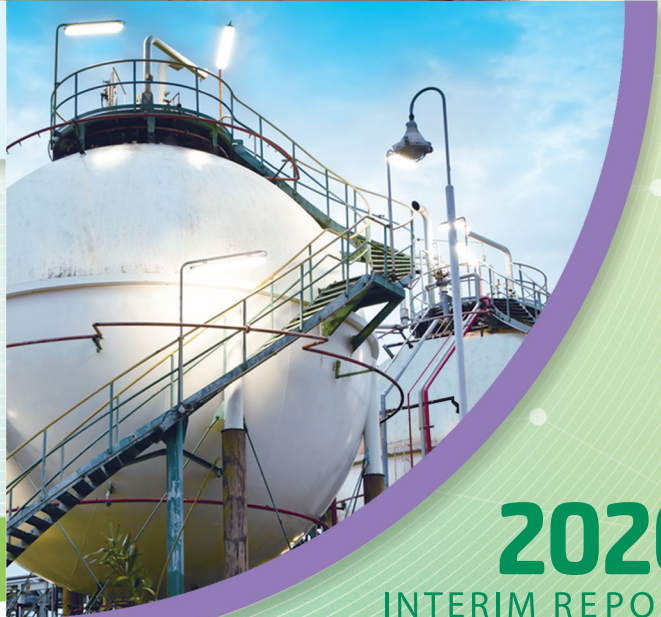




**STRONG PETROCHEMICAL HOLDINGS LIMITED**  
**海峽石油化工控股有限公司\***

(incorporated in the Cayman Islands with limited liability)

**Stock Code: 852**



**2020**  
**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

Ms. CHEUNG Siu Wan

Dr. CHAN Yee Kwong

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)  
(resigned on 14 February 2020)

Mr. LAU Leong Ho  
(Practising Solicitor) (Hong Kong)  
(appointed on 14 February 2020)

## 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

Registered Public Interest Entity Auditors

## LEGAL ADVISER

Lau & Co, Solicitors & Notaries

(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  
Rabobank International,  
Singapore Branch  
Standard Chartered Bank  
(Hong Kong) Limited

## **WEBSITE**

[www.strongpetrochem.com](http://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 2020 (the “Six Month Period”), Strong Petrochemical Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) focused on its principal businesses of trading of commodities and storage and other ancillary services for petroleum products and petrochemicals and leases.

Revenue for the Six Month Period was approximately Hong Kong (“HK”) dollar (“HK\$”) 4,878.7 million. Loss attributable to owners of the Company for the Six Month Period was approximately HK\$98.6 million.

### Trading of Commodities

In early 2020, the sudden outbreak and worldwide spread of the COVID-19 pandemic, together with a combination of containment and quarantine measures brought into effect caused negative impacts on the global economy. International oil price plunged and the demand for energy related commodities slumped. Oil prices have suffered a shocking drop since January 2020. With countries and major cities on blockade, which involved the restriction of movement and social distancing policies, the demand for oil and gas fell tremendously due to the massive effect brought by seriously disrupted economic activities. Moreover, the outburst of the devastating oil war between Saudi Arabia and Russia in March 2020 due to disagreement on oil production further pushed the oil price down. The Brent crude oil price touched its lowest level in April 2020 since June 1999. The energy and oil sector has experienced an imbalance of supply and demand, further exacerbating the decline in oil price.

In curbing the rapid spread of the virus, manufacturing factories of the People’s Republic of China (the “PRC”) were forced to shut down, supply chains were broken due to the cut of transport linkages and eventually manufacturing productions had to come to a stop. With the adverse impacts and consequences of the COVID-19 crisis, the Caixin China General Manufacturing Purchasing Managers’ Index showed a record low 40.3 in February 2020 compared with the previous 51.1 in January 2020, which indicated the stagnating economy of the PRC amid the COVID-19 pandemic has had a great impact on the manufacturing sector. Chinese manufacturers appeared to be more cautious, and tended to lower their production capacity in view of the expected decreasing demand until manufacturing activities in the PRC resumed in April 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

Encountering the same difficulty as crude oil commodities, the demands for petroleum products, petrochemicals and coal were weak, and this led to the overall decrease in the Group's revenue during the Six Month Period. The scandal in the Singapore's energy sector caused the banks to curtail their exposure to oil traders by tightening the grant of credit line facilities. Due to the increased difficulty to obtain bank financing for trades, the Group further suffered from declined revenue and profit.

In response to the current adverse market condition, the Group has reacted instantly and fine-tuned its trading strategy promptly by adjusting the Group's annual trade target, for the sake of a more prudent and cautious decision-making approach in the trading of commodities. Our crude oil team continued to focus on back-to-back trade arrangement and keep a low level of inventories to minimise inventory risk. For other trade arrangements which dealt with different price mechanisms, our crude oil team performed hedging transactions more carefully to reduce price risk. To deal with the critical situation, we have proactively put extra efforts to maintain business relationships with our key customers, strengthened trading networks and developed business opportunities in trading new energy commodities such as liquid petroleum gas.

