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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "Board") of Strong Petrochemical Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016, together with the comparative audited figures for the year ended 31 December 2015 as follows:

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	**2016** **HK$'000**	2015 *HK$'000* (restated)
Continuing operations			
Revenue	*3*	**8,617,315**	11,035,616
Cost of sales		**(8,268,272)**	(10,682,889)
Gross profit		**349,043**	352,727
Other income	*4(a)*	**110,542**	88,851
Other gains and losses	*4(b)*	**(12,248)**	4,069
Fair value changes on derivative financial instruments		**(202,644)**	(163,980)
Distribution and selling expenses		**(102,516)**	(182,281)
Administrative expenses		**(65,092)**	(69,255)
Other expenses		**(451)**	(481)
Finance costs	*5*	**(13,752)**	(11,683)
Share of (loss) profit of associates		**(21,486)**	3,428
Profit before taxation		**41,396**	21,395
Taxation credit (charge)	*6*	**1,476**	(863)
Profit for the year from continuing operations	*7*	**42,872**	20,532
Discontinued operations			
Profit for the period/year from discontinued operations	*8*	**133,049**	18,249
Profit for the year		**175,921**	38,781
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**(16,753)**	(25,140)
Reclassification of cumulative translation reserve to profit or loss upon disposal of subsidiaries		**1,436**	–
Fair value change of available-for-sale financial assets		**(11,690)**	1,368
Cumulative fair value change of available-for-sale financial assets recycled to profit or loss upon disposal		**10,322**	–
Other comprehensive expense for the year		**(16,685)**	(23,772)
Total comprehensive income for the year		**159,236**	15,009

	NOTES	2016 HK$'000	2015 HK$'000 (restated)
Profit for the year attributable to:			
Owners of the Company		**172,157**	33,064
Non-controlling interests		**3,764**	5,717
		175,921	38,781
Total comprehensive income attributable to:			
Owners of the Company		**155,463**	11,169
Non-controlling interests		**3,773**	3,840
		159,236	15,009
Earnings per share	*10*		
From continuing operations and discontinued operations			
— basic (HK$)		**0.10**	0.02
— diluted (HK$)		**0.10**	0.02
From continuing operations			
— basic (HK$)		**0.02**	0.01
— diluted (HK$)		**0.02**	0.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**82,768**	319,146
Prepaid lease payments		**17,395**	48,997
Available-for-sale financial assets		**–**	28,721
Other assets		**1,059**	1,059
Interests in associates		**99,822**	126,017
		201,044	523,940
Current assets			
Inventories		**931,471**	454,243
Prepaid lease payments		**432**	1,113
Trade and bills receivables	*11*	**1,416,841**	1,194,494
Other receivables, deposits and prepayments		**29,397**	217,715
Taxation recoverable		**325**	292
Derivative financial instruments		**120,683**	125,061
Held for trading investments		**29,281**	30,683
Deposits placed with brokers		**306,369**	50,140
Pledged bank deposits		**67,459**	49,246
Bank balances and cash		**230,256**	242,226
		3,132,514	2,365,213
Current liabilities			
Trade and bills payables	*12*	**689,529**	846,895
Other payables and accrued charges		**16,884**	121,636
Receipts in advance		**1,159**	43,723
Bank borrowings		**1,178,306**	579,340
Derivative financial instruments		**218,304**	121,160
Taxation payable		**–**	3,649
		2,104,182	1,716,403
Net current assets		**1,028,332**	648,810
Total assets less current liabilities		**1,229,376**	1,172,750
Non-current liability			
Bank borrowings		**–**	53,590
Net assets		**1,229,376**	1,119,160

	NOTES	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital		**44,200**	44,200
Reserves		**1,184,434**	1,046,651
Equity attributable to owners of the Company		**1,228,634**	1,090,851
Non-controlling interests		**742**	28,309
Total equity		**1,229,376**	1,119,160

