	–	154,361	154,361
— swaps contracts		150,309	77,066	5,285	–	232,660	232,660
		246,777	87,584	52,660	–	387,021	387,021

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk in respect of cash advance to a controlling shareholder of an associate (see note 17) of approximately HK$48,461,000 (2013: approximately HK$31,161,000) as at 31 December 2014. In order to minimise the credit risk, the Group has closely monitored the recoverable amount of the controlling shareholder of an associate throughout the year to ensure that adequate impairment losses are made for irrecoverable amount at the end of the reporting period. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The bank balances and deposits placed with brokers are placed in various authorised financial institutions either with high credit ratings or good financial background and the directors of the Company consider the credit risk of such authorised financial institutions is low.

Other than concentration of credit risk on cash advance to a controlling shareholder of an associate, liquid funds and derivative financial instruments which are deposited or traded with several financial institutions and brokers with high credit ratings or good reputation, the Group also has concentration of credit risk on the trade receivables. The total trade receivables of the Group as at 31 December 2014 were due from 8 (2013: 8) customers. These customers are mainly large and established oil trading companies or/and foreign state-owned energy companies with good financial backgrounds. The management closely monitors the subsequent settlement by the customers. At the same time, the management endeavours to diversify and expand the customer base in order to mitigate the concentration of credit risk through establishing new business relationships with non state-owned licensed import agents and overseas oil trading companies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Financial assets/ financial liabilities	Fair value as at 31 December 2014	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s)
1)	Derivative financial instruments	Assets — HK$444,972,000; and Liabilities — HK$434,220,000	Assets — HK$378,525,000; and Liabilities — HK$387,021,000	Level 2	Difference between the contracted strike prices and prevailing futures prices or published indexes. Such prevailing futures prices or published oil indexes are derived from the relevant futures exchanges or oil prices publication as specified in the contracts.
2)	Held-for-trading non-derivative financial assets classified as other investment in the consolidated statement of financial position	Listed equity securities in United States: — Oil and gas industry — HK$312,000	Listed equity securities in United States: — Oil and gas industry — HK$1,491,000	Level 1	Quoted bid prices in an active market.
3)	Available-for-sale financial assets	Listed equity securities in Hong Kong: — Oil and gas industry — HK$27,543,000	–	Level 1	Quoted bid prices in an active market.

There were no transfers between Level 1 and 2 in the year/period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurements of financial instruments *(continued)*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(continued)*

Fair value hierarchy as at 31 December 2014 and 2013.

	At 31 December 2014			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Available-for-sale financial assets	**27,543**	**–**	**–**	**27,543**
Other investment	**312**	**–**	**–**	**312**
Derivative financial instruments	**–**	**444,972**	**–**	**444,972**

	At 31 December 2014			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial liabilities at FVTPL				
Derivative financial instruments	**–**	**434,220**	**–**	**434,220**

	At 31 December 2013			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Other investment	1,491	–	–	1,491
Derivative financial instruments	–	378,525	–	378,525

	At 31 December 2013			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial liabilities at FVTPL				
Derivative financial instruments	–	387,021	–	387,021

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurements of financial instruments *(continued)*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(continued)*

Reconciliation of Level 3 fair value measurements of financial asset

	Other investment HK$'000
At 1 April 2013	1,560
Transfers out of Level 3 (note)	(1,560)
At 31 December 2013 and 2014	–

Note: Other investment, representing the investment in convertible preferred shares, was converted into ordinary shares upon the listing of the respective entity in the New York Stock Exchange during the period ended 31 December 2013.

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Financial assets and financial liabilities subject to offsetting enforceable master netting arrangements and similar agreements

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL INSTRUMENTS *(continued)*

Financial assets and financial liabilities subject to offsetting enforceable master netting arrangements and similar agreements *(continued)*

The amounts recognised for the derivative financial assets, derivative financial liabilities and deposits placed with brokers in relation to futures, swaps and options contracts do not meet the criteria for offsetting in the Group's consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable upon an event of default.

As at 31 December 2014

	Gross amounts of recognised financial assets (liabilities) HK$'000 (note 1)	Gross amounts of recognised financial (liabilities) assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position HK$'000 (note 1)
Financial assets			
Deposits placed with brokers	29,339	–	29,339
Derivative financial instruments — futures contracts	440,430	–	440,430
Derivative financial instruments — swaps contracts	4,542	–	4,542
Total	474,311	–	474,311
Financial liabilities			
Derivative financial instruments — futures contracts	(433,723)	–	(433,723)
Derivative financial instruments — options contracts	(497)	–	(497)
Total	(434,220)	–	(434,220)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL INSTRUMENTS *(continued)*

Financial assets and financial liabilities subject to offsetting enforceable master netting arrangements and similar agreements *(continued)*

As at 31 December 2013

	Gross amounts of recognised financial assets (liabilities) HK$'000 (note 1)	Gross amounts of recognised financial (liabilities) assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position HK$'000 (note 1)
Financial assets			
Deposits placed with brokers	194,295	–	194,295
Derivative financial instruments			
— futures contracts	174,233	–	174,233
Derivative financial instruments			
— swaps contracts	204,292	–	204,292
Total	572,820	–	572,820
Financial liabilities			
Derivative financial instruments			
— futures contracts	(154,361)	–	(154,361)
Derivative financial instruments			
— swaps contracts	(232,660)	–	(232,660)
Total	(387,021)	–	(387,021)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL INSTRUMENTS *(continued)*

Financial assets and financial liabilities subject to offsetting enforceable master netting arrangements and similar agreements *(continued)*

As at 31 December 2014

	Net amounts of recognised financial assets (liabilities)	Related amounts not set off in the consolidated statement of financial position		
		Financial instruments	Cash collateral	Net amounts
	HK$'000	HK$'000 (note 2)	HK$'000 (note 2)	HK$'000
Financial assets				
Counterparty A	26,030	(15,494)	–	10,536
Counterparty B	404,875	(400,965)	–	3,910
Counterparty C	39,175	(17,541)	–	21,634
Others	4,231	(220)	–	4,011
	474,311	(434,220)	–	40,091
Financial liabilities				
Counterparty A	(15,494)	15,494	–	–
Counterparty B	(400,965)	400,965	–	–
Counterparty C	(17,541)	17,541	–	–
Others	(220)	–	220	–
	(434,220)	434,000	220	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

5. FINANCIAL INSTRUMENTS *(continued)*

Financial assets and financial liabilities subject to offsetting enforceable master netting arrangements and similar agreements *(continued)*

As at 31 December 2013

	Net amounts of recognised financial assets (liabilities) HK$'000	Related amounts not set off in the consolidated statement of financial position		Net amounts HK$'000
		Financial instruments HK$'000 (note 2)	Cash collateral HK$'000 (note 2)	
Financial assets				
Counterparty A	48,010	(10,656)	–	37,354
Counterparty B	204,058	(66,500)	–	137,558
Counterparty C	319,845	(309,865)	–	9,980
Others	907	–	–	907
	572,820	(387,021)	–	185,799
Financial liabilities				
Counterparty A	(10,656)	8,186	2,470	–
Counterparty B	(66,500)	66,500	–	–
Counterparty C	(309,865)	300,313	9,552	–
	(387,021)	374,999	12,022	–

Notes:

1. The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the Group's consolidated statement of financial position that have been disclosed in the above tables are measured as follows:

   — Deposits placed with brokers — amortised cost

   — Derivative financial instruments — fair value

2. If a default occurs, the brokers are able to exercise the right to offset against any favourable contract and the deposits placed by the Group. The amounts are measured on the same basis as the recognised financial assets and financial liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. REVENUE AND SEGMENTAL INFORMATION

Revenue

Revenue represents the amounts received and receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Segmental information

Information reported to the chief executive officer of the Company, being the chief operating decision maker ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods being sold contributing to the Group's revenue.