## **Storage and Other Ancillary Services for Petroleum Products and Petrochemicals and Leases**

Strong Petrochemical (Nantong) Logistics Company Ltd. ("Strong Nantong"), an indirect wholly-owned subsidiary of the Company, 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. Strong Nantong has recorded increases in both revenue and profit, mainly because of the increased utilisation rate of storage tanks and the increased proportion of long-term lease storage tanks with core customers. In addition, Strong Nantong has established a core business relationship with a customer which contributed to around 60% of Strong Nantong's revenue. By increasing the percentage of long-term lease storage, reducing temporary storage lease, and by virtue of the enduring business cooperation with core customers, Strong Nantong's capability to increase profitability is optimistic.

## MANAGEMENT DISCUSSION AND ANALYSIS

Huizhou Daya Bay Nicefame Chemical Storage and Trading Co., Ltd. (“Huizhou Nicefame”), an indirect non wholly-owned subsidiary of the Company, 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, petroleum products and other hazardous chemicals. Benefited by the synergy of its original storage business and the trading business, Huizhou Nicefame boosted its storage business of petrochemicals and petroleum products during the Six Month Period and enlarged its revenue base. Huizhou Nicefame achieved an increase in storage revenue which was benefited by the increase in demand in storage of slow-moving petrochemicals and petroleum products during the Six Month Period.

### Outlook

In March 2019, Quality Global Holdings Limited (“Quality Global”), an indirect wholly-owned subsidiary of the Company, has conditionally agreed to acquire the entire share capital of Copower Properties Investments Company Limited (“Copower Properties”) which owns properties in Hong Kong, at a consideration of HK\$78.0 million. The transaction was extended till 31 August 2020 since some of the conditions precedent could not be fulfilled. Due to the implementation of quarantine measures for prevention of COVID-19 pandemic, more time is required for processing administrative works of completion to satisfy the outstanding conditions precedent. The completion is expected to take place at the end of August 2020. The Group is optimistic about the growth potential of such investment properties and expect that the properties will generate a stable and recurrent lease income for the Group.

Fujian Hong Kong Petrochemical Limited (“Fujian Petrochemical”), an indirect wholly-owned subsidiary of the Company, was established in Quanzhou City, Fujian Province, the PRC in April 2019 with principal activities of manufacturing and trading of petrochemicals. Fujian Petrochemical has been in the process of setting up a petrochemicals manufacturing plant (the “Fujian Plant”) in Fujian Province of the PRC. Fujian Petrochemical has been negotiating with the PRC government to reduce minimum floor area ratio for cost efficiency. Detailed site drilling work was completed and it is currently undergoing preparatory work for water and electricity supply. We expect to begin the construction of the Fujian Plant in late 2020. The expected commencement date of operation of the Fujian Plant is late 2021. Fujian Petrochemical continued its trading business of petrochemicals and aimed to expand its supplier and customer bases for establishing its prospective manufacturing business before the completion of the Fujian Plant construction.

## MANAGEMENT DISCUSSION AND ANALYSIS

Our Singapore office's application for the global trader programme (the "GTP") launched by International Enterprise Singapore was approved in July 2020. The approval recognised our Singapore office as a well-established international player conducting substantial international physical trading activities in Singapore. The GTP status allows our Singapore office to enjoy a 10% concessionary tax rate on the qualifying income generated from physical trading on crude oil and petroleum products and commodities futures trading from April 2020 till December 2024.

Statistics revealed the continuing downward pressure on the economic growth of the PRC in the forthcoming half year of 2020. According to the latest World Economic Outlook Update on growth projections published by the International Monetary Fund in June 2020, a pessimistic forecast for the PRC's 2020 economic growth of 1% was put on display. The prospects of the PRC's economy remained unstable, doubtful and filled with uncertainties. There is still a long road for the recovery of economic condition for the PRC.

Global incidents such as the COVID-19 pandemic, oil war between Saudi Arabia and Russia and the current United States ("US")-China tensions have varying degrees of impact on the Group's trading activities. As a trader of commodities with certain storage business, these events have not directly impacted the operations of the Group. Nonetheless, the reduced demand for commodities and the resulting decline in their prices posed adverse effect on the Group's financial performance for the Six Month Period.

We will closely monitor the changes in the turbulent international oil prices, the fast-changing global environment and the recovery progress in global and the PRC's economic activities. Manufacturing factories in the PRC have implemented returns to operation as the spread of COVID-19 levels off in the country. The successful containment policies and measures of the PRC government could lead to a quick economic recovery. We will keep a close eye with caution on the potential trading opportunities during the turnaround of economic conditions of the PRC. We will also implement stringent cost controls and carry out prudent decisions in our trades and investments. Furthermore, we will strengthen our cash flow management to overcome the impact of the unprecedented COVID-19 pandemic and safeguard the Group's profitability and sustainability in the long run.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

#### Trading of commodities

The revenue from trading business of the Group was approximately HK\$4,837.3 million (the six months ended 30 June 2019 (“1H2019”): approximately HK\$9,201.5 million) for the Six Month Period, representing a decrease of approximately 47%, compared with 1H2019. Approximately 84% (1H2019: approximately 94%) of the Group’s revenue from trading business 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% (1H2019: approximately 0%), while the revenue generated from the trading of petrochemicals for the Six Month Period was approximately 7% (1H2019: approximately 2%). For the Six Month Period, approximately 1% (1H2019: approximately 4%) of the Group’s revenue from trading business was generated from the trading of coal. The trading of iron ore, commenced in September 2019, generated approximately 2% (1H2019: 0%) of the Group’s revenue from trading business in the Six Month Period.

