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

2018
INTERIM REPORT

* For identification purposes only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. WANG Jian Sheng *(Chairman)*
Mr. YAO Guoliang

Independent Non-executive Directors

Dr. CHAN Yee Kwong
Ms. CHEUNG Siu Wan
Mr. GUO Yan Jun
(resigned on 1 January 2018)
Mr. DENG Heng
(appointed on 1 January 2018)

BOARD COMMITTEES

Audit Committee

Ms. CHEUNG Siu Wan *(Chairman)*
Dr. CHAN Yee Kwong
Mr. GUO Yan Jun
(resigned on 1 January 2018)
Mr. DENG Heng
(appointed on 1 January 2018)

Remuneration Committee

Dr. CHAN Yee Kwong *(Chairman)*
Mr. WANG Jian Sheng
Mr. GUO Yan Jun
(resigned on 1 January 2018)
Mr. DENG Heng
(appointed on 1 January 2018)

Nomination Committee

Mr. WANG Jian Sheng *(Chairman)*
Ms. CHEUNG Siu Wan
Mr. GUO Yan Jun
(resigned on 1 January 2018)
Mr. DENG Heng
(appointed on 1 January 2018)

COMPANY SECRETARY

Ms. WONG Wai Han
(Practising Solicitor) (Hong Kong)
(resigned on 14 February 2018)
Mr. LAI Yang Chau, Eugene
(Practising Solicitor) (Hong Kong)
(appointed on 14 February 2018)

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

Keith Lam Lau & Chan
(as to Hong Kong laws)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House — 3rd Floor
24 Shedden Road, P.O. Box 1586
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
Bank of Communications (Hong Kong) Limited
Credit Suisse AG
Rabobank International, Singapore Branch
Société Générale, Singapore Branch
Standard Chartered Bank (Hong Kong) Limited
United Overseas Bank Ltd., Singapore Branch

WEBSITE

www.strongpetrochem.com

SHARE INFORMATION

The Stock Exchange of Hong Kong Limited
Stock code: 00852

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2018 (the "Six Month Period"), Strong Petrochemical Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") focused on its principal business of trading of energy products.

Revenue for the Six Month Period was approximately Hong Kong ("HK") dollar ("HK$") 9,807.6 million. Loss attributable to owners of the Company for the Six Month Period was approximately HK$144.5 million.

Trading of Crude Oil, Petroleum Products, Petrochemicals and Coal

In June 2018, Saudi Arabia, a member of the Organization of the Petroleum Exporting Countries, raised its oil production to its highest level since late 2016 to cool down Brent crude oil price which maintained an upward trend in the first half of 2018 and even spiked to its 3.5 years highs of United States dollar ("US$") 80.50 per barrel ("BBL") in May 2018. Some analysts believe that it is difficult for Brent crude oil price to increase further at the current price level especially when the trade war tension between the People's Republic of China (the "PRC") and the United States of America (the "U.S.") continues to escalate. However, some oil bulls expect the political reshuffle under the U.S. President Donald Trump's administration may add more upside to the oil price due to its potential impact on the termination of the Iran nuclear deal and the geopolitical tensions in the Middle East. Facing the volatile oil market, the Group has performed hedging transactions for its inventories. It has also performed proprietary trading transactions simultaneously. The related transactions recorded a loss greater than the gross profit generated from the physical trading business in the Six Month Period. The Group will perform hedging and proprietary trading transactions cautiously in the future. In the second half of 2018, the trend of the oil price is still uncertain even though the slowdown of the global economy may indicate threats to the oil market. The Group will keep a close eye on the market change and adjust its physical trading and investment strategies accordingly.

In the Six Month Period, Caixin China General Manufacturing Purchasing Managers' Index swung between 51.0 and 51.8, and the reading above the neutral 50.0 mark revealed a further marginal improvement in operating conditions in the PRC. Although the Chinese manufacturers were generally more optimistic towards the market, they reduced the demand in imported petrochemicals with higher price because the local petrochemicals manufacturers had enhanced their production capacity which was sufficient to cope with the local demand.

Under the uncertain oil market conditions, the provision of inventory reserves may generate higher gross profit margin but more risky simultaneously. The gross profit margin of back-to-back trade arrangement is lower but this type of trade arrangement is considered to be less risky. Therefore, our crude oil team has determined to focus on back-to-back trade arrangement related to trading with teapot refineries in the PRC which contributed a relatively higher gross profit margin to the Group. During the Six Month Period, revenue generated from trading with teapot refineries accounted for over 50% of revenue generated from trading of crude oil.

