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

2019 INTERIM REPORT

* For identification purposes only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Dr. CHAN Yee Kwong
Ms. CHEUNG Siu Wan
Mr. DENG Heng

BOARD COMMITTEES

Audit Committee

Ms. CHEUNG Siu Wan *(Chairman)*
Dr. CHAN Yee Kwong
Mr. DENG Heng

Remuneration Committee

Dr. CHAN Yee Kwong *(Chairman)*
Mr. DENG Heng
Mr. WANG Jian Sheng

Nomination Committee

Mr. WANG Jian Sheng *(Chairman)*
Ms. CHEUNG Siu Wan
Mr. DENG Heng

COMPANY SECRETARY

Mr. LAI Yang Chau, Eugene
(Practising Solicitor) (Hong Kong)

AUTHORISED REPRESENTATIVES

Mr. WANG Jian Sheng
Mr. YAO Guoliang

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISER

Yang Chau Law Office
(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 54, 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
DBS Bank (Hong Kong) Limited
Natixis, Hong Kong Branch
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

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2019 (the "Six Month Period"), Strong Petrochemical Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") focused on its principal business of trading of commodities.

Revenue for the Six Month Period was approximately Hong Kong ("HK") dollar ("HK$") 9,201.5 million. Profit attributable to owners of the Company for the Six Month Period was approximately HK$48.1 million.

Trading of Crude Oil, Petroleum Products, Petrochemicals and Coal

Crude oil price increased from United States dollar ("US$") 52.51 per barrel ("BBL") in early January 2019 to US$75.66 in late April 2019 mainly due to the Organization of the Petroleum Exporting Countries' decision to cut oil production in late 2018 and the tightened sanctions on Iran and Venezuela, two of the leading oil producers, by the United States of America (the "U.S.") President Donald Trump's administration in early April 2019. However, in late April 2019, crude oil price tumbled suddenly because of the growing fear that the slowdown of the global economy would lower the oil demand. Moreover, investors worried that the trade battle between the U.S. and the People's Republic of China (the "PRC") would further dampen the oil demand. The market fear led to a drop in oil price since then.

In June 2019, the International Monetary Fund cut its forecast for the PRC's 2020 economic growth to 6%, which is the lowest since 1990. Caixin China General Manufacturing Purchasing Managers' Index dipped to 49.4 in June 2019 from 50.2 in May 2019 because some companies were concerned about the trade tensions between the U.S. and the PRC. These statistics revealed the continuing downward pressure on the economic growth of the PRC. The Chinese manufacturers appeared to be more cautious, and tended to lower their production capacity in view of the expected decreasing demand.

During the Six Month Period, in view of the uncertain oil price trend, our crude oil team continued to focus on its back-to-back trade arrangement in order to minimise the inventory risk. For the other trade arrangements which would deal with different price mechanisms, our crude oil team cautiously performed hedging transactions so as to lower the price risk. Simultaneously, our petroleum products team proactively developed closer business relationship with the key customers with higher gross profit margin, and this offset part of the effect led by the weak demand for petroleum products.

Due to the Chinese manufacturers' cautious trading approach and their preference in local petrochemicals, demand for imported petrochemicals became weak during the Six Month Period. In the second half of 2019, our petrochemicals team will keep track of the rapid change of the oil market and formulate appropriate trading strategies timely and accordingly. On the other hand, the increase in demand from Vietnamese power plants led to an increase in trading volume of coal during the Six Month Period.

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 in Nantong City, Jiangsu Province, the PRC. It is principally engaged in providing storage services for gasoline, diesel fuel and methyl alcohol. The profit generated by Strong Nantong in the Six Month Period has reached its record high mainly because of the increasing utilisation rate of the storage tanks and the increasing proportion of long-term lease storage tanks. In the second half of 2019, Strong Nantong targets to expand its customer base to the teapot refineries in the coastal areas of the PRC, and simultaneously, it plans to work closely with a state-owned enterprise to ensure the safety and consistency of its vehicle discharge system.