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company											
	Share capital	**Share premium**	**Special reserve**	**Legal reserve**	**Share options reserve**	**Investment revaluation reserve**	**Translation reserve**	**Other reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000* (Note 1)	*HK$'000* (Note 2)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Note 3)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	44,200	339,520	(1,922)	49	51,564	–	24,020	12,295	609,956	1,079,682	24,469	1,104,151
Exchange differences arising on translation	–	–	–	–	–	–	(23,263)	–	–	(23,263)	(1,877)	(25,140)
Fair value change of available-for-sale financial assets	–	–	–	–	–	1,368	–	–	–	1,368	–	1,368
Profit for the year	–	–	–	–	–	–	–	–	33,064	33,064	5,717	38,781
Total comprehensive income (expense) for the year	–	–	–	–	–	1,368	(23,263)	–	33,064	11,169	3,840	15,009
At 31 December 2015	44,200	339,520	(1,922)	49	51,564	1,368	757	12,295	643,020	1,090,851	28,309	1,119,160
Exchange differences arising on translation	–	–	–	–	–	–	(16,762)	–	–	(16,762)	9	(16,753)
Reclassification of cumulative translation reserve to profit or loss upon disposal of subsidiaries	–	–	–	–	–	–	1,436	–	–	1,436	–	1,436
Fair value change of available-for-sale financial assets	–	–	–	–	–	(11,690)	–	–	–	(11,690)	–	(11,690)
Cumulative fair value change of available-for-sale financial assets recycled to profit or loss upon disposal	–	–	–	–	–	10,322	–	–	–	10,322	–	10,322
Profit for the year	–	–	–	–	–	–	–	–	172,157	172,157	3,764	175,921
Total comprehensive (expense) income for the year	–	–	–	–	–	(1,368)	(15,326)	–	172,157	155,463	3,773	159,236
Contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	1,131	1,131
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(32,471)	(32,471)
Dividend paid *(note 9)*	–	–	–	–	–	–	–	–	(17,680)	(17,680)	–	(17,680)
	–	–	–	–	–	–	–	–	(17,680)	(17,680)	(31,340)	(49,020)
At 31 December 2016	44,200	339,520	(1,922)	49	51,564	–	(14,569)	12,295	797,497	1,228,634	742	1,229,376

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 its holding company, as a result, 50% of the issued capital MOP100,000 was transferred to the legal reserve.

3. Other reserve was resulted from (i) the deemed disposal of partial interests in subsidiaries without losing the Group's control over the subsidiaries, and (ii) the difference between the fair value of ordinary shares issued by the Company and the carrying amount of the additional interests in a subsidiary acquired by the Group in previous years.

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.

The Group's principal operations are conducted in Hong Kong, Macao, the People's Republic of China (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 statements users, the consolidated financial statements are presented in Hong Kong Dollar ("HK$").

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to Hong Kong Accounting Standards ("HKAS") 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle

Amendments to HKAS 1 "Disclosure initiative"

The Group has applied the amendments to HKAS 1 "Disclosure initiative" for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. Information to capital risk management and financial instruments was reordered.

Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transaction[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to determine.
4 Effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

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 HKFRS 9 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 that 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 debt investments and 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.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have an impact on the measurement of the Group's financial assets. The directors of the Company anticipate that the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

HKFRS 15 "Revenue from contracts with customers"

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.

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.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company have preliminarily assessed the application of HKFRS 15 and anticipate that it is unlikely to have an impact on the timing and amounts of revenue recognised in the respective reporting period.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward of the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group as leasee has non-cancellable operating lease commitments of HK$7,381,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the Group's financial performance and position and/or the disclosures to the Group's consolidated financial statements when they become effective.

3. 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

On 22 April 2016, the Group completed the disposal of the entire share capital of Strong Petrochemical (Asia) Company Limited ("Strong Asia") and its non-wholly owned subsidiary, Hainan Huizhi Petrochemical Fine Chemical Co., Ltd. ("Hainan Huizhi", together with Strong Asia, collectively, "Strong Asia Group"), which was engaged in manufacturing of petrochemicals. The financial information in respect of the discontinued operations are disclosed in more detail in note 8.

After the disposal of Strong Asia Group, the Group is currently principally engaged in trading of crude oil, petroleum products and petrochemicals ("Trading business"). Accordingly, the Trading business as a whole constitutes one operating segment.