Demand in petroleum products recovered gradually in the second half of 2017, and this trend continued in the Six Month Period. Our Singapore office and the petroleum products team in Shandong Province, the PRC, have proactively expanded the customer base in both overseas countries and the PRC. Simultaneously, our Singapore office has continued to develop the coal trading business, of which the sales quantity in the Six Month Period was approximately eleven times more than that of the second half of 2017. Our petrochemicals team endeavoured to look for business opportunities from the existing customers and their efforts have successfully offset the impact from the declining demand in imported petrochemicals in the PRC.

Storage Business

Strong Petrochemical (Nantong) Logistics Company Ltd. ("Strong Nantong") operates its storage facilities of 21 storage tanks with a capacity of 139,000 cubic meters and is principally engaged in providing storage services for gasoline, diesel fuel and methyl alcohol. During the Six Month Period, Strong Nantong has generated profit and the utilization rate of the storage tanks has even reached its record high. Facing the keen competition of the petroleum products and petrochemicals storage industry, Strong Nantong will continue to expand its customer base and strive to obtain the qualification for wholesale of petroleum products in the second half of 2018.

Outlook

Trading with teapot refineries is expected to generate higher gross profit. Other than maintaining the relationship with the existing customers, our crude oil team will also strive to expand the market of teapot refineries and obtain new customers. Although the new tax rules in the PRC may adversely affect the profit margin of the trading of teapot refineries and lower their demand in crude oil, we consider it profitable to continue developing this market. Also, we will carry out "know your customer" procedures by assessing the credit rating of customers to avoid the issue of recoverability. We will continue to develop trading with teapot refineries as one of the Group's key focuses in the coming years.

As announced by the Company on 21 June 2018, the investment in GSR Electric Vehicle, L.P. had lapsed as of 31 March 2018 since the conditions precedent for the related investment under the limited partnership agreement dated 7 September 2017 had not been fulfilled in full (or waived) on or before 31 March 2018. As announced by the Company on 17 August 2018, Green Concept Global Limited, the Company's indirect wholly-owned subsidiary, had entered into a sale and purchase agreement in relation to the disposal of the 36 voting shares in GSR GO Scale Capital Advisors, Ltd. ("GSR GO"), representing approximately 49.3% shareholding in GSR GO (the "Disposal"), at a consideration of US$10.0 million (equivalent to approximately HK$78.0 million). The Disposal is expected to be completed by 31 December 2018, subject to certain conditions precedent. Details of the Disposal has been disclosed in the Company's abovementioned announcement. We will continue to look for investment opportunities in the new energy industry.

During the Six Month Period, the Group has provided a loan of a principal amount of HK$30.0 million at an interest rate of 16% per annum (the "Loan") to an independent third party which has generated a satisfactory return. Details of the Loan has been announced by the Company on 6 March 2018. In view of the potential return generated from the provision of financial assistance and the utilization of cash surplus with minimal costs, we will keep exploring opportunities that can enhance the Group's overall profitability.

Facing the volatile oil market, we will develop our trading and storage businesses in a cautious manner. Simultaneously, we will proactively explore business opportunities to enhance the company value in order to maximise the return to the shareholders.

FINANCIAL REVIEW

Revenue

The Group is principally engaged in the trading of energy products. Approximately 89% (the six months ended 30 June 2017 ("1H2017"): approximately 97%) of the Group's revenue was generated from the trading of crude oil for the Six Month Period and the revenue generated from trading of petroleum products for the Six Month Period was approximately 6% (1H2017: 0%), while the revenue generated from the trading of petrochemicals for the Six Month Period was approximately 3% (1H2017: approximately 3%). For the Six Month Period, approximately 2% (1H2017: 0%) of the Group's revenue was generated from the trading of coal which was commenced in the second half of 2017.

The revenue of the Group was approximately HK$9,807.6 million (1H2017: approximately HK$4,669.4 million) for the Six Month Period, representing an increase of approximately 110%, compared with 1H2017. The trading volume of crude oil increased from 11,252,457 BBL for 1H2017 to 14,913,184 BBL for the Six Month Period because our crude oil team proactively developed the business relationship with the teapot refineries in Shandong Province, the PRC. Our Singapore office restarted its trading of petroleum products in the second half of 2017 and the demand in petroleum products gradually increased during the Six Month Period. The trading volume of petroleum products was 105,220 metric tons ("MT") in the Six Month Period (1H2017: nil). The trading volume of petrochemicals increased from 23,169MT for 1H2017 to 64,126 MT for the Six Month Period because our existing PRC customers became more optimistic towards the economy and increased their demand in petrochemicals. The trading volume of coal for the Six Month Period was 405,866 MT (1H2017: nil).