In February 2019, Excellent Harvest Holdings Ltd., an indirect wholly-owned subsidiary of the Company, acquired 51% equity interest in Nicefame Global Limited ("Nicefame Global") which directly owns 90% of the interest in Huizhou Daya Bay Nicefame Chemical Storage and Trading Co., Ltd. ("Huizhou Nicefame"). Huizhou Nicefame operates its oil product storage facilities of liquid chemicals storage tanks with a capacity of 105,000 cubic meters in Huizhou City, Guangdong Province, the PRC. It is mainly engaged in providing storage services of liquid petrochemicals and other hazardous chemicals. During the Six Month Period, Huizhou Nicefame generated positive cash flows from its operating activities. In the second half of 2019, Huizhou Nicefame considers to start its trading business of liquid petrochemicals and other hazardous chemicals, including methyl ethylene, high-flash aromatic hydrocarbon solvents and crude D10 aromatics so as to create the synergy with its storage services.

Outlook

In April 2019, Fujian Hong Kong Petrochemical Limited ("Fujian Petrochemical"), an indirect wholly-owned subsidiary of the Company, was established in Quanzhou City, Fujian Province, the PRC. Fujian Petrochemical is principally engaged in manufacturing of petrochemicals and trading of petrochemicals. Fujian Petrochemical plans to set up a petrochemicals manufacturing plant in Fujian Province, the PRC, in late 2019. It is expected that the plant will start its operation in late 2021. Before the plant starts its operation, Fujian Petrochemical would commence its trading business.

In order to further expand our trading business to other commodities, we have taken our first step by entering the ferrous metals industry. Our Singapore office is planning to start trading ferrous metals in the second half of 2019. Since ferrous metals is a new business area to the Group, we will hire experienced staff and start the trading business cautiously.

The market worries that a prolonged dispute between the U.S. and the PRC will result in slower global economic growth and lower demand for oil which in turn lead to a drop in oil price. Although the two largest economies of the world agreed to resume trade talks to resolve the differences, the U.S. subsequently raised the tariffs on imports from the PRC who responded by letting Renminbi ("RMB") tumble to the weakest level in the past 11 years and asking state-owned enterprises to suspend imports of the U.S. agricultural products. Therefore, whether they can make a deal is still uncertain. Facing the oil market stemming from the volatile global economic outlook and the ongoing trade tensions between the U.S. and the PRC, we will keep a close eye on the ongoing trade negotiations between the two countries and its potential impact on the oil market. Moreover, we will continue to expand customer base in the PRC and overseas in order to create value to the shareholders in the second half of 2019.

FINANCIAL REVIEW

Revenue

The Group is principally engaged in the trading of commodities. Approximately 94% (the six months ended 30 June 2018 ("1H2018"): approximately 89%) 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 0% (1H2018: approximately 6%), while the revenue generated from the trading of petrochemicals for the Six Month Period was approximately 2% (1H2018: approximately 3%). For the Six Month Period, approximately 4% (1H2018: approximately 2%) of the Group's revenue was generated from the trading of coal.

The revenue of the Group was approximately HK$9,201.5 million (1H2018: approximately HK$9,807.6 million) for the Six Month Period, representing a slight decrease of approximately 6%, compared with 1H2018. The trading volume of crude oil increased from 14,913,184 BBL for 1H2018 to 16,158,886 BBL for the Six Month Period because of the future expansion of customer base in the PRC. However, revenue generated from trading of crude oil for the Six Month Period decreased slightly due to the comparatively low crude oil price. The Chinese manufacturers took a cautious trading approach due to the significant price fluctuation of petroleum products, and this led to a decrease in demand for petroleum products. The trading volume of petroleum products dropped significantly from 105,220 metric tons ("MT") for 1H2018 to 6,314 MT for the Six Month Period. The trading volume of petrochemicals decreased from 64,126 MT for 1H2018 to 29,655 MT for the Six Month Period because the U.S.-China trade battle resulted in slower global economic growth leading to lower demand for petrochemicals in the PRC. The trading volume of coal increased dramatically from 405,866 MT for 1H2018 to 888,990 MT for the Six Month Period because of the increasing demand from the Vietnamese power plants.

