



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

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 852

**ANNUAL REPORT**  
**2021**



\* For identification purposes only



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



# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent Non-executive Directors

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

## BOARD COMMITTEES

### Audit Committee

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

### Remuneration Committee

Prof. 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. LAU Leong Ho (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

## INDEPENDENT AUDITOR

BDO Limited  
Certified Public Accountants  
Registered Public Interest Entity Auditor

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited  
Suite 3204, Unit 2A  
Block 3, Building D, P.O. Box 1586  
Gardenia Court, Camana Bay  
Grand Cayman KY1-1100  
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  
China CITIC Bank International Limited  
DBS Bank (Hong Kong) Limited

## WEBSITE

[www.strongpetrochem.com](http://www.strongpetrochem.com)

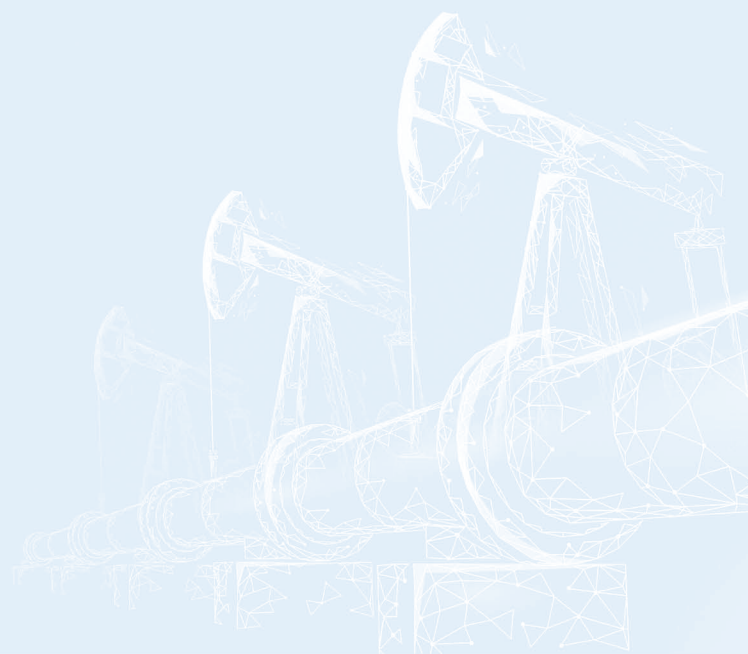
## SHARE INFORMATION

The Stock Exchange of Hong Kong Limited  
Stock code: 00852

# Five-Year Financial Summary

A summary of the results and of the assets and liabilities of Strong Petrochemical Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the last five financial years is set out below:

	2021	2020	2019	2018	2017
<b>Results (HK\$'000)</b>					
Revenue	<b>810,612</b>	6,572,314	17,356,253	22,810,604	12,162,601
Profit (loss) before taxation	<b>13,920</b>	(65,120)	124,125	8,227	20,985
Income tax expense	<b>(7,696)</b>	(19,294)	57	(776)	(21)
Profit (loss) for the year	<b>6,224</b>	(84,414)	124,182	7,451	20,964
<b>Assets and Liabilities (HK\$'000)</b>					
Total assets	<b>1,628,476</b>	1,747,967	3,872,982	3,663,110	3,766,064
Total liabilities	<b>(189,615)</b>	(326,339)	(2,365,018)	(2,289,159)	(2,387,064)
Total equity	<b>1,438,861</b>	1,421,628	1,507,964	1,373,951	1,379,000





# Chairman's Statement

## To all shareholders,

It is my pleasure to present the audited consolidated financial results of the Group for the year ended 31 December 2021 (the "year").

Revenue for the year ended 31 December 2021 was approximately Hong Kong dollar ("HK\$") 810.6 million (2020: approximately HK\$6,572.3 million). Profit attributable to owners of the Company for the year was approximately HK\$6.2 million (2020: loss attributable to owners of the Company of approximately HK\$93.0 million).

## BUSINESS REVIEW AND PROSPECTS

### Trading of Commodities

After cautious consideration about the limited opportunities in the market, the Group has decided not to perform trading transactions for crude oil commodities in year 2021. Instead, the Group has concentrated its available fundings and taken initiative to develop and maintain the businesses of petrochemicals, petroleum and coal trading during the year.

Caixin China General Manufacturing Purchasing Managers' Index (the "PMI") fell to the lowest point of the year to 49.2 in September 2021 from the highest 54.9 in December 2020 due to the flare up of COVID-19 pandemic and the strict control under the People's Republic of China (the "PRC")'s zero coronavirus policy. The contraction of factory activities aggravated under the continual effect of the pandemic. Both the level of output and the number of new orders shrank the most since August 2021 while new export orders fell at the steepest rate since 2020. On the other hand, buying levels were also down amid subdued market demand. The PMI further dropped to 49.1 in January 2022. The above data explained the severe market condition in the PRC manufacturing sector. Due to the weak demands for petroleum products and petrochemicals in the PRC, the Group encountered numerous obstacles in trading of commodities which led to the overall decrease in the Group's revenue for the year.

2021 was a challenging year to the Group, while we tried to turn challenges into opportunities. In view of the adverse commodities market condition with uncertain price trend, our trading teams focused on back-to-back trade arrangement instead of keeping inventories so as to minimise the inventory risk. Despite the weak demand in the PRC, we made every endeavor to strengthen domestic trading network and explore our sales channels in the PRC for the trading of petrochemicals and petroleum products. During the year, our coal team continued to develop and maintain its coal business in the markets of Vietnam.

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

Strong Petrochemical (Nantong) Logistics Company Ltd. ("Strong Nantong"), our indirect wholly-owned subsidiary, operates its storage facilities with 21 storage tanks and a capacity of 139,000 cubic meters in Jiangsu Province, the PRC. During the year, Strong Nantong continued to develop business relationship with long-term core customers. Due to the ability to charge higher service fee premium and the effort of the management, Strong Nantong reported growths in storage revenue and net profit in the year comparing to those in 2020. We are confident that Strong Nantong can maintain its profitability in the coming years and secure a stable revenue stream for the Group.

### Prospects

For the investment in SH Energy Fund 1 ("SH Energy"), the Group expects that it can obtain benefits 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. In 2021, the Tianjin oil fields project of SH Energy has been profitable and generated positive cash flows. We believe that there is a good prospect for the performance of SH Energy with the continual increase in production output of such oil fields and the rise of international oil price.

# Chairman's Statement

Quality Global Holdings Limited ("Quality Global"), an indirect wholly-owned subsidiary of the Company, has acquired 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 in August 2020. Due to the adverse economic condition in Hong Kong Special Administrative Region of the PRC ("Hong Kong"), there was a general decline in the value of commercial properties. Thus, an impairment loss on investment properties was recognised during the year. Nevertheless, looking forward, the Group expects 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. The expected commencement date of operation of the Fujian Plant will be deferred to the first quarter of 2023 due to delay in construction progress affected by the COVID-19 pandemic. Fujian Petrochemical continued its trading business of petrochemicals and expanded its supplier and customer bases for establishing its prospective manufacturing business before the completion of the Fujian Plant construction. Fujian Petrochemical is currently developing a two phases production project for a petrochemical product named Styrene Ethylene Butylene Styrene Thermoplastic Elastomer (the "SEBS Project"), with expected annual production scale of 50,000 metric tons ("MT"). The SEBS Project has been listed as one of the PRC's local provincial key projects. With the strong and solid support given by the local government, we are positive and optimistic about the development of the SEBS Project and future product sales.

The Hong Kong Government has been promoting sustainable finance and environmental, social and governance ("ESG") policies and regulations to corporations in recent years. Investors are tending to place more emphasis on factors other than simply investment returns such as environmental impact and social responsibility. Companies that are concerned about ESG and green investments have become more watchful in the fluctuating market conditions in this pandemic period and the low interest market, thus prompting investors to pay extra attention to investing in issues such as ESG. In order to further diversify its businesses, the Group has made an entrance to the new energy industry by exploring the solar energy market in Hong Kong cautiously and looking for investment opportunities for the initiation of the solar energy business which focuses on installation of solar energy systems. Looking forward, the Group is positive about the value growth of solar energy market and expects that the investment in solar energy business will generate stable revenue for the Group in the long run.

Fighting the COVID-19 pandemic is an arduous and long-lasting battle which requires perseverance and patience. Looking ahead to the post-pandemic period, we will try our very best to formulate appropriate business strategies to develop our businesses and diversify risks. We will continue to look for new opportunities to maximise the return for our shareholders.

## APPRECIATION

Lastly, on behalf of the board of directors of the Company ("Directors", collectively, the "Board"), I would like to take this opportunity to express my genuine thanks to our shareholders and business partners for their understanding and continued support to the Group. My gratitude also goes to our fellow colleagues and Directors for their contribution and dedication during this tough period.

**Wang Jian Sheng**  
*Chairman*

Hong Kong, 24 March 2022



# Management Discussion and Analysis

## BUSINESS REVIEW

### Trading of Commodities

COVID-19 variants continued to cast negative impacts on the Group's trading activities. In response to the current adverse market condition, for the sake of a more prudent and cautious decision-making approach in the trading of commodities, the Group continued to focus on back-to-back trade arrangement and keep a low level of inventories to minimise inventory risk. To deal with the volatile situation, we strove to maintain business relationships with our key customers, and looked for new business opportunities. The Group did not conduct trades for crude oil as it adopted a conservative approach on the trading of crude oil commodities and chose to stay on the market sideline intentionally during this difficult pandemic period and kept track of profitable trading opportunities. The major cause of drops in revenue generated from trading of petrochemicals and petroleum products was due to the declined demand in the PRC market. As a result, the trading volumes of petrochemicals and petroleum products recorded inevitable sinks. The trading volume of coal decreased deeply mainly because of the decreased demand from the Vietnam power plants under the backdrop of the pandemic. The trading of iron ore was suspended since March 2020.

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

Strong Nantong, our indirect wholly-owned subsidiary, provides storage services with 21 storage tanks and a capacity of 139,000 cubic meters. Strong Nantong is principally engaged in providing storage services for gas oil and diesel fuel. The total throughput decreased from approximately 1,980,000 metric tons ("MT") in 2020 to approximately 1,919,000 MT in 2021. During the year, Strong Nantong has recorded increases in both revenue and profit before taxation which were benefited by its ability to charge for higher service fee premium. 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 maintained a stable source of income from the storage business.



# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

#### Trading of commodities

The Group is principally engaged in the trading of commodities. The revenue from trading business of the Group was approximately HK\$772.1 million (2020: approximately HK\$6,481.0 million) for the year. The Group did not generate any revenue from trading businesses of crude oil (2020: 79%) and iron ore (2020: 2%) for the year. Approximately 58% (2020: 11%) of the Group's revenue from trading business was generated from trading of petrochemicals for the year, while the revenue generated from trading of petroleum products was approximately 15% (2020: 5%). Revenue generated from trading of coal was approximately 27% (2020: 3%).

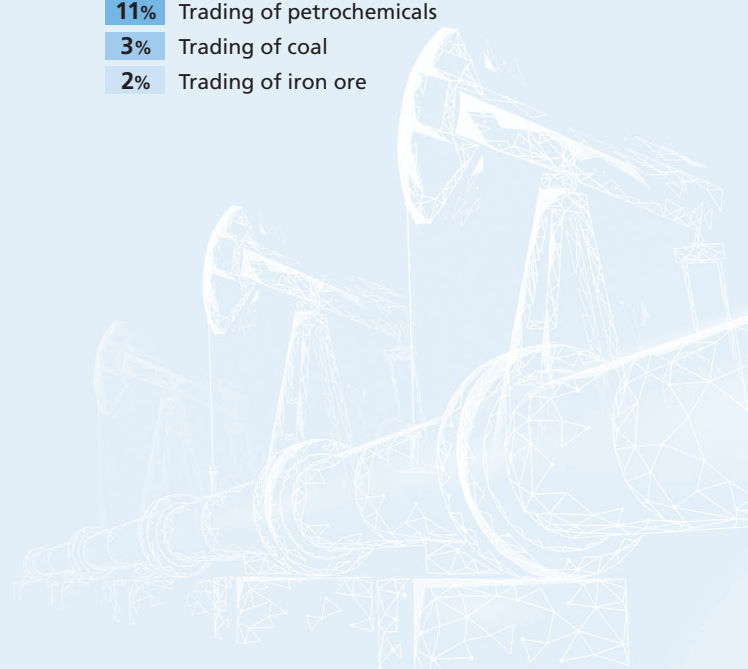
Analysis of revenue in percentage to total revenue from trading business by types of commodities:



<b>15%</b>	Trading of petroleum products
<b>58%</b>	Trading of petrochemicals
<b>27%</b>	Trading of coal



<b>79%</b>	Trading of crude oil
<b>5%</b>	Trading of petroleum products
<b>11%</b>	Trading of petrochemicals
<b>3%</b>	Trading of coal
<b>2%</b>	Trading of iron ore





# Management Discussion and Analysis

The trading volumes of crude oil and iron ore were 15,398,408 barrels (“BBL”) and 156,778 MT respectively last year. Due to the decrease in overall demand in the PRC market, the trading volumes of petrochemicals and petroleum products decreased from 190,046 MT last year to 78,632 MT for the year and 79,196 MT last year to 14,701 MT for the year, respectively. The market shrinkage in Vietnam drove the trading volume of coal to decrease from 621,894 MT last year to 312,735 MT for the year.

Products	Unit	Year ended 31 December			Number of contracts	2020	
		Number of contracts	2021 Sales quantity	2021 Revenue HK\$'000		Sales quantity	Revenue HK\$'000
Trading of commodities							
Crude oil	BBL	–	–	–	16	15,398,408	5,099,470
Petroleum products	MT	4	14,701	118,300	26	79,196	353,676
Petrochemicals	MT	225	78,632	448,981	157	190,046	696,811
Coal	MT	9	312,735	204,787	6	621,894	224,169
Iron ore	MT	–	–	–	1	156,778	106,895
<b>Total</b>		<b>238</b>		<b>772,068</b>	206		6,481,021

## 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\$26.0 million for the year (2020: approximately HK\$42.2 million). Approximately 63% (2020: 54%) of the Group’s revenue from storage business was generated from general storage services, while approximately 37% (2020: 46%) was generated from other ancillary services such as pipeline transmission, waste treatment and vehicle loading.

Revenue generated from leases was approximately HK\$12.6 million (2020: approximately HK\$49.1 million) for the year.

## Fair Value Changes on Derivative Financial Instruments

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

During the year, the Group reported an aggregate gain on fair value changes on derivative financial instruments of approximately HK\$72.0 million (2020: approximately HK\$25.4 million).

## Gross Profit

The overall gross profit of the Group for the year decreased to approximately HK\$38.4 million (2020: approximately HK\$424.0 million). The decrease in gross profit was primarily a result of the adverse economic environment and the cautious trading approach adopted by the Group.

## Profit Attributable to Owners of the Company

Profit attributable to owners of the Company for the year was approximately HK\$6.2 million (2020: loss attributable to owners of the Company of approximately HK\$93.0 million).

# Management Discussion and Analysis

## Properties Held for Investment

As at 31 December 2021, the Group held properties in Hong Kong with address of Penthouse and Car Parking Space Nos. 13 & 14 on 2/F, Overseas Trust Bank Building, No. 160 Gloucester Road, Hong Kong. The investment properties were used for office purpose since the acquisition in August 2020. The investment properties have been leased on a short-term rental in early 2021 to generate operating lease income which amounted to approximately HK\$0.3 million for the Group, and have been leased on a term of three years in June 2021 to generate operating lease income which amounted to approximately HK\$1.6 million for the Group. An impairment loss on investment properties of approximately HK\$24.9 million (2020: HK\$Nil) was made as a result of the decrease in market value.

## Liquidity and Financial Resources

The Group generally finances its daily operations from internally generated cash flows (the “Internal Funds”) and banking facilities. As at 31 December 2021, the Group had deposits placed with brokers and bank balances and cash of approximately HK\$176.3 million (2020: approximately HK\$87.6 million) and approximately HK\$158.2 million (2020: approximately HK\$144.2 million) respectively. The total of deposits placed with brokers and bank balances and cash (collectively, the “Liquidity Resources”) were approximately HK\$334.5 million (2020: approximately HK\$231.8 million). Most of the Liquidity Resources were denominated in US\$.

The equity attributable to owners of the Company increased by approximately HK\$17.8 million to approximately HK\$1,438.9 million as at 31 December 2021 (2020: approximately HK\$1,421.1 million).