Started from the current year, the Group is engaged in manufacturing of petrochemicals which represents a new segment to the Group. Accordingly, the Group currently organises into the following major operating segments, each of which represents an operating and reportable segment of the Group:

Trading of crude oil, petroleum products and petrochemicals ("Trading business")	–	this segment derives its revenue from selling of crude oil, petroleum products and petrochemicals to various customers
Manufacturing of petrochemicals ("Petrochemicals manufacture business")	–	this segment derives its revenue from selling of petrochemicals which are manufactured by the Group

During the year ended 31 December 2014, analysis of the Group's assets and liabilities by the respective operating segments is regularly provided to the CODM for review whereas it was not available in prior year. Accordingly, the prior year figures have been presented based on the current year's measurement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. REVENUE AND SEGMENTAL INFORMATION *(continued)*

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	1.1.2014 to 31.12.2014 HK$'000	1.4.2013 to 31.12.2013 HK$'000
Trading business:		
Crude oil	**3,816,859**	8,259,707
Petroleum products	**3,007,090**	11,953,817
Petrochemicals	**840,003**	662,206
	7,663,952	20,875,730
Petrochemicals manufacture business:		
Petrochemicals	**517,057**	–
	8,181,009	20,875,730

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

Year ended 31 December 2014

	Trading business HK$'000	**Petrochemicals manufacture business HK$'000**	**Eliminations HK$'000**	**Consolidated HK$'000**
Revenue				
External sales	**7,663,952**	**517,057**	**–**	**8,181,009**
Inter-segment sales (note)	**11,912**	**180,018**	**(191,930)**	**–**
Segment revenue	**7,675,864**	**697,075**	**(191,930)**	**8,181,009**
Results				
Segment results	**(297,811)**	**(13,805)**	**–**	**(311,616)**
Other income				**22,644**
Other gains and losses				**(37,483)**
Central administration costs				**(31,596)**
Share of losses of associates				**(663)**
Finance costs				**(1,953)**
Loss before taxation				**(360,667)**

Note: Inter-segment sales are charged at agreed terms set out in the sales contracts entered into between group companies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. REVENUE AND SEGMENTAL INFORMATION *(continued)*

Segment revenue and results *(continued)*

Period ended 31 December 2013

	Trading business HK$'000	Petrochemicals manufacture business HK$'000	Eliminations HK$'000	Consolidated HK$'000
Revenue				
External sales	20,875,730	–	–	20,875,730
Inter-segment sales	–	–	–	–
Segment revenue	20,875,730	–	–	20,875,730
Results				
Segment results	383,721	–	–	383,721
Other income				18,373
Other gains and losses				1,287
Central administration costs				(16,892)
Share of losses of associates				(7,371)
Finance costs				(1,277)
Profit before taxation				377,841

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the results of each segment without allocation of corporate items, including certain other income, certain other gains and losses, central administration costs, share of losses of associates and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. REVENUE AND SEGMENTAL INFORMATION *(continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

As at 31 December 2014

	Trading business HK$'000	Petrochemicals manufacture business HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	3,533,891	402,575	3,936,466
Property, plant and equipment			103,560
Prepaid lease payments			21,195
Available-for-sale financial assets			27,543
Other investment			312
Cash advance to a controlling shareholder of an associate			48,461
Bank balances and cash			88,057
Interests in associates			130,888
Corporate assets			2,499
Consolidated total assets			4,358,981
LIABILITIES			
Segment liabilities	3,012,626	204,160	3,216,786
Bank borrowings			31,566
Corporate liabilities			6,478
Consolidated total liabilities			3,254,830

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. REVENUE AND SEGMENTAL INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

As at 31 December 2013

	Trading business HK$'000	Petrochemicals manufacture business HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	5,465,630	296,584	5,762,214
Property, plant and equipment			105,022
Prepaid lease payments			21,758
Other investment			1,491
Cash advance to a controlling shareholder of an associate			31,161
Bank balances and cash			112,221
Assets classified as held for sale			187,979
Interests in associates			136,610
Corporate assets			1,813
Consolidated total assets			6,360,269
LIABILITIES			
Segment liabilities	4,682,766	110,785	4,793,551
Bank borrowings			25,377
Liabilities associated with assets classified as held for sale			78,000
Corporate liabilities			12,465
Consolidated total liabilities			4,909,393

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments, other than certain property, plant and equipment, certain prepaid lease payments, available-for-sale financial assets, other investment, cash advance to a controlling shareholder of an associate, certain bank balances and cash, interests in associates, assets classified as held for sale and corporate assets.

- all liabilities are allocated to operating segments, other than certain bank borrowings, liabilities associated with assets classified as held for sale and corporate liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. REVENUE AND SEGMENTAL INFORMATION *(continued)*

Other segment information

Year ended 31 December 2014

	Trading business HK$'000	Petrochemicals manufacture business HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or segment assets:				
Additions of property, plant and equipment	3,129	80,926	5,334	89,389
Depreciation of property, plant and equipment	1,469	15,712	6,415	23,596
Release of prepaid lease payments	–	689	488	1,177
Loss on disposal of property, plant and equipment	3	–	–	3
Write-down of inventories	50,829	9,421	–	60,250
Impairment loss on other receivables	8,475	–	–	8,475
Fair value changes on derivative financial instruments	180,046	–	–	180,046

Period ended 31 December 2013

	Trading business HK$'000	Petrochemicals manufacture business HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or segment assets:				
Additions of property, plant and equipment	1,981	170,070	10,810	182,861
Depreciation of property, plant and equipment	1,179	–	4,300	5,479
Release of prepaid lease payments	232	–	364	596
Fair value changes on derivative financial instruments	(50,598)	–	–	(50,598)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. REVENUE AND SEGMENTAL INFORMATION *(continued)*

Geographical information

The Group's operations are currently carried out by the subsidiaries operating in Hong Kong, Macao, the PRC and Singapore in which the sales contracts are negotiated and concluded. However, based on the terms of the contracts, the products are arranged to be delivered to the designated location as specified by the customers except for delivery through a vessel rented by the Group in Malaysia as mentioned below.

The Group's revenue from external customers as categorised by the location of shipment/delivery as designated by the customers and information about the Group's non-current assets by geographic location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	1.1.2014 to 31.12.2014	1.4.2013 to 31.12.2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**2,012**	2,561
Macao	**–**	–	**1,107**	995
PRC	**7,820,891**	18,419,439	**522,754**	474,626
Malaysia*	**252,559**	1,455,442	**–**	–
Thailand	**–**	–	**18,920**	11,124
Korea	**107,559**	182,239	**–**	–
Italy	**–**	818,610	**–**	–
Singapore	**–**	–	**2,668**	578
	8,181,009	20,875,730	**547,461**	489,884

* Based on the terms of the contracts, certain trade transactions during the period ended 31 December 2013 were carried out with customers who directly arranged the transportation to obtain crude oil and petroleum products from the vessel rented by the Group, which served as storage facilities, anchoring at a port in Malaysia.

Note: For the purpose of the geographical information above, non-current assets as at 31 December 2014 and 2013 excluded cash advance to a controlling shareholder of an associate and available-for-sale financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. REVENUE AND SEGMENTAL INFORMATION *(continued)*

Information about major customers

Revenue from customers of the corresponding year/period which contributed over 10% of the total sales of the Group are as follows:

	1.1.2014 to 31.12.2014 HK$'000	1.4.2013 to 31.12.2013 HK$'000
Customer A	3,502,828	4,501,243
Customer B	1,399,477	–*
Customer C	–*	5,605,023
Customer D	1,842,671	2,992,925

* Revenue below 10% of total sales for the respective period is not disclosed.

7. OTHER INCOME, GAINS AND LOSSES

	1.1.2014 to 31.12.2014 HK$'000	1.4.2013 to 31.12.2013 HK$'000
(a) Other income		
Rental income from short-term leasing of unutilised property, plant and equipment and storage area of the rented vessel	37,886	5,587
Bank interest income	503	560
Dividend income from held-for-trading securities	899	–
Service income	1,789	129
Non-performance claims and insurance claims	6,970	3,682
Interest income from other assets	4,094	–
Imputed interest income from loan to an associate	–	12,689
Interest income from loan to an associate	8,790	–
Others	917	–
	61,848	22,647

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7. OTHER INCOME, GAINS AND LOSSES *(continued)*

		1.1.2014 to 31.12.2014 HK$'000	1.4.2013 to 31.12.2013 HK$'000
(b)	Other gains and losses		
	Loss on change in fair value on other investment	**(1,179)**	(69)
	Gain on trading of held-for-trading securities	**12,880**	1,031
	Loss on disposal of property, plant and equipment	**(3)**	–
	Impairment loss on available-for-sale financial assets	**(49,957)**	–
	Impairment loss on interest in an associate	**(4,410)**	–
	Impairment loss on other receivables	**(8,475)**	–
	Others	**6,194**	2,657
		(44,950)	3,619

8. FINANCE COSTS

	1.1.2014 to 31.12.2014 HK$'000	1.4.2013 to 31.12.2013 HK$'000
Bank charges on letter of credit facilities	**5,384**	12,069
Interests on bank borrowings wholly repayable within five years	**20,763**	12,213
	26,147	24,282

9. TAXATION CHARGE

	1.1.2014 to 31.12.2014 HK$'000	1.4.2013 to 31.12.2013 HK$'000
Current tax:		
PRC Enterprise Income Tax	**185**	167
Singapore Income Tax	**10,677**	4,376
	10,862	4,543

No provision for Hong Kong Profits Tax has been made for the year/period since tax losses were incurred for the subsidiaries with operations in Hong Kong or the assessable profit is wholly absorbed by tax losses brought forward.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

9. TAXATION CHARGE *(continued)*

Under the Enterprise Income Tax Law ("EIT Law") and Implementation Rules of the PRC, the tax rate of the PRC subsidiaries is 25% for the year/period.