		Six months ended 30 June					
		2019			2018		
Products	Unit	Number of contracts	Sales quantity	Revenue HK$ million	Number of contracts	Sales quantity	Revenue HK$ million
Trading of commodities							
Crude oil	BBL	18	16,158,886	8,612.0	19	14,913,184	8,698.8
Petroleum products	MT	2	6,314	29.6	16	105,220	549.4
Petrochemicals	MT	62	29,655	153.3	96	64,126	346.8
Coal	MT	4	888,990	406.6	6	405,866	212.6
Total		86		9,201.5	137		9,807.6

Gross Profit

The improved gross profit margin was attributed by different price mechanisms of cargoes and the rising oil price in the first four months in 2019. The gross profit raised to approximately HK$230.2 million in the Six Month Period (1H2018: approximately HK$44.0 million).

Fair Value Changes on Derivative Financial Instruments

The Group has engaged in trading of derivative financial instruments for hedging purpose. The purposes of hedging activities are to minimise the price risk exposure of each trade and to reduce the fluctuation in the operating results.

During the Six Month Period, the Group reported an aggregate loss on fair value changes on derivative financial instruments of approximately HK$1.7 million (1H2018: approximately HK$167.4 million). The realised loss and unrealised gain on fair value changes on derivative financial instruments were approximately HK$77.0 million and HK$75.3 million respectively (1H2018: approximately HK$168.7 million and HK$1.3 million respectively).

Profit for the Period

Profit attributable to owners of the Company for the Six Month Period was approximately HK$48.1 million, whilst for 1H2018, the Group recorded a loss of approximately HK$144.5 million.

Liquidity and Financial Resources

The bank balances and cash as at 30 June 2019 amounted to approximately HK$804.9 million (31 December 2018: approximately HK$204.3 million). The increase in bank balances and cash was mainly attributable to the increase in operating cash flows and the decrease in deposits placed with brokers.

The banking facilities as at 30 June 2019 were amounted to US$790.0 million and RMB35.0 million (equivalent to approximately HK$6,201.8 million in total) from several banks. Save for the Group's bank borrowings of approximately HK$185.9 million, the Group had no other bank overdraft as at 30 June 2019.

Gearing Ratio

As at 30 June 2019, the gearing ratio was approximately 6% (31 December 2018: approximately 0%). The gearing ratio was calculated as the Group's total borrowing divided by total assets. The increase in gearing ratio is mainly attributable to the bank and other borrowings obtained from acquisition of Nicefame Global and its subsidiary during the Six Month Period to support the storage business of Huizhou Nicefame.

Charges of Assets and Contingent Liabilities

As at 30 June 2019, the Group's and its subsidiary banking facilities were secured by pledged bank deposits of approximately HK$54.6 million and right-of-use assets of approximately HK$51.6 million.

As at 30 June 2019, 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 2019, the Group did not have any capital commitment (31 December 2018: Nil).

Interim Dividends

The board (the "Board") of directors (the "Director(s)") of the Company does not recommend the payment of an interim dividend for the Six Month Period (1H2018: Nil).