As at 31 December 2021, the Group had neither bank borrowings (2020: approximately HK\$20.2 million) nor shareholder loans (2020: HK\$120.0 million). As at 31 December 2021, the Group’s gearing ratio dropped from approximately 8% in 2020 to 0% mainly because of the full repayments of bank borrowings and shareholder loans. The gearing ratio is calculated as the Group’s total borrowings divided by total assets.

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

As at 31 December 2021, the Group has banking facilities of US\$3.0 million and Renminbi (“RMB”) 17.0 million (equivalent to approximately HK\$44.2 million in total) from several banks. The decrease in amount of banking facilities was mainly caused by the tightening approach of banks to limit the grant of banking facilities for the sake of minimising potential credit risk after the outbreak of COVID-19 pandemic.

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

## Pledge of Group Assets

As at 31 December 2021, right-of-use assets of approximately HK\$17.1 million (2020: approximately HK\$17.1 million) had been pledged to secure certain banking facility granted to the Group.

## Contingent Liabilities

As at 31 December 2021, the Group did not have any significant contingent liabilities.



# Management Discussion and Analysis

## Litigations

### (a) Litigation against Shandong Yuhuang Shengshi Chemical Co., Ltd., Shandong Yuhuang Chemical Co., Ltd. and Mr. Wang Jinshu for unpaid trade debts

Reference is made to the announcements of the Company dated 12 October 2020 and 15 December 2020, Strong Petrochemical Limited (Macao Commercial Offshore) (“Strong Macao”), an indirect wholly-owned subsidiary of the Company which was closed during the year, instituted legal proceedings against Shandong Yuhuang Shengshi Chemical Co., Ltd. (山東玉皇盛世化工股份有限公司) (the “First Defendant”) and Shandong Yuhuang Chemical Co., Ltd. (山東玉皇化工有限公司) (the “Second Defendant”) and Mr. Wang Jinshu (王金書) (the “Third Defendant”) (collectively, the “Defendants”) in Heze Intermediate People’s Court of Shandong Province of the People’s Republic of China (中華人民共和國山東省菏澤市中級人民法院) (the “Heze Court”) in relation to unpaid trade debts which were due and payable to Strong Macao (the “Shandong Yuhuang Legal Proceedings”).

According to the long-term cooperation agreement signed by Strong Macao and the First Defendant in January 2018, Strong Macao agreed to sell crude oil to the First Defendant and the First Defendant agreed to purchase crude oil from Strong Macao. The Second Defendant and the Third Defendant agreed to act as chargor (in respect of the shares in the First Defendant) and guarantor respectively for repayment of the debts of the First Defendant under the long-term cooperation agreement.

The First Defendant defaulted on its payment of the price of the crude oil payable to Strong Macao (the “Shandong Yuhuang Default”) in the total sum of approximately US\$62.5 million (equivalent to approximately HK\$487.5 million) (the “Shandong Yuhuang Outstanding Sum”). During the period from 22 January 2020 to 11 September 2020, the First Defendant made partial repayments of the Shandong Yuhuang Outstanding Sum in a total sum of approximately US\$31.3 million (equivalent to approximately HK\$244.1 million). The unsettled Shandong Yuhuang Outstanding Sum amounted to approximately US\$31.2 million (equivalent to approximately HK\$243.4 million) (the “Shandong Yuhuang Unsettled Outstanding Sum”). Strong Macao filed a Writ for the commencement of the Shandong Yuhuang Legal Proceedings to claim for the Shandong Yuhuang Unsettled Outstanding Sum on 24 September 2020, which was accepted by the Heze Court on the same day.

Pursuant to a ruling made by the Heze Court on 5 November 2020, the First Defendant and the Second Defendant entered into bankruptcy settlement procedures (the “Shandong Yuhuang Settlement Procedures”). Creditors of the First Defendant and the Second Defendant (the “Creditors”), including Strong Macao, filed declarations of their claims to the bankruptcy administrator appointed by the Heze Court. According to the Enterprise Bankruptcy Law of the People’s Republic of China, the litigation attachment of the First Defendant granted by the Heze Court on 12 October 2020 in favour of Strong Macao for preserving the property of the First Defendant had been lifted.

Based on the finalised settlement proposals made by the First Defendant and the Second Defendant and their related companies in the Shandong Yuhuang Settlement Procedures on 14 December 2020, the amount to be recovered by Strong Macao would be 10% of the Shandong Yuhuang Outstanding Sum which was eventually verified in the Creditors’ meeting and confirmed by the Heze Court (the “Recoverable Amount”). Thus, an impairment loss on trade and other receivables from the First Defendant in the sum of approximately US\$27.8 million (equivalent to approximately HK\$216.8 million) in respect of the Shandong Yuhuang Default was made in the consolidated financial statements for the year ended 31 December 2020. On 11 March 2021, the Recoverable Amount of approximately US\$3.4 million (equivalent to approximately HK\$26.5 million) was settled. The Board considered that the Shandong Yuhuang Legal Proceedings have been closed.

# Management Discussion and Analysis

## (b) Litigation against Shandong Shengxing Chemical Co., Ltd. for unpaid trade debts

Reference is made to the announcement of the Company dated 11 December 2020, Strong Macao has instituted legal proceedings against Shandong Shengxing Chemical Co., Ltd. (山東勝星化工有限公司) (“Shandong Shengxing”) in Dongying Intermediate People’s Court of Shandong Province of the People’s Republic of China (中華人民共和國山東省東營市中級人民法院) (the “Dongying Court”) in relation to unpaid trade debts which were due and payable to Strong Macao (the “Shandong Shengxing Legal Proceedings”).

According to the long-term trading cooperation agreements signed by Strong Macao and Shandong Shengxing on 24 August 2017 and 6 December 2019 respectively, Strong Macao agreed to sell crude oil to Shandong Shengxing and Shandong Shengxing agreed to purchase crude oil from Strong Macao.

Shandong Shengxing defaulted on its payment of the price of the crude oil payable to Strong Macao (the “Shandong Shengxing Default”) in the total sum of approximately US\$91.5 million (equivalent to approximately HK\$713.7 million) (the “Shandong Shengxing Outstanding Sum”). During the period from 1 June 2020 to 22 July 2020, Shandong Shengxing has made partial repayments of the Shandong Shengxing Outstanding Sum in a total sum of US\$8.5 million (equivalent to approximately HK\$66.3 million). As at 16 November 2020 and 31 December 2020, the unsettled Shandong Shengxing Outstanding Sum amounted to approximately US\$83.0 million (equivalent to approximately HK\$647.4 million) (the “Shandong Shengxing Unsettled Outstanding Sum”). Strong Macao filed a Writ for the commencement of the Shandong Shengxing Legal Proceedings to claim for the Shandong Shengxing Unsettled Outstanding Sum on 16 November 2020, which was accepted by the Dongying Court on the same day.

Pursuant to a ruling made by the Dongying Court on 21 December 2020 (the “Dongying Court Ruling”), the Shandong Shengxing Default constituted a breach of contract. It was adjudged that Shandong Shengxing should bear the payment responsibility and compensate the economic loss of Strong Macao resulting from the Shandong Shengxing Default. Shandong Shengxing is therefore liable for the payment of Shandong Shengxing Unsettled Outstanding Sum. During the year ended 31 December 2021, the Group received partial payments from Shandong Shengxing of approximately US\$17.4 million (equivalent to approximately HK\$135.7 million). In December 2021, a debt renegotiation plan has been reached by the Group with Shandong Shengxing in which Shandong Shengxing agreed to repay the Shandong Shengxing Unsettled Outstanding Sum in full by instalments with accrued interest before December 2024 (the “Shandong Shengxing Agreement”). The Group reserves the right to enforce the Dongying Court Ruling if Shandong Shengxing delays to settle or default any of the repayment instalments. Subsequent to the year end, Shandong Shengxing has paid approximately US\$15.8 million (equivalent to approximately HK\$123.2 million) as partial settlement of the Shandong Shengxing Unsettled Outstanding Sum up to the date of this report in accordance with the Shandong Shengxing Agreement.

Considering the availability of securities held by the Group including the share charge in relation to 69% equity interest of Shandong Shengxing, the Board considers that the Shandong Shengxing Legal Proceedings will not have any material adverse impact on the overall operation and financial condition of the Company, and thus, no provision of impairment on trade receivables from Shandong Shengxing is made. The Group will continue to proactively recover the Shandong Shengxing Unsettled Outstanding Sum.



# Management Discussion and Analysis

## Capital Commitments

Save as disclosed in note 37 to the consolidated financial statements, the Group did not have any other significant capital commitments as at 31 December 2021.

## Significant Investment

The Group held a significant investment in SH Energy as at 31 December 2021, which represented over 5% of the Group's total assets and a significant portion in the net assets of the Group as at 31 December 2021.

Set below are the brief description of the business, performance and prospect of SH Energy.

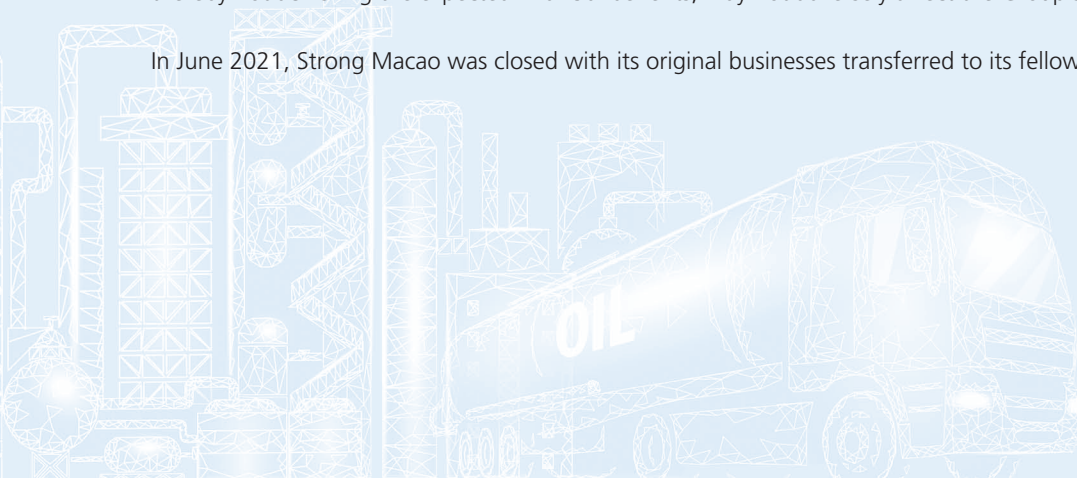
As announced on 7 August 2020 and 14 August 2020, Strong New Energy Global Limited ("Strong New Energy"), an indirect wholly-owned subsidiary of the Company, has agreed to make a capital commitment to subscribe for the participating shares in SH Energy, of up to US\$25.0 million (equivalent to approximately 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 Groups revenue base in the future. As at 31 December 2021, the accumulated investment made by the Group in SH Energy amounted to US\$21.5 million (equivalent to approximately HK\$167.7 million). The fair value of SH Energy was approximately US\$25.3 million (equivalent to approximately HK\$197.5 million) as at 31 December 2021, which represented approximately 12% of the Group's total assets. Fair value gain on investment in SH Energy of approximately US\$0.3 million (equivalent to approximately HK\$2.5 million) (2020: HK\$Nil) was recognised as a result of the increase in fair value. During the year, no distribution of dividend was received from the investment in SH Energy.

Save as disclosed above, there are no other significant investments held by the Group as at 31 December 2021.

## Material Acquisitions and Disposals, and Future Plans for Material Investments

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

In June 2021, Strong Macao was closed with its original businesses transferred to its fellow subsidiary.



# Management Discussion and Analysis

Fujian Petrochemical is in the process of setting up the Fujian Plant in Fujian Province of the PRC. The expected completion date of the Fujian Plant will be in early 2023 and the expected commencement date of operation will be the first quarter of 2023. Fujian Petrochemical was engaged in trading of petrochemicals during the year.

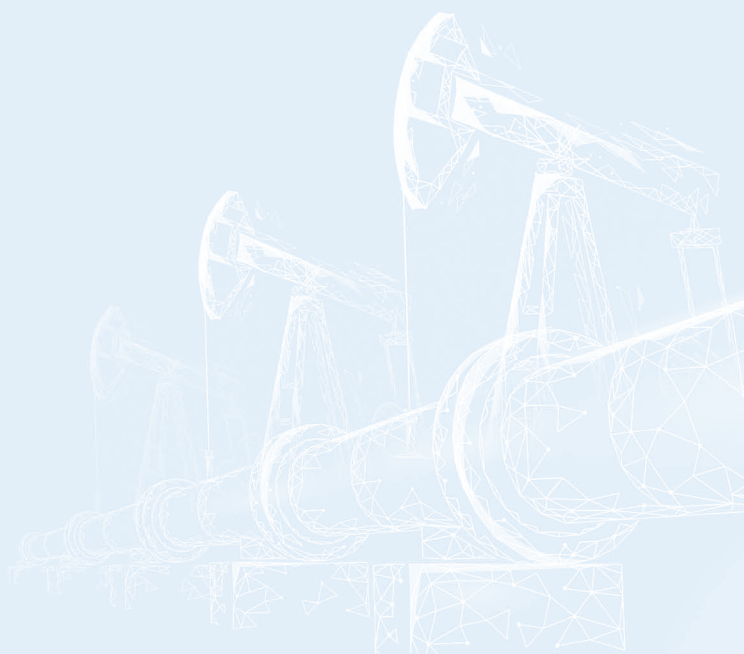
In January 2022, the Group has successfully subscribed for 60% equity interests of a local solar energy company which engages in development, construction and operation of solar energy systems at a consideration of HK\$120,000. Through the operation and management of solar energy systems projects installed on the rooftops of premises and buildings, the Group expects to have contractual right to a guaranteed portion of the electricity revenue arising from the sale of electricity to the power companies in Hong Kong generated by the solar energy systems according to the Feed-in Tariff Scheme of the Hong Kong government. With the cooperation with potential property and land owners for solar energy systems projects, the Group envisions to become a leading solar energy systems operator in the new energy market of Hong Kong within the next five years.

Save as disclosed above and in notes 17 and 41 to the consolidated financial statements, there were no other plans for material investments of capital assets as at the date of this report, nor other material acquisitions and disposals of subsidiaries during the year.

## Employees

The number of employees of the Group slightly decreased to 93 as at 31 December 2021 (2020: 94). The Group's remuneration packages are maintained at competitive level and are determined on the basis of performance, qualification and experience of individual employee.

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



# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. WANG Jian Sheng (“Mr. Wang”)**, aged 68, is an executive Director and the chairman of the Company (the “Chairman”) since 1 February 2008. He has been a member of the remuneration committee of the Company (the “Remuneration Committee”) and the chairman of the nomination committee of the Company (the “Nomination Committee”) since 28 November 2008 and 16 March 2012 respectively. In October 2000, Mr. Wang invested in the Group and acted as a substantial shareholder. At the same time, he joined the Group as a supervisor. He graduated from Henan University of Science and Technology, previously known as Luoyang Industrial College, with a bachelor degree in metallic materials and heat process. He is responsible for overseeing the function of the Board, formulating major corporate and business strategies, and identifying business goals and the related business plan at the high level. Mr. Wang owns the entire issued share capital of Sino Century Holdings Limited (“Sino Century”) which in turn holds 50% shareholding in Forever Winner International Ltd. (“Forever Winner”), a shareholder of the Company holding 1,041,746,000 shares of the Company. Furthermore, since Mr. Wang and Mr. Yao Guoliang (“Mr. Yao”) jointly control Forever Winner which in turn holds 1,041,746,000 shares of the Company, Mr. Wang and Mr. Yao are deemed as parties acting in concert. Therefore, as Mr. Yao currently beneficially owns approximately 5.89% equity interest in the Company, Mr. Wang shall be deemed to hold the same equity interest in the Company.