Information are reported to the chief executive officer of the Company, being the chief operating decision maker (the "CODM"), for the purpose of performance assessment and resource allocation. The CODM regularly reviews the Group's revenue and profit for the year as a whole, which are measured in accordance with the Group's accounting policies. No analysis of the Group's assets and liabilities by the respective business is regularly provided to the CODM for review. Accordingly, no segment information is presented.

Revenue from major products

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

Continuing operations

	2016	2015
	HK$'000	*HK$'000*
Trading business:		
Crude oil	**8,311,350**	9,871,778
Petroleum products	**103,687**	687,242
Petrochemicals	**202,278**	476,596
	8,617,315	11,035,616

Geographical information

The Group's operations are currently carried out by the subsidiaries operating in Hong Kong, Macao, the PRC and Singapore. Based on the terms of the contracts, the products are arranged to be delivered to the designated location as specified by the customers.

The Group's revenue from external customers from continuing operations 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**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**1,110**	1,437
Macao	**–**	–	**735**	919
PRC	**5,590,659**	8,351,909	**164,679**	468,721
Thailand	**201,975**	1,034,385	**33,026**	22,145
Malaysia	**958,847**	679,239	**–**	–
Korea	**–**	431,674	**–**	–
USA	**444,606**	329,370	**–**	–
Singapore	**67,260**	184,603	**1,494**	1,997
Timor Leste	**–**	24,436	**–**	–
Indonesia	**73,327**	–	**–**	–
Egypt	**401,342**	–	**–**	–
India	**118,381**	–	**–**	–
Japan	**760,918**	–	**–**	–
	8,617,315	11,035,616	**201,044**	495,219

Note: Non-current assets as at 31 December 2016 and 2015 excluded available-for-sale financial assets.

Information about major customers

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

Continuing operations

	2016	2015
	HK$'000	*HK$'000*
Customer A	**4,580,784**	4,719,961
Customer B	**N/A***	2,265,674
Customer C	**1,002,264**	1,125,341
Customer D	**985,158**	N/A*

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

4. OTHER INCOME, GAINS AND LOSSES

Continuing operations

	2016	2015
	HK$'000	*HK$'000*
(a) Other income		
Rental income from short-term leasing of unutilised property, plant and equipment and storage area of the rented vessel	**35,683**	65,530
Bank interest income	**492**	403
Dividend income from held-for-trading investments	**781**	431
Service income	**56,160**	2,257
Non-performance claims and insurance claims	**5,898**	19,029
Interest income from other assets	**–**	1,201
Interest income from loans receivables	**1,661**	–
Others	**9,867**	–
	110,542	88,851
(b) Other gains and losses		
Loss on change in fair value of held for trading investments	**(2,192)**	(4,219)
Loss on disposal of available-for-sale financial assets	**(10,322)**	–
Gain on disposal of an associate	**–**	3,490
Loss on disposal of property, plant and equipment	**(5)**	(1)
Impairment loss on available-for-sale financial assets	**–**	(190)
Others	**271**	4,989
	(12,248)	4,069

5. FINANCE COSTS

Continuing operations

	2016	2015
	HK$'000	*HK$'000*
Bank charges on letter of credit facilities	**3,328**	5,879
Interests on bank borrowings	**10,424**	5,804
	13,752	11,683

6. TAXATION CREDIT (CHARGE)

Continuing operations

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**(7)**	(863)
Overprovision of taxation in prior years:		
Singapore Income Tax	**1,483**	–
	1,476	(863)

No provision for Hong Kong Profits Tax has been made for the both years 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.

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

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 both years.

Singapore Income Tax is calculated at 17% of the estimated assessable profit for the both years.

7. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Continuing operations

	2016	2015
	HK$'000	*HK$'000*
Profit for the year is arrived after charging (crediting):		
Auditor's remuneration	**1,425**	1,190
Depreciation of property, plant and equipment	**7,418**	8,172
Release of prepaid lease payments	**451**	480
Net foreign exchange gain	**(1,472)**	(1,026)
Operating lease rentals in respect of storage facilities, a vessel and rented premises	**65,761**	65,186
Directors' emoluments	**420**	420
Other staff costs		
Salaries, bonus and other allowances	**31,374**	33,950
Retirement benefit schemes contributions	**1,314**	1,123
	33,108	35,493
Reversal of write-down of inventories (included in cost of sales)	**–**	(9,118)
Cost of inventories recognised as an expense (included in cost of sales)	**8,268,272**	10,692,007

8. DISCONTINUED OPERATIONS

During the current year, the Group entered into a sale and purchase agreement with an independent third party, to dispose of the entire share capital of Strong Asia, a company which owned 57% equity interest in Hainan Huizhi that carried out the Group's business in manufacturing of petrochemicals. The disposal was completed on 22 April 2016. Since then the Group lost control of Strong Asia Group. The Group's business in manufacturing of petrochemicals is treated as discontinued operations.