		Six months ended 30 June					
		2018			2017		
Products	**Unit**	**Number of shipment**	**Sales quantity**	**Revenue HK$ million**	Number of shipment	Sales quantity	Revenue HK$ million
Trading of major products							
Crude oil	BBL	**20**	**14,913,184**	**8,698.8**	17	11,252,457	4,544.5
Petroleum products	MT	**15**	**105,220**	**549.4**	–	–	–
Petrochemicals	MT	**132**	**64,126**	**346.8**	32	23,169	124.9
Coal	MT	**9**	**405,866**	**212.6**	–	–	–
Total		**176**		**9,807.6**	49		4,669.4

Gross Profit

Thanks to the higher gross profit margin contributed by the teapot refineries trade, the overall gross profit increased to approximately HK$44.0 million in the Six Month Period (1H2017: approximately HK$6.9 million).

Fair Value Changes on Derivative Financial Instruments

The Group has engaged in trading of derivative financial instruments for hedging and investment purposes. The purposes of hedging activities are to minimise the price risk exposure of each trade and to reduce the fluctuation in the operating results. Simultaneously, the Group intends to enhance its profitability with the use of cash surplus through investing in crude oil and oil products related derivative products and securities.

During the Six Month Period, the Group reported an aggregate loss on fair value changes on derivative financial instruments of approximately HK$167.4 million (1H2017: gain of approximately HK$91.5 million). The realised loss and unrealised gain on fair value changes on derivative financial instruments were approximately HK$168.7 million and HK$1.3 million respectively (1H2017: realised gain and unrealised gain of approximately HK$61.4 million and HK$30.1 million respectively).

Loss for the Period

Loss attributable to owners of the Company for the Six Month Period was approximately HK$144.5 million, whilst for 1H2017, the Group recorded a profit of approximately HK$37.3 million.

Liquidity and Financial Resources

The bank balances and cash as at 30 June 2018 amounted to approximately HK$403.7 million (31 December 2017: approximately HK$715.1 million). The decrease in bank balances and cash was mainly attributable to the decrease in operating cash flows, which is partially offset by the increase in bank and other borrowings.

The banking facilities as at 30 June 2018 were amounted to approximately US$610.0 million and Renminbi 35.0 million (equivalent to approximately HK$4,799.5 million in total) from several banks. Save for the Group's bank borrowings of approximately HK$604.5 million, the Group had no other bank overdraft as at 30 June 2018.

Proceeds from Issue of Shares

Pursuant to a subscription agreement dated 17 July 2017, the Company allotted and issued 353,603,681 new ordinary shares in July 2017, under general mandate, at HK$0.658 per subscription share, to Hongkong Hengyuan Investment Limited, an independent third party which subsequently became a substantial shareholder of the Company. Net proceeds from the issue of shares amounted to approximately HK$232.6 million. As at 30 June 2018, approximately HK$78.0 million of the net proceeds were used for acquiring approximately 49.3% of the equity interest of GSR GO, which is principally engaged in the investment and management in funds. The remaining amount of approximately HK$154.6 million from the proceeds from the issue of shares were kept by the Company and will be used as general working capital of the Group.

Gearing Ratio

As at 30 June 2018, the gearing ratio was approximately 11% (31 December 2017: 0%). The gearing ratio was calculated as the Group's total borrowing divided by total assets. The increase in gearing ratio is mainly because the Group has raised bank borrowings to support the purchase of inventories.

Charges of Assets and Contingent Liabilities

As at 30 June 2018, the Group's banking facilities were secured by pledged bank deposits of approximately HK$185.8 million and prepaid lease payment of approximately HK$18.2 million.

As at 30 June 2018, the Group did not have any significant contingent liabilities.

Foreign Exchange Exposure

The functional currency of the Group is denominated in US$, while the reporting currency is denominated in HK$. Since the exchange rate of US$ against HK$ has been relatively stable during the Six Month Period, the exposure on foreign exchange was insignificant.