**Mr. YAO Guoliang**, aged 56, is an executive Director and the chief executive officer of the Company (the “CEO”) since 1 February 2008. In November 1999, Mr. Yao founded the Group, and has been a Director and a trader of the Group since then. He graduated from University of International Business and Economics with a bachelor degree in economics. He has more than 30 years of experience in handling crude oil trading and associated hedging activities. Leveraging on his extensive experience in the oil industry, Mr. Yao is responsible for formulating our corporate and business strategies, business development and management, trade solicitation as well as hedging implementation. In addition to being the direct and beneficial owner of 124,984,000 shares of the Company, Mr. Yao also owns the entire issued share capital of Jin Yao Holdings Ltd. (“Jin Yao”) which in turn holds 50% shareholding in Forever Winner, a shareholder of the Company holding 1,041,746,000 shares of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. CHEUNG Siu Wan (“Ms. Cheung”)**, aged 55, is an independent non-executive director of the Company (an “INED”) since 1 January 2012. Ms. Cheung has been the chairman of the audit committee of the Company (the “Audit Committee”) and a member of the Nomination Committee since 1 January 2012 and 16 March 2012 respectively. Ms. Cheung graduated from City University of Hong Kong with a Bachelor of Arts in Business Studies in 1988, Hong Kong University of Science and Technology with a Master of Science in Accounting in 1995 and Lingnan University of Hong Kong with a Master of Arts in Practical Philosophy in 2017. Ms. Cheung has extensive experience in China tax services. Ms. Cheung joined KPMG Hong Kong in 1996, and from 2004 to 2011, she was a partner of KPMG China. Ms. Cheung served as a member of Steering Team of Association of Chartered Certified Accountants (“ACCA”) Southern China from May 2008 to March 2017, of which from May 2009 to April 2011, as the chairman of Steering Team of ACCA Southern China. Ms. Cheung was also a member of Steering Team of ACCA Shanghai from March 2010 to March 2013 and a member of the China Expert Forum of ACCA China since 2016. From April 2009 to March 2013, Ms. Cheung acted as a member of the Accountancy Training Board of Vocational Training Council and became a member of the Working Group of Seminars of the Accountancy Training Board from April 2013 onwards. Ms. Cheung is a member of the Customer Liaison Group for SMEs of the Trade and Industry Department since 2017. Ms. Cheung is a part-time teacher of University of Macau and a lecturer of Xiamen National Accounting Institution. Ms. Cheung is a fellow member of the Hong Kong Institute of Certified Public Accountants and the ACCA. Ms. Cheung has been an independent non-executive director of Activation Group Holdings Limited (stock code: 9919) whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “HKEx”) since 19 December 2019.



# Biographical Details of Directors and Senior Management

**Professor CHAN Yee Kwong (“Prof. Chan”)**, aged 59, is an INED since 1 July 2017. Prof. Chan has been the chairman of the Remuneration Committee and a member of the Audit Committee since 1 July 2017. Prof. Chan earned his BBA, MBA and PhD (business administration) degrees from the Chinese University of Hong Kong. He further earned his bachelor’s and master’s degrees in Law from the University of London and acquired his Barrister qualification from the Honourable Society of the Middle Temple. Prof. Chan is currently head and professor of the Department of Marketing of Auckland University of Technology. He is also serving as an executive member for the Hong Kong New Zealand Business Association. Moreover, Prof. Chan has been ranked as one of the top 2% scientists across all the disciplines in the world by Elsevier BV/Stanford University since 2020. He was also appointed as a subject specialist (Marketing) for the Hong Kong Council for Accreditation of Academic and Vocational Qualifications from 2008 to 2021.

**Mr. DENG Heng (“Mr. Deng”)**, aged 52, is an INED since 1 January 2018. Mr. Deng has been a member of the Audit Committee, the Remuneration Committee and the Nomination Committee since 1 January 2018. Mr. Deng graduated from China Agricultural University with a Bachelor of Science in 1992 and Beijing Jiaotong University with a Master of Business Administration. He currently serves as the Overseas Committee Member of All-China Federation of Returned Overseas Chinese and the Secretary General of Cross-Strait China Culture Communication Foundation. Mr. Deng has extensive experience in corporate management and social activities. He had worked at COFCO Corporation (“COFCO”) from 1996 to 2008, including serving as the managing director of a member company within COFCO in London for more than 7 years.

## SENIOR MANAGEMENT

**Mr. ZHUANG Jia (“Mr. Zhuang”)**, aged 56, is the deputy general manager of the Group. He is responsible for the trading, shipping and business development of the Group and overseeing the petrochemicals trading business. He is also a trader of the Group. His duties include negotiating with suppliers and customers on terms and pricing of trades, considering and executing hedging strategies, and monitoring open positions of derivative financial instruments of the Group. Mr. Zhuang obtained his bachelor of engineering degree from East China University of Science and Technology, previously known as East China Institute of Chemical Technology, in the PRC, majoring in petroleum processing in 1988. He has more than 30 years of experience in the oil industry. After university graduation, he joined Sinochem Shanghai as a salesman in the petroleum department and was involved in the hedging activities from April 1993 to February 1994. During the period from March 1994 to January 1997, he was seconded to SCHECO (Hong Kong) Co., Limited, an overseas branch of Sinochem Shanghai, as trading manager and later promoted to deputy general manager. After the secondment, he returned to Sinochem Shanghai and accepted the position as a manager in the import department until March 1998. Prior to joining the Group in March 2007, he had been the trading manager for ICC Chemical Corporation (Shanghai Office) for more than 8 years and was responsible for trading petrochemicals.

**Mr. Francis TAN Boon Chye (“Mr. Tan”)**, aged 68, is the general manager and a director of Strong Petroleum Singapore Private Ltd. (“Strong Singapore”). Mr. Tan is a member of the Institute of Petroleum (London) since 1984. Mr. Tan has over 35 years of experience in the oil industry from cargo and blending operations, shipping and chartering, oil broking (middle distillates) to oil trading. Mr. Tan is responsible for the overall oil operations of Strong Singapore since he joined the Group in 2009.

**Ms. KUANG Tingting (“Ms. Kuang”)**, aged 51, is the managing director of Strong Singapore. Ms. Kuang obtained a Master of International Business Management from University of Hamburg, Germany, and she has more than 25 years of trading experience in the oil industry, both in crude oil and oil products. Her working experience in Sinochem and Equinor provided her with global perspective, and she had led the crude oil trading business of Equinor Asia Pacific from 2013 to mid-2018. Ms. Kuang joined the Group in July 2018 and is responsible for the trading activities of Strong Singapore.

# Corporate Governance Report

The Board has pleasure to present the Corporate Governance Report of the Company for the year ended 31 December 2021. The Company is committed to strict adherence to the high corporate governance standards. The Board believes it is fundamental and essential to fulfill public and corporate responsibilities, develop the Group sustainably, enhance shareholders' value and safeguard interests of stakeholders.

The Company has adopted and is fully compliant with all the provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2021, 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. Mr. Wang Jian Sheng, the executive Director, Prof. Chan Yee Kwong and Mr. Deng Heng, the INEDs, were unable to attend the annual general meeting of the Company (the "AGM") held on 27 May 2021 due to other prior business engagements.

## THE BOARD

### Responsibilities

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

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

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

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

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

# Corporate Governance Report

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

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

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

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

## Board Diversity Policy

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

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

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

## Delegation by the Board

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

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

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



# Corporate Governance Report

## BOARD COMPOSITION, BOARD AND COMMITTEE MEETINGS

As at 31 December 2021, the Board comprises two executive Directors and three INEDs. Their biographical details are set out in the section of this annual report headed “Biographical Details of Directors and Senior Management” and are posted on the Company’s website. The Company has met the requirements of the Listing Rules relating to the appointment of at least three INEDs with at least one of whom is with appropriate professional qualifications or accounting or related financial management expertise throughout the year. All Directors give sufficient time and attention to the affairs of the Group.

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

### Practices and Conduct of Meetings

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

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

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

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

## BOARD COMMITTEES

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

### Audit Committee

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

No non-audit services were provided by Messrs. BDO Limited during the financial year ended 31 December 2021. The Audit Committee has recommended to the Board that Messrs. BDO Limited be nominated for reappointment as external auditor of the Company at the forthcoming AGM.

# Corporate Governance Report

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

## Relationships with the Company's auditor

- (i) To act as the key representative body for overseeing the Company's relation with the external auditor, and to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of their resignation or dismissal.
- (ii) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standard, and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.
- (iii) To develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

## Review of the Company's financial information

- (iv) To monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:
  - (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from audit;
  - (d) the going concern assumptions and any qualifications;
  - (e) compliance with accounting standards; and
  - (f) compliance with the Main Board Listing Rules and legal requirements in relation to financial reporting.
- (v) Regarding (iv) above:
  - (a) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditor; and
  - (b) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor.

# Corporate Governance Report

## **Oversight of the Company's financial reporting system, risk management and internal control systems**

- (vi) To review the Company's financial controls, and unless expressly addressed by a separate risk committee, or by the Board itself, to review the Company's risk management and internal control systems.
- (vii) To identify the risk of the Group and decide on risk levels and risk appetite.
- (viii) To approve major decisions affecting the Group's risk profile or exposure and give such guidelines as it considers appropriate.
- (ix) To consider the effectiveness of decision making processes in crisis and emergency situations.
- (x) To discuss the risk management and internal control system with the Management to ensure that the Management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.
- (xi) To consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the Management's response to these findings.
- (xii) Where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.
- (xiii) To review the Group's financial and accounting policies and practices.
- (xiv) To review the external auditor's management letter, any material queries raised by the auditor to the Management about accounting records, financial accounts or systems of control and the Management's response.
- (xv) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.
- (xvi) To report to the Board on the matters set out herein.
- (xvii) To consider other topics, as defined by the Board.
- (xviii) To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the year ended 31 December 2021, the Audit Committee held two meetings and reviewed the preliminary interim and annual results, the internal controls of the Group, and performed the duties and responsibilities under the terms of reference and as set out in the CG Code.

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



# Corporate Governance Report

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

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

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

Subsequent to the financial year end, the Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2021, including the accounting principles and practices adopted by the Group, and recommended them to the Board for approval.

## Remuneration Committee

The Remuneration Committee comprises three members whereas the majority of the members must be INEDs. Currently, the Remuneration Committee is chaired by Prof. Chan Yee Kwong, an INED. The Company Secretary acts as the secretary to the Remuneration Committee.

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

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

- (i) To make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.
- (ii) To review and approve the Management's remuneration proposals with reference to the Board's corporate goals and objectives.
- (iii) Either:
  - (a) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or
  - (b) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

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

# Corporate Governance Report

- (iv) To make recommendations to the Board on the remuneration of non-executive Directors.
- (v) To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.
- (vi) To review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive.
- (vii) To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and that are otherwise reasonable and appropriate.
- (viii) To ensure that no Director or any of his or her associates is involved in deciding his or her own remuneration.

During the year ended 31 December 2021, the Remuneration Committee held one meeting to review the remuneration package, including the treatment and the vesting recommendations for the share options granted, of the Directors and senior management.

None of individual Director is involved in deciding his or her own remuneration.

The remuneration of senior management was within the following bands:

The emolument bands (in HK\$)	Number of individuals	
	2021	2020
Nil to HK\$1,000,000	–	–
HK\$1,000,001 – HK\$2,000,000	1	3
HK\$2,000,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$4,000,000	–	–
HK\$4,000,001 – HK\$5,000,000	–	–
Above HK\$5,000,000	1	1

## Nomination Committee

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

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

# Corporate Governance Report

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

- (i) To review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.
- (ii) To be responsible for nominating for the approval of the Board, candidates to fill Board vacancies as and where they arise.
- (iii) Before appointment is made by the Board, evaluate the balance of skill, knowledge and experience on the Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment.
- (iv) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.
- (v) To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO.
- (vi) To assess the independence of INEDs.
- (vii) To review the Board Diversity Policy and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and make disclosure of its review results in the Corporate Governance Report of the Company.
- (viii) To do any such things to enable the Nomination Committee to discharge its duties conferred on it on by the Board.

During the year ended 31 December 2021, the Nomination Committee held one meeting to review the composition of the Board and the suitability of Directors proposed for re-appointment at the AGM.

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

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

The Nomination Committee has recommended the re-nomination of Mr. Wang Jian Sheng and Prof. Chan Yee Kwong for re-election at the forthcoming AGM. The Board has accepted the Nomination Committee's recommendation.



# Corporate Governance Report

## Meetings Held and Attendance

Details of Directors' attendance of the Board meetings, three committees meetings and the AGM held during the year ended 31 December 2021 are set out as follows:

Name of Director	Meetings attended/Meetings held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM held on 27 May 2021
<b>Executive Directors</b>					
Mr. Wang Jian Sheng ( <i>Chairman</i> )	7/7	N/A	1/1	1/1	0/1
Mr. Yao Guoliang ( <i>CEO</i> )	7/7	N/A	N/A	N/A	1/1
<b>Independent Non-executive Directors</b>					
Ms. Cheung Siu Wan	6/7	2/2	N/A	1/1	1/1
Prof. Chan Yee Kwong	6/7	2/2	1/1	N/A	0/1
Mr. Deng Heng	6/7	2/2	1/1	1/1	0/1

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

Apart from the AGM held on 27 May 2021, the Company has not held any other general meetings.

## CORPORATE GOVERNANCE FUNCTIONS

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

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the 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 year.

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

# Corporate Governance Report

## DIVIDEND POLICY

The Company has adopted a general dividend policy (the “Dividend Policy”) that aims to provide dividends to shareholders of the Company out of the Group’s profit attributable to shareholders in any financial year, subject to the criteria set out below.

Such declaration and payment of dividends shall remain to be determined at the sole discretion of the Board and subject to all applicable requirements (including without limitation, restrictions on dividends declaration and payment) under the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the Company’s articles of association.

The Board shall also take into account the following factors when considering the declaration and payment of dividends:

- the Group’s actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group’s working capital requirements, capital expenditure requirements and future expansion plans;
- the Group’s liquidity position;
- general economic conditions, business cycle of the Group’s business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems relevant.

The Board may propose the payment of dividends, if any, with respect to the Company’s shares on a per share basis. In addition to cash, dividends may be distributed in the form of shares subject to and in accordance with the procedures set out in the Company’s memorandum and articles of association.

Except for interim dividends, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appear to the Directors to be justified by the profit of the Company available for distribution.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare dividends at any time or from time to time.

# Corporate Governance Report

## INDUCTION AND CONTINUOUS DEVELOPMENT OF DIRECTORS

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

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

## COMPANY SECRETARY

The appointment and removal of the Company Secretary is subject to the Board’s approval in accordance with the Company’s articles of association. Mr. Lau Leong Ho (“Mr. Lau”) has been appointed as the Company Secretary with effect from 14 February 2020.

Mr. Lau is currently a practicing solicitor in Hong Kong. He has over 10 years of experience in the legal industry. He was admitted as a solicitor in Hong Kong in 2008. Mr. Lau has been a partner of Tsang, Chan & Woo Solicitors & Notaries from December 2013 to July 2020. Mr. Lau is the principal of Lau & Co, Solicitors & Notaries, a practicing law firm in Hong Kong since July 2020. He graduated from City University of Hong Kong with a bachelor of laws degree in 2005 and obtained Postgraduate Certificate in Laws also from City University of Hong Kong in 2006. He has been an independent non-executive director of Affluent Foundation Holdings Limited (stock code: 1757) whose shares are listed on the main board of the HKEx. Mr. Lau is not an employee of the Company and he provides services to the Company as an external service provider. Mr. Lau has complied with the requirement under Rule 3.29 of the Listing Rules during the year.

The Company Secretary is responsible for facilitating the Board’s processes and communications among Board members, with shareholders and with the Management. The Company Secretary will undertake at least 15 hours of relevant professional training in the year ending 31 December 2022 to update his skills and knowledge.

The external service provider’s primary contact person of the Company is Ms. Kwan Pui Shan, the chief financial officer of the Company, in relation to any corporate secretarial matters.



# Corporate Governance Report

## ACCOUNTABILITY AND AUDIT

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

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

The statement of the external auditor about the reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 57 to 62 of the annual report.

## AUDITOR'S REMUNERATION

For the year ended 31 December 2021, auditors' remuneration in relation to audit amounted to HK\$2,011,000. Messrs. BDO Limited, the external auditor, is refrained from engaging in non-assurance services except for limited tax related services or specifically approved items. The Audit Committee reviews and approves statutory audit scope and non-audit services (if any) of Messrs. BDO Limited.