Employees and Remuneration Policy

Due to the acquisition of Nicefame Global and its subsidiary in February 2019, the number of the Group's employees increased to 140 as at 30 June 2019 (31 December 2018: 80). 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 2019, 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	49.04
	Interest of concert parties (Note 2)	124,984,000	5.88
Mr. Yao Guoliang	Beneficial owner	124,984,000	5.88
	Interest of a controlled corporation (Note 1)	1,041,746,000	49.04

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 5.88% 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 2019, 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	49.04
Mr. Yao Guoliang	Beneficial owner	124,984,000	5.88
Hongkong Hengyuan Investment Limited	Beneficial owner (Note 2)	353,603,681	16.64

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

A share option scheme (the "Share Option Scheme") was adopted on 15 May 2014 as the 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 movements in the share options of the Company under the 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 1/1/2019	Exercised during the period	Lapsed during the period	Outstanding at 30/6/2019
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 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 Share Option Scheme was 314,801,840 shares, representing approximately 14.8% of the number of the issued shares of the Company (i.e. 2,124,412,090 shares) as at 30 June 2019 and as at 27 August 2019, the date of this interim report.

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 interim report, 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, generally independent non-executive directors and other non-executive directors should attend the general meetings to gain and develop a balanced understanding of the views of shareholders. Ms. Cheung Siu Wan and Mr. Deng Heng, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 28 May 2019 due to other prior business engagements.

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, 27 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June 2019 HK$'000 (unaudited)	 2018 HK$'000 (unaudited)
Revenue — trading of commodities	3	**9,201,453**	9,807,618
Cost of sales		**(8,971,241)**	(9,763,656)
Gross profit		**230,212**	43,962
Other income		**20,842**	31,445
Other gains and losses		**(31,380)**	294
Loss on changes in fair value of derivative financial instruments, net		**(1,691)**	(167,427)
Distribution and selling expenses		**(86,937)**	(7,815)
Administrative expenses		**(51,188)**	(32,689)
Other expenses		**(521)**	(237)
Finance costs	4	**(30,631)**	(10,854)
Share of results of associates		**(1,529)**	(1,116)
Share of results of a joint venture		**–**	(1)
Profit (loss) before taxation		**47,177**	(144,438)
Income tax expense	5	**(20)**	(101)
Profit (loss) for the period	6	**47,157**	(144,539)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(738)**	(2,579)
Total comprehensive income (expense) for the period		**46,419**	(147,118)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	NOTE	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		**48,143**	(144,539)
Non-controlling interests		**(986)**	–
		47,157	(144,539)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**47,652**	(147,113)
Non-controlling interests		**(1,233)**	(5)
		46,419	(147,118)
Earnings (loss) per share	8		
— basic (HK cents)		**2.27**	(6.80)
— diluted (HK cents)		**2.27**	(6.80)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**296,750**	75,433
Right-of-use assets	10	**53,614**	–
Prepaid lease payments		**–**	16,877
Other assets		**1,059**	1,059
Interests in associates		**63,793**	64,872
		415,216	158,241
Current assets			
Inventories		**44,517**	16,976
Prepaid lease payments		**–**	441
Trade receivables	11	**1,041,451**	2,764,771
Other receivables, deposits and prepayments		**284,473**	246,615
Loan receivable		**20,000**	–
Tax reserve certificates		**8,175**	3,675
Derivative financial instruments		**375,625**	1,932
Financial assets at fair value through profit or loss		**792**	33,463
Deposits placed with brokers		**60,019**	112,479
Pledged bank deposits		**54,600**	42,207
Bank balances and cash		**804,919**	204,311
		2,694,571	3,426,870
Assets classified as held for sale		**77,999**	77,999
		2,772,570	3,504,869

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Current liabilities			
Trade payables	12	**1,004,057**	1,730,746
Other payables and accrued charges		**136,813**	24,719
Contract liabilities		**87,595**	518,509
Lease liabilities		**1,979**	–
Taxation payable		**20**	348
Bank and other borrowings	13	**37,628**	14,837
Amount due to a non-controlling shareholder of a subsidiary		**25,496**	–
Derivative financial instruments		**300,272**	–
		1,593,860	2,289,159
Net current assets		**1,178,710**	1,215,710
Total assets less current liabilities		**1,593,926**	1,373,951
Capital and reserves			
Share capital	14	**53,110**	53,110
Reserves		**1,368,009**	1,320,357
Equity attributable to owners of the Company		**1,421,119**	1,373,467
Non-controlling interests		**22,749**	484
Total equity		**1,443,868**	1,373,951
Non-current liability			
Bank borrowings	13	**150,058**	–
		1,593,926	1,373,951