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

Singapore Income Tax is calculated at 17% of the estimated assessable profits for the year/period.

The taxation charge for the year/period can be reconciled to the (loss) profit before taxation as follows:

	1.1.2014 to 31.12.2014 HK$'000	1.4.2013 to 31.12.2013 HK$'000
(Loss) profit before taxation	(360,667)	377,841
Tax at applicable Hong Kong Profits Tax rate of 16.5%	(59,510)	62,344
Tax effect of income not taxable for tax purpose	(3,717)	(3,238)
Tax effect of expenses not deductible for tax purpose	60,937	3,703
Effect of tax exemption granted to Macao and Singapore subsidiaries	(154)	(58,153)
Tax effect of different rate of subsidiaries operating into other jurisdictions	320	210
Tax effect of share of losses of associates	109	1,216
Utilisation of tax losses previously not recognised	(906)	(2,685)
Tax effect of tax losses not recognised	13,939	1,071
Others	(156)	75
Taxation charge for the year/period	10,862	4,543

At the end of the reporting period, the Group has estimated tax losses of approximately HK$206,110,000 (2013: HK$127,122,000) available for offset against future profits. No deferred tax asset had been recognised in respect of approximately HK$206,110,000 (2013: HK$127,122,000) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$1,103,000 (2013: HK$1,291,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

10. (LOSS) PROFIT FOR THE YEAR/PERIOD

	1.1.2014 to 31.12.2014 HK$'000	1.4.2013 to 31.12.2013 HK$'000
(Loss) profit for the year/period is arrived after charging (crediting):		
Auditor's remuneration	1,883	1,875
Depreciation of property, plant and equipment	23,596	5,479
Net foreign exchange gains	(1,924)	(110)
Operating lease rentals in respect of storage facilities, a vessel and rented premises	75,294	53,986
Directors' emoluments	420	315
Other staff costs		
Salaries, bonus and other allowances	50,384	22,207
Retirement benefit schemes contributions	1,697	750
	52,501	23,272
Share-based payments to advisers (included in distribution and selling expenses)	41,372	–
Write-down of inventories (included in cost of sales)	60,250	–
Cost of inventories recognised as an expense (included in cost of sales)	8,012,441	20,206,338

Distribution and selling expenses principally comprise share-based payments to advisers, sales commission and storage expenses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the 5 (1.4.2013 to 31.12.2013: 5) directors and the chief executive were as follows:

	Executive directors		Independent non-executive directors			
	Wang Jian Sheng HK$'000	**Yao Guoliang HK$'000 (note)**	**Lin Yan HK$'000**	**Guo Yan Jun HK$'000**	**Cheung Siu Wan HK$'000**	**Total HK$'000**
Fees	–	–	**120**	**120**	**180**	**420**
Other emoluments						
Salaries and other benefits	–	–	–	–	–	–
Long service payment	–	–	–	–	–	–
Share-based payments	–	–	–	–	–	–
Discretionary bonus	–	–	–	–	–	–
Total emoluments for year ended 31 December 2014	–	–	**120**	**120**	**180**	**420**

	Executive directors		Independent non-executive directors			
	Wang Jian Sheng HK$'000	Yao Guoliang HK$'000 (note)	Lin Yan HK$'000	Guo Yan Jun HK$'000	Cheung Siu Wan HK$'000	Total HK$'000
Fees	–	–	90	90	135	315
Other emoluments						
Salaries and other benefits	–	–	–	–	–	–
Long service payment	–	–	–	–	–	–
Share-based payments	–	–	–	–	–	–
Discretionary bonus	–	–	–	–	–	–
Total emoluments for period ended 31 December 2013	–	–	90	90	135	315

Note: Mr. Yao Guoliang is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

During the year ended 31 December 2014, no emolument was paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office (1.4.2013 to 31.12.2013: nil). None of the directors has waived any emoluments in both period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(continued)*

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, none (1.4.2013 to 31.12.2013: none) was director of the Company. The emoluments of the five (1.4.2013 to 31.12.2013: five) individuals were as follows:

	1.1.2014 to 31.12.2014 HK$'000	1.4.2013 to 31.12.2013 HK$'000
Salaries and other benefits	**9,611**	6,793
Discretionary bonus	**6,325**	2,302
Long service payment	**–**	–
Contributions to retirement benefits schemes	**139**	126
Share-based payments	**–**	–
	16,075	9,221

Their emoluments were within the following bands:

	1.1.2014 to 31.12.2014 No. of employees	1.4.2013 to 31.12.2013 No. of employees
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**–**	1
HK$4,000,001 to HK$4,500,000	**1**	–
HK$6,500,001 to HK$7,000,000	**1**	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

12. DIVIDENDS

	1.1.2014 to 31.12.2014 HK$'000	1.4.2013 to 31.12.2013 HK$'000
Dividend recognised as distribution during the year/period:		
1.4.2013 to 31.12.2013 Final — HK5 cents (1.4.2012 to 31.3.2013 Final — HK4 cents)	**85,928**	64,577

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (1.4.2013 to 31.12.2013: HK5 cents per ordinary share of the Company).

13. (LOSS) EARNINGS PER SHARE

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

	1.1.2014 to 31.12.2014	1.4.2013 to 31.12.2013
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	**1,727,758,145**	1,614,443,019
Effect of dilutive potential ordinary shares:		
Share options	**–**	47,854,244
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	**1,727,758,145**	1,662,297,263

The incremental shares from assumed exercise of share options are excluded in calculation of the diluted loss per share for the year ended 31 December 2014 since the assumed exercise of those share options would result in a decrease in loss per share.

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For the year ended 31 December 2014

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Storage tanks HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicle HK$'000	Construction in progress HK$'000	Total HK$'000
COST									
At 1 April 2013	1,698	80,053	1,221	17,190	896	1,577	1,625	18,501	122,761
Exchange realignment	–	2,173	5	467	6	10	22	502	3,185
Transfer	–	7,230	–	733	–	–	–	(7,963)	–
Additions	–	–	–	1,538	273	265	2,705	178,080	182,861
Disposals	–	–	(38)	–	–	(89)	–	–	(127)
At 31 December 2013	1,698	89,456	1,188	19,928	1,175	1,763	4,352	189,120	308,680
Exchange realignment	1	(299)	–	(67)	(1)	(2)	(5)	(652)	(1,025)
Transfer	44,137	43,235	–	182,195	–	–	–	(269,567)	–
Additions	–	1,448	224	1,343	574	388	3,721	81,691	89,389
Disposals/written off	–	–	(345)	–	(51)	(206)	–	–	(602)
At 31 December 2014	45,836	133,840	1,067	203,399	1,697	1,943	8,068	592	396,442
ACCUMULATED DEPRECIATION									
At 1 April 2013	722	1,239	1,069	492	713	952	402	–	5,589
Exchange realignment	–	63	4	27	–	6	5	–	105
Provided for the period	63	2,900	94	1,324	54	207	837	–	5,479
Eliminated on disposals	–	–	(38)	–	–	(89)	–	–	(127)
At 31 December 2013	785	4,202	1,129	1,843	767	1,076	1,244	–	11,046
Exchange realignment	12	15	–	49	1	26	1	–	104
Provided for the year	2,571	6,574	90	12,248	171	304	1,638	–	23,596
Eliminated on disposals/written off	–	–	(345)	–	(51)	(203)	–	–	(599)
At 31 December 2014	3,368	10,791	874	14,140	888	1,203	2,883	–	34,147
CARRYING VALUES									
At 31 December 2014	42,468	123,049	193	189,259	809	740	5,185	592	362,295
At 31 December 2013	913	85,254	59	18,085	408	687	3,108	189,120	297,634

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum/over the following years:

Buildings	Over the shorter of the term of the lease, or 20 years
Storage tanks	Over the shorter of the term of the lease, or 20 years
Leasehold improvements	Over the shorter of the term of the lease, or 3–4 years
Plant and machinery	10%
Furniture and fixtures	20%–33$^1/_3$%
Office equipment	19%–33$^1/_3$%
Motor vehicle	17%–24$^1/_4$%

As at 31 December 2014, certain of the Group's storage tanks, plant and machinery and construction in progress amounting to HK$76,157,000 (2013: HK$68,503,000), HK$169,145,000 (2013: HK$14,145,000) and nil (2013: HK$166,144,000) respectively were pledged to secure certain bank borrowings granted to the Group.