The trading volume of crude oil decreased from 16,158,886 barrels (“BBL”) for 1H2019 to 12,100,625 BBL for the Six Month Period because of the significant decrease in demand of crude oil in the PRC. The decrease in revenue generated from trading of crude oil for the Six Month Period was due to the decrease in trading volume and the drop in crude oil price. The trading volume of petroleum products and petrochemicals increased significantly from 6,314 metric tons (“MT”) to 57,254 MT, and from 29,655 MT to 91,382 MT for the Six Month Period, respectively. The increases were mainly contributed by the remarkable efforts of Huizhou Nicefame and its enhanced trading activities, after offsetting the effect brought by the declined demand in the PRC. The trading volume of coal decreased from 888,990 MT for 1H2019 to 150,307 MT for the Six Month Period because of the decreasing demand from the Vietnam power plants. The trading volume of iron ore in the Six Month Period was 156,778 MT.

# MANAGEMENT DISCUSSION AND ANALYSIS

Products	Unit	Six months ended 30 June					
		Number of contracts	2020 Sales quantity	Revenue HK\$ million	Number of contracts	2019 Sales quantity	Revenue HK\$ million
Trading of commodities							
Crude oil	BBL	13	12,100,625	4,041.7	18	16,158,886	8,612.0
Petroleum products	MT	23	57,254	272.4	2	6,314	29.6
Petrochemicals	MT	79	91,382	365.4	62	29,655	153.3
Coal	MT	3	150,307	50.9	4	888,990	406.6
Iron ore	MT	1	156,778	106.9	-	-	-
Total		119		4,837.3	86		9,201.5

## Storage and other ancillary services for petroleum products and petrochemicals and leases

Revenue generated from the provision of general storage and other ancillary services for petroleum products and petrochemicals was approximately HK\$19.2 million for the Six Month Period. Approximately 52% of the Group's revenue from storage business was generated from general storage services, while approximately 48% was generated from other ancillary services such as pipeline transmission, waste treatment and vehicle loading. Revenue generated from leases was approximately HK\$22.2 million for the Six Month Period.

## Gross Profit

Due to the lower cargo premium charged in crude oil trading resulting from the intense market condition, the gross profit dropped significantly to approximately HK\$62.4 million in the Six Month Period (1H2019: approximately HK\$230.2 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 gain on fair value changes on derivative financial instruments of approximately HK\$7.9 million (1H2019: aggregate loss of approximately HK\$1.7 million). The realised gain and unrealised loss on fair value changes on derivative financial instruments were approximately HK\$9.2 million and HK\$1.3 million respectively (1H2019: realised loss of approximately HK\$77.0 million and unrealised gain of HK\$75.3 million respectively).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Loss for the Period

Loss attributable to owners of the Company for the Six Month Period was approximately HK\$98.6 million, whilst for 1H2019, the Group recorded a profit of approximately HK\$48.1 million.

## Liquidity and Financial Resources

The bank balances and cash as at 30 June 2020 amounted to approximately HK\$119.5 million (31 December 2019: approximately HK\$358.1 million). The decrease in bank balances and cash was mainly attributable to the decrease in operating cash flows and the increase in prepayment for acquiring the land use right in respect of parcel of land on which the Fujian Plant will be constructed.

The banking facilities as at 30 June 2020 were amounted to US\$300.0 million and Renminbi (“RMB”) 35.0 million (equivalent to approximately HK\$2,378.3 million in total) from several banks. Save for the Group’s bank borrowings of approximately HK\$335.7 million, the Group had no other bank overdraft as at 30 June 2020.

## Gearing Ratio

As at 30 June 2020, the gearing ratio was approximately 12% (31 December 2019: approximately 26%). The gearing ratio was calculated as the Group’s total borrowings divided by total assets. The decrease in gearing ratio is mainly attributable to the decrease in trust receipt loans.

## Charges of Assets and Contingent Liabilities

As at 30 June 2020, the Group’s and its subsidiary banking facilities were secured by pledged bank deposits of approximately HK\$22.5 million and right-of-use assets of approximately HK\$63.6 million.

As at 30 June 2020, the Group did not have any significant contingent liabilities.

## Foreign Exchange Exposure

The functional currency of the Group is denominated in United States dollar (“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.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group has not implemented any foreign currency hedging policy at the moment. Nonetheless, the management of the Group 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 2020, the Group had contracted for capital expenditure of approximately RMB10.0 million (equivalent to approximately HK\$11.0 million) in respect of the construction and the land use right of the Fujian Plant (31 December 2019: approximately RMB4.6 million (equivalent to approximately HK\$5.1 million) in respect of the construction of the Fujian Plant).