The following remunerations were paid by the Group to its auditors:

	HK\$'000
Audit services:	
— Messrs. BDO Limited	1,800
— Singapore subsidiary's auditor	28
— The PRC subsidiaries' auditors	124
	1,952
Disbursement charged by auditors	59
	2,011

## RISK MANAGEMENT AND INTERNAL CONTROL

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



# Corporate Governance Report

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

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

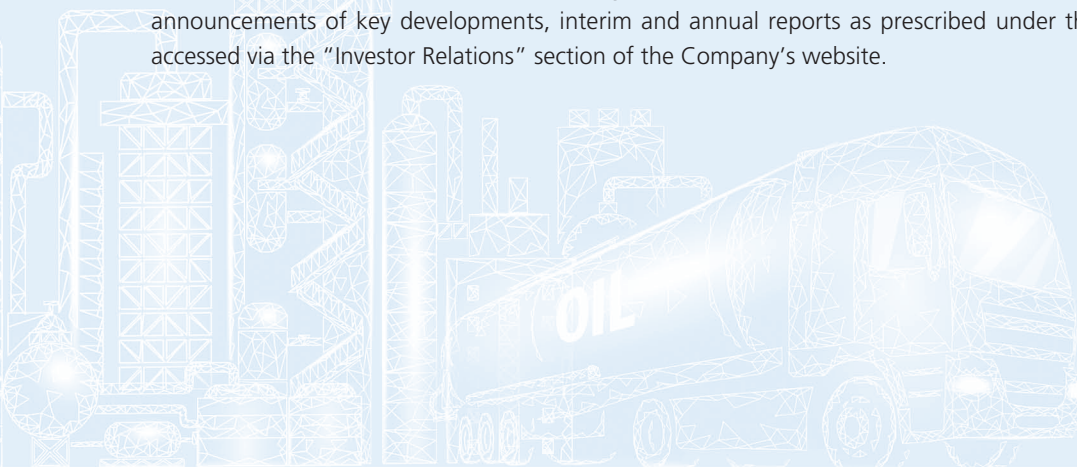
The Management maintains and monitors the internal control systems on an ongoing basis. Risk assessment and evaluation are an integral part of the annual planning process. Our internal audit team performs regular review on our internal control system and risk assessment system and reports its recommendation to the Audit Committee. In addition, the Group's external auditor, Messrs. BDO Limited, reports findings to the Audit Committee and contributes an independent perspective on relevant internal controls arising from the audit. The Audit Committee reports to the Board on matters in relation to the oversight of the financial reporting system, internal control procedures and risk management system. The Board has conducted a review on the effectiveness of Company's internal control systems for the year ended 31 December 2021 by considering the work performed by the Audit Committee.

The Audit Committee considered that there was no significant breach of limits or risk management policies during the year that would bring to the attention of the Board. The Board considers that both the risk management and internal control systems are effective and adequate. The Board, with the Management, is following up the recommendations provided by our review team and independent risk advisory consultant in order to enhance the risk management frameworks and procedures of the Company.

A compliance manual has been set to summarise the principal legal, regulatory and compliance issues relating to the Group and its employees. It includes the definition of inside information and also establishes general policies and procedures for handling and dissemination of inside information. The compliance manual would be regularly reviewed and updated to keep abreast with the circumstance.

## INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

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



# Corporate Governance Report

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

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

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

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

Shareholders may at any time send their enquiries to the Board in writing through Ms. Kwan Pui Shan, the chief financial officer of the Company, whose contact details are as follows:

Ms. Kwan Pui Shan  
Chief Financial Officer  
Strong Petrochemical Holdings Limited  
Room 1604, 16th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong  
Tel: (852) 2834 3393  
Email: [info@strongpetrochem.com](mailto:info@strongpetrochem.com)

There was no change to the Company's memorandum and articles of association during the year ended 31 December 2021.

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

# Environmental, Social and Governance Report

## SUSTAINABILITY STRATEGY AND REPORTING

As a responsible commodities trading company, the Group does not only provide quality energy supplies and services, but also consider and minimise the environmental and social impacts of the business. This Environmental, Social and Governance (“ESG”) Report (“Report”) is to address the Group’s sustainability performance covering the period from 1 January 2021 to 31 December 2021 (the “reporting period”), and to report the Group’s efforts on embedding sustainability into the business operation.

## REPORTING STANDARD AND SCOPE

This Report is prepared in accordance with Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules. The Group adheres the principles of materiality, quantitative, balance and consistency to report on the measures and performances in the reporting period. To ensure the materiality and balance of the Report, the Group has considered the material ESG topics identified by the Board. Following the principles of quantitative, consistency and balance, the Group also fully disclosed the key performance indicators (“KPIs”) which have been disclosed last year regardless of the performance. Information regarding corporate governance is addressed in the Corporate Governance Report on pages 16 to 29 of this annual report according to Appendix 14 to the Listing Rules.

The scope of this Report covers (i) the Group’s headquarter in Hong Kong, (ii) the Group’s three offices in Macao, Singapore and Quanzhou City in Fujian Province, the PRC, and (iii) the Group’s storage business, Strong Nantong, in Jiangsu Province, the PRC, unless otherwise specified. Due to insignificant environmental and social impacts to the community, other offices in Shandong Province, Jiangsu Province and Hainan Province, the PRC are not included in this Report. The Group is continuously improving the means of data collection to disclose the corresponding information in the future reports.

## MESSAGE FROM THE CHAIRMAN

To all stakeholders,

On behalf of the Board, I am pleased to present the Group’s 2021 ESG Report.

COVID-19 continues to pose challenge to the Group’s operation. Yet, the Group stands amidst the adversities strongly and firmly. For the purpose of seeking to be resilient against uncertainties, the Group consistently extended its effort to seek improvements on sustainability.

The Board takes full responsibility to oversee and make decisions on the Group’s ESG aspects with support from operation units. Through the cooperation of different operation units within the Group, ESG approaches, policies and action plans are smoothly implemented on group level.

On the other hand, the Group gathers opinions from its significant internal and external stakeholders, in an effort to further enhance its green business strategy. The identified material topics were presented to the Board for resolution.

Sustainability is important to the Group’s business continuity. The Group continues to strive towards its ESG-related goals and strengthen its sustainable operation practice. The Group has expanded its business in solar energy and will continue to seek opportunities in green energy.

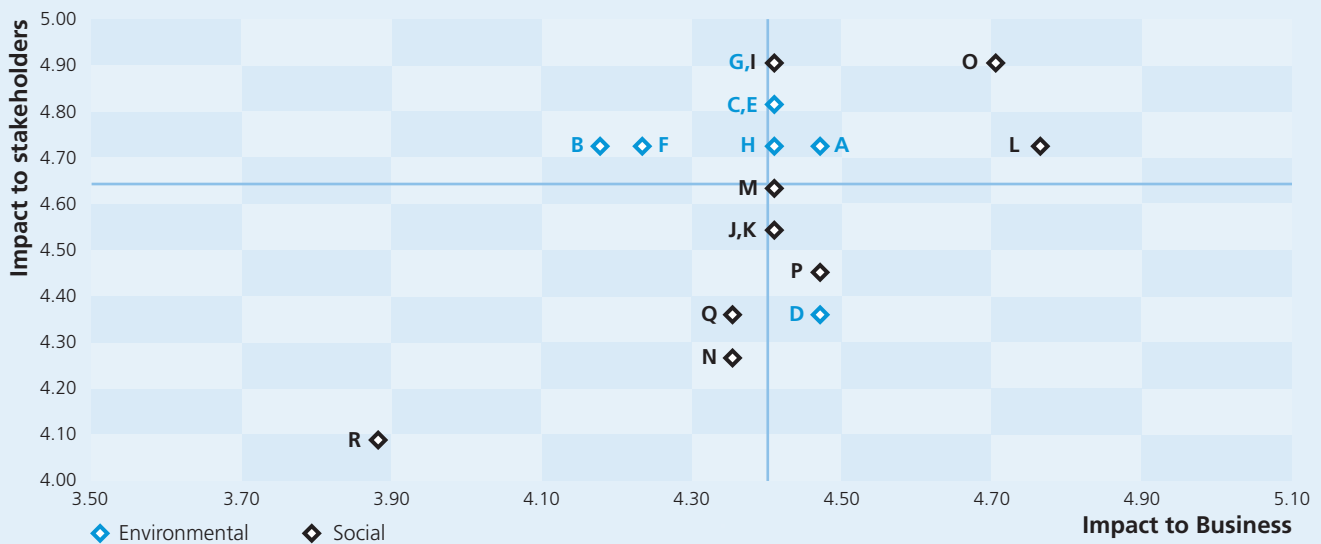
**Wang Jian Sheng**  
Chairman  
Hong Kong, 24 March 2022

# Environmental, Social and Governance Report

## MATERIALITY ASSESSMENT

To identify the material ESG issues, the Group has collected the opinions from its internal and external stakeholders upon the important topics to the business. The Group conducted an online survey to engage its significant stakeholders. The invited stakeholders, such as employees, suppliers, service providers and customers, provided a more comprehensive direction for the Group's long-term sustainable development. The materiality matrix below pinpoints the important ESG topics to the Group.

Materiality Matrix

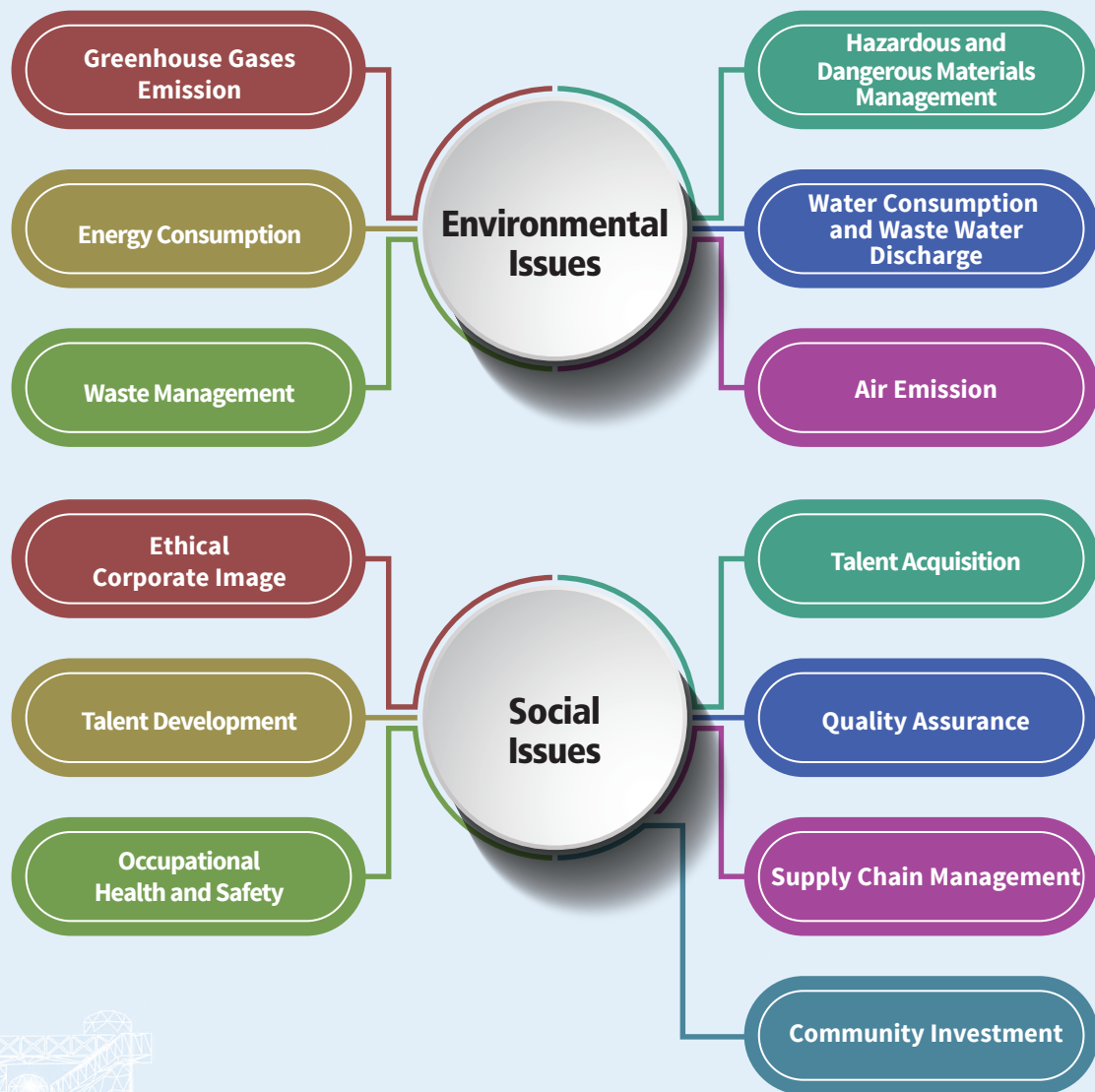


Topics	Indicators
Compliance with relevant environmental laws and regulations	◆ A
Climate change and greenhouse gas emissions	◆ B
Air pollutants emission	◆ C
Use of renewable energy	◆ D
Resource efficiency	◆ E
Wastewater discharge and water management	◆ F
Hazardous and dangerous materials management	◆ G
Hazardous and non-hazardous waste management	◆ H
Compliance with relevant local social laws and regulations	◆ I
Employment practices	◆ J
Development and training	◆ K
Occupational health and safety	◆ L
Supply chain management	◆ M
Procurement practices	◆ N
Ethics and integrity	◆ O
Customer/client privacy	◆ P
Diversity and equal opportunities	◆ Q
Community investment	◆ R



# Environmental, Social and Governance Report

After analysing the stakeholders' feedback and obtaining the consultant's advice, the Board confirmed and identified the following material environmental and social issues associated with the Group's business operation:



## STAKEHOLDERS' FEEDBACKS

The Group welcomes stakeholders' comments and feedbacks regarding its performance and practice on ESG aspects as they are valuable to the Group's continuous improvement and sustainable development. Stakeholders may at any time send their enquires and recommendations to the Group:

Strong Petrochemical Holdings Limited  
Room 1604, 16th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong  
Tel: (852) 2834 3393  
Email: [info@strongpetrochem.com](mailto:info@strongpetrochem.com)

# Environmental, Social and Governance Report

## RESPONSIBLE OPERATIONS

To practise responsibly on the business operation, the Group strives to maintain the operation efficiency while minimising its environment footprints and the use of natural resources. In this regard, the Group focuses on supplier selection and environmental management to reduce the associated operational risks.

### Supply Chain Management

Due to the business nature, maintaining stable commodities sources is vital to the Group. Realising the importance of the suppliers, the Group selects its suppliers with an open and transparent procedure which aligns with the principles of green procurement policy. In addition to the product quality and business ethics, the Group conducts background check for suppliers to ensure their products or services comply with laws and regulations. To promote a sustainable supply chain, the Group prioritises suppliers certified with international environmental standards such as ISO 14001. After evaluating the potential suppliers, the Group provides corresponding selection results and suggests improvements to both successful and unsuccessful suppliers. In order to maintain the quality of the supply chain, the procurement team of the Group conducts inspections and evaluations on the existing suppliers regularly. The procurement team evaluates the performances of suppliers in terms of their punctuality, product quality, efficiency, environmental and ethical performance. If the performances of the suppliers do not meet the standard of the Group, the procurement team will provide suggestions and re-evaluate the suppliers.

The sources of petroleum products and petrochemicals were defined based on the business location of suppliers while the sources of crude oil, coal and iron ore were defined based on the actual extraction location. There was no purchase of crude oil, petroleum products and iron ore within the scope of the Report during the reporting period. The sources of the Group's commodities in the reporting period are shown as below:



### Coal

100% Indonesia



### Petrochemicals

100% PRC

# Environmental, Social and Governance Report

The number of suppliers by geographical region is as follows:

<b>Geographical Region</b>	<b>Number of suppliers</b>
The PRC	83
Hong Kong	1
Singapore	3
	87

## Quality Assurance

The Group promised to put its best effort to fulfil the needs and satisfactions of its customers and clients. Quality assurance is a crucial key to the promise as well as the success of its business. The Group is committed to providing high-quality products and services to the customers and clients in a safe manner. In addition to the stringent supplier selection procedure, the Group has also stipulated a clear storage procedure to prevent accident occurrence and supplies quality products and services. The quality assurance team is responsible for conducting regular on-site inspections to ensure the operation meets the Group's standard on service quality and site safety. To prevent spill and sustain operation efficiency, the Group conducts comprehensive safety assessments on the storage tanks and pipelines regularly.

To enhance the qualities of the products and services, the Group values the feedback of its customers and clients and treats them as a drive for improvement. Thus, the Group has established various communication channels to understand the expectation of customers and clients. During the reporting period, there were no products and service-related complaints received.

## Air Emission

The Group reckons its oil storage business in Strong Nantong released air pollutants such as non-methane hydrocarbon and methylbenzene from evaporation. As a responsible corporation, the Group is dedicated to minimising the evaporation and subsequent air emissions that will bring negative impacts to the air quality and public health. In regard to this, the Group has installed monitoring devices to prevent the leakage and the abnormal evaporation of the storage tanks. The Group is committed to conducting inspections and repairing immediately to ensure safety and prevent wastage. Apart from regular examination, the Group has installed inner floating roof inside the storage tanks to minimise the evaporation rate.