As at 31 December 2014 and 2013, construction in progress represents the cost incurred for construction of storage tanks and facilities for manufacture of petrochemicals.

The directors of the Company conducted a review of the Group's property, plant and equipment and determined that no impairment for property, plant and equipment is required.

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold interest in land in the PRC with medium-term lease for 50 years.

The amounts are analysed for reporting purposes as:

	2014	2013
	HK$'000	HK$'000
Prepaid lease payments of the Group are analysed for reporting purpose as:		
Current asset	**1,180**	1,186
Non-current asset	**53,219**	54,581
	54,399	55,767

As at 31 December 2014 and 2013, all of the Group's prepaid lease payments are pledged to secure certain bank borrowings granted to the Group.

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16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 HK$'000	2013 HK$'000
Equity securities listed in Hong Kong, at fair value	27,543	–

Equity securities listed in Hong Kong are stated at fair value. The fair values of listed equity securities are based on quoted market bid price. As at 31 December 2014, an objective evidence of impairment was considered to exist amid the presence of a significant decline in the fair value of available-for-sale financial assets below cost and accordingly, an impairment loss of HK$49,957,000 (2013: nil) had been recognised and reclassified into the consolidated statement of profit or loss and other comprehensive income.

17. OTHER ASSETS

As at 31 December 2014, the amount represented a cash advance to a controlling shareholder of an associate amounting to HK$48,461,000 (2013: HK$31,161,000) which carried interest at 10% per annum, the amount will be repayable after one year and accordingly it is classified as non-current assets. The remaining balance represents a golf club membership and an art work that are carried at cost.

18. INTERESTS IN ASSOCIATES

	2014 HK$'000	2013 HK$'000
Cost of investments in associates, unlisted	141,846	141,846
Share of post-acquisition losses	(21,394)	(20,731)
Less: Impairment loss	(4,410)	–
Exchange realignment	14,846	15,495
	130,888	136,610
Loan to an associate (note)	–	–

Note:

On 27 March 2013, Excellent Harvest Holdings Limited ("Excellent Harvest"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with the controlling shareholder of Asia Sixth Energy Resources Limited ("Asia Sixth") ("Controlling Shareholder") pursuant to which Excellent Harvest has conditionally agreed to dispose of approximately 33.12% equity interest in Asia Sixth and assigned the loan with principal amount of US$24,100,000 (equivalent to approximately HK$187,979,000) to the Controlling Shareholder at a consideration of US$55 (equivalent to approximately HK$400) and US$24,100,000 (equivalent to approximately HK$187,979,000) respectively. The loan was unsecured and interest free. In prior period, the directors of the Company expected the completion of the disposal was highly probable and would take place within one year, the interest in Asia Sixth and loan to Asia Sixth were therefore classified as assets held for sale as at 31 December 2013 as detailed in note 29. During the period ended 31 December 2013, the consideration amounting to US$10,000,000 (equivalent to approximately HK$78,000,000) for assignment of loan, was received.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

18. INTERESTS IN ASSOCIATES *(continued)*

Notes: *(continued)*

In February 2014, Excellent Harvest entered into a supplemental agreement with Controlling Shareholder, in which Controlling Shareholder paid an amount of US$5,000,000 (approximately HK$39,000,000) in respect of the loan assignment in February 2014. Pursuant to the supplemental agreement, the Group will charge interest on the remaining loan of US$9,100,000 (approximately HK$70,980,000) at 30% per annum since the date of the supplemental agreement. In July 2014, the remaining proceed relating to loan assignment together with interest income of approximately HK$8,790,000 was also received and the assignment of loan to the Controlling Shareholder was therefore completed.

In August 2014, Excellent Harvest, Asia Sixth and Controlling Shareholder agreed to terminate the disposal of approximately 33.12% equity interest in Asia Sixth with immediate effect by entering into a termination agreement. As at 31 December 2014, the carrying amount of interest in Asia Sixth is approximately HK$400. Subject to the completion of restructuting of Asia Sixth and further subject to the applicable laws and regulations and the memorandum and articles of association of Asia Sixth, Asia Sixth agreed to repurchase approximately 40.12% equity interest of Asia Sixth held by Excellent Harvest, at a consideration of 1.68% of the total issued common shares of Caspian Energy Inc. (an independent third party and a publicly traded company on NEX, a spearate board of TSX Venture Exchange), when the restructuring of Asia Sixth is completed pursuant to the termination agreement. Up to the date of the issuance of this consolidated financial statements, the restructuring is yet to complete.

As at 31 December 2014 and 2013, the Group had interests in the following associates:

Name of entity	Form of business structure	Country of establishment	Paid up registered capital 2014	Paid up registered capital 2013	Equity interest attributable to the Group 2014 %	Equity interest attributable to the Group 2013 %	Principal activity
中化天津港石化倉儲有限公司 Sinochem Tianjin Port Petrochemical Terminal Co., Ltd. ("Sinochem Port")	Sino-foreign owned enterprise	PRC	**RMB628,060,000**	RMB628,060,000	**15 (note a)**	15 (note a)	Provision of petrochemicals storage services
天津港中化石化碼頭有限公司 Tianjin Port Sinochem Petrochemical Dock Co., Ltd. ("Tianjin Port")	Sino-foreign owned enterprise	PRC	**RMB139,388,000**	RMB139,388,000	**15 (note a)**	15 (note a)	Development and operation of dock and related ancillary facilities
Srithai Capital Co., Ltd ("Srithai")	Ordinary	Thailand	**Thailand Baht100,000,000**	Thailand Baht100,000,000	**49**	49	Vessel holding and leasing
Asia Sixth	Ordinary	BVI	**US$167**	US$167	**40**	40	Investment holding
北京普兆投資有限公司 Beijing Puzhao Investment Co., Ltd.*	Domestic-invested enterprise	PRC	**– (note b)**	–	**35**	–	Assets management
Subsidiary of Asia Sixth							
Groenzee BV	Ordinary	Netherlands	**EUR18,000**	EUR18,000	**40**	40	Investment holding
Joint venture of Asia Sixth							
Aral Petroleum Capital LLP	Partnership	The Republic of Kazakhstan	**Kazakhstani Tenge 140,000**	Kazakhstani Tenge 140,000	**24**	24	Exploration of crude oil

* The English name of this entity established in the PRC is for identification purpose only.

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For the year ended 31 December 2014

18. INTERESTS IN ASSOCIATES *(continued)*

Notes:

(a) The Group is able to exercise significant influence over Sinochem Port and Tianjin Port because it has the power to appoint one out of the five directors of these entities under the provisions stated in the Articles of Association of these entities.

(b) As at 31 December 2014, capital contributions from the controlling shareholder and the Company of RMB6,500,000 and RMB3,500,000 have not been paid respectively.

As at 31 December 2014, the directors of the Company performed impairment assessments of the carrying amounts of the interests in Sinochem Port and Tianjin Port. The recoverable amounts of Sinochem Port and Tianjin Port are determined based on share of present value of the estimated future cash flows. Based on the assessments, the recoverable amount which is the higher of fair value less cost of disposal and value in use of the Group's interests in Tianjin Port is estimated to be less than the carrying amounts and an impairment loss of HK$4,410,000 (1.4.2013 to 31.12.2013: nil) is recognised during the year ended 31 December 2014. The recoverable amount of Group's interests in Sinochem Port is estimated to be higher than the carrying amount and no impairment (1.4.2013 to 31.12.2013: nil) is made during the year ended 31 December 2014.