The profit from the discontinued operations for the current and preceding year is analysed as follow:

	1.1.2016 to 22.4.2016	1.1.2015 to 31.12.2015
	HK$'000	*HK$'000*
Profit of the period/year	**11,910**	18,249
Gain on disposal of subsidiaries	**121,139**	–
	133,049	18,249

Discontinued operations

	1.1.2016 to 22.4.2016	1.1.2015 to 31.12.2015
	HK$'000	*HK$'000*
Profit for the year is arrived after charging (crediting):		
Auditor's remuneration	**96**	74
Depreciation of property, plant and equipment	**9,181**	27,518
Release of prepaid lease payments	**217**	679
Net foreign exchange (gain) loss	**(74)**	7,814
Operating lease rentals in respect of storage facilities, a vessel and rental premises	**110**	273
Directors' emoluments	**–**	–
Other staff costs		
Salaries, bonus and other allowances	**5,043**	12,951
Retirement benefit schemes contributions	**351**	955
	5,394	13,906
Write-down of inventories (included in cost of sales)	**–**	1,791
Cost of inventories recognised as an expense (included in cost of sales)	**124,842**	552,104
Bank interest income	**(12)**	(68)

The results of Strong Asia Group for the current and preceding year were as follows:

	1.1.2016 to 22.4.2016	1.1.2015 to 31.12.2015
	HK$'000	*HK$'000*
Revenue	**146,496**	606,597
Cost of sales	**(124,842)**	(553,895)
Other income	**12**	1,220
Other gains and losses	**(23)**	(3,977)
Distribution and selling expenses	**(485)**	(2,409)
Administrative expenses	**(5,413)**	(19,051)
Other expenses	**(217)**	(678)
Finance costs	**(1,693)**	(7,314)
Profit before taxation	**13,835**	20,493
Taxation charge	**(1,925)**	(2,244)
Profit for the period/year	**11,910**	18,249
Profit for the period/year attribute to:		
Owners of the Company	**7,797**	12,532
Non-controlling interests	**4,113**	5,717
	11,910	18,249

9. DIVIDEND

	2016	2015
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
2015 final dividend of HK1 cent per ordinary share	**17,680**	–

Subsequent to the end of reporting period, the final dividend in respect of the year ended 31 December 2016 of HK6 cent (2015: HK1 cent) per ordinary share of the Company, in an aggregate amount of HK$106,081,000 (2015: HK$17,680,000) has been proposed by the directors of the Company and is subject to the approval by the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
		(restated)
Earnings		
Earnings for the purposes of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**172,157**	33,064

Number of shares	**2016**	2015
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**1,768,018,409**	1,768,018,409

For the years ended 31 December 2016 and 2015, there are no dilutive effects from the Company's outstanding share options as the exercise price of these share options is higher than the average market price of the Company's shares during that year.

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
		(restated)
Earnings		
Profit for the year attributable to owners of the Company	**172,157**	33,064
Less: Profit for the year from discontinued operations	**(128,936)**	(12,532)
Earnings for the purposes of calculating basic and diluted earnings per share from continuing operations	**43,221**	20,532

For the years ended 31 December 2016 and 2015, there are no dilutive effects from the Company's outstanding share options as the exercise price of these share options is higher than the average market price of the Company's shares during that year.

The denominators used are the same as those detailed above for basic earnings per share.

From discontinued operations:

Basic earnings per share for the discontinued operations is HK$0.08 per share (2015: HK$0.01 per share) and the diluted earnings per share from discontinued operations is HK$0.08 per share (2015: HK$0.01 per share), based on the profit for the year from discontinued operations of HK$128,936,000 (2015: HK$12,532,000).