## 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 (1H2019: Nil).

## Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Six Month Period, there have been no material acquisitions and disposals of subsidiaries, associates and joint ventures.

During the Six Month Period, the Group did not have any significant investments.

## Employees and Remuneration Policy

The number of the Group's employees increased to 143 as at 30 June 2020 (31 December 2019: 140). 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.

## OTHER INFORMATION

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

During the Six Month Period, the Company repurchased a total of 348,000 ordinary shares of the Company at an aggregate purchase price of HK\$129,740 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), representing approximately 0.02% of the issued share capital of the Company as at the date of the passing of the ordinary resolution under which the general mandate to repurchase shares was granted. Particulars of the shares repurchase are as follows:

Month of repurchase	No. of ordinary shares of HK\$0.025 each	Purchase price paid per share		Aggregate consideration paid HK\$
		Highest	Lowest	
		HK\$	HK\$	
January 2020	348,000	0.380	0.365	129,740

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

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the Six Month Period.

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2020, 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 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	49.06
	Interest of concert parties (Note 2)	124,984,000	5.89
Mr. Yao Guoliang	Beneficial owner	124,984,000	5.89
	Interest of a controlled corporation (Note 1)	1,041,746,000	49.06

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 5.89% equity interest in the Company, Mr. Wang Jian Sheng shall be deemed to hold the same equity interest in the Company.

## OTHER INFORMATION

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2020, 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	49.06
Mr. Yao Guoliang	Beneficial owner	124,984,000	5.89
Hongkong Hengyuan Investment Limited	Beneficial owner (Note 2)	353,603,681	16.65

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:

Nature or category of participant	Date of grant (dd/mm/yy)	Price of share of the Company			Number of share options			
		Exercise price HK\$	At the grant	At the exercise	Outstanding at 1/1/2020	Exercised during the period	Lapsed during the period	Outstanding at 30/6/2020
			date of share options HK\$	date of share options HK\$				
Other participants in aggregate	05/09/14	0.78	0.77	N/A	138,000,000	-	-	138,000,000
<b>Total</b>					<b>138,000,000</b>	<b>-</b>	<b>-</b>	<b>138,000,000</b>

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. 2,123,364,090 shares) as at 30 June 2020 and as at 25 August 2020, the date of this 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 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.

## OTHER INFORMATION

### 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. Dr. Chan Yee Kwong and Mr. Deng Heng, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 28 May 2020 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, 25 August 2020

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	NOTES	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	3		
Goods and services		<b>4,856,505</b>	9,201,453
Leases		<b>22,190</b>	–
		<b>4,878,695</b>	9,201,453
Cost of sales		<b>(4,816,344)</b>	(8,971,241)
Gross profit		<b>62,351</b>	230,212
Other income		<b>1,806</b>	20,842
Other gains and losses		<b>(3,990)</b>	(31,380)
Gain (loss) on changes in fair value of derivative financial instruments, net		<b>7,881</b>	(1,691)
Distribution and selling expenses		<b>(93,476)</b>	(86,937)
Administrative expenses		<b>(40,084)</b>	(51,188)
Other expenses		–	(521)
Finance costs	4	<b>(11,999)</b>	(30,631)
Share of results of associates		<b>1,402</b>	(1,529)
(Loss) profit before taxation		<b>(76,109)</b>	47,177
Income tax expense	5	<b>(18,940)</b>	(20)
(Loss) profit for the period	6	<b>(95,049)</b>	47,157
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>(6,018)</b>	(738)
Total comprehensive (expense) income for the period		<b>(101,067)</b>	46,419



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	NOTE	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		<b>(98,553)</b>	48,143
Non-controlling interests		<b>3,504</b>	(986)
		<b>(95,049)</b>	47,157
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		<b>(104,268)</b>	47,652
Non-controlling interests		<b>3,201</b>	(1,233)
		<b>(101,067)</b>	46,419
(Loss) earnings per share	8		
— basic (HK cents)		<b>(4.64)</b>	2.27
— diluted (HK cents)		<b>(4.64)</b>	2.27