Storage evaporation comes up with not only air pollution but also a wastage of resources. In order to improve the resource efficiency, the Group has installed oil gas facilities in Strong Nantong to reclaim the vapour back to the storage tanks. The air pollutants such as sulphur oxide, nitrogen oxide and nitrogen dioxide produced during the operation are immaterial to the Group. Hence, the relevant data is excluded in the Report. During the reporting period, the Group has complied with all laws and regulations relating to air emissions such as the Air Pollution and Prevention Control Law of the PRC.



# Environmental, Social and Governance Report

## Water Consumption and Wastewater Discharge

Although water consumption is not the most material topic to the operation, the Group endeavours to improve its water efficiency through utilising the water usage. The Group's water consumption was mainly attributed to the operation in Strong Nantong. In order to reduce the potable water consumption, the Group has reused the water reclaimed by the greywater recycling facilities for irrigation in Strong Nantong. The Group also requires its employees to turn off the water tap after using and report any water leakage or dripping for prompt maintenance.

On the other hand, the Group has placed continuous effort on wastewater management. Initial rain and sanitary sewage are the major sources of wastewater in Strong Nantong. In order to prevent accidents caused by spills, the Group has installed trench drains around the loading area to carry away the surface rainwater. Also, rain and sewage diffidence system has been equipped to recycle the wastewater and reuse it to cool down the incoming trucks. In addition, wastewater treatment facility is equipped to treat the wastewater before discharging. The sewage was tested by the monitoring system to ensure the compliance with the relevant laws and regulation such as the Water Law of the PRC.

Water Consumption	Unit	2021	2020
Total water consumption	m <sup>3</sup>	3,420 <sup>2</sup>	2,471
Total water intensity	m <sup>3</sup> /total floor area <sup>1</sup> (m <sup>2</sup> )	2.07	1.50
	m <sup>3</sup> /revenue (HK\$ million)	4.22 <sup>2</sup>	0.38

## Waste Management

Hazardous waste is one of the most material environmental issues to the business. Storage business generates harmful wastes such as scrapped storage tanks that requires a rigorous and careful treatment. In light of this, the Group has established stringent guidelines to ensure the hazardous wastes are treated properly. Specific waste areas are designated to sort and store the waste safely prior to disposal. Licensed waste disposal service companies are appointed to dispose and treat the waste appropriately. For non-hazardous waste management, the Group encourages general waste sorting and reducing waste from source. Moreover, recycling reusable materials, such as metals, is also implemented in Strong Nantong to reduce the generation of waste.

To ensure the guidelines are well implemented, the Group has assigned Environmental Health and Safety ("EHS") Department of Strong Nantong to monitor the waste management practices. Corresponding departments are required to report the waste performance to EHS Department periodically. Under the collective effort of different departments, the Group has complied with all relevant laws and regulations including the Solid Waste Environmental Pollution Prevention and Control Law of the PRC.

Waste Discharged in Strong Nantong	Unit	2021	2020
Hazardous waste (Solid)	tonnes	1.50 <sup>3</sup>	8.63
Hazardous waste (Liquid)	litres	3,600 <sup>3</sup>	–
Hazardous waste (Solid) intensity	tonnes/total floor area (m <sup>2</sup> )	0.0009	0.0052
	tonnes/revenue (HK\$ million)	0.0019	0.0013
Hazardous waste (Liquid) intensity	litres/total floor area (m <sup>2</sup> )	2.1801	–
	litres/revenue (HK\$ million)	4.4411	–
Non-hazardous waste	Recycled materials:		
	Metal, plastic and paper	tonnes	2.26 <sup>2</sup>
	Disposed general waste	tonnes	12.00 <sup>2</sup>
Non-hazardous waste intensity	tonnes/total floor area (m <sup>2</sup> )	0.009	0.008
	tonnes/revenue (HK\$ million)	0.0176 <sup>2</sup>	0.0020



# Environmental, Social and Governance Report

## Energy Consumption and Greenhouse Gases Emission

The major source of energy consumption and indirect greenhouse gas (“GHG”) emission is the use of electricity in storage business and office activities. For achieving high energy efficiency in operation, the Group has established a wide range of energy-saving practices such as installing LED lights in the workplace. In order to ensure the efficiency of the equipment and electrical appliances, the Group conducts energy audit regularly to identify malfunction or abnormality. Also, the Group advocates culture of green office through executing various initiatives such as encouraging its staff to maintain the office temperature between 24 to 26 degree Celsius during summer time and switch off the idle electric appliances to reduce electricity wastage.

Electricity Consumption	Unit	2021	2020
Offices	kilowatt-hour (kWh)	78,375	75,747
Strong Nantong	kWh	648,229 <sup>2</sup>	544,708
Total electricity consumption	kWh	726,604	620,455
Total electricity intensity	kWh/total floor area (m <sup>2</sup> )	440	376
	kWh/revenue (HK\$ million)	896.36 <sup>2</sup>	94.35

Source of Scope 1 and 2 GHG Emission <sup>7</sup>	Unit	2021	2020
Offices	tonnes of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	68	57
Strong Nantong	tCO <sub>2</sub> e	382 <sup>2</sup>	331
Total Scope 1 GHG emission	tCO <sub>2</sub> e	15	10
Total Scope 2 GHG emission	tCO <sub>2</sub> e	435	378
Total GHG emission	tCO <sub>2</sub> e	450	388
GHG intensity	tCO <sub>2</sub> e/total floor area (m <sup>2</sup> )	0.27	0.23
	tCO <sub>2</sub> e/revenue (HK\$ million)	0.56 <sup>2</sup>	0.059

<sup>1</sup> Total floor area represented the sum of (i) gross floor area (“GFA”) of offices in Hong Kong headquarter, Macao, Singapore and Quanzhou City in Fujian Province, the PRC and (ii) the GFA of storage site in Strong Nantong.

<sup>2</sup> The total revenue of 2021 decreased significantly as a result of the adverse market condition and the poor worldwide economy. Meanwhile, the water and energy consumptions and GHG emission of the storage business increased due to higher operation volume of vehicle discharge, while total non-hazardous waste production of the storage business remained steady, comparing to the last reporting period, and resulted in increases in the intensities in terms of revenue.

<sup>3</sup> The fluctuation in amount of hazardous waste resulted from the change of material usage in sewage treatment and solid waste.

<sup>4</sup> The major source of direct Scope 1 GHG emission of the Group was transportation. Scope 2 GHG emission refers to indirect GHG emission resulting from the generation of the electricity which the Group purchased.

# Environmental, Social and Governance Report

## Climate Change

Extreme weather, such as typhoons and rainstorms, are now more frequent and severe. The Group recognised that climate changes would have significant impact on its business operations and the community. Therefore, the Group has established a climate change policy to identify, evaluate and manage climate-related issues. During the reporting period, the Group has been closely monitoring the impact of climate change to mitigate the potential risks, including the physical risk and transition risk.

For physical risk, increased frequency and severity of extreme weather, such as rainstorms and typhoons, can disrupt business operations by damaging the storage facilities and endangering the safety of employees. Therefore, the Group maintains a comprehensive insurance coverage to mitigate the potential loss arising from extreme weather conditions. Besides, the Group has developed comprehensive typhoon and rainstorm arrangements to safeguard the safety of the employees under extreme weather conditions.

For transition risk, the Group expects the policies and reporting requirements related to climate change will be more stringent. To manage the risk, the Group would incorporate sustainability into its investment strategies and conduct regular reviews and analysis on the reporting requirements.

In the future, the Group will review its climate change policy from time to time, and continue to enhance its resilience against climate-related issues.

## HARMONIOUS WORKING ENVIRONMENT

The Group treats its employees as one of the most valuable assets. The Group is committed to promoting its employees' health, wellness, fairness and safety in the workplace.

### Talent Acquisition

With the commitment to the fair working environment, the Group forbids any forms of discrimination and harassment, and advocates equal-opportunity approach. During the recruitment process, the Human Resource ("HR") Department assesses the experience, capability and qualification of the candidates regardless of their gender, age, religion or other factors that are not related to their suitability to the position. Besides, the HR Department verifies identity and working permits of the candidates to prevent employment issues such as child labour and forced labour. In case of any confirmed forced labour or misuse of child labour, the HR Department would intervene to stop the infringement actions and offer reasonable compensation.

In addition to the harmonious working environment, the Group also provides competitive compensation packages, promotion opportunities, reasonable working hours and rest periods to attract and retain talents. During the reporting period, the Group has complied with all employment laws and regulations such as Employment Ordinance and Employees' Compensation Ordinance of Hong Kong.

# Environmental, Social and Governance Report

As of 31 December 2021, the total number of employees in Hong Kong, Macao, Singapore and the PRC was 93. The breakdowns of employees by gender, staff grade, employment type, age group, education level and geographical region are as listed below:



## Gender

**80%** Male  
**20%** Female



## Employee Category

**25%** Senior Management  
**23%** Managerial / Supervisory  
**52%** General Staff



## Employment Type

**100%** Full-time



## Age Group

**18%** Below 31  
**45%** 31–50  
**37%** Above 50



## Education Level

**4%** Master  
**30%** Bachelor  
**40%** Diploma  
**26%** Others



## Geographical Region

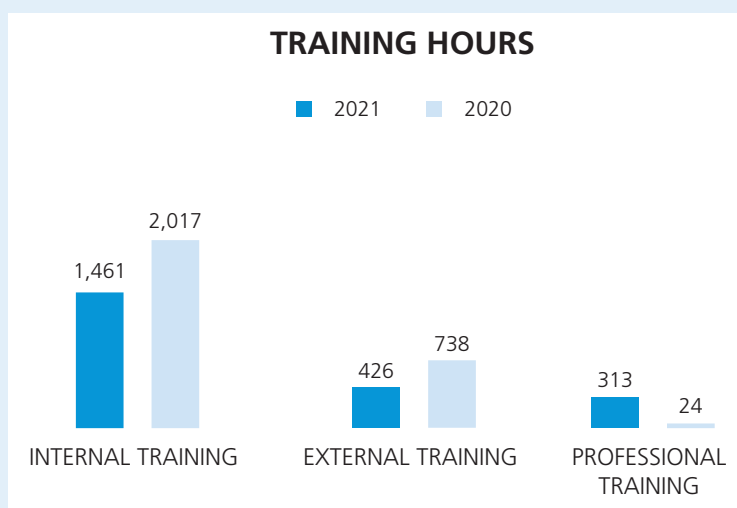
**71%** The PRC  
**14%** Hong Kong  
**10%** Singapore  
**5%** Macao



# Environmental, Social and Governance Report

## Talent Development

Apart from employees' health and safety, the Group also takes the employees' growth into account that bring significant impact to the Group's long-term development. For the purpose of promoting their skills development and potentials release, the HR Department has instituted a comprehensive Training Management Standard to provide the employees with trainings based on respective roles, positions and requirements. In order to encourage the employees to pursue external training or education which are beneficial to the business and their career development, the Group offers subsidies for training and education fees to motivate them, as well as easing their financial burdens.



## Occupational Health and Safety

Employees' health and safety is one of the most material topics of the Group. In order to create a safe and secure environment to the employees, the Group has developed a standardised Safety Management System in accordance with Occupational Safety and Health Ordinance and Law of the PRC and Occupational Safety and Health Ordinance of Hong Kong. Adhering to the principle of "safety comes first", the Group also has formulated Special Equipment Safety Technical Supervision Procedures for the Strong Nantong employees to operate the equipment safely and reduce the embedded risks. To monitor the safety measures' effectiveness, the Environment, Health and Safety ("EHS") Department is responsible for overseeing the implementation of the safety management system and the safety procedure:

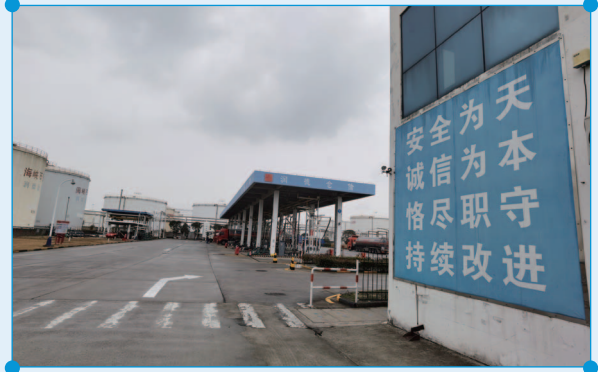
- identifying, assessing, and mitigating risks based on safety standards and guidelines;
- updating the safety standards to ensure they align with the latest industrial practices and local regulations;
- conducting regular on-site inspections and supervisions to ensure a safe workplace;
- providing personal protective equipment, such as safety helmets, safety shoes and gas masks;
- offering safety trainings and emergency drills to increase employees' safety awareness and responsiveness to the accidents; and
- arranging annual occupational health check to employees to monitor their health conditions.

Under the relentless effort of the EHS Department, there were no work-related injury or fatality during the reporting period.



# Environmental, Social and Governance Report

## Safety slogans of Strong Nantong



## Storage facilities of Strong Nantong





# Environmental, Social and Governance Report

## Emergency drills in Strong Nantong



## Safety training in Strong Nantong



# Environmental, Social and Governance Report

## Ethical Corporate Image

### Anti-corruption

Upholding the principles of integrity and fairness, the Group does not tolerate any forms of corruptive behaviours including bribery, extortion, fraud and money laundering. In order to prevent and combat against the misconduct, the Group has stipulated a set of whistleblowing policy. Employees are encouraged to report any suspicious case to the compliance officer or the chairman of the Audit Committee. The compliance officer would investigate the reported case and report to the Audit Committee. In case of confirmed misbehaviour, the Group would report it to the Independent Commission Against Corruption and take corresponding legal action. Training materials on business ethics and anti-corruption have been sent to Directors and employees to ensure they have sufficient knowledge to identify corruption issues.

During the reporting period, the Group has complied with all local laws and regulations relating to anti-corruption including Prevention of Bribery Ordinance of Hong Kong. There were no legal cases regarding corrupt practices brought against the Group or its employees during the reporting period.

### Data Protection

The Group highly concerns its customers' and suppliers' privacy including personal data and business information. As a result, the Group has established a standard procedure to the employees to handle the sensitive data and prohibit unauthorised access to the confidential information. There were no substantiated incidents regarding breaches of customer and supplier privacy or loss of the data and the Group has complied all relevant laws and regulations including Personal Data (Privacy) Ordinance of Hong Kong during the reporting period.

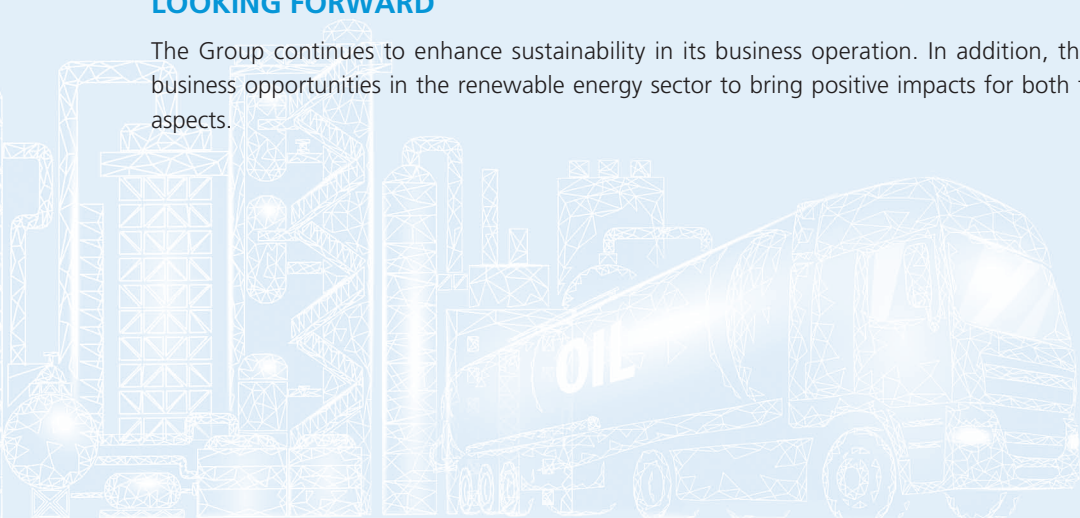
## COMMUNITY INVESTMENT

The Group regards social responsibility as one of the essential elements of its sustainable business development and is devoted to contributing to the communities in which it operates. The Group has participated and sponsored various charity activities to support different non-profit organisations' work on helping the underprivileged. The Group treasures the youth development and sees them as future pillars of the community. Hence, the Group has been supporting their development by offering scholarship to the outstanding students in Youth College of Vocational Training Council since 2015.