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Sinochem Port

	2014 HK$'000	2013 HK$'000
Current assets	**44,557**	39,504
Non-current assets	**1,553,773**	1,652,557
Current liabilities	**(40,659)**	(36,425)
Non-current liabilities	**(810,046)**	(894,084)

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18. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of material associates *(continued)*

Sinochem Port *(continued)*

	1.1.2014 to 31.12.2014 HK$'000	1.4.2013 to 31.12.2013 HK$'000
Revenue	**196,423**	149,995
Loss and total comprehensive expense for the year/period	**(11,276)**	(12,643)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 HK$'000	2013 HK$'000
Net assets of Sinochem Port	**747,625**	761,552
Proportion of the Group's ownership interest in Sinochem Port	**15%**	15%
Carrying amount of the Group's interest in Sinochem Port	**112,144**	114,233

Aggregate information of associates that are not individually material

	1.1.2014 to 31.12.2014 HK$'000	1.4.2013 to 31.12.2013 HK$'000
The Group's share of profit (loss)	**1,028**	(5,475)

	2014 HK$'000	2013 HK$'000
Aggregate carrying amount of the Group's interests in these associates	**18,744**	22,377

The exchange difference arising from translation of financial information of associates of HK$649,000 (1.4.2013 to 31.12.2013: HK$2,943,000) for the year ended 31 December 2014 is recognised in other comprehensive income and accumulated in translation reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

19. INVENTORIES

These mainly relate to crude oil and petrochemicals held for resale purposes.

Included in the balance are inventories of HK$1,524,467,000 (2013: HK$1,364,494,000) which have been pledged as security for bank loans.

20. TRADE AND BILLS RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS

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:

	2014 HK$'000	2013 HK$'000
0 to 30 days	1,016,268	3,163,225
61 to 90 days	3,982	34,389
	1,020,250	3,197,614

The credit period on sale of goods is 30 to 90 days. The Group does not hold any collateral over these balances. All trade receivables are neither past due nor impaired as at the end of the reporting period. The directors of the Company consider these trade receivables are of good credit quality as the debtors have no history of defaults and all of these balances had been subsequently settled.

Before accepting any new customers, the Group will assess the potential customer's credit quality by reference to the experience of the management and defines credit limits by customer. Such credit limit is reviewed by the management periodically.

At 31 December 2014, included in the Group's bills receivables was receivable amounting to approximately HK$10,865,000 (2013: nil) which has been discounted to an unrelated bank and pledged as security for a bank borrowing (see notes 25 and 27). After the discounting, the Group was still responsible for the non-repayment by the customer. Accordingly, the Group continued to recognise the full carrying amount of the receivable and has recognised the cash received on the transfer as secured borrowing. The carrying amount of the associated liability of the Group was approximately HK$10,735,000.

Other receivables, deposits and prepayments

At the end of the reporting period, included in other receivables, deposits and prepayments were amount of HK$61,188,000, HK$2,054,000, nil and HK$27,406,000 representing primarily the prepayment for purchase of crude oil to be refundable to the Group, prepayment to suppliers for purchase of crude oil, petroleum products and petrochemicals, advance to contracts for construction work and value added tax receivables (2013: nil, HK$35,478,000, HK$24,681,000 and HK$20,947,000) respectively. The balances are expected to be realised within one year from the end of reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

21. OTHER INVESTMENT

The balance as at 31 December 2014 and 2013 represents investment in a listed company which is listed in New York Stock Exchange. The management plans to dispose of the shares within next twelve months from the date of reporting period and accordingly it is classified as current assets. The balance as at 31 December 2014 and 2013 is stated at fair value with reference to the quoted bid prices available in New York Stock Exchange.

22. DEPOSITS PLACED WITH BROKERS

The amount represents margin deposits placed with brokers for trading derivatives. The amount carried interest at variable interest rates which ranged from 0.0001% to 0.001% (2013: 0.0001% to 0.001%) per annum for the year/period.

23. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represented the Group's deposits pledged to banks to secure short-term credit facilities granted to the Group and are therefore classified as current assets.

Bank balances and cash comprised cash on hand, balances in saving and current accounts, and short-term bank deposits with an original maturity of three months or less. As at 31 December 2014, the bank balances and cash of approximately HK$22,217,000 (2013: HK$55,001,000) were denominated in RMB which is not freely convertible into other currencies.

Pledged bank deposits, balances in saving account and short-term bank deposits carried effective interest at prevailing market rates which range from 0.01% to 1.485% (2013: 0.01% to 2.485%) per annum for the year/period.

24. TRADE AND BILLS PAYABLES AND OTHER CURRENT FINANCIAL LIABILITIES

Trade and bills payables, other payables and accruals comprised amounts outstanding for the purchase and ongoing costs.

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

	2014 **HK$'000**	2013 HK$'000
0 to 30 days	**949,472**	2,501,257

The credit period on purchase of goods is normally 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

At the end of the reporting period, included in other payables and accruals was amount of HK$39,153,000 and HK$15,876,000 (2013: HK$45,367,000 and HK$76,686,000) representing payables for construction work to subcontractors and trading commissions payable respectively.

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For the year ended 31 December 2014

25. BANK BORROWINGS

	2014 HK$'000	2013 HK$'000
Loan from discounted bill (note 27)	**10,735**	–
Bank loans	**1,723,062**	1,732,257
Secured bank borrowings	**1,733,797**	1,732,257
Carrying amount repayable:		
Within one year	**1,643,856**	1,684,621
More than one year, but not exceeding two years	**32,897**	33,069
More than two years, but not exceeding five years	**57,044**	14,567
	1,733,797	1,732,257
Less: Amounts due within one year shown under current liabilities	**(1,643,856)**	(1,684,621)
Amounts shown under non-current liabilities	**89,941**	47,636

The loans carried interest at variable market rates of ranging from 1.48% to 7.04% (2013: 1.75% to 7.04%) per annum. The bank borrowings are secured by the prepaid lease payment, certain storage tanks, plant and machinery, construction in progress, inventories, bill receivable and bank deposits. Details of which were set out in notes 14, 15, 19, 20 and 23 respectively.

Notes to the Consolidated Financial Statements

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26. DERIVATIVE FINANCIAL INSTRUMENTS

The Group has the following outstanding net-settled futures, swaps and options contracts for hedging and proprietary trading purposes, which have no physical delivery, in order to manage the Group's price risk exposure primarily from the fluctuation of oil and petrochemicals price.

The major terms of these contracts are as follows:

At 31 December 2014

Notional amount	Expiry date	Strike price
RBOB Gas futures contracts — long position:		
US$32,870,431	**30 January 2015 to 29 May 2015**	**US$1.4328 to US$1.7962 per gallon**
RBOB Gas futures contracts — short position:		
US$30,467,027	**30 January 2015 to 31 March 2015**	**US$1.4385 to US$1.8339 per gallon**
Heating oil futures contracts — long position:		
US$7,155,317	**27 February 2015**	**US$1.8081 to US$1.9193 per gallon**
Heating oil futures contracts — short position:		
US$11,271,112	**27 February 2015 to 29 May 2015**	**US$1.8606 to US$2.0000 per gallon**
Brent futures contracts — long position:		
US$215,752,200	**12 February 2015 to 13 November 2015**	**US$57.22 to US$88.80 per barrel**
Brent futures contracts — short position:		
US$227,172,310	**12 February 2015 to 13 November 2015**	**US$56.89 to US$88.90 per barrel**
Fuel oil swaps contracts — short position:		
US$3,680,000	**15 January 2015**	**US$367.00 to US$369.00 per metric ton**

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26. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

At 31 December 2014

Notional amount	Expiry date	Strike price
Singapore Jet Kerosene futures contracts — long position:		
US$52,580,000	**30 April 2015 to 31 July 2015**	**US$75.55 to US$86.80 per barrel**
Singapore Jet Kerosene futures contracts — short position:		
US$52,697,000	**30 April 2015 to 31 July 2015**	**US$75.75 to US$86.95 per barrel**
Brent options contracts — long position:		
US$65,200	**12 January 2015**	**US$0.16 to US$0.50 per barrel**
Brent options contracts — short position:		
US$100	**12 January 2015**	**US$0.01 per barrel**
Styrene Monomer futures contracts — long position:		
RMB1,114,850	**15 February 2015 to 15 March 2015**	**RMB7,326.00 to RMB9,380.00 per ton**