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	246,907	260,104
Right-of-use assets		67,474	67,034
Goodwill		3,551	3,551
Other assets		1,944	1,059
Rental deposit		317	203
Prepayment for acquisition of a land use right	10	43,791	–
Interests in associates		45,359	44,825
		<b>409,343</b>	<b>376,776</b>
<b>Current assets</b>			
Inventories		26,592	23,553
Trade receivables	11	1,765,837	2,687,502
Other receivables, deposits and prepayments		301,925	298,332
Tax reserve certificates		10,975	8,175
Derivative financial instruments		47,914	25,424
Financial assets at fair value through profit or loss		1,508	825
Deposits placed with brokers		99,040	77,202
Pledged bank deposits		22,471	17,118
Bank balances and cash		119,461	358,075
		<b>2,395,723</b>	<b>3,496,206</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
<b>Current liabilities</b>			
Trade payables	12	814,952	1,219,025
Other payables and accrued charges	12	146,538	85,000
Contract liabilities		26,467	25,965
Lease liabilities		2,419	1,242
Taxation payable		18,990	269
Bank and other borrowings	13	216,437	871,418
Derivative financial instruments		46,820	22,996
		<b>1,272,623</b>	<b>2,225,915</b>
<b>Net current assets</b>		<b>1,123,100</b>	<b>1,270,291</b>
<b>Total assets less current liabilities</b>		<b>1,532,443</b>	<b>1,647,067</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		3,773	3,897
Lease liabilities		1,479	128
Bank borrowings	13	120,424	135,078
		<b>125,676</b>	<b>139,103</b>
<b>Net assets</b>		<b>1,406,767</b>	<b>1,507,964</b>
<b>Capital and reserves</b>			
Share capital	14	53,084	53,093
Reserves		1,334,154	1,438,543
<b>Equity attributable to owners of the Company</b>		<b>1,387,238</b>	<b>1,491,636</b>
<b>Non-controlling interests</b>		<b>19,529</b>	<b>16,328</b>
<b>Total equity</b>		<b>1,406,767</b>	<b>1,507,964</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Legal reserve	Share-based payments reserve	Translation reserve	Other reserve	Retained profits	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000 (Note (i))	HK\$'000 (Note (ii))	HK\$'000	HK\$'000	HK\$'000 (Note (iii))	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	-	-	-	-	-	-	-	-	-	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
At 1 January 2020	<b>53,093</b>	<b>566,232</b>	<b>(1,922)</b>	<b>49</b>	<b>50,391</b>	<b>(12,426)</b>	<b>12,295</b>	<b>823,924</b>	<b>1,491,636</b>	<b>16,328</b>	<b>1,507,964</b>
(Loss) profit for the period	-	-	-	-	-	-	-	(98,553)	(98,553)	3,504	(95,049)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(5,715)	-	-	(5,715)	(303)	(6,018)
Total comprehensive (expense) income for the period	-	-	-	-	-	(5,715)	-	(98,553)	(104,268)	3,201	(101,067)
Repurchase of shares	(9)	(121)	-	-	-	-	-	-	(130)	-	(130)
At 30 June 2020 (unaudited)	<b>53,084</b>	<b>566,111</b>	<b>(1,922)</b>	<b>49</b>	<b>50,391</b>	<b>(18,141)</b>	<b>12,295</b>	<b>725,371</b>	<b>1,387,238</b>	<b>19,529</b>	<b>1,406,767</b>

## 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 a 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 dividends 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 2020

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net cash from operating activities	<b>511,470</b>	525,933
Net cash (used in) from investing activities		
New loan granted	–	(20,000)
(Increase) decrease in deposits placed with brokers	<b>(22,443)</b>	73,074
Purchase of property, plant and equipment	<b>(3,009)</b>	(2,132)
Placement of pledged bank deposits	<b>(5,353)</b>	(12,393)
Interest received	<b>395</b>	6,664
Dividend received from an associate	–	12,582
Dividend received from financial assets at fair value through profit or loss	–	393
Prepayment for acquisition of a land use right	<b>(43,483)</b>	–
Purchase of other asset	<b>(885)</b>	–
Proceeds from disposal of financial assets at fair value through profit or loss	–	37,062
Net cash inflow from acquisition of subsidiaries	–	1,926
	<b>(74,778)</b>	97,176
Net cash used in financing activities		
New bank and other borrowings raised	<b>1,738,976</b>	5,071,677
Repayment of bank and other borrowings	<b>(2,405,091)</b>	(5,078,471)
Repayment of lease liabilities	<b>(1,325)</b>	(1,378)
Payment on repurchase of shares	<b>(130)</b>	–
Interest paid	<b>(6,311)</b>	(15,638)
	<b>(673,881)</b>	(23,810)
Net (decrease) increase in cash and cash equivalents	<b>(237,189)</b>	599,299
Cash and cash equivalents at 1 January	<b>358,075</b>	204,311
Effect of foreign exchange rate changes	<b>(1,425)</b>	1,309
Cash and cash equivalents at 30 June, representing bank balances and cash	<b>119,461</b>	804,919



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 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”).

## 1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

During the Six Month Period, the outbreak of Saudi-Russian price war, the global spread of COVID-19 and the subsequent quarantine measure as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affected the operations of the Group. The Group’s offices in the Mainland China, Hong Kong, Macao and Singapore were closed occasionally from January 2020 due to mandatory government quarantine measures in an effort to contain the spread of the pandemic. Also, the Saudi-Russian price war caused mismatch on supply and demand of crude oil and significant decrease in the price of crude oil. As such, the financial positions and performance of the Group were affected in different aspects, including significant reduction in revenue from trading of commodities and increase in debtors turnover days.

## 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 additional accounting policies resulting from application of 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 presented in the Group’s annual financial statements for the year ended 31 December 2019.