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note (i))	Legal reserve HK$'000 (Note (ii))	Share option reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note (iii))	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
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
Loss for the period	–	–	–	–	–	–	–	(144,539)	(144,539)	–	(144,539)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(2,574)	–	–	(2,574)	(5)	(2,579)
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
At 1 January 2019	**53,110**	**566,448**	**(1,922)**	**49**	**50,391**	**(5,784)**	**12,295**	**698,880**	**1,373,467**	**484**	**1,373,951**
Profit (loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**48,143**	**48,143**	**(986)**	**47,157**
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**(491)**	**-**	**-**	**(491)**	**(247)**	**(738)**
Total comprehensive (expense) income for the period	**-**	**-**	**-**	**-**	**-**	**(491)**	**-**	**48,143**	**47,652**	**(1,233)**	**46,419**
Acquisition of subsidiaries (Note 17)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,498**	**23,498**
At 30 June 2019 (unaudited)	**53,110**	**566,448**	**(1,922)**	**49**	**50,391**	**(6,275)**	**12,295**	**747,023**	**1,421,119**	**22,749**	**1,443,868**

Notes:

(i) 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.

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

(iii) Other reserve was resulted from (a) the deemed disposal of partial interests in subsidiaries without losing the Group's control over the subsidiaries, and (b) 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 2019

	Six months ended 30 June	
	2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Net cash from (used in) operating activities	**525,933**	(694,285)
Net cash from (used in) investing activities		
New loan granted	**(20,000)**	(30,000)
Repayment of loan receivables	**–**	30,000
Decrease (increase) in deposits placed with brokers	**73,074**	(82,883)
Purchase of property, plant and equipment	**(2,132)**	(1,591)
Placement of pledged bank deposits	**(12,393)**	(141,211)
Proceeds from disposal of property, plant and equipment	**–**	7
Interest received	**6,664**	4,497
Dividend received from an associate	**12,582**	–
Dividend received from financial assets at fair value through profit or loss	**393**	–
Purchase of financial assets at fair value through profit or loss	**–**	(675)
Proceeds from disposal of financial assets at fair value through profit or loss	**37,062**	–
Net cash inflow on acquisition of subsidiaries	**1,926**	–
	97,176	(221,856)
Net cash (used in) from financing activities		
New bank and other borrowings raised	**5,071,677**	2,092,527
Repayment of bank and other borrowings	**(5,078,471)**	(1,487,848)
Repayment of lease liabilities	**(1,378)**	–
Interest paid	**(15,638)**	–
	(23,810)	604,679
Net increase (decrease) in cash and cash equivalents	**599,299**	(311,462)
Cash and cash equivalents at 1 January	**204,311**	715,085
Effect of foreign exchange rate changes	**1,309**	102
Cash and cash equivalents at 30 June, representing bank balances and cash	**804,919**	403,725

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") and an interpretation, 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 2018.

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 and the interpretation issued by the HKICPA, which are mandatorily effective for the Group's financial year beginning on 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

Application of new and amendments to HKFRSs – *continued*

Except as described below, the application of the new and amendments to HKFRSs and the interpretation in the Six Month Period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases*, and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 – *continued*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 – continued

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises, car parking space and copier that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for leases of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 – *continued*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 – continued

As a lessee – continued

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 – *continued*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 – continued

As a lessee – continued

Lease liabilities – continued

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 – *continued*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 – *continued*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 – *continued*

As a lessee – continued

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying HKFRS 16: C8(5)(ii) transition.