At 31 December 2013

Notional amount	Expiry date	Strike price
Crude oil futures contracts — long position:		
US$132,272,870	17 January 2014 to 19 February 2014	US$99.04 to US$110.47 per barrel
Crude oil futures contracts — short position:		
US$132,233,890	17 January 2014 to 19 February 2014	US$99.04 to US$111.19 per barrel
Brent futures contracts — long position:		
US$947,414,740	16 January 2014 to 13 February 2014	US$105.75 to US$111.72 per barrel
Brent futures contracts — short position:		
US$895,676,370	16 January 2014 to 13 February 2014	US$105.75 to US$112.90 per barrel

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

26. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

At 31 December 2013

Notional amount	Expiry date	Strike price
Dubai swaps contracts — long position:		
US$1,677,463,410	31 January 2014 to 30 April 2014	US$101.00 to US$108.12 per barrel
Dubai swaps contracts — short position:		
US$1,735,101,580	31 January 2014 to 30 April 2014	US$100.11 to US$108.48 per barrel
Kerol Gasoil spread futures contracts — long position:		
US$124,732,000	31 January 2014 to 31 March 2014	US$120.30 to US$127.35 per barrel
Kerol Gasoil spread futures contracts — short position:		
US$124,886,500	31 January 2014 to 31 March 2014	US$120.45 to US$127.70 per barrel
Brent swaps contracts — long position:		
US$6,997,760	30 April 2014	US$109.32 to US$109.36 per barrel
Brent swaps contracts — short position:		
US$6,991,360	31 December 2013	US$108.22 to US$110.26 per barrel
Fuel oil crack swaps contracts — long position:		
US$913,600	31 January 2014	US$13.95 to US$14.60 per barrel
Fuel oil swaps contracts — long position:		
US$32,927,650	31 January 2014	US$589.28 to US$609.00 per metric ton
Fuel oil swaps contracts — short position:		
US$24,038,500	31 January 2014	US$596.00 to US$609.10 per metric ton
RBOB Gas futures contracts — long position:		
US$222,045,000	29 May 2014	US$1.1935 to US$1.2850 per gallon
RBOB Gas futures contracts — short position:		
US$222,342,500	29 May 2014	US$1.1950 to US$1.2870 per gallon

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

26. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The fair values of the derivative financial instruments are estimated based on the difference between the contracted strike prices and prevailing futures prices or published oil indexes as at the end of the reporting period. Such prevailing futures prices or published oil indexes are derived from the relevant futures exchanges or oil prices publication as specified in the contracts.

Fair value changes on derivative financial instruments for the year/period recognised in the consolidated statement of profit or loss and other comprehensive income mainly represent the fair value changes on all settled and unsettled trading futures, options and swaps in relation to crude oil, refined oil products and petrochemicals.

27. TRANSFERS OF FINANCIAL ASSETS

The following was the Group's bill receivable as at 31 December 2014 that was transferred to a bank by discounting the bill receivable on a full recourse basis. If the bill receivable is not paid on maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group was still subject to the credit risk and has not transferred the significant risks and rewards relating to this receivable, it continues to recognise the full carrying amount of the receivable and has recognised the cash received on the transfer as a secured borrowing (see note 25). The receivable is carried at amortised cost in the Group's consolidated statement of financial position.

	2014 **HK$'000**	2013 HK$'000
Carrying amount of bill receivable	**10,865**	–
Carrying amount of associated liabilities	**(10,735)**	–

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28. SHARE CAPITAL

	Notes	**Number of shares**	**Share capital** HK$'000
Ordinary shares of HK$0.025 each			
Authorised:			
At 1 April 2013, 31 December 2013 and 31 December 2014		**4,000,000,000**	**100,000**
Issued:			
At 1 April 2013		1,612,018,000	40,300
Shares repurchased and cancelled	(b)	(870,000)	(21)
Exercise of share options		5,800,000	145
At 31 December 2013		1,616,948,000	40,424
Shares repurchased and cancelled	(a)	**(9,934,000)**	**(248)**
Issue of shares as consideration for the acquisition of additional interests of a subsidiary	(c)	**57,794,409**	**1,444**
Exercise of share options		**103,210,000**	**2,580**
At 31 December 2014		**1,768,018,409**	**44,200**

Notes:

(a) During the year ended 31 December 2014, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	**No. of ordinary shares of HK$0.025 each** '000	**Price per share Highest** HK$	**Lowest** HK$	**Aggregate consideration paid** HK$'000
May 2014	**6,234**	**0.99**	**0.93**	**6,018**
July 2014	**1,200**	**0.98**	**0.94**	**1,158**
September 2014	**1,500**	**0.86**	**0.84**	**1,276**
October 2014	**1,000**	**0.86**	**0.84**	**843**
	9,934			**9,295**

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For the year ended 31 December 2014

28. SHARE CAPITAL *(continued)*

Notes: *(continued)*

(b) During the period ended 31 December 2013, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.025 each	Price per share Highest	Lowest	Aggregate consideration paid
	'000	HK$	HK$	HK$'000
August 2013	196	0.90	0.86	174
September 2013	674	0.93	0.87	599
	870			773

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 ended 31 December 2014 and period ended 31 December 2013.

(c) As the consideration for the acquisition of additional interest of Teamskill Investments Limited ("Teamskill"), completion of which took place on 18 September 2014, 57,794,409 ordinary shares of the Company with par value of HK$0.025 each were issued. Details of acquisition was set out in note 36.

All the shares which were issued during the year ended 31 December 2014 rank pari passu in all respects with other shares in issue.

29. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

As disclosed in note 18, the Group conditionally agreed to dispose of approximately 33.12% equity interest in Asia Sixth in March 2013. The directors of the Company expected the completion of the disposal was highly probable and would take place within one year, the interest in Asia Sixth and loan to Asia Sixth were therefore classified as assets held for sale as at 31 December 2013. During the period ended 31 December 2013, the consideration amounting to US$10,000,000 (equivalent to approximately HK$78,000,000) for assignment of loan was received and was therefore classified as liabilities associated with assets classified as held for sale. The assignment of loan to Asia Sixth was completed in July 2014 pursuant to a supplemental agreement signed in February 2014 and the disposal of Asia Sixth was terminated pursuant to a termination agreement in August 2014, details are set out in note 18.

The carrying amount of interest in an associate and loan to an associate, which have been presented separately in the consolidated statement of financial position, are as follow:

	2014 HK$'000	2013 HK$'000
Interest in an associate	–	–
Loan to an associate	–	187,979
Total assets classified as held for sale	–	187,979
Deposits received and included in liabilities associated with assets classified as held for sale	–	78,000

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For the year ended 31 December 2014

30. CAPITAL COMMITMENTS

As at 31 December 2014, the Group had contracted for capital expenditure of approximately RMB10,186,000 (equivalent to approximately HK$12,913,000) (2013: approximately RMB40,851,000 (equivalent to approximately HK$51,958,000)) and there is no authorised but not contracted for capital expenditure (2013: approximately RMB379,852,000 (equivalent to approximately HK$483,131,000)) 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 manufacture and processing of petrochemicals in Yangpu Economic Development Zone, Hainan Province, the PRC.

31. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases in respect of storage facilities, a vessel and rented premises which fall due as follows:

	2014	2013
	HK$'000	HK$'000
Within one year	**65,394**	6,152
In the second to fifth year inclusive	**5,219**	438
	70,613	6,590

Leases are negotiated and rentals are fixed for an average of two years (2013: two years).

The Group as lessor

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases in respect of rented vessel which fall due as follows:

	2014	2013
	HK$'000	HK$'000
Within one year	**38,610**	–

Leases are negotiated and rentals are fixed for one year (2013: nil).

32. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

32. RETIREMENT BENEFITS SCHEMES *(continued)*

The Group's subsidiary in Macao, in compliance with the applicable regulations of Macao, participated in a defined contribution pension scheme operated by the local government. The subsidiary is required to contribute a fixed amount for each employee. The only obligation of the Group with respect to the pension scheme is to make the specified contributions.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in central pension schemes operated by the relevant local government authorities. The contribution is borne by the Group on a fixed percentage of the employees' salaries.

The Group's subsidiary in Singapore, in compliance with the applicable regulations of Singapore, participated in a defined contribution scheme operated by the local government. The subsidiary is required to contribute an amount based on the employees' salaries.