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

11. TRADE AND BILLS RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables from third parties	**1,415,849**	1,199,743
Less: Allowance for doubtful debts	**–**	(5,249)
	1,415,849	1,194,494
Bills receivables	**992**	–
	1,416,841	1,194,494

The following is an aged analysis of trade receivables from third parties net of allowance for doubtful debts and bills receivables presented based on the invoice date at the end of the reporting period which approximated the revenue recognition dates:

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**1,409,041**	928,567
31 to 60 days	**–**	265,927
Over 180 days	**7,800**	–
	1,416,841	1,194,494

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.

Included in the allowance for doubtful debts are impaired, trade receivables with a balance of nil (2015: approximately HK$5,249,000) which was past due and considered not recoverable.

Movement in allowance for doubtful debts

	2016	2015
	HK$'000	*HK$'000*
Balance at beginning of the year	**5,249**	–
Allowance for doubtful debts	**–**	5,249
Disposal of subsidiaries	**(5,249)**	–
	–	5,249

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.

12. TRADE AND BILLS PAYABLES

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

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**689,529**	846,895

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

After the disposal of Hainan Huizhi Petrochemical Fine Chemical Co., Ltd. ("Huizhi"), an indirect non-wholly owned subsidiary of the Company, in April 2016, the business of manufacturing of petrochemicals was discontinued and is considered as "discontinued operations" of the Group. The Group continued to engage in trading of oil products which is considered as "continuing operations".

The figures for the year stated herein refer to the results of continuing operations. To facilitate meaningful comparison, unless specified, the comparative figures in this announcement refer to the results of continuing operations for the year ended 31 December 2015.

Continuing operations

Trading of Crude Oil, Petroleum Products and Petrochemicals

Despite the upward trend of Brent crude oil price, market expectation on the oil price and actions taken by the OPEC members and non-OPEC countries led to significant swing in oil price in 2016. The fluctuation in oil price, together with the PRC's stagnating economy, brought different level of impact to our trading business of crude oil, petroleum products and petrochemicals. In 2016, in addition to take a prudent approach to hedge its inventory which has been sold in the fourth quarter with considerable gross profit, our Macao office mainly focused on trading crude oil through back-to-back arrangement which was considered to be less risky in consideration of the price fluctuation. Since we focused on the PRC market to sell petroleum products, the trading business of petroleum products was largely affected by the PRC companies' confidence level towards the PRC economy. The trading volume of petroleum products recorded an unavoidably reducing record as a result. Simultaneously, the petroleum products team turned to focus on crude oil trading temporarily in view of the lower demand in petroleum product in the PRC market. In the meantime, the demand in petrochemicals was also affected by the economic factor of the PRC and RMB depreciation.

Storage Business

Strong Petrochemical (Nantong) Logistics Company Ltd. ("Strong Nantong"), our wholly owned subsidiary, provides storage service with 21 storage tanks and a capacity of 139,000 cubic meters. Strong Nantong is principally engaged in providing storage service for gasoil and diesel fuel. The total throughput increased from approximately 374,100 metric tons ("MT") in 2015 to approximately 1,190,000 MT in 2016, representing a 218% increase. Thanks to the qualification of the public bonded warehouse and more comprehensive service to its customers, Strong Nantong's financial performance was improved for the year.