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 – *continued*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 – *continued*

As a lessee – continued

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rates applied is 3.27%.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	3,478
Less: Recognition exemption — short-term leases	(95)
Recognition exemption — low value assets	(5)
Discounting impact using relevant incremental borrowing rates	(71)
Lease liabilities as at I January 2019	3,307
Analysed as	
Current	2,685
Non-current	622
	3,307

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 – *continued*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 – *continued*

As a lessee – continued

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS16		3,307
Add: Reclassified from prepaid lease payments	(a)	17,318
Adjustments on rental deposits at 1 January 2019	(b)	23
		20,648
By class:		
Leasehold land		17,318
Office premises		3,330
		20,648

2. PRINCIPAL ACCOUNTING POLICIES – *continued*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 – *continued*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 – *continued*

As a lessee – continued

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately HK$441,000 and approximately HK$16,877,000 respectively were reclassified to right-of-use assets.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, approximately HK$23,000 was adjusted to refundable rental deposits paid and right-of-use assets.

3. REVENUE AND SEGMENTAL INFORMATION

Revenue

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue from trading of commodities		
Crude oil	**8,611,967**	8,698,740
Petroleum products	**29,617**	549,421
Petrochemicals	**153,307**	346,844
Coal	**406,562**	212,613
	9,201,453	9,807,618

The revenue from the above trading of commodities is recognised at a point in time when the performance obligation as specified in the contracts with customers is satisfied.

3. REVENUE AND SEGMENTAL INFORMATION – *continued*

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 constitutes the sole operating segment for the purpose of segment information presentation under HKFRS 8 *Operating Segments*.

Information 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 focuses on revenue analysis. 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.

4. FINANCE COSTS

	Six months ended 30 June	
	2019 **HK$'000** **(unaudited)**	2018 HK$'000 (unaudited)
Bank charges on letter of credit facilities	**14,948**	5,456
Interests on bank and other borrowings	**15,638**	5,398
Finance charges on lease liabilities	**45**	–
	30,631	10,854

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Enterprise Income Tax ("EIT") in the PRC:		
Current tax	**20**	101
	20	101

No provision for Hong Kong Profits Tax has been made for both periods since tax losses are incurred for the subsidiaries operations in Hong Kong or the assessable profit is wholly absorbed by tax losses brought forward from previous years.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Rules of the EIT Law in the PRC, the tax rate of the PRC subsidiaries is 25% for both periods.

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 the Six Month Period as the subsidiary operating in Singapore incurred tax losses in previous years and it utilises the tax losses brought forward in current period. No provision for Singapore Income Tax had been made for 1H2018 since tax loss was incurred for the subsidiary operating in Singapore.

6. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit (loss) for the period is arrived after charging (crediting):		
Depreciation of property, plant and equipment	**8,718**	3,789
Depreciation of right-of-use assets	**1,878**	–
Release of prepaid lease payments	**–**	237
Net foreign exchange gain	**(228)**	(293)

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Six Month Period (1H2018: Nil).

8. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Earnings (loss)		
Earnings (loss) for the purposes of calculating basic and diluted earnings (loss) per share Profit (loss) for the period attributable to owners of the Company	**48,143**	(144,539)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share	**2,124,412,090**	2,125,722,090

There is 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 the Six Month Period.

For 1H2018, the incremental shares from assumed exercise of share options were excluded in calculation of the diluted loss per share since the assumed exercise of those share options would result in a decrease in loss per share.

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
At beginning of the period	**75,433**	84,805
Exchange realignment	**(5,793)**	(3,576)
Additions	**1,577**	1,532
Acquired from acquisition of subsidiaries	**234,252**	–
Disposals	**(1)**	(14)
Depreciation charge	**(8,718)**	(7,314)
	296,750	75,433

10. MOVEMENT IN RIGHT-OF-USE ASSETS

	30 June 2019 HK$'000 (unaudited)
At beginning of the period	**20,648**
Exchange realignment	**(1,037)**
Acquired from acquisition of subsidiaries	**35,881**
Depreciation charge	**(1,878)**
	53,614

11. TRADE RECEIVABLES

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Trade receivables at amortised cost	**28,010**	318,272
Trade receivables at fair value through profit or loss ("FVTPL")	**1,013,441**	2,446,499
	1,041,451	2,764,771

The Group allows credit periods of 30 to 90 days to its trade customers from commodities trading business.