### Application of new and amendments to HKFRSs

In the Six Month Period, the Group has applied, the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s financial year beginning on 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 2. PRINCIPAL ACCOUNTING POLICIES – *continued*

### **Application of new and amendments to HKFRSs – *continued***

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs 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 of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"**

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the Six Month Period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 2. PRINCIPAL ACCOUNTING POLICIES – *continued*

### 2.2 Impacts and accounting policies on application of Amendments to HKFRS 3 “Definition of a Business”

#### 2.2.1 Accounting policies

*Business combinations or asset acquisitions*

*Optional concentration test*

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

#### 2.2.2 Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 3. REVENUE AND SEGMENTAL INFORMATION

### Revenue

#### (i) Disaggregation of revenue from contracts with customers

Segments	Six months ended 30 June 2020		
	Trading business HK\$'000 (unaudited)	Storage business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>Types of goods or services in respect of contracts with customers</b>			
Trading of commodities			
Crude oil	4,041,688	-	4,041,688
Petroleum products	272,456	-	272,456
Petrochemicals	365,390	-	365,390
Coal	50,910	-	50,910
Iron ore	106,899	-	106,899
	<u>4,837,343</u>	<u>-</u>	<u>4,837,343</u>
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	-	10,060	10,060
Other ancillary services	-	9,102	9,102
	<u>-</u>	<u>19,162</u>	<u>19,162</u>
Total	<u>4,837,343</u>	<u>19,162</u>	<u>4,856,505</u>
<b>Geographical markets</b>			
The PRC	4,001,325	19,162	4,020,487
Other regions	836,018	-	836,018
Total	<u>4,837,343</u>	<u>19,162</u>	<u>4,856,505</u>
<b>Timing of revenue recognition</b>			
A point in time	4,837,343	-	4,837,343
Over time	-	19,162	19,162
Total	<u>4,837,343</u>	<u>19,162</u>	<u>4,856,505</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 3. REVENUE AND SEGMENTAL INFORMATION – continued

### Revenue – continued

#### (i) Disaggregation of revenue from contracts with customers – continued

	Six months ended 30 June 2019
	Trading business
	HK\$'000 (unaudited)

#### Type of goods in respect of contracts with customers

Trading of commodities	
Crude oil	8,611,967
Petroleum products	29,617
Petrochemicals	153,307
Coal	406,562
Total	<u>9,201,453</u>

#### Geographical markets

The PRC	7,808,625
Other regions	1,392,828
Total	<u>9,201,453</u>

#### Timing of revenue recognition

A point in time	<u>9,201,453</u>
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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 3. REVENUE AND SEGMENTAL INFORMATION – continued

### Revenue – continued

#### (ii) Leases

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
For operating leases: Lease payments that are fixed or depend on a rate	<b>22,190</b>	–

#### (iii) Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Trading business	<b>4,837,343</b>	9,201,453
Storage business	<b>19,162</b>	–
Revenue from contracts with customers	<b>4,856,505</b>	9,201,453
Leases	<b>22,190</b>	–
Total revenue	<b>4,878,695</b>	9,201,453

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 3. REVENUE AND SEGMENTAL INFORMATION – *continued* **Segmental information**

Information reported to and reviewed by the executive Directors, being the chief operating decision maker (the “CODM”), for the purpose of allocating resources to segments and assessing their performance focuses on nature of the Group’s businesses and operations. The Group’s operating and reportable segments are therefore as follows:

- (i) Trading business (trading of commodities including crude oil, petroleum products, petrochemicals, coal and iron ore); and
- (ii) Storage business (provision of general storage and other ancillary services in respect of petroleum products and petrochemicals).

During the year ended 31 December 2019, the Group acquired Nicefame Global Limited (“Nicefame Global”) and its subsidiary, namely Huizhou Nicefame (collectively referred to as “Nicefame Global Group”), which were principally engaged in provision of general storage and other ancillary services in respect of petroleum product and petrochemicals. Since then, the CODM reviews the financial performance of these general storage and other ancillary services as a separate business. Accordingly, results from the storage business were presented as an operating and reportable segment.

Prior to the acquisition of Nicefame Global Group, information reported to the CODM, for the purposes of resource allocation and assessment focuses on revenue analysis. No other discrete financial information is provided other than the Group’s results and financial position as a whole. Accordingly, no segment information was presented for 1H2019.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 3. REVENUE AND SEGMENTAL INFORMATION – *continued*

### Segmental information – *continued*

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment results represent the (loss) profit by each segment without allocation of share of results of associates, certain finance costs, unallocated income and gains and unallocated expenses and losses which include central administration costs and directors' salaries. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

#### **Segment revenue and results**

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

*For six months ended 30 June 2020*

	Trading business HK\$'000 (unaudited)	Storage business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from contracts with customers	4,837,343	19,162	4,856,505
Leases	–	22,190	22,190
Total revenue	4,837,343	41,352	4,878,695
Segment results	(79,604)	14,176	(65,428)
Share of results of associates			1,402
Finance costs			(6,284)
Unallocated income and gains			619
Unallocated expenses and losses			(6,418)
Loss before taxation			(76,109)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 3. REVENUE AND SEGMENTAL INFORMATION – *continued*

### Segmental information – *continued*

#### Segment revenue and results – *continued*

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the Six Month Period.