Discontinued operations

Manufacture and Development of Petrochemicals

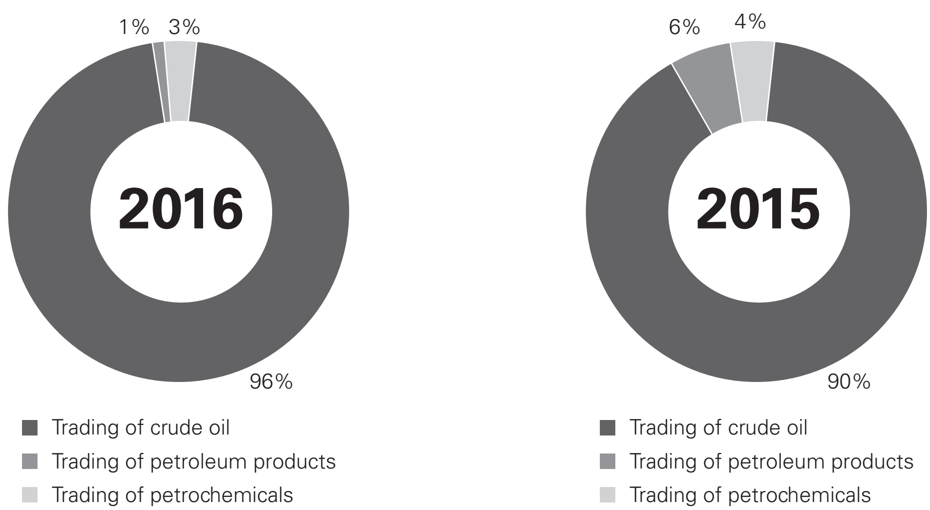
During the period ended 22 April 2016, Huizhi, our previously non-wholly owned subsidiary which manufactured and processed petrochemicals, produced approximately 29,300 MT of pentane former. Upon completion of the disposal on 22 April 2016, the Company ceased to have any interest in Huizhi.

FINANCIAL REVIEW

Revenue and Fair Value Changes on Derivative Financial Instruments

The Group is principally engaged in the trading of oil products. Approximately 96% (2015: 90%) 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 1% (2015: 6%) and the revenue generated from trading of petrochemicals was approximately 3% (2015: 4%).

Analysis of revenue in percentage to total revenue by business:



The revenue of the Group was approximately HK$8,617.3 million (2015: approximately HK$11,035.6 million) for the year. The trading volume of crude oil increased from 24,025,967 barrel ("BBL") in the last year to 26,418,059 BBL for the year since our crude oil team successfully developed trading relationship with several new customers and increased trading volume with existing customers for back-to-back arrangement. Due to the continuous weak demand in petroleum products in the PRC, the trading volume of petroleum products decrease from 279,497 MT in the last year to 31,003 MT for the year. The cautious approach taken by PRC customers in consideration of the slow economic growth of the PRC drove the trading volume of petrochemicals to decrease from 94,578 MT in the last year to 50,259 MT for the year.

		Year ended 31 December					
		2016			2015		
Product	Unit	**Number of shipment**	**Sales quantity**	**Revenue** *HK$'000*	Number of shipment	Sales quantity	Revenue *HK$'000*
Trading of major products							
Crude oil	BBL	**37**	**26,418,059**	**8,311,350.4**	38	24,025,967	9,871,778.4
Petroleum products	MT	**13**	**31,003**	**103,686.8**	19	279,497	687,241.9
Petrochemicals	MT	**47**	**50,259**	**202,277.3**	93	94,578	476,595.6
Total		**97**		**8,617,314.5**	150		11,035,615.9

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.

As a comparative prudent approach to hedge our inventory was adopted, during the year, the Group reported an aggregate loss on fair value changes on derivative financial instruments for hedging transactions of approximately HK$209.9 million (2015: approximately HK$156.8 million). Nevertheless, an aggregate gain on fair value changes on derivative financial instruments for proprietary trading transactions of approximately HK$7.3 million (2015: aggregate loss of approximately HK$7.2 million) was recorded.

Gross Profit

Despite there's decrease in revenue, the overall gross profit of the Group for the year was kept at approximately HK$349.0 million (2015: HK$352.7 million) which was primarily due to the increase in gross profit generated from the sales of inventories by crude oil team in the fourth quarter of 2016.

Profit attributable to Owners of the Company

Profit for the year attributable to owners of the Company was approximately HK$172.2 million (2015: approximately HK$33.1 million).

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 2016, the Group had deposits placed with brokers, pledged bank deposits, and bank balances and cash of approximately HK$306.4 million (2015: approximately HK$50.1 million), approximately HK$67.5 million (2015: approximately HK$49.2 million) and approximately HK$230.3 million (2015: approximately HK$242.2 million) respectively. The total of deposits placed with brokers, pledged bank deposits, and bank balances and cash (collectively, the "Liquidity Resources") were approximately HK$604.2 million (2015: approximately HK$341.5 million). Most of the Liquidity Resources were denominated in US$.