The following is an ageing analysis of trade receivables at FVTPL and trade receivables at amortised cost from contracts with customers presented based on the invoice dates which approximated the revenue recognition dates at the end of the reporting period:

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
0 to 30 days	**1,021,418**	2,764,771
31 to 60 days	**4,096**	–
61 to 90 days	**227**	–
Over 90 days	**15,710**	–
	1,041,451	2,764,771

Bills amounting to approximately HK$227,000 (2018: Nil) are held by the Group for future settlement of trade balances. All bills received by the Group are with a maturity period of less than one year.

12. TRADE PAYABLES

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Trade payables at amortised cost	**1,290**	298,318
Trade payables designated at FVTPL	**1,002,767**	1,432,428
	1,004,057	1,730,746

The following is an ageing analysis of trade payables designated at FVTPL and trade payables at amortised cost presented based on the invoice date at the end of the reporting period:

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
0 to 30 days	**991,324**	1,295,893
31 to 60 days	**–**	434,853
Over 90 days	**12,733**	–
	1,004,057	1,730,746

The credit period granted by suppliers on purchases of commodities is normally 30 to 90 days.

13. BANK AND OTHER BORROWINGS

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Secured bank borrowings	68,208	14,837
Unsecured bank borrowings	117,659	–
Unsecured other borrowings	1,819	–
	187,686	14,837
Carrying amount repayable:		
Within one year	37,628	14,837
More than one year, but not exceeding two years	25,010	–
More than two years, but not exceeding five years	75,029	–
More than five years	50,019	–
	187,686	14,837
Less: Amounts due within one year shown under current liabilities	(37,628)	(14,837)
Amounts shown under non-current liability	150,058	–

As at 30 June 2019, the bank borrowings carry variable interest ranging from 4.79% to 5.00% per annum and the facilities are secured by certain right-of-use assets. The other borrowings carry interest at fixed rate 10.00% per annum.

14. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.025 each		
Authorised:		
At 1 January 2018 (audited), 30 June 2018 (unaudited), 31 December 2018 (audited) and 30 June 2019 (unaudited)	**4,000,000,000**	**100,000**
Issued and fully paid:		
At 1 January 2018 (audited), 30 June 2018 (unaudited), 31 December 2018 (audited) and 30 June 2019 (unaudited)	**2,124,412,090**	**53,110**

15. CAPITAL COMMITMENTS

As at 30 June 2019, the Group did not have any capital commitment (31 December 2018: Nil).

16. RELATED PARTY TRANSACTIONS

During the Six Month Period, the Group made lease payment of approximately HK$994,000 (1H2018: approximately HK$917,000) to Strong Property Limited for the use of office premises. Strong Property Limited is owned and controlled by one key management personnel of the Group.

17. ACQUISITION OF SUBSIDIARIES

On 24 February 2019, the Group acquired 51% of the entire allotted and issued share capital of Nicefame Global for consideration of US$3.0 million (equivalent to approximately HK$23.4 million) from an independent third party, on that date, control in Nicefame Global was passed to the Group. This acquisition has been accounted for using the purchase method. The major asset of Nicefame Global is its 90% equity interest in Huizhou Nicefame which is principally engaged in the provision of storage services of liquid petrochemicals and other hazardous chemicals with its oil product storage facilities. Nicefame Global was acquired to enhance the competitiveness of the Group's storage services in the PRC.