The CODM makes decisions according to operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

## 4. FINANCE COSTS

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Bank charges on letter of credit facilities	5,688	14,948
Interest on bank and other borrowings	6,269	15,638
Interest on lease liabilities	42	45
	<b>11,999</b>	<b>30,631</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Hong Kong Profits Tax	18,989	–
Enterprise Income Tax (“EIT”) in the PRC:		
Current tax	–	20
Deferred taxation	(49)	–
	<b>18,940</b>	<b>20</b>

Save as those disclosed in the annual report of the Company for the year ended 31 December 2019, during the Six Month Period, the Group further purchased tax reserve certificates of HK\$2,800,000 in relation to the year of assessment of 2013/14. In late May 2020, the Directors sought further advice from the Hong Kong’s legal adviser and tax consultants, and considered that settlement with the Inland Revenue Department of Hong Kong (the “IRD”) would be in the interest of the Group. In June 2020, the IRD has preliminarily agreed the settlement proposal raised by the Company. Based on the best estimation of the management of the Group, Hong Kong Profits Tax of approximately HK\$18,989,000 was provided for in the condensed consolidated financial statements for the relevant years of assessment. In July 2020, the Company received the official reply from the IRD confirming its agreement on the settlement proposal.

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 since tax loss was incurred for the subsidiary operating in Singapore. No provision for Singapore Income Tax had been made for 1H2019 as the subsidiary operating in Singapore incurred tax losses in previous years and it utilises the tax losses brought forward in 1H2019.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss) profit for the period is arrived after charging (crediting):		
Depreciation of property, plant and equipment	10,940	8,718
Depreciation of right-of-use assets	2,196	1,878
Net foreign exchange loss (gain)	500	(228)

## 7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Six Month Period (1H2019: Nil).

## 8. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>(Loss) earnings</b>		
(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	(98,553)	48,143
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	2,123,549,563	2,124,412,090

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 8. (LOSS) EARNINGS PER SHARE – *continued*

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

No dilutive effects from the Company's outstanding share options was considered in 1H2019 as the exercise price of these share options was higher than the average market price of the Company's shares during the 1H2019.

## 9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
At beginning of the period	260,104	75,433
Exchange realignment	(4,940)	(10,662)
Acquired from acquisition of subsidiaries	–	208,101
Additions	2,684	9,035
Disposals	(1)	(1)
Depreciation charge	(10,940)	(21,802)
	<u>246,907</u>	<u>260,104</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 10. PREPAYMENT FOR ACQUISITION OF A LAND USE RIGHT

As at 30 June 2020, a prepayment of RMB40,000,000 (equivalent to approximately HK\$43,791,000) is paid to the relevant government department in the PRC for the acquisition of a land use right in respect of a parcel of land on which the Fujian Plant will be constructed.

## 11. TRADE RECEIVABLES

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
Trade receivables		
— contracts with customers (note)	<b>1,762,622</b>	2,685,965
— lease receivables	<b>3,215</b>	1,537
	<b>1,765,837</b>	2,687,502

Note: As at 30 June 2020, the trade receivables in respect of contracts with customers are entirely at amortised cost. As at 31 December 2019, trade receivables in respect of contracts with customers comprised an amount at amortised cost of approximately HK\$2,218,248,000 and an amount at fair value through profit or loss ("FVTPL") of approximately HK\$467,717,000. As at 31 December 2019, included in the trade receivables at amortised cost in respect of contracts with customers, there were bills receivables of approximately HK\$9,210,000 which were bills received and held by the Group for future settlement of trade debts. All bills received by the Group were with a maturity period of less than one year.

The Group allows credit periods of 30 to 90 days to its customers from the trading business and 5 to 30 days to its customers from the storage business.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 11. TRADE RECEIVABLES – *continued*

The following is an ageing analysis of trade receivables presented based on the invoice dates or goods delivery dates which approximated the revenue recognition dates at the end of the reporting period:

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
0 to 30 days	<b>1,079,134</b>	2,118,193
31 to 60 days	<b>375</b>	569,085
61 to 90 days	<b>–</b>	224
Over 90 days	<b>686,328</b>	–
	<b><u>1,765,837</u></b>	<u>2,687,502</u>

Included in the trade receivables as at 30 June 2020, an amount of approximately HK\$685,874,000 which were from two customers were past due for over 90 days. However, the two customers kept making repayment regularly. Considering the value of the securities held by the Group in respect of these two trade receivables exceeds their carrying amounts, the Directors are in the view that no expected credit loss provision is required on these two trade receivables.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

### A. Trade payables

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
Trade payables at amortised cost	<b>814,952</b>	1,102,284
Trade payables designated at FVTPL	–	116,741
	<b>814,952</b>	<b>1,219,025</b>

The following is an ageing analysis of trade payables presented based on the invoice dates or goods receipt dates at the end of the reporting period:

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
0 to 30 days	<b>814,952</b>	1,218,846
Over 90 days	–	179
	<b>814,952</b>	<b>1,219,025</b>