The equity attributable to the owners of the Company increased by approximately HK$137.7 million to approximately HK$1,228.6 million as at 31 December 2016 (2015: approximately HK$1,090.9 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$1,178.3 million (2015: approximately HK$579.3 million). As at 31 December 2016, the Group's gearing ratio was approximately 35% (2015: 22%). 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 2016, the Group has banking facilities of approximately US$940.8 million and RMB48.0 million (equivalent to approximately HK$7,391.5 million in total) from several banks.

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 2016, the Group did not have any significant contingent liabilities.

Capital Commitments

As at 31 December 2016, the Group had contracted for capital expenditure of approximately RMB350,000 (equivalent to approximately HK$391,000) (2015: approximately RMB67,000 (equivalent to approximately HK$80,000)) in respect of the construction of petroleum products and petrochemicals storage facilities in Nantong City, Jiangsu Province, the PRC.

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, cost 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.

Announced on 11 March 2016 and 17 May 2016, Strait Petrochemical Holdings Limited ("Strait Petrochemical"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Alpha Creation Group Limited ("Alpha Creation"), an independent third party of the Group, on 11 March 2016, pursuant to which Strait Petrochemical has agreed to sell and Alpha Creation has agreed to acquire the entire share capital of Strong Asia at a consideration of approximately US$20.3 million. At the time of the entering into of the sale and purchase agreement and immediately prior to the completion of the disposal, Strong Asia held 57% equity interest in Huizhi, which was engaged in manufacturing and processing petrochemicals. The completion of the sale and purchase agreement took place on 22 April 2016, after which the Group ceased its business of manufacturing petrochemicals.

Save as disclosed above, there were no other significant investments held during the year, or plans for material investments of capital assets as at the date of this announcement, nor were there other material acquisitions and disposals of subsidiaries during the year.

Employees

The number of employees of the Group was 84 (2015: 78) as at 31 December 2016. The Group's remuneration packages are maintained at competitive level and are determined on the basis of performance, qualification and experience of individual employee.

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the year.

PROPOSED DIVIDENDS

The Board has recommended the payment of a final dividend of HK6 cent per ordinary share of the Company in respect of the year ended 31 December 2016 (2015: HK1 cent), payable on 18 July 2017 to shareholders whose names appear on the register of members of the Company as at the close of business on 7 July 2017 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company ("AGM").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from, Friday, 23 June 2017 to Wednesday, 28 June 2017 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 to be held on 28 June 2017, 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, Hong Kong not later than 4:30 p.m. on Thursday, 22 June 2017.

The register of members of the Company will be closed from, Wednesday, 5 July 2017 to Friday, 7 July 2017 both days inclusive, during which period no transfer of shares will be effected. In order to be eligible for the proposed final dividend, 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, Hong Kong not later than 4:30 p.m. on Tuesday, 4 July 2017.

CORPORATE GOVERNANCE

The Company has adopted and is fully compliant with all the provisions of the Corporate Governance Code (the "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 2016, with the exception of the following deviation:

Pursuant to Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend the general meetings and develop a balanced understanding of the views of shareholders. Ms. Lin Yan, the independent non-executive directors of the Company ("INEDs"), were unable to attend the annual general meeting of the Company held on 12 May 2016 due to other prior business engagements.

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 of the Company 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 inside information in relation to the Company or its securities. The Company has received written annual compliance declaration from employees to confirm their compliance.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

AUDIT COMMITTEE

The Audit Committee comprises 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.

The Audit Committee has undertaken a review of all the non-audit services provided by Deloitte Touche Tohmatsu during the financial year ended 31 December 2016, 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 AGM.

Subsequent to the financial year end, the Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2016, including the accounting principles and practices adopted by the Group, and recommended them to the Board for approval.

By order of the Board
Strong Petrochemical Holdings Limited
Wang Jian Sheng
Chairman

Hong Kong, 23 March 2017

As at the date of this announcement, the Board comprises two executive directors and three INEDs. The executive directors are Mr. Wang Jian Sheng and Mr. Yao Guoliang. The INEDs are Ms. Lin Yan, Mr. Guo Yan Jun and Ms. Cheung Siu Wan.