Consideration transferred:

	HK$'000
Assignment of receivables	23,400

Assets acquired and liabilities of Nicefame Global and its subsidiary recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	234,252
Right-of-use assets	35,881
Inventories	657
Other receivables, deposits and prepayments	11,327
Bank balances and cash	1,926
Other payables and accrued charges	(24,293)
Contract liabilities	(3,506)
Bank borrowings	(184,640)
Amount due to a non-controlling shareholder of a subsidiary	(25,496)
Non-controlling interests	(1,775)
	44,333

17. ACQUISITION OF SUBSIDIARIES – *continued*

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	23,400
Add: Non-controlling interests	21,723
Less: Fair value of identifiable net assets acquired	(44,333)
	790

Goodwill arose in the acquisition of Nicefame Global because the consideration paid for the acquisition included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce arising from the acquisition of Nicefame Global. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition is not expected to be deductible for tax purposes.

Net cash inflow on acquisition of Nicefame Global and its subsidiary during the Six Month Period:

	HK$'000
Cash and cash equivalents balances acquired	1,926

18. 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 2019 (unaudited)	31 December 2018 (audited)		
1) Derivative financial instruments	**Assets — HK$375,625,000; and Liabilities — HK$300,272,000**	Assets — HK$1,932,000; and Liabilities — Nil	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) Financial assets at FVTPL — listed securities held for trading	**Listed equity securities in the U.S.: — Oil and gas industry — HK$151,000 Listed equity securities in Hong Kong: — Other financial industries — HK$409,000 Listed equity securities in Canada: — Oil and gas industry — HK$232,000**	Listed equity securities in the U.S.: — Oil and gas industry — HK$56,000 Listed equity securities in Hong Kong: — Other financial industries — HK$33,184,000 Listed equity securities in Canada: — Oil and gas industry — HK$223,000	Level 1	Quoted bid prices in active markets.
3) Trade receivables at FVTPL	**HK$1,013,441,000**	HK$2,446,499,000	Level 2	Derived from quoted prices in active markets.
4) Trade payables designated at FVTPL	**HK$1,002,767,000**	HK$1,432,428,000	Level 2	Derived from quoted prices in active markets.

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

(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.

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

In December 2018, Green Concept Global Limited ("Green Concept"), the Company's indirect wholly-owned subsidiary, agreed to dispose the 36 voting shares in GSR GO Scale Capital Advisors, Ltd. ("GSR GO"), representing approximately 49.3% shareholding in GSR GO, to a company (the "Purchaser") designated by Mr. Sonny Wu ("Mr. Wu") at a consideration of US$10.0 million (equivalent to approximately HK$78.0 million) (the "Disposal"). The Disposal was expected to be completed by 30 May 2019 and the completion date of the settlement was subsequently extended. As announced by the Company on 18 July 2019, Green Concept, the Purchaser and Mr. Wu as the guarantor entered into a supplemental agreement to further extend the completion date of the settlement to 30 May 2020. The Purchaser and Mr. Wu are granted a choice to request for a further extension of the completion date of the settlement for one calendar year to no later than 30 May 2021, subject to the approval of Green Concept.

On 17 January 2019, Strong Petrochemical Limited ("Strong Hong Kong"), the Company's indirect wholly-owned subsidiary, entered into a secured loan agreement with a borrower and, pursuant to the agreement, the Group advanced a loan of HK$20.0 million, with a fixed interest rate of 16% per annum and maturity in three months from the date of grant, to the borrower. The borrower was also granted an option to extend the loan for three more months upon maturity and the fixed interest rate will be raised to 20% per annum. The borrower subsequently requested to extend the loan and the repayment date was supposed to be 17 July 2019. The borrower failed to repay the loan on the agreed repayment date and the interest is charged at 0.15% per day. The borrower does not have sufficient cash available to fulfil its repayment obligations of the loan which has resulted in an event of default under the secured loan agreement. Strong Hong Kong and the borrower are in the course of negotiating for an extension of repayment date, and no agreement has been reached as at the date of this interim report. In view of the security provided by the borrower, the Directors consider that the risk of default is low. Details of the secured loan agreement were set out in the Company's announcement on 17 January 2019.