During the year/period, the total amount contributed by the Group to the schemes and cost charged represents contribution paid or payable to the schemes by the Group at rates or amount specified in the rules of the schemes. The amount of contributions made by the Group in respect of retirement benefit schemes during the year is disclosed in note 10.

The Group has no significant obligation apart from the contribution as above at the end of the reporting period.

33. RELATED PARTY TRANSACTIONS

During the year, the Group paid the rental expenses of approximately HK$1,289,000 (1.4.2013 to 31.12.2013: HK$898,000) and approximately HK$62,712,000 (1.4.2013 to 31.12.2013: nil) to Strong Property Limited and Srithai for the use of office premises and storage area of the vessel. Srithai is an associate of the Company and Strong Property Limited is owned and controlled by one key management personnel of the Group.

On 27 August 2014, the Group entered into a sale and purchase agreement with an independent non-executive director of the Company, pursuant to which the Group acquired 100% equity interest of Takada Trading Limited ("Takada") and its shareholder's loan at an aggregate consideration of HK$1,500,000. Takada has no operation during the year and its principal asset is a motor vehicle. The acquisition was completed on 27 August 2014.

Compensation of key management personnel

The remuneration of directors and the other members of key management of the Group during the year were set out in note 11.

The remuneration of key management personnel is determined by the directors of the Company having regard to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

34. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

The Company's share option scheme ("Share Option Scheme") was approved and adopted by the written resolutions of all shareholders of the Company passed on 28 November 2008, to recognise and acknowledge the contributions of selected participants to the growth of the Group.

A new share option scheme (the "New Share Option Scheme") was adopted by an ordinary resolution of the shareholders at annual general meeting of the Company on 15 May 2014. The New Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules and will remain in force for 10 years from 15 May 2014. As a result of the adoption of the New Share Option Scheme, the Share Option Scheme was terminated. Upon termination of the Share Option Scheme, no further option can be offered thereafter but any options granted prior to such termination but not yet exercised shall continue to be valid and exercisable in accordance with Share Option Scheme.

Share Option Scheme

Under the Share Option Scheme, the Board of Directors (the "Board") may, in its absolute discretion, offer to grant options to any employee, executive and officer of the Group, any director (including non-executive director and independent non-executive director) and any adviser, consultant, supplier, customer and/or agent of the Group whom the Board considered have contributed or will contribute to the Group.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue as at the date on which the shares of the Company are listed on the Stock Exchange, excluding for this purpose shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Share Option Scheme shall not exceed 30% of the shares in issue of the Company from time to time.

The total number of shares issued and which fall to be issued upon the exercise of the options granted under the Share Option Scheme (including both exercised and outstanding options) to any individual in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares of the Company in issue as at the date of offer to grant. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approval by the Company's shareholders in accordance with the Share Option Scheme. Options granted to connected persons in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Subject to the rules of the Share Option Scheme, options may be exercised, in whole or in part, at any time during the period from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and the tenth anniversary of the Share Option Scheme. Options granted must be accepted by the prescribed acceptance date. Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share, the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

34. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Equity-settled share option scheme *(continued)*

Share Option Scheme *(continued)*

On 7 May, 2009, a total of 40,000,000 (160,000,000 share options after share subdivision with effect from 18 August 2009) share options were granted to certain employees of the Group and directors of the Company and some individuals associated with suppliers and consultants under the Share Option Scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK$2.58 (HK$0.645 after share subdivision with effect from 18 August 2009).

No share option was granted before termination during the year ended 31 December 2014 and period ended 31 December 2013. Options granted on 7 May 2009 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.

New Share Option Scheme

Under the New Share Option Scheme, the Board may, in its absolute discretion, offer to grant options to any employee, executive and officer of the Group, any director (including non-executive director and independent non-executive director) and any supplier, agent, customer, distributor, business associate or partner, professional, adviser, consultant or contractor, and any shareholder of any member of the Group whom the Board considered have contributed or will contribute to the Group.

The maximum number of shares in respect of which the options may be granted under the New Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue at the date of approval of the New Share Option Scheme. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the New Share Option Scheme shall not exceed 30% of the shares in issue of the Company from time to time.

The total number of shares issued and which fall to be issued upon the exercise of the options granted under the New Share Option Scheme (including both exercised and outstanding options) to any individual in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares of the Company in issue as at the date of offer to grant. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approval by the Company's shareholders in accordance with the New Share Option Scheme. Options granted to connected persons in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

34. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Equity-settled share option scheme *(continued)*

New Share Option Scheme *(continued)*

Subject to the rules of the New Share Option Scheme, options may be exercised, in whole or in part, at any time during the period from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and the tenth anniversary of the New Share Option Scheme. Options granted must be accepted by the prescribed acceptance date. Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share, the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

On 5 September 2014, a total of 138,000,000 share options were granted to certain independent advisers under the New Share Option Scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK$0.78. The share options granted on 5 September 2014 are fully vested upon the date of grant and are exercisable during the period from 6 September 2014 to 14 May 2024. The estimated fair values of the options and each option at the date of grant is HK$41,372,000 and HK$0.2998, respectively.

As the fair value of advisory services provided by the advisers cannot be measured reliably, the fair value of the share options is determined using the Black-Scholes pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 6 years upon the listing of the Company's shares in the Stock Exchange. The risk-free interest rate is based on 9.69 years yield of Hong Kong Sovereign Curve at the date of grant.

The variables and assumptions used in computing 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

34. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Equity-settled share option scheme *(continued)*

New share option scheme *(continued)*

Inputs into the model

	Granted at 5 September 2014
Grant date share price	HK$0.77
Exercise price	HK$0.78
Expected volatility	57.59%
Option life	9.69 years
Dividend yield	4.00%
Risk-free interest rate	1.92%

The Group recognised the share-based payments expense at HK$41,372,000 for the year ended 31 December 2014 in relation to share options granted by the Company.

The following table discloses movements of the Company's share options held by employees, directors of the Group and other eligible participants during the year/period:

Share Option Scheme

Eligible participants	Outstanding at 1.4.2013	Exercised during the period	Lapsed during the period	Outstanding at 31.12.2013	**Exercised during the year**	**Outstanding at 31.12.2014**
Directors	360,000	–	–	360,000	**–**	**360,000**
Employees	12,400,000	(5,400,000)	–	7,000,000	**(1,740,000)**	**5,260,000**
Others (note 1)	130,550,000	(400,000)	(4,020,000)	126,130,000	**(101,470,000)**	**24,660,000**
	143,310,000	(5,800,000)	(4,020,000)	133,490,000	**(103,210,000)**	**30,280,000**

New Share Option Scheme

Eligible participants	**Granted at 5.9.2014**	**Exercised during the period**	**Outstanding at 31.12.2014**
Others (note 2)	**138,000,000**	**–**	**138,000,000**

All the share options as at 31 December 2014 and 31 December 2013 were exercisable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

34. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Equity-settled share option scheme *(continued)*

New Share Option Scheme *(continued)*

Notes:

(1) Others represent individuals associated with suppliers and consultants who has provided consultancy services (mainly for selling and marketing aspects) to the Group on continuous basis for two years till 8 May 2011 or some resigned staff/directors, whose options, at discretion of the Board were not cancelled or forfeited.

(2) Others represent advisers who have provided advisory services (mainly for business opportunity for trading of crude oil) to the Group.

The number and the exercise price of options of Share Option Scheme have been adjusted due to the share subdivision of the Company with effect from 18 August 2009. Each share option was subdivided into 4 new shares options with exercise price of one-fourth of the original exercise price.

In respect of the share options exercised during the year ended 31 December 2014, the weighted average share price at the dates of exercise was HK$1.56 (1.4.2013 to 31.12.2013: HK$0.97).

35. PLEDGE OF ASSETS

The Group had pledged the prepaid lease payments, certain storage tanks, plant and machinery, construction in progress, inventories, bills receivables and bank deposits to secure certain banking facilities including bank borrowings and bills payables. Details of which were set out in notes 14, 15, 19, 20, 23 and 25 respectively.

36. ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

On 5 September 2014, the Group has entered into two subscription agreements with two non-controlling shareholders of Teamskill in respect of the acquisition of an aggregate of 49% equity interest in the Teamskill for a consideration of issuance of an aggregate of 57,794,409 ordinary shares of the Company. The amount of HK$43,924,000 represents the fair value of the Company's shares which is based on the market price at the date of completion. The acquisition was completed on 18 September 2014 and the difference between the fair value of ordinary shares issued and the carrying amount of the additional interests acquired by the Group of HK$1,762,000 was credited to equity as other reserve during the year ended 31 December 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

37. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name of the Company	Place of incorporation/ establishment	Principal place of operation	Equity interest attributable to the Group		Issued and fully paid share capital/ registered capital	Principal activities
			2014 %	2013 %		
Wide Sea International Limited ("Wide Sea")	British Virgin Islands ("BVI")	Hong Kong	100	100	US$2	Investment holding
Strong Petrochemical Limited	Hong Kong	Hong Kong	100	100	HK$20,000,000	Trading of petroleum products, crude oil and petrochemicals
Strong Petrochemical (Macao)	Macao	Macao	100	100	MOP100,000	Trading of petroleum products, crude oil and petrochemicals
Teamskill	BVI	Hong Kong	100	51	US$200	Investment holding
南通潤德石油化工有限公司# Strong Petrochemical (Nantong) Logistics Co., Limited* ("Strong Nantong")	PRC	PRC	100	51	US$12,500,000	Provision of petroleum products and petrochemicals storage services
Strong Petroleum Singapore Private Ltd.	Singapore	Singapore	100	100	SG$1,000,000	Trading of crude oil and petroleum products
海南滙智石化精細化工有限公司## Hainan Huizhi Petrochemical Fine Chemical Industry Limited Company* ("Hainan Huizhi")	PRC	PRC	57	57	RMB75,000,000 (2013: RMB50,000,000)	Manufacture and processing of petrochemicals
南通海峽國際貿易有限公司# Nantong Strong International Trading Company Limited*	PRC	PRC	100	100	US$5,000,000	Trading of petroleum products and petrochemicals

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiary would, in the opinion of the directors, result in particulars of excessive length.

All of the subsidiaries are owned indirectly by the Company except for Wide Sea which is owned directly by the Company.

* The English name of these entities established in the PRC is for identification purpose only.

\# Wholly foreign owned enterprise registered in the PRC.

\## Taiwan-Hong Kong-Macao entities and domestic entities jointly owned limited liability company registered in the PRC. (台港澳與境內合資有限責任公司).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

37. PRINCIPAL SUBSIDIARIES *(continued)*

None of the subsidiaries had any debt securities subsisting at the end of the reporting period or at any time during the year/period.

The PRC subsidiaries maintained RMB denominated bank balances, the remittance of these funds out of the PRC is subject to exchange restriction imposed by the PRC government.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are either investment holding or inactive.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	1.1.2014 to 31.12.2014 HK$'000	1.4.2013 to 31.12.2013 HK$'000	2014 HK$'000	2013 HK$'000
Teamskill and its wholly owned subsidiary, Strong Nantong ("Teamskill group")	PRC	– (note)	49%	(2,438)	1,272	–	48,674
Hainan Huizhi	PRC	43%	43%	(14,376)	(493)	24,469	25,327
						24,469	74,001

Note: The Group acquired the remaining 49% equity interest of Teamskill during the year ended 31 December 2014. For details, please refer to note 36 to the consolidated financial statements.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

37. PRINCIPAL SUBSIDIARIES *(continued)*

Teamskill group

	2013 HK$'000
Current assets	3,450
Non-current assets	126,288
Current liabilities	(14,567)
Non-current liabilities	(15,837)
Equity attributable to owners of the Company	50,660
Non-controlling interests	48,674

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

37. PRINCIPAL SUBSIDIARIES *(continued)*

Teamskill group *(continued)*

	1.1.2014 to 17.9.2014 HK$'000	1.4.2013 to 31.12.2013 HK$'000
Revenue	5,750	5,585
Expenses	10,726	2,990
(Loss) profit for the period	(4,976)	2,595
(Loss) profit attributable to owners of the Company	(2,538)	1,323
(Loss) profit attributable to the non-controlling interests	(2,438)	1,272
(Loss) profit for the period	(4,976)	2,595
Other comprehensive (expense) income attributable to owners of the Company	(569)	1,320
Other comprehensive (expense) income attributable to the non-controlling interests	(550)	1,270
Other comprehensive (expense) income for the period	(1,119)	2,590
Total comprehensive (expense) income attributable to owners of the Company	(3,107)	2,643
Total comprehensive (expense) income attributable to the non-controlling interests	(2,988)	2,542
Total comprehensive (expense) income for the period	(6,095)	5,185
Net cash (outflow) inflow from operating activities	(2,552)	7,040
Net cash outflow from investing activities	(1,203)	(10,791)
Net cash inflow from financing activities	5,065	6,101
Net cash inflow	1,310	2,350

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

37. PRINCIPAL SUBSIDIARIES *(continued)*

Hainan Huizhi

	2014 **HK$'000**	2013 HK$'000
Current assets	**117,411**	73,146
Non-current assets	**294,190**	228,053
Current liabilities	**(170,634)**	(78,927)
Non-current liabilities	**(184,062)**	(163,372)
Equity attributable to owners of the Company	**32,436**	33,573
Non-controlling interests	**24,469**	25,327

	1.1.2014 to 31.12.2014 **HK$'000**	1.4.2013 to 31.12.2013 HK$'000
Revenue	**853,722**	166,847
Expenses	**887,153**	167,993
Loss for the year/period	**(33,431)**	(1,146)
Loss attributable to owners of the Company	**(19,055)**	(653)
Loss attributable to the non-controlling interests	**(14,376)**	(493)
Loss for the year/period	**(33,431)**	(1,146)
Other comprehensive (expenses) income attributable to owners of the Company	**(26)**	890
Other comprehensive (expenses) income attributable to the non-controlling interests	**(19)**	671
Other comprehensive (expenses) income for the year/period	**(45)**	1,561

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

37. PRINCIPAL SUBSIDIARIES *(continued)*

Hainan Huizhi *(continued)*

	1.1.2014 to 31.12.2014 HK$'000	1.4.2013 to 31.12.2013 HK$'000
Total comprehensive (expenses) income attributable to owners of the Company	**(19,081)**	237
Total comprehensive (expenses) income attributable to the non-controlling interests	**(14,395)**	178
Total comprehensive (expenses) income for the year/period	**(33,476)**	415
Net cash (outflow) inflow from operating activities	**(30,315)**	24,676
Net cash outflow from investing activities	**(80,829)**	(209,471)
Net cash inflow from financing activities	**107,632**	148,270
Net cash outflow	**(3,512)**	(36,525)

Financial Information of the Company

THE FINANCIAL POSITION OF THE COMPANY

	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES		
Non-current asset		
Interests in subsidiaries	**251,189**	165,893
Available-for-sale financial assets	**27,543**	–
	278,732	165,893
Current assets		
Prepayments and deposits	**33**	526
Amounts due from subsidiaries	**680,402**	769,013
Deposits placed with brokers	**191**	761
Bank balances and cash	**78,350**	68,527
	758,976	838,827
Current liabilities		
Other payables and accruals	**1,258**	2,397
Amounts due to subsidiaries	**220,460**	197,995
	221,718	200,392
Net current assets	**537,258**	638,435
Net assets	**815,990**	804,328
EQUITY		
Share capital	**44,200**	40,424
Other reserves	**771,790**	763,904
Total	**815,990**	804,328

THE MOVEMENTS OF THE COMPANY'S RESERVES

	Share premium HK$'000	Share options reserve HK$'000	Contribution Surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2013	207,348	42,099	118,111	465,474	833,032
Loss for the period	–	–	–	(7,394)	(7,394)
Shares repurchased and cancelled	(752)	–	–	–	(752)
Issue of shares on exercise of share options	5,274	(1,679)	–	–	3,595
Dividend recognised as distribution	–	–	–	(64,577)	(64,577)
At 31 December 2013	211,870	40,420	118,111	393,503	763,904
Loss for the year	**–**	**–**	**–**	**(44,980)**	**(44,980)**
Shares repurchased and cancelled	**(9,047)**	**–**	**–**	**–**	**(9,047)**
Issue of shares on exercise of share options	**94,217**	**(30,228)**	**–**	**–**	**63,989**
Shares issued as consideration for acquisition of additional interests of a subsidiary	**42,480**	**–**	**–**	**–**	**42,480**
Equity-settled share-based payments	**–**	**41,372**	**–**	**–**	**41,372**
Dividend recognised as distribution	**–**	**–**	**–**	**(85,928)**	**(85,928)**
At 31 December 2014	**339,520**	**51,564**	**118,111**	**262,595**	**771,790**