The Group has not implemented any foreign currency hedging policy at the moment. Nonetheless, the management has been continuously monitoring the level of foreign currency receipts and payments, ensuring that their net exposure to foreign exchange risk is kept at an acceptable level from time to time and will consider hedging the foreign exchange exposure if it is significant to the Group.

Capital Commitment

As at 30 June 2018, the Group had contracted for capital expenditure of approximately HK$89,000 in respect of acquisition of property, plant and equipment (31 December 2017: approximately HK$815,000).

Interim Dividend

The board (the "Board") of directors (the "Directors") of the Company did not recommend the payment of an interim dividend for the Six Month Period (1H2017: HK1 cent per share).

Employees and Remuneration Policy

As at 30 June 2018, the number of the Group's employees was 79 (31 December 2017: 81). The Group's remuneration packages are maintained at competitive levels and are determined on the basis of performance, qualification and experience of individual employee.

We recognise the importance of maintaining good relationships with our employees by providing our employees with competitive remuneration packages that commensurate with prevailing market practice, including but not limited to provident fund, life and medical insurances, discretionary bonus, share options, and trainings for human resources upskilling.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the Six Month Period.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the Company's associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are set out below:

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

Name of Director	Nature of interest	Number of ordinary shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. Wang Jian Sheng	Interest of a controlled corporation (Note 1)	1,041,746,000	49.01
	Interest of concert parties (Note 2)	124,222,000	5.84
Mr. Yao Guoliang	Beneficial owner	124,222,000	5.84
	Interest of a controlled corporation (Note 1)	1,041,746,000	49.01

Note 1: These shares are registered in the name of Forever Winner International Ltd. ("Forever Winner"). Each of Sino Century Holdings Limited ("Sino Century") and Jin Yao Holdings Ltd. ("Jin Yao") holds 50% of the entire issued share capital of Forever Winner. Mr. Wang Jian Sheng holds the entire issued share capital of Sino Century. Mr. Yao Guoliang holds the entire issued share capital of Jin Yao.

Note 2: Since Mr. Wang Jian Sheng and Mr. Yao Guoliang jointly control Forever Winner which in turn holds 1,041,746,000 shares of the Company, Mr. Wang Jian Sheng and Mr. Yao Guoliang are deemed as parties acting in concert. Therefore, as Mr. Yao Guoliang currently beneficially owns approximately 5.84% equity interest in the Company, Mr. Wang Jian Sheng shall be deemed to hold the same equity interest in the Company.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2018, the Directors are not aware of any other person (other than the interests of the Directors or the chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of Part XV of the SFO:

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

Name of shareholder	Nature of interest	Number of ordinary shares held	Approximate percentage of the issued share capital of the Company (%)
Forever Winner	Beneficial owner (Note 1)	1,041,746,000	49.01
Mr. Yao Guoliang	Beneficial owner	124,222,000	5.84
Hongkong Hengyuan Investment Limited	Beneficial owner (Note 2)	353,603,681	16.63

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

Note 2: Mr. Chang Liang holds the entire issued share capital of Hongkong Hengyuan Investment Limited.

SHARE OPTIONS

In 2014, 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 as the New Share Option Scheme is 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 number of securities available for issue under the Old Share Option Scheme was 26,180,000 shares, representing approximately 1.2% of the number of the issued shares of the Company (i.e. 2,125,722,090 shares) as at 30 June 2018 and as at 23 August 2018, the date of this announcement.

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

		Price of share of the Company			Number of share options			
Nature or category of participant	Date of grant (dd/mm/yy)	Exercise price HK$	At the grant date of share options HK$	At the exercise date of share options HK$	Outstanding at 1/1/2018	Exercised during the period	Lapsed during the period	Outstanding at 30/6/2018
Employees	07/05/09	0.645	0.645	N/A	240,000	–	–	240,000
Other participants in aggregate	07/05/09	0.645	0.645	N/A	25,940,000	–	–	25,940,000
Total					**26,180,000**	**-**	**-**	**26,180,000**

Note: Under the Old Share Option Scheme, share options granted are exercisable during the period starting from 8 May 2009 to 28 November 2018. The share options granted under the Old Share Option Scheme have vesting period in three tranches of 40%, 30% and 30% of its share options granted from the grant date to 8 May 2009, 8 May 2010 and 8 May 2011 respectively.