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

### B. Other payables and accrued charges

As at 30 June 2020, other payables and accrued charges mainly comprise freight charges payables of approximately HK\$3,081,000 (31 December 2019: Nil) and accrued freight charges of approximately HK\$71,424,000 (31 December 2019: Nil).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 13. BANK AND OTHER BORROWINGS

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
Bank borrowings — secured	<b>167,499</b>	166,336
Trust receipts loans — secured	<b>168,158</b>	837,704
Total bank borrowings	<b>335,657</b>	1,004,040
Other borrowing — secured	<b>1,204</b>	2,456
Total	<b>336,861</b>	1,006,496
The carrying amounts of the above borrowings are repayable (note):		
Within one year	<b>216,437</b>	871,418
Within a period of more than one year but not exceeding two years	<b>24,085</b>	24,560
Within a period of more than two years but not exceeding five years	<b>72,254</b>	73,679
More than five years	<b>24,085</b>	36,839
	<b>336,861</b>	1,006,496
Less: Amounts due within one year shown under current liabilities	<b>(216,437)</b>	(871,418)
Amounts shown under non-current liabilities	<b>120,424</b>	135,078

Note: The amounts due are based on scheduled repayment dates set out in the borrowing agreements.

As at 30 June 2020, the bank borrowings and trust receipts loans carry interest at floating rates ranging from 1.74% to 6.30% per annum (2019: from 3.14% to 6.30% per annum). The other borrowing carries interest at a fixed rate of 10% per annum (2019: 10% per annum).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 13. BANK AND OTHER BORROWINGS – *continued*

As at 30 June 2020, the bank borrowings are secured by the right-of-use assets and pledged bank deposits (2019: right-of-use assets and pledged bank deposits) and the other borrowing is secured by pledged bank deposits (2019: pledged bank deposits).

The bank and other borrowings are denominated in RMB, which was the functional currency of the relevant group entities.

## 14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.025 each		
Authorised:		
At 1 January 2019 (audited), 30 June 2019 (unaudited), 31 December 2019 (audited) and 30 June 2020 (unaudited)	<b>4,000,000,000</b>	<b>100,000</b>
Issued and fully paid:		
At 1 January 2019 (audited) and 30 June 2019 (unaudited)	<b>2,124,412,090</b>	<b>53,110</b>
Repurchase of shares	<b>(700,000)</b>	<b>(17)</b>
At 31 December 2019	<b>2,123,712,090</b>	<b>53,093</b>
Repurchase and cancellation of shares	<b>(348,000)</b>	<b>(9)</b>
At 30 June 2020 (unaudited)	<b>2,123,364,090</b>	<b>53,084</b>

During the Six Month Period, the Company had repurchased a total of 348,000 ordinary shares of HK\$0.025 each of the Company on the Stock Exchange and all repurchased shares, together with 700,000 ordinary shares of HK\$0.025 each of the Company repurchased in December 2019, are cancelled during the Six Month Period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 15. CAPITAL COMMITMENTS

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment and a land use right	10,964	5,091

## 16. RELATED PARTY TRANSACTIONS

During the Six Month Period, the Group made lease payment of approximately HK\$994,000 (1H2019: approximately HK\$994,000) 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. 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).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

– continued

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2020 (unaudited)	31 December 2019 (audited)		
1) Derivative financial instruments	<b>Assets</b> — HK\$47,914,000 <b>Liabilities</b> — HK\$46,820,000	Assets — HK\$25,424,000 Liabilities — HK\$22,996,000	Level 2	Difference between the contracted strike prices and prevailing futures and swap prices or published indexes. Such prevailing futures and swap 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	<b>Listed equity securities in the US:</b> — Oil and gas industry — HK\$57,000 <b>Listed equity securities in Hong Kong:</b> — Other industries — HK\$1,451,000	Listed equity securities in the US: — Oil and gas industry — HK\$120,000 Listed equity securities in Hong Kong: — Other industries — HK\$705,000	Level 1	Quoted bid prices in active markets.
3) Trade receivables at FVTPL	Nil	HK\$467,717,000	Level 2	Derived from quoted prices in active markets.
4) Trade payables designated at FVTPL	Nil	HK\$116,741,000	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 management of the Group considered that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the condensed consolidated financial statements approximate their fair values.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 18. EVENTS AFTER THE END OF THE REPORTING PERIOD

As announced by the Company on 7 August 2020 and 14 August 2020, Strong New Energy Global Limited, an indirect wholly-owned subsidiary of the Company has agreed to make a capital commitment to subscribe for the participating shares in SH Energy Fund 1 (“SH Energy”), of up to US\$25.0 million (equivalent to approximately HK\$195.0 million). SH Energy is managed by a fund manager and seeks to achieve its investment objective by investing in privately held oil and gas assets and companies in the explorative and/or production stage, as well as assets and companies involved in the upstream and/or downstream oil and gas production processes. By investing in SH Energy, it is expected that the Group can benefit from diversifying its revenue stream through investments in oil and gas assets and companies which demonstrate a strong performance record, which will in turn broaden the Group’s revenue base in the future.

Save as disclosed above, the Directors are not aware of any significant event which had material effect on the Group subsequent to 30 June 2020 and up to the date of this report.