During the reporting period, the Group has donated retired computers and accessories to a non-government organisation for refurbishing in order to reduce waste and help those in need simultaneously.

## LOOKING FORWARD

The Group continues to enhance sustainability in its business operation. In addition, the Group will continue to look for business opportunities in the renewable energy sector to bring positive impacts for both financial, environmental and social aspects.



# Environmental, Social and Governance Report

## PERFORMANCE TABLE

Environmental Performance	Unit	2021	2020
<b>Water</b>			
Total water consumption	m <sup>3</sup>	3,420 <sup>2</sup>	2,471
Total water intensity	m <sup>3</sup> /total floor area <sup>1</sup> (m <sup>2</sup> )	2.07	1.50
	m <sup>3</sup> /revenue (HK\$ million)	4.22 <sup>2</sup>	0.38
<b>Waste</b>			
Recycled materials (Metal, plastics and paper)	tonnes	2.26 <sup>2</sup>	2.52
Disposed general waste	tonnes	12.00 <sup>2</sup>	10.60
Hazardous waste (Solid)	tonnes	1.50 <sup>3</sup>	8.63
Hazardous waste (Liquid)	litres	3,600 <sup>3</sup>	0
Non-hazardous waste intensity	tonnes/total floor area (m <sup>2</sup> )	0.009	0.008
	tonnes/revenue (HK\$ million)	0.0176 <sup>2</sup>	0.0020
Hazardous waste (Solid) intensity	tonnes/total floor area (m <sup>2</sup> )	0.0009	0.0052
	tonnes/revenue (HK\$ million)	0.0019 <sup>2</sup>	0.0013
Hazardous waste (Liquid) intensity	litres/total floor area (m <sup>2</sup> )	2.1801	0
	litres/revenue (HK\$ million)	4.4411	0
<b>Electricity</b>			
Offices	kWh	78,375	75,747
Strong Nantong	kWh	648,229 <sup>2</sup>	544,708
Total electricity consumption	kWh	726,604	620,455
Total electricity intensity	kWh/total floor area (m <sup>2</sup> )	440	376
	kWh/revenue (HK\$ million)	896.36 <sup>2</sup>	94.35
<b>Greenhouse gas (GHG) emission<sup>7</sup></b>			
Offices	tCO <sub>2</sub> e	68	57
Strong Nantong	tCO <sub>2</sub> e	382 <sup>2</sup>	331
Total Scope 1 GHG emission	tCO <sub>2</sub> e	15	10
Total Scope 2 GHG emission	tCO <sub>2</sub> e	435	378
Total GHG emission	tCO <sub>2</sub> e	450	388
GHG intensity	tCO <sub>2</sub> e/total floor area (m <sup>2</sup> )	0.27	0.23
	tCO <sub>2</sub> e/revenue (HK\$ million)	0.56 <sup>2</sup>	0.059

<sup>1</sup> Total floor area represented the sum of (i) gross floor area ("GFA") of offices in Hong Kong headquarter, Macao, Singapore and Quanzhou City in Fujian Province, the PRC and (ii) the GFA of storage site in Strong Nantong.

<sup>2</sup> The total revenue of 2021 decreased significantly as a result of the adverse market condition and the poor worldwide economy. Meanwhile, the water and energy consumptions and GHG emission of the storage business increased due to higher operation volume of vehicle discharge, while total non-hazardous waste production of the storage business remained steady, comparing to the last reporting period, and resulted in increases in the intensities in terms of revenue.

<sup>3</sup> The fluctuation in amount of hazardous waste resulted from the change of material usage in sewage treatment and solid waste.

<sup>4</sup> The major source of direct Scope 1 GHG emission of the Group was transportation. Scope 2 GHG emission refers to indirect GHG emission resulting from the generation of the electricity which the Group purchased.

<sup>5</sup> Due to the data collection system refinement, the employee turnover rate has been collected and included since 2021.



# Environmental, Social and Governance Report

Social Performance		Unit	2021	2020	
<b>Total workforce</b>		No. of people	93	94	
By gender	Male	No. of people	74	70	
	Female	No. of people	19	24	
By age group	<31	No. of people	17	13	
	31–50	No. of people	42	50	
	>50	No. of people	34	31	
By employee category	Senior management	No. of people	24	14	
	Manager	No. of people	21	21	
	General	No. of people	48	59	
By employment type	Full time	No. of people	93	91	
	Part time	No. of people	0	3	
<b>Employee turnover rate</b>					
By gender	Male	Percentage	11	N/A <sup>5</sup>	
	Female	Percentage	19	N/A <sup>5</sup>	
By age	<31	Percentage	20	N/A <sup>5</sup>	
	31–50	Percentage	13	N/A <sup>5</sup>	
	>50	Percentage	9	N/A <sup>5</sup>	
By geographical region	Hong Kong	Percentage	14	N/A <sup>5</sup>	
	Macao	Percentage	0	N/A <sup>5</sup>	
	Singapore	Percentage	0	N/A <sup>5</sup>	
	The PRC	Percentage	15	N/A <sup>5</sup>	
<b>Training</b>					
By gender	Male	Training percentage	62%	100%	
		Average training hours	40.2	70.3	
	Female	Training percentage	42%	100%	
		Average training hours	44.0	43.8	
By employee category	Senior management	Training percentage	50%	100%	
		Average training hours	37.6	47.0	
	Manager	Training percentage	52%	100%	
		Average training hours	37.6	56.6	
	General	Training percentage	65%	100%	
		Average training hours	43.1	77.6	
			<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Lost days due to injuries</b>	Days	0	0	0	
<b>Number of fatalities</b>	No. of people	0	0	0	
<b>Rate of fatalities</b>	Percentage	0	0	0	

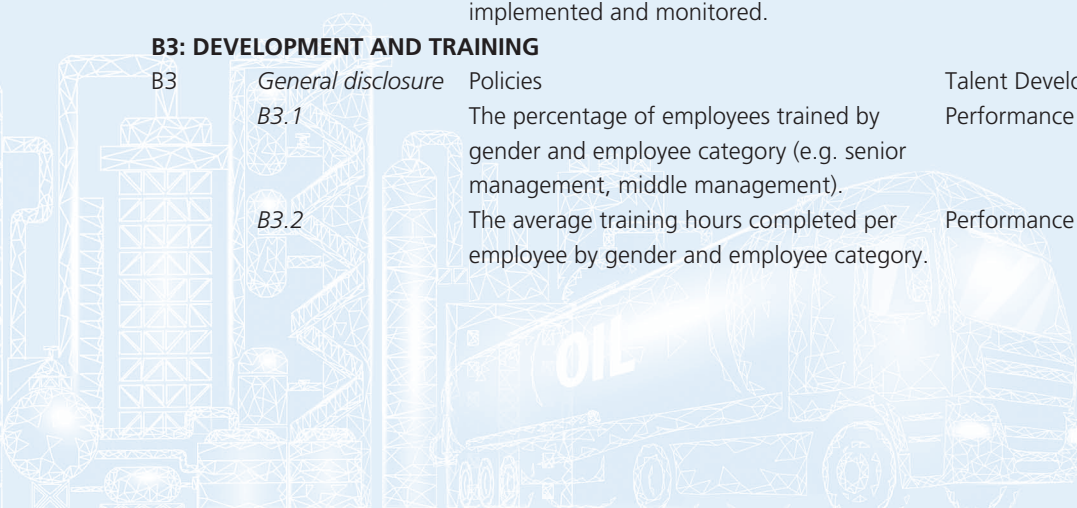
# Environmental, Social and Governance Report

## ESG CONTENT INDEX

Aspect	KPI	Description	Section	Page No.
<b>SUBJECT AREA (A) ENVIRONMENT</b>				
<b>A1: EMISSIONS</b>				
A1	<i>General disclosure</i>	Information on: (a) the policies; and (b) compliance	Air Emission & Energy Consumption and GHG Emission	34, 36
A1.1		The types of emissions and respective emissions data.	Air Emission & Energy Consumption and GHG Emission	34, 36
A1.2		Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Energy Consumption and GHG Emission	36
A1.3		Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	35
A1.4		Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	35
A1.5		Description of measures to mitigate emissions and results achieved.	Air Emission & Energy Consumption and GHG Emission	34, 36
A1.6		Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management	35
<b>A2: USE OF RESOURCES</b>				
A2	<i>General disclosure</i>	Policies	Air Emission, Water Consumption and Wastewater Discharge & Energy Consumption and GHG Emission	34–36
A2.1		Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Energy Consumption and GHG Emission	36
A2.2		Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Consumption and Wastewater Discharge	35
A2.3		Description of energy use efficiency initiatives and results achieved.	Energy Consumption and GHG Emission	36
A2.4		Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Consumption and Wastewater Discharge	35
A2.5		Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable	

# Environmental, Social and Governance Report

Aspect	KPI	Description	Section	Page No.
<b>A3: THE ENVIRONMENT AND NATURAL RESOURCES</b>				
A3	General disclosure	Policies	Air Emission, Water Consumption and Wastewater Discharge & Energy Consumption and GHG Emission	34–36
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Air Emission, Water Consumption and Wastewater Discharge & Energy Consumption and GHG Emission	34–36
<b>A4: CLIMATE CHANGE</b>				
A4	General disclosure	Policies	Climate Change	37
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	37
<b>SUBJECT AREA (B) SOCIAL</b>				
<b>B1: EMPLOYMENT</b>				
B1	General disclosure	Information on: (a) the policies; and (b) compliance	Talent Acquisition	37
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Talent Acquisition	38
	B1.2	Employee turnover rate by gender, age group and geographical region.	Performance table	44
<b>B2: HEALTH AND SAFETY</b>				
B2	General disclosure	Information on: (a) the policies; and (b) compliance	Occupational Health and Safety	39–41
	B2.1	Number and rate of work-related fatalities.	Performance table	44
	B2.2	Lost days due to work injury.	Performance table	44
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety	39–41
<b>B3: DEVELOPMENT AND TRAINING</b>				
B3	General disclosure	Policies	Talent Development	39
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Performance table	44
	B3.2	The average training hours completed per employee by gender and employee category.	Performance table	44



# Environmental, Social and Governance Report

Aspect	KPI	Description	Section	Page No.
<b>B4: LABOUR STANDARDS</b>				
B4	<i>General disclosure</i>	Information on: (a) the policies; and (b) compliance	Talent Acquisition	37
	<i>B4.1</i>	Description of measures to review employment practices to avoid child and forced labour.	Talent Acquisition	37
	<i>B4.2</i>	Description of steps taken to eliminate such practices when discovered.	Talent Acquisition	37
<b>B5: SUPPLY CHAIN MANAGEMENT</b>				
B5	<i>General disclosure</i>	Policies	Supply Chain Management	33
	<i>B5.1</i>	Number of suppliers by geographical region.	Supply Chain Management	34
	<i>B5.2</i>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	33
	<i>B5.3</i>	Description of practices used to identify environment and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	33
	<i>B5.4</i>	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	33
<b>B6: PRODUCT RESPONSIBILITY</b>				
B6	<i>General disclosure</i>	Information on: (a) the policies; and (b) compliance	Quality Assurance	34
	<i>B6.1</i>	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable	
	<i>B6.2</i>	Number of products and service related complaints received and how they are dealt with.	Quality Assurance	34
	<i>B6.3</i>	Description of practices relating to observing and protecting intellectual property rights.	Not applicable	
	<i>B6.4</i>	Description of quality assurance process and recall procedures.	Quality Assurance	34
	<i>B6.5</i>	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Ethical Corporate Image	42



# Environmental, Social and Governance Report

Aspect	KPI	Description	Section	Page No.
<b>B7: ANTI-CORRUPTION</b>				
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	<i>B7.1</i>	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Ethical Corporate Image	42
	<i>B7.2</i>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Ethical Corporate Image	42
	<i>B7.3</i>	Description of anti-corruption training provided to directors and staff.	Ethical Corporate Image	42
<b>B8: COMMUNITY INVESTMENT</b>				
B8	<i>General disclosure</i>	Policies	Community Investment	42
	<i>B8.1</i>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment	42
	<i>B8.2</i>	Resources contributed (e.g. money or time) to the focus area.	Community Investment	42



# Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal associates and subsidiaries are set out in notes 17 and 41 to the consolidated financial statements respectively.

## BUSINESS REVIEW

Detailed business review as required by Schedule 5 to the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including the particulars of important events affecting the Group, a discussion of the principal risks and uncertainties facing the Group, an indication of likely future developments in the Group's business and an analysis of the Group's performance using financial key performance indicators, is set out in the Chairman's Statement and the Management Discussion and Analysis on pages 4 to 5 and pages 6 to 13 respectively.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

Environmental policies have been adopted by the Group for the implementation of environmentally friendly measures and practices in the operation of the Group's businesses, which include, among others, discharging wastewater produced to sewage treatment plant, encouraging employees to adopt green lifestyle in office by using recycled paper and printing on both sides and encouraging the use of video conferencing or telephone conferencing as a substitute to business travel.

The Group has also reviewed its environmental policies and performance from time to time in order to minimise the environmental impacts from our operations. During the year, the Company was not aware of any non-compliance with any regulations related to environmental protection that had a significant impact on the Group.

Detailed environmental policies and performance of the Group are set out in the Environmental, Social and Governance Report on pages 30 to 48.

## COMPLIANCE WITH LAWS AND REGULATIONS

During the year, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Group.

## RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

### Employees

Employees are regarded as one of the most important and valuable assets of the Group. The Group strives to reward and recognise performing employees by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

# Directors' Report

## Customers and Suppliers

The Group maintains stable and cooperative relationships with its customers. To ensure that our traded products remain competitive, the Group closely monitors market movements and collaborates with customers for new products development. Our traders communicate with our customers frequently to ensure different varieties of commodities the Group trades can meet the demands and changing requirements of customers. The Group also manages its relationship with suppliers to ensure reliability, stability and quality of different commodities supplied to the Group.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 63 to 64.

The Board does not recommend the payment of final dividends for the year ended 31 December 2021 (2020: Nil).

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from, Monday, 23 May 2022 to Thursday, 26 May 2022, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM to be held on 26 May 2022, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 20 May 2022.

## PROPERTY, PLANT AND EQUIPMENT

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

## SHARE CAPITAL

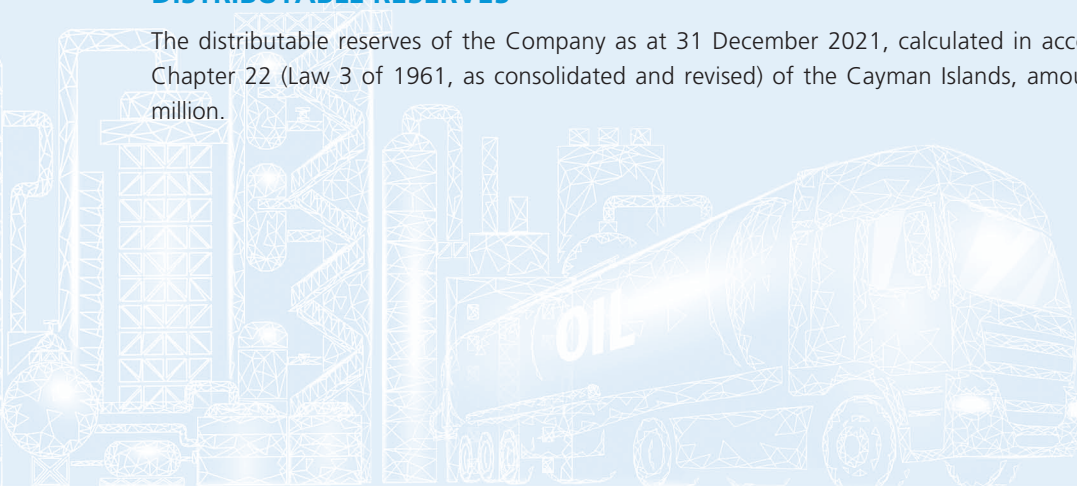
Details of the movements in the share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

## FIVE-YEAR FINANCIAL SUMMARY

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

## DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2021, calculated in accordance with the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$962.0 million.