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

		Price of share of the Company			Number of share options			
Nature or category of participant	Date of grant (dd/mm/yy)	Exercise price HK$	At the grant date of share options HK$	At the exercise date of share options HK$	Outstanding at 1/1/2018	Exercised during the period	Lapsed during the period	Outstanding at 30/6/2018
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**

Note: Under the New Share Option Scheme, share options granted are exercisable during the period starting from 6 September 2014 to 14 May 2024.

The number of securities available for issue under the New Share Option Scheme was 314,801,840 shares, representing approximately 14.8% of the number of the issued shares of the Company (i.e. 2,125,722,090 shares) as at 30 June 2018 and as at 23 August 2018, the date of this announcement.

Save as disclosed above, at no time during the Six Month Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDIT COMMITTEE

An audit committee has been established to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this announcement, the audit committee of the Company comprises all of the three independent non-executive Directors, namely, Ms. Cheung Siu Wan (Chairman), Dr. Chan Yee Kwong and Mr. Deng Heng. The unaudited interim results of the Group for the Six Month Period have been reviewed by the audit committee of the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

Pursuant to Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend the general meetings and develop a balanced understanding of the views of shareholders. Mr. Deng Heng, the independent non-executive Director, was unable to attend the annual general meeting of the Company (the "AGM") held on 24 May 2018 due to other prior business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries by the Company, all Directors have confirmed that they had complied with the required standards set out in the Model Code during the Six Month Period.

SUFFICIENCY OF PUBLIC FLOAT

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

By order of the Board
Wang Jian Sheng
Chairman

Hong Kong, 23 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
	NOTES	**2018 HK$'000 (unaudited)**	2017 HK$'000 (unaudited)
Revenue	3	**9,807,618**	4,669,432
Cost of sales		**(9,763,656)**	(4,662,561)
Gross profit		**43,962**	6,871
Other income		**31,445**	18,292
Other gains and losses		**294**	3,560
Fair value changes on derivative financial instruments		**(167,427)**	91,494
Distribution and selling expenses		**(7,815)**	(42,636)
Administrative expenses		**(32,689)**	(32,965)
Other expenses		**(237)**	(219)
Finance costs	4	**(10,854)**	(7,351)
Share of (loss) profit of associates		**(1,116)**	10
Share of loss of a joint venture		**(1)**	–
(Loss) profit before taxation		**(144,438)**	37,056
Taxation (charge) credit	5	**(101)**	3
(Loss) profit for the period	6	**(144,539)**	37,059
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(2,579)**	9,643
Total comprehensive (expense) income for the period		**(147,118)**	46,702

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
	NOTES	**2018 HK$'000 (unaudited)**	2017 HK$'000 (unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		**(144,539)**	37,325
Non-controlling interests		**–**	(266)
		(144,539)	37,059
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(147,113)**	46,950
Non-controlling interests		**(5)**	(248)
		(147,118)	46,702
(Loss) earnings per share	8		
— basic (HK$)		**(0.07)**	0.02
— diluted (HK$)		**(0.07)**	0.02

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	81,256	84,805
Prepaid lease payments		17,768	18,153
Other assets		1,059	1,059
Interests in associates		100,009	101,989
Interest in a joint venture		77,998	77,999
		278,090	284,005
Current assets			
Inventories		1,083,019	32,243
Prepaid lease payments		459	462
Trade and bills receivables	10	2,855,706	2,192,760
Other receivables, deposits and prepayments		286,006	317,271
Taxation recoverable		3	147
Tax reserve certificate		3,675	2,475
Derivative financial instruments		44,100	93,266
Held for trading investments		1,008	304
Deposits placed with brokers		166,368	83,461
Pledged bank deposits		185,796	44,585
Bank balances and cash		403,725	715,085
		5,029,865	3,482,059
Current liabilities			
Trade and bills payables	11	3,274,614	2,203,898
Other payables and accrued charges		22,256	78,189
Receipts in advance		131,893	1,277
Taxation payable		–	27
Bank borrowings	12	604,505	–
Derivative financial instruments		42,805	103,673
		4,076,073	2,387,064
Net current assets		953,792	1,094,995
Net assets		1,231,882	1,379,000

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Capital and reserves			
Share capital	13	53,143	53,143
Reserves		1,178,236	1,325,349
Equity attributable to owners of the Company		1,231,379	1,378,492
Non-controlling interests		503	508
Total equity		1,231,882	1,379,000

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note a)	Legal reserve HK$'000 (Note b)	Share option reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note c)	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	44,200	339,520	(1,922)	49	51,564	(14,569)	12,295	797,497	1,228,634	742	1,229,376
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	9,625	–	–	9,625	18	9,643
Profit (loss) for the period	–	–	–	–	–	–	–	37,325	37,325	(266)	37,059
Total comprehensive income (expense) for the period	–	–	–	–	–	9,625	–	37,325	46,950	(248)	46,702
Dividend recognised as distribution *(note 7)*	–	–	–	–	–	–	–	(106,081)	(106,081)	–	(106,081)
	–	–	–	–	–	–	–	(106,081)	(106,081)	–	(106,081)
At 30 June 2017 (unaudited)	44,200	339,520	(1,922)	49	51,564	(4,944)	12,295	728,741	1,169,503	494	1,169,997
At 1 January 2018	**53,143**	**567,065**	**(1,922)**	**49**	**50,391**	**6,043**	**12,295**	**691,428**	**1,378,492**	**508**	**1,379,000**
Exchange differences on translation of financial statements of foreign operations	**-**	**-**	**-**	**-**	**-**	**(2,574)**	**-**	**-**	**(2,574)**	**(5)**	**(2,579)**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(144,539)**	**(144,539)**	**-**	**(144,539)**
Total comprehensive expense for the period	**-**	**-**	**-**	**-**	**-**	**(2,574)**	**-**	**(144,539)**	**(147,113)**	**(5)**	**(147,118)**
At 30 June 2018 (unaudited)	**53,143**	**567,065**	**(1,922)**	**49**	**50,391**	**3,469**	**12,295**	**546,889**	**1,231,379**	**503**	**1,231,882**

Notes:

(a) The special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganisation to rationalise the Group structure prior to the listing of the Company's share on the Stock Exchange.

(b) 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 Macao Patacas 100,000 was transferred to the legal reserve.

(c) 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	**(694,285)**	377,207
Net cash (used in) from investing activities		
Advance of loan receivables	**(30,000)**	(226,200)
Purchase of held for trading investments	**(675)**	–
Purchase of property, plant and equipment	**(1,591)**	(1,859)
Repayment of loan receivables	**30,000**	113,100
(Increase) decrease in deposits placed with brokers	**(82,883)**	212,922
Proceeds from disposal of property, plant and equipment	**7**	–
(Placement) withdrawal of pledged bank deposits	**(141,211)**	16,825
Interest received	**4,497**	3,520
	(221,856)	118,308
Net cash from (used in) financing activities		
New bank and other borrowings raised	**2,092,527**	9,359,423
Repayment of bank and other borrowings	**(1,487,848)**	(9,766,337)
	604,679	(406,914)
Net (decrease) increase in cash and cash equivalents	**(311,462)**	88,601
Cash and cash equivalents at 1 January	**715,085**	230,256
Effect of foreign exchange rate changes	**102**	2,516
Cash and cash equivalents at 30 June, representing bank balances and cash	**403,725**	321,373

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the Six Month Period are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the Six Month Period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA, which are mandatorily effective for the Group's financial year beginning on 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.1 Impacts and changes in accounting policies of application on HKFRS 15

The Group has applied HKFRS 15 for the first time in the Six Month Period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

- Trading of crude oil
- Trading of petroleum products
- Trading of petrochemicals
- Trading of coal

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at 1 January 2018, the date of initial application. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 – *continued*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 – *continued*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 – *continued*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 – *continued*

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations including obligation to provide goods or services to patrons on complementary basis and patron's options to acquire additional goods or services for free or at a discount in future granted under customer relationship programs, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 – *continued*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 – *continued*

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified goods or services before that good or service are transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified goods or services by another party. In this case, the Group does not control the specified goods or services provided by another party before that goods or services are transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Directors considered that the Group acts as a principal for its trading business as the Group controls the specified goods to be provided by the Group before the goods are transferred to a customer.

Upon the application of HKFRS 15 of the Group, only receipts in advance from sales of goods, including under current liabilities in the condensed consolidated statement of financial position, are regarded as contract liabilities.

The Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.2 Impacts and changes in accounting policies of application on HKFRS 9

In the Six Month Period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 – *continued*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 – *continued*

Classification and measurement of financial assets – continued

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held by the Group within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the 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.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held by the Group within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the 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.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 – *continued*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 – *continued*

Classification and measurement of financial assets – continued

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The Directors reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 – *continued*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 – *continued*

Impairment under ECL model – continued

The Group always recognises lifetime ECL for other receivables and deposits placed with brokers. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 – *continued*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 – *continued*

Impairment under ECL model – continued

Significant increase in credit risk – continued

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtors; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 – *continued*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 – *continued*

Impairment under ECL model – continued

Significant increase in credit risk – continued

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.2 Impacts and changes in accounting policies of application on HKFRS 9 – *continued*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 – continued

Impairment under ECL model – continued

Measurement and recognition of ECL – continued

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of advances to debtors and other receivables from debtors where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

Classification and measurement of financial liabilities

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

The Directors do not anticipate that the application of HKFRS 9 has a material impact on the classification and measurement of financial instruments, all financial assets and financial liabilities will continue to be measured on the same bases as were previously measured under HKAS 39.

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

The Group is principally engaged in trading of crude oil, petroleum products, petrochemicals and coal (the "Trading Business"). Certain storage facilities generated some insignificant revenue. Accordingly, the Trading Business as a whole constitutes one operating segment for the purpose of segment information presentation under HKFRS 8 *Operating Segments*.

Information is 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 period 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 sales of goods

The following is an analysis of the Group's revenue from sales of goods:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Sales of goods		
Crude oil	**8,698,740**	4,544,562
Petroleum products	**549,421**	–
Petrochemicals	**346,844**	124,870
Coal	**212,613**	–
	9,807,618	4,669,432

Revenue from sales of goods is recognised at a point in time.

4. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Bank charges on letter of credit facilities	**5,456**	1,694
Interests on bank and other borrowings	**5,398**	5,657
	10,854	7,351

5. TAXATION (CHARGE) CREDIT

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax:		
Current tax	**(101)**	(3)
Overprovision in prior period	**–**	6
	(101)	3

No provision for Hong Kong Profits Tax has been made for both periods 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 and Implementation Rules of the PRC, the tax rate of the PRC subsidiaries is 25% for both periods.

5. TAXATION (CHARGE) CREDIT – *continued*

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) is exempted from Macao Complementary Tax for both periods.

No provision for Singapore Income Tax has been made for both periods since tax losses were incurred for the subsidiary with operations in Singapore.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018 **HK$'000** **(unaudited)**	2017 HK$'000 (unaudited)
(Loss) profit for the period is arrived after charging (crediting):		
Depreciation of property, plant and equipment	**3,789**	3,461
Release of prepaid lease payments	**237**	219
Net foreign exchange (gain) loss	**(293)**	514

7. DIVIDEND

The Board did not recommend the payment of an interim dividend for the Six Month Period (1H2017: HK1 cent per share).

The dividend recognised as a distribution during 1H2017 represented a final dividend of HK6 cents per share in respect of the year ended 31 December 2016 amounting to approximately HK$106,081,000, which was declared and approved by the Company's shareholders at the AGM on 28 June 2017.

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
(Loss) earnings		
(Loss) earnings for the purposes of calculating basic and diluted (loss) earnings per share ((loss) profit for the period attributable to owners of the Company)	**(144,539)**	37,325
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	**2,125,722,090**	1,768,018,409

The incremental shares from assumed exercise of share options are excluded in calculation of the diluted loss per share for the Six Month Period since the assumed exercise of those share options would result in a decrease in loss per share.

For 1H2017, there was no dilutive effects from the Company's outstanding share options as the exercise price of these share options was higher than the average market price of the Company's shares during that period.

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

	As at 30 June 2018 HK$'000 (unaudited)	As at 31 December 2017 HK$'000 (audited)
At beginning of the period	**84,805**	82,768
Exchange realignment	**(590)**	5,425
Additions	**846**	3,687
Disposals/written off	**(16)**	(1)
Depreciation charge	**(3,789)**	(7,074)
	81,256	84,805

10. TRADE AND BILLS RECEIVABLES

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:

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
0 to 30 days	**2,759,611**	1,971,658
31 to 60 days	**14,026**	215,584
61 to 90 days	**80,772**	–
Over 90 days	**1,297**	5,518
	2,855,706	2,192,760

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

11. TRADE AND BILLS PAYABLES

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

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
0 to 30 days	3,188,268	1,453,278
31 to 60 days	17,803	716,497
61 to 90 days	67,168	–
Over 90 days	1,375	34,123
	3,274,614	2,203,898

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

12. BANK BORROWINGS

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Secured bank borrowings	604,505	–
Carrying amount repayable:		
Within one year shown under current liabilities	604,505	–

As at 30 June 2018, the loans carry interest at variable market rates ranging from 3.65% to 5.44% per annum. The facilities are secured by certain prepaid lease payment and bank deposits.

13. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.025 each		
Authorised:		
At 1 January 2017 (audited), 30 June 2017 (unaudited), 31 December 2017 (audited) and 30 June 2018 (unaudited)	**4,000,000,000**	**100,000**
Issued and fully paid:		
At 1 January 2017 (audited) and 30 June 2017 (unaudited)	**1,768,018,409**	**44,200**
Issue of shares (Note a)	**353,603,681**	**8,840**
Exercise of share options (Note b)	**4,100,000**	**103**
At 31 December 2017 (audited) and 30 June 2018 (unaudited)	**2,125,722,090**	**53,143**

Notes:

(a) Pursuant to a subscription agreement entered into between the Company and the subscriber on 17 July 2017, 353,603,681 shares were issued at the subscription price of HK$0.658 per subscription share.

(b) During the year ended 31 December 2017, 4,100,000 shares of HK$0.025 each were issued at HK$0.645 per share upon exercise of the Old Share Option Scheme by the option holders.

The new shares rank pari passu with the existing shares in all respects.

14. CAPITAL COMMITMENTS

As at 30 June 2018, the Group had contracted for capital expenditure of approximately HK$89,000 in respect of acquisition of property, plant and equipment (31 December 2017: approximately HK$815,000).

15. RELATED PARTY TRANSACTIONS

During the Six Month Period, the Group paid the rental expenses of approximately HK$917,000 (1H2017: approximately HK$840,000) to Strong Property Limited for the use of office premises. During the Six Month Period, the Group did not pay a rental expense to Srithai Capital Co., Ltd. for the use of storage area of the vessel (1H2017: approximately HK$31,980,000). Strong Property Limited is owned and controlled by one key management personnel of the Group and Srithai Capital Co., Ltd. is an associate of the Company.

16. 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 values 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 key input(s) used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2018 (unaudited)	31 December 2017 (audited)		
1) Derivative financial instruments	**Assets – HK$44,100,000; and Liabilities – HK$42,805,000**	Assets – HK$93,266,000; and Liabilities – HK$103,673,000	Level 2	Difference between the contracted strike prices and prevailing futures prices or published indexes. Such prevailing futures prices or published indexes are derived from the relevant futures exchanges or prices publication as specified in the contracts.
2) Held for trading non-derivative financial assets	**Listed equity securities in the U.S.: – Oil and gas industry – HK$146,000 Listed equity securities in Hong Kong: – Other financials industry – HK$21,000 – Healthcare services industry – HK$610,000 Listed equity securities in Canada: – Oil and gas industry – HK$231,000**	Listed equity securities in the U.S.: – Oil and gas industry – HK$21,000 Listed equity securities in Hong Kong: – Other financials industry – HK$41,000 Listed equity securities in Canada: – Oil and gas industry – HK$242,000	Level 1	Quoted bid prices in an active market.

There were no transfers between Level 1 and 2 during the Six Month Period.

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

– continued

(ii) Fair values 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 costs in the condensed consolidated financial statements approximate their fair values.

17. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its trading business. Trade receivables with net amount of approximately HK$2,855,706,000 as at 30 June 2018 were assessed individually. No impairment allowance for the trade receivables was provided based on the individual assessment. The Directors had also considered reasonable and supportable best information available without undue cost or effort, and concluded that there is no significant increase in credit risk.

For the pledged bank deposit and bank balances, no allowance for impairment was made since the Directors consider the probability of default is negligible as such amounts are receivable from or placed in banks globally having good reputation and credit rating.

For other receivables and deposits placed with brokers, no allowance for impairment was made since the Directors consider the probability of default is minimal after assessing the counter-parties' financial background and creditability.

18. EVENTS AFTER THE END OF THE REPORTING PERIOD

As announced by the Company on 17 August 2018, Green Concept Global Limited, the Company's indirect wholly-owned subsidiary, had entered into a sale and purchase agreement in relation to the Disposal at a consideration of US$10.0 million (equivalent to approximately HK$78.0 million). The Disposal is expected to be completed by 31 December 2018, subject to certain conditions precedent.