# Directors' Report

## DIRECTORS

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

### Executive Directors

Mr. Wang Jian Sheng  
Mr. Yao Guoliang

### Independent Non-executive Directors

Ms. Cheung Siu Wan  
Prof. Chan Yee Kwong  
Mr. Deng Heng

In accordance with Article 87 of the Company's articles of association, Mr. Wang Jian Sheng and Prof. Chan Yee Kwong should retire at the forthcoming AGM and, being eligible, offer themselves for re-election at the forthcoming AGM.

The Directors' biographical details are set out on pages 14 to 15.

The Company received confirmation from each of the INEDs of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all the INEDs as independent from the date of their appointment to 31 December 2021.

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

## MANAGEMENT CONTRACTS

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

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "Connected Transactions" of this report and note 36 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

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



# Directors' Report

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2021, the interest and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of Company's associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the HKEx pursuant to the Model Code are set out below:

### Long Position in Ordinary Shares of HK\$0.025 Each of the Company

Name of Director	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 ( <i>note 1</i> )	1,041,746,000	49.06
	Interest of concert parties ( <i>note 2</i> )	124,984,000	5.89
Mr. Yao Guoliang	Beneficial owner	124,984,000	5.89
	Interest of a controlled corporation ( <i>note 1</i> )	1,041,746,000	49.06

Notes:

- Each of Sino Century and Jin Yao holds 50% of the entire issued share capital of Forever Winner. Mr. Wang holds the entire issued share capital of Sino Century. Mr. Yao holds the entire issued share capital of Jin Yao.
- Since Mr. Wang and Mr. Yao jointly control Forever Winner which in turn holds 1,041,746,000 shares of the Company, Mr. Wang and Mr. Yao are deemed as parties acting in concert. Therefore, as Mr. Yao beneficially owns approximately 5.89% equity interest in the Company as at 31 December 2021, Mr. Wang shall be deemed to hold the same equity interest in the Company.

Save for those disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to Company and the HKEx pursuant to the Model Code.

None of the Directors or chief executive of the Company (including their spouses and children under the age of 18), during the year ended 31 December 2021, held any interests in or was granted any right to subscribe for the securities of Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

# Directors' Report

## SHARE OPTIONS

The share option scheme (the "Share Option Scheme") was adopted on 15 May 2014 in view of the Share Option Scheme being able to provide the Company with more flexibility in long term planning of granting of the share options to the employees, Directors, consultants, advisers and shareholders of the Group in a longer period in the future so as to provide appropriate incentives or rewards to them for their contributions or potential contributions to the Group.

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

Nature or category of participant	Date of grant <sup>(1)</sup> (dd/mm/yy)	Price of share of the Company			Number of share options <sup>(2)</sup>			
		Exercise price HK\$	At the grant date of share options HK\$	At the exercise date of share options HK\$	Outstanding at 01/01/2021	Exercised during the year	Lapsed during the year	Outstanding at 31/12/2021
Other participants in aggregate	05/09/14	0.78	0.77	N/A	138,000,000	–	–	138,000,000
<b>Total</b>					138,000,000	–	–	138,000,000

Notes:

- Options granted are exercisable during the period starting from 6 September 2014 to 14 May 2024.
- During the year, no share options of the Company were lapsed or exercised.

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

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2021, the Directors are not aware of any other person, (other than the interests of the Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO:

### Long Position in Shares of the Company

Name of shareholder	Nature of interest	Number of ordinary shares	Approximate percentage of shareholding (%)
Forever Winner	Beneficial Owner ( <i>note 1</i> )	1,041,746,000	49.06
Mr. Yao Guoliang	Beneficial Owner	124,984,000	5.89
Hongkong Hengyuan Investment Limited	Beneficial Owner ( <i>note 2</i> )	353,603,681	16.65

Notes:

- Each of Sino Century and Jin Yao holds 50% of the entire issued share capital of Forever Winner. Mr. Wang holds the entire issued share capital of Sino Century. Mr. Yao holds the entire issued share capital of Jin Yao.
- Mr. Chang Liang holds the entire issued share capital of Hongkong Hengyuan Investment Limited.

# Directors' Report

## INTERESTS OF CONTROLLING SHAREHOLDERS IN CONTRACTS

Save as disclosed below in the section of “Connected Transactions”, and in notes 26 and 36 to the consolidated financial statements, there was no contract of significance between the Company or any of its subsidiaries and controlling shareholders (as defined in paragraph 16 of Appendix 16 to the Listing Rules) or any of its subsidiaries, at any time during the year.

## CONNECTED TRANSACTIONS

### Shareholder Loan Agreements

On 11 December 2020, the Group entered into shareholder loan agreements with Mr. Wang Jian Sheng and Mr. Yao Guoliang respectively, the controlling shareholders of the Company, pursuant to which each of Mr. Wang and Mr. Yao agreed to provide an unsecured term loan of HK\$60.0 million, in aggregate of HK\$120.0 million to the Group. Each of the shareholder loans bore an interest of 1-month Hong Kong Interbank Offered Rate plus 1.75% per annum. The Group shall repay the shareholder loans in full on 10 March 2021 or upon demand. The repayment date was extended to 10 December 2021 as mutually agreed by the parties. The shareholder loans had been utilised by the Group to support its operating activities. Please refer to the announcements of the Company dated 11 December 2020, 10 June 2021 and 10 September 2021 for more details. The shareholder loans have been fully settled in December 2021. During the year, the shareholder loan agreements constituted connected transactions and related party transactions and the details are set out in note 36 to the consolidated financial statements.

The connected transactions under the above shareholder loans are not secured by any assets of the Group and are conducted on normal commercial terms or better and therefore are exempted from the reporting, annual review and independent shareholders' approval requirements contemplated under Rule 14A.90 of the Listing Rules.

### Tenancy Agreement

During the year, the Group entered into a tenancy agreement with Strong Property Limited, which constituted connected transaction and related party transaction and the details are set out in note 36 to the consolidated financial statements.

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

## CONTINUING CONNECTED TRANSACTIONS

The Group had no continuing connected transactions during the year.

## CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK\$50,000 (2020: HK\$50,000).

# Directors' Report

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers and purchases from the five largest suppliers accounted for approximately 35% and approximately 46% of the total sales and purchases for the year, respectively. The Group's largest customer and supplier accounted for approximately 10% and approximately 15% of the total sales and purchases for the year, respectively.

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

## EMOLUMENT POLICY

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

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

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

## RETIREMENT BENEFIT SCHEMES

Other than operating a Hong Kong Mandatory Provident Fund Scheme, participating in the defined contribution pension scheme operated by the Macao government authority, the Central Provident Fund operated by Singapore government and the PRC state-managed retirement benefit scheme, the Group has not operated any other retirement benefit scheme for the Group's employees. Particulars of the retirement benefit schemes are set out in note 31 to the consolidated financial statements.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, every Director shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain in or about the execution of the duties of his or her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

## EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 43 to the consolidated financial statements, the Group had no significant events after 31 December 2021.

## EQUITY-LINKED AGREEMENT

Save as disclosed in the section headed "Share Options" of this report, no equity-linked agreements were entered into during the year or subsisted at the end of the year ended 31 December 2021.



# Directors' Report

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

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

## PRE-EMPTIVE RIGHTS

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

## TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the shareholders by reason of their respective holding of the Company's securities.

## SUFFICIENCY OF PUBLIC FLOAT

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

## AUDITOR

On 10 December 2020, Messrs. Deloitte Touche Tohmatsu has resigned as the auditor of the Company with effect from 10 December 2020 as the Company and Messrs. Deloitte Touche Tohmatsu could not reach a consensus on the auditor's remuneration for the year ended 31 December 2020. The Board, with the recommendation from the Audit Committee, has resolved to appoint Messrs. BDO Limited as the auditor of the Company with effect from 14 December 2020 to fill the casual vacancy following the resignation of Messrs. Deloitte Touche Tohmatsu and to hold office until the conclusion of the next AGM. Pursuant to Article 158 of the bylaws of the Company, the Board has the power to fill any casual vacancy in the office of auditor and to fix the remuneration of the auditor so appointed. Accordingly, no extraordinary general meeting was held for such purpose.

Please refer to the announcement of the Company dated 14 December 2020 for more details.

The consolidated financial statements for the years ended 31 December 2020 and 31 December 2021 have been audited by Messrs. BDO Limited.

A resolution will be proposed at the forthcoming AGM to re-appoint Messrs. BDO Limited as auditor of the Company.

On behalf of the Board

**Wang Jian Sheng**  
Chairman

24 March 2022

# Independent Auditor's Report



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永安中心25樓

To the Shareholders of  
**Strong Petrochemical Holdings Limited**  
*(incorporated in the Cayman Islands with limited liability)*

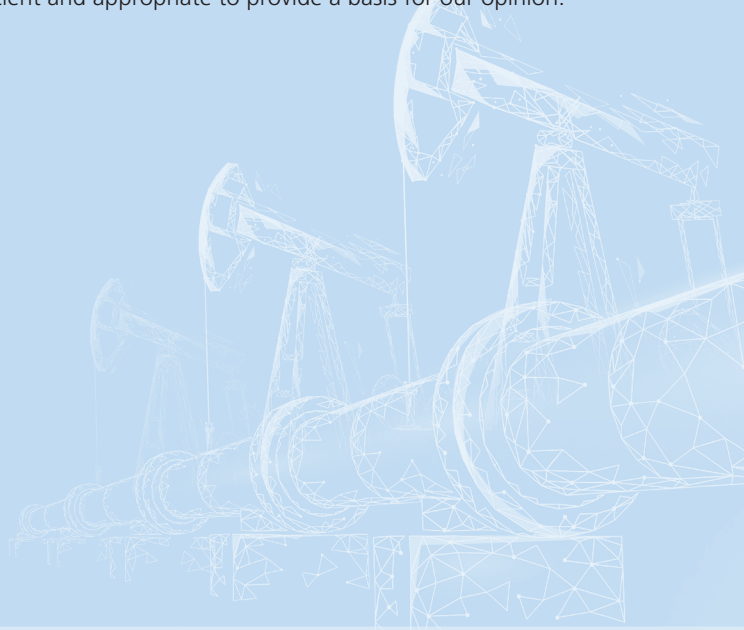
## OPINION

We have audited the consolidated financial statements of Strong Petrochemical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 154 which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



# Independent Auditor's Report

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter

### How our audit addressed the key audit matter

#### Valuation of interest in an associate

We identified the valuation of the Group's interest in an associate located in the People's Republic of China (the "PRC"), Sinochem Tianjin Port Petrochemical Terminal Co., Ltd. ("Sinochem Port"), as a key audit matter due to the significant estimation involved by the management of the Group in determining the recoverable amount of Sinochem Port.

As set out in Note 17 to the consolidated financial statements, the carrying amount of the Group's interest in Sinochem Port as at 31 December 2021 is HK\$68,434,000. Sinochem Port is principally engaged in provision of crude oil and petrochemicals storage services in the PRC. Its financial performance is highly dependent on the service charges and demand for these storage services, which are influenced by market conditions. Sinochem Port performed unsatisfactorily in prior years and impairment losses of HK\$11,116,000 have been provided for in previous years. In 2021, Sinochem Port performs satisfactorily and the Group recognises its share of profit of HK\$7,949,000 for the year.

For the year ended 31 December 2021, the management of the Group has performed an impairment assessment on its interest in this associate and concluded that the recoverable amount of Sinochem Port exceeded its carrying value. Thus, the Group recognised a reversal of impairment of HK\$6,723,000 for the year. This conclusion is based on the value-in-use calculation using a discounted cash flow model developed by the management expertise. The model requires significant estimation on growth rates and gross profit margin which form parts of the underlying future cash flows of this associate and the appropriate discount rate.

Our procedures to the valuation of the Group's interest in an associate included:

- Understanding the basis adopted in the valuation methodology prepared by the management;
- Assessing the reasonableness of the key assumptions made by the management, including growth rates and gross profit with reference to the current market circumstances;
- Assessing the appropriateness of key inputs applied by the management in preparing the cash flow forecast against historical performance, including revenue, cost of sales and operating expenses, and with reference to the future strategic plans of this associate; and
- Involving our internal valuation specialists in evaluating the reasonableness of the value-in-use model and discounted cash flow method adopted, projection periods, terminal growth rate, and the discount rates used in the impairment assessment.

# Independent Auditor's Report

## Key audit matter

### Recoverability of trade receivables

As set out in Note 19, as at 31 December 2021, the carrying value of the Group's trade receivables amounted to HK\$542,787,000, representing approximately 33% of total assets. Of which, HK\$541,071,000 were past due over 365 days based on invoice date.

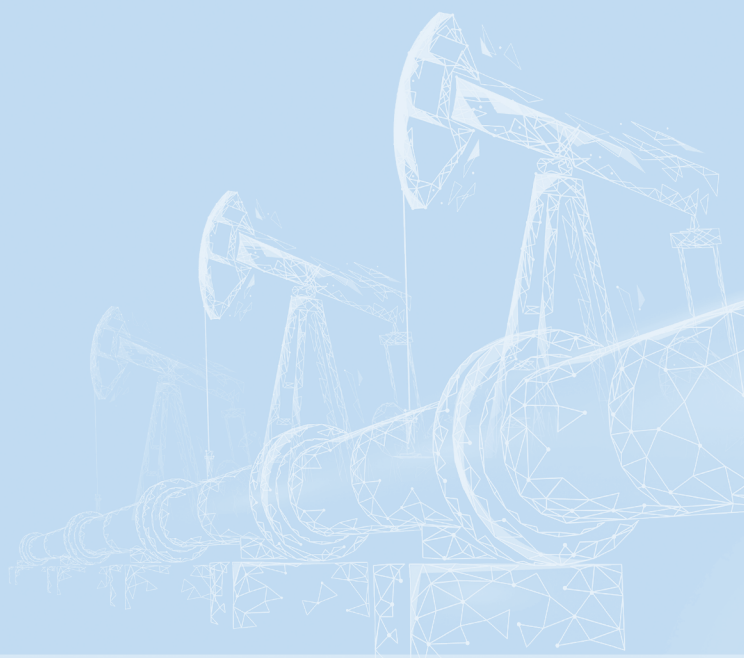
To measure the expected credit losses ("ECLs") of trade receivables, the Group assesses the overdue balances individually by reference to past default experience, current past due exposure of the debtors, an analysis of the debtors' current financial position, and also taking into account the market value of the collateral held against overdue trade receivables, if any.

We identified the recoverability of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgements made by the management in assessing the impairment of trade receivables and determining the allowance for impairment losses.

## How our audit addressed the key audit matter

Our procedures to assess the recoverability of trade receivables included:

- Obtaining an understanding of the basis of management's judgements about the recoverability of individual balances and evaluating the impairment allowances with reference to debtors' financial condition, the industry in which the debtors are operating, historical and post year-end payment records, legal documents in relation to disputes with debtors and other relevant information obtained from other audit procedures;
- Assessing the assumptions and estimates made by the management in development of the ECLs including considering the debtors' expected payment pattern along with macroeconomic information; and
- Obtaining a summary of subsequent settlements relating to trade receivable balances as at 31 December 2021 and inspecting underlying documents relating to the payments received on a sample basis.





# Independent Auditor's Report

## Key audit matter

## How our audit addressed the key audit matter

### Valuation of financial assets at fair value through profit or loss

As set out in Note 20, as at 31 December 2021, the Group has financial assets at fair value through profit or loss that comprise mainly an unlisted equity investment with a carrying value of HK\$197,485,000. The management of the Group has assessed the fair value of this investment using discounted cash flow model. The Group recognised a gain of changes in fair value relating to the unlisted equity investment of HK\$2,485,000 for the year. Fair value measurement of this investment is classified as Level 3 of the fair value hierarchy as set out in Note 4.

We identified the valuation of this investment as a key audit matter due to the significance of judgement and assumptions involved in the management's assessment and the subjectivity in determination of the Level 3 fair value given the lack of availability of market-based data.

Our procedures in relation to the valuation of Level 3 financial assets included:

- Reviewing the valuation report prepared by the management expertise and understanding the valuation basis, methodology used and underlying assumptions applied;
- Evaluating the competency, capabilities and objectivity of the management expertise;
- Assessing the appropriateness of the valuation methodology used by the management expertise;
- Considering the appropriateness of the multiples selected from the market comparable, the discount of lack of control and the discount for lack of marketability with the assistance of our internal valuation specialists;
- Checking the accuracy and the relevant of the input data used; and
- Assessing the adequacy of fair value disclosures in relation to the financial assets.

## OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# Independent Auditor's Report

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company ("Audit Committee") assists the directors in discharging their responsibilities in this regard.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**BDO Limited**  
*Certified Public Accountants*

Amy Yau Shuk Yuen  
Practising Certificate No. P06095  
Hong Kong, 24 March 2022



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Revenue	5		
Goods and services		<b>798,024</b>	6,523,194
Leases		<b>12,588</b>	49,120
		<b>810,612</b>	6,572,314
Cost of sales		<b>(772,180)</b>	(6,148,292)
Gross profit		<b>38,432</b>	424,022
Other income	7	<b>10,718</b>	17,691
Other gains and losses	7	<b>25,625</b>	(468)
Other operating income	7	<b>90,537</b>	–
Impairment loss on trade receivables	35	–	(216,301)
Impairment loss on other receivables	35	<b>(1,836)</b>	(11,436)
Impairment loss on investment properties	15	<b>(24,910)</b>	–
Reversal of impairment loss on interest in an associate	17	<b>6,723</b>	–
Gain on changes in fair value of financial assets at fair value through profit or loss, net		<b>1,669</b>	419
Gain on changes in fair value of derivative financial instruments, net		<b>72,047</b>	25,436
Distribution, selling and operating expenses		<b>(121,581)</b>	(192,463)
Administrative expenses		<b>(87,383)</b>	(94,177)
Finance costs	8	<b>(3,497)</b>	(20,351)
Share of results of associates	17	<b>7,949</b>	4,203
Loss on disposal of subsidiaries	30	<b>(573)</b>	(1,695)
Profit (loss) before taxation	10	<b>13,920</b>	(65,120)
Income tax expense	9	<b>(7,696)</b>	(19,294)
Profit (loss) for the year		<b>6,224</b>	(84,414)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>11,475</b>	24,239
Reclassification of cumulative translation reserve to profit or loss upon disposal of subsidiaries		<b>43</b>	(394)
Other comprehensive income for the year		<b>11,518</b>	23,845
Total comprehensive income for the year		<b>17,742</b>	(60,569)



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	NOTE	2021 HK\$'000	2020 HK\$'000
Profit (loss) for the year attributable to:			
Owners of the Company		<b>6,224</b>	(93,013)
Non-controlling interests		–	8,599
		<b>6,224</b>	(84,414)
Total comprehensive income for the year attributable to:			
Owners of the Company		<b>17,736</b>	(70,381)
Non-controlling interests		<b>6</b>	9,812
		<b>17,742</b>	(60,569)
Earnings (loss) per share	13		
— basic (HK cents)		<b>0.29</b>	(4.38)
— diluted (HK cents)		<b>0.29</b>	(4.38)



# Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	129,186	84,881
Investment properties	15	174,400	209,987
Right-of-use assets	25	71,216	68,695
Other assets	16	1,828	1,865
Trade receivables	19	310,354	–
Prepayment		–	3,045
Rental deposit	19	214	321
Interests in associates	17	68,434	52,080
Financial asset at fair value through profit or loss	20	197,485	195,000
		<b>953,117</b>	615,874
<b>Current assets</b>			
Inventories	18	–	24,399
Trade receivables	19	232,433	713,876
Other receivables, deposits and prepayments	19	48,075	107,566
Derivative financial instruments	27	59,980	53,253
Financial assets at fair value through profit or loss	20	417	1,233
Deposits placed with brokers	21	176,302	87,593
Bank balances and cash	22	158,152	144,173
		<b>675,359</b>	1,132,093
<b>Current liabilities</b>			
Trade payables	23	–	28,945
Other payables and accrued charges	23	106,410	104,181
Contract liabilities	24	1,756	6
Lease liabilities	25	1,360	2,085
Taxation payable		1,812	–
Bank and other borrowings	26	–	140,198
Derivative financial instruments	27	78,054	50,428
		<b>189,392</b>	325,843
<b>Net current assets</b>		<b>485,967</b>	806,250
<b>Total assets less current liabilities</b>		<b>1,439,084</b>	1,422,124

# Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Non-current liabilities			
Lease liabilities	25	223	496
		223	496
Net assets		1,438,861	1,421,628
Capital and reserves			
Share capital	29	53,084	53,084
Reserves		1,385,777	1,368,041
Equity attributable to owners of the Company		1,438,861	1,421,125
Non-controlling interests		–	503
Total equity		1,438,861	1,421,628

The consolidated financial statements on pages 63 to 154 were approved and authorised for issue by the Board of Directors on 24 March 2022 and are signed on its behalf by:

**Wang Jian Sheng**  
DIRECTOR

**Yao Guoliang**  
DIRECTOR



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company										Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 <i>(note (i))</i>	Legal reserve HK\$'000 <i>(note (ii))</i>	Share-based payments reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000 <i>(note (iii))</i>	Retained profits HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	
At 1 January 2020	53,093	566,232	(1,922)	49	50,391	(12,426)	12,295	823,924	1,491,636	16,328	1,507,964
(Loss) profit for the year	-	-	-	-	-	-	-	(93,013)	(93,013)	8,599	(84,414)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	23,026	-	-	23,026	1,213	24,239
Reclassification of cumulative translation reserve to profit or loss upon disposal of subsidiaries (Note 30)	-	-	-	-	-	(394)	-	-	(394)	-	(394)
Total comprehensive income for the year	-	-	-	-	-	22,632	-	(93,013)	(70,381)	9,812	(60,569)
Repurchase of shares (Note 29)	(9)	(121)	-	-	-	-	-	-	(130)	-	(130)
Disposal of subsidiaries (Note 30)	-	-	-	-	-	-	-	-	-	(25,637)	(25,637)
	(9)	(121)	-	-	-	-	-	-	(130)	(25,637)	(25,767)
At 31 December 2020	53,084	566,111	(1,922)	49	50,391	10,206	12,295	730,911	1,421,125	503	1,421,628
Profit for the year	-	-	-	-	-	-	-	6,224	6,224	-	6,224
Exchange differences arising on translation of foreign operations	-	-	-	-	-	11,469	-	-	11,469	6	11,475
Reclassification of cumulative translation reserve to profit or loss upon disposal of a subsidiary (Note 30)	-	-	-	-	-	43	-	-	43	-	43
Total comprehensive income for the year	-	-	-	-	-	11,512	-	6,224	17,736	6	17,742
Disposal of a subsidiary (Note 30)	-	-	-	-	-	-	-	-	-	(509)	(509)
Reclassification of legal reserve to retained profits upon closure of the Macao subsidiary	-	-	-	(49)	-	-	-	49	-	-	-
	-	-	-	(49)	-	-	-	49	-	(509)	(509)
At 31 December 2021	53,084	566,111	(1,922)	-	50,391	21,718	12,295	737,184	1,438,861	-	1,438,861

## 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 Strong Petrochemical Holdings Limited (the "Company") issued for the acquisition at the time of the corporate reorganisation to rationalise the structure of the Company and its subsidiaries (collectively referred to as the "Group") prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "HKEx").
- (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 Macau Patacas ("MOP") 100,000 was transferred to the legal reserve. During the year ended 31 December 2021, the Macao subsidiary was closed and the legal reserve has been reclassified to retained profits.
- (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.



# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit (loss) before taxation		<b>13,920</b>	(65,120)
Adjustments for:			
Bank interest income	7	<b>(111)</b>	(474)
Interest income from trade receivables	7	<b>(2,378)</b>	–
Interest income from deposits placed with brokers	7	–	(69)
Finance costs	8	<b>3,497</b>	20,351
Depreciation of property, plant and equipment	10	<b>7,775</b>	20,938
Depreciation of investment properties	10	<b>10,677</b>	3,559
Depreciation of right-of-use assets	10	<b>4,250</b>	4,415
Amortisation of other assets	10	<b>36</b>	1,295
Loss on disposal of subsidiaries	30	<b>573</b>	1,695
(Gains) losses on disposal of property, plant and equipment	7	<b>(115)</b>	1
Gains on changes in fair value of financial assets at fair value through profit or loss, net		<b>(1,669)</b>	(420)
Gain on debt modification	7	<b>(26,747)</b>	–
Impairment loss on trade receivables		–	216,301
Reversal of impairment loss on interest in an associate		<b>(6,723)</b>	–
Impairment loss on other receivables, deposits and prepayments		<b>1,836</b>	11,436
Impairment loss on investment properties		<b>24,910</b>	–
Impairment loss on inventories	10	–	161
Share of results of associates		<b>(7,949)</b>	(4,203)
Operating cash flows before movements in working capital		<b>21,782</b>	209,866
Decrease (increase) in inventories		<b>24,638</b>	(3,447)
Decrease in trade receivables		<b>200,270</b>	1,743,467
(Increase) decrease in other receivables, deposits and prepayments		<b>(19,759)</b>	38,355
Increase in tax reserve certificates		–	(2,800)
Decrease in trade payables		<b>(28,945)</b>	(1,190,081)
Increase (decrease) in other payables and accrued charges		<b>32,475</b>	(106,223)
Increase in contract liabilities		<b>1,724</b>	35,601
Changes in derivative financial instruments		<b>20,899</b>	(397)
Cash generated from operations		<b>253,084</b>	724,341
Bank charges		<b>(705)</b>	(6,710)
Income tax paid		<b>(6,012)</b>	(8,703)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>246,367</b>	708,928



# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Increase in deposits placed with brokers		<b>(88,709)</b>	(10,995)
Payment for acquisition of right-of-use assets		–	(48,446)
Payment for acquisition of other assets		–	(2,101)
Payment for acquisition of property, plant and equipment		<b>(48,995)</b>	(19,247)
Withdrawal of pledged bank deposits		–	17,118
Interest received		<b>111</b>	543
Proceeds from disposal of property, plant and equipment		<b>627</b>	–
Net cash (outflow) proceeds from disposal of subsidiaries	30	<b>(3)</b>	10,142
Proceeds from consideration receivable	19(B)	<b>74,960</b>	2,730
Payment for acquisition of financial assets at fair value through profit or loss		<b>(31,200)</b>	(136,500)
Proceeds from disposal of financial assets at fair value through profit or loss		–	12
Net cash inflow from acquisition of subsidiaries		–	10
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(93,209)</b>	(186,734)
<b>FINANCING ACTIVITIES</b>			
Proceeds from bank and other borrowings	39	<b>20,407</b>	1,878,807
Repayments of bank and other borrowings	39	<b>(160,579)</b>	(2,605,037)
Repayments of lease liabilities	39	<b>(2,704)</b>	(2,660)
Payment on repurchase of shares		–	(130)
Interest paid	39	<b>(2,793)</b>	(13,641)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(145,669)</b>	(742,661)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>7,489</b>	(220,467)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>144,173</b>	358,075
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>6,490</b>	6,565
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH</b>		<b>158,152</b>	144,173

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 1 February 2008. The shares of the Company have been listed on the main board of the HKEx since 12 January 2009. Its parent and ultimate holding company is Forever Winner International Ltd. (“Forever Winner”), a limited company incorporated in the British Virgin Islands. Mr. Wang Jian Sheng, the chairman and executive director of the Company, and Mr. Yao Guoliang, the chief executive officer and executive director of the Company, each holds 50% equity interest in Forever Winner. The Company’s addresses of the registered office and principal place of business are disclosed in the section of “Corporate Information” in the Company’s annual report.

The Company acts as an investment holding company. The principal activities of the Company’s subsidiaries are mainly trading of commodities, including crude oil, petroleum products, petrochemicals, coal and iron ore, and provision of petroleum products and petrochemicals storage services. Details of the principal subsidiaries of the Company are set out in Note 41.

The principal operations of the Group are conducted in Hong Kong Special Administrative Region (“Hong Kong”), Macao, the People’s Republic of China (other than Hong Kong, Macao and Taiwan) (the “PRC”) and Singapore.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### (a) Adoption of amended HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

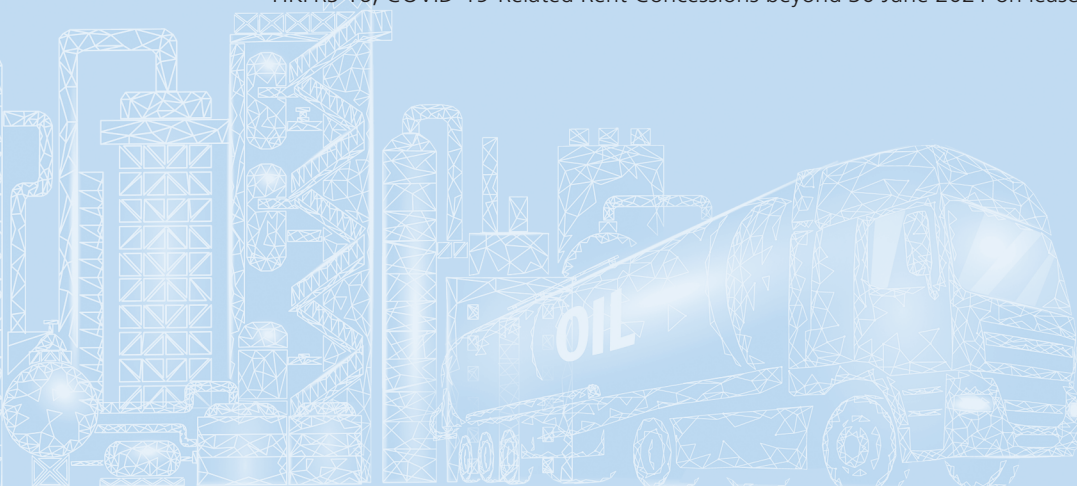
Amendments to HKFRS 9, HKAS 39, HKFRS 7,  
HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform — Phase 2

Amendments to HKFRS 16

COVID-19-Related Rent Concessions beyond  
30 June 2021

None of these amendments has had a material effect on how the Group’s results and financial position for the current period have been prepared or presented in these consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. In particular, the Group does not take advantage of the practical expedient available under the amendments to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021 on lease modifications.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### (b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1 HK Interpretation 5 (2020)	Classification of Liabilities as Current or Non-current <sup>3</sup> Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>3</sup>
Amendments to HKAS 16 Amendments to HKAS 37 Amendments to HKFRS 3 Amendments to HKFRS 10 and HKAS 28	Property, Plant and Equipment: Proceeds before Intended Use <sup>1</sup> Onerous Contracts — Cost of Fulfilling a Contract <sup>1</sup> References to Conceptual Framework <sup>2</sup> Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2 Amendments to HKAS 8 Amendments to HKAS 12	Disclosure of Accounting Policies <sup>3</sup> Definition of Accounting Estimates <sup>3</sup> Deferred Tax Related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>1</sup>

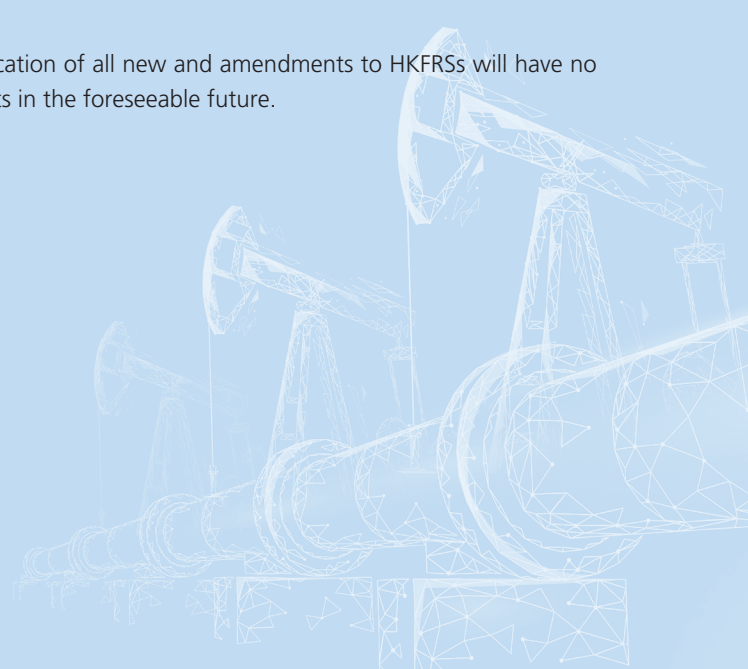
<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>4</sup> The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKEx.

### (b) Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies set out below.

### (c) Functional and presentation currencies

The functional currency of the Company and most of its subsidiaries is United States Dollar (“US\$”), as the Group mainly trades in US\$ with its customers and suppliers. However, for the convenience of the financial statements’ users, the consolidated financial statements are presented in Hong Kong Dollar (“HK\$”).

### (d) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group’s previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Business combination and basis of consolidation *(continued)*

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of twelve months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

### (e) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the Company considers all relevant facts and circumstances, including:

- the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- substantive potential voting rights held by the Company and other parties who hold voting rights;
- other contractual arrangements; and
- historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Associates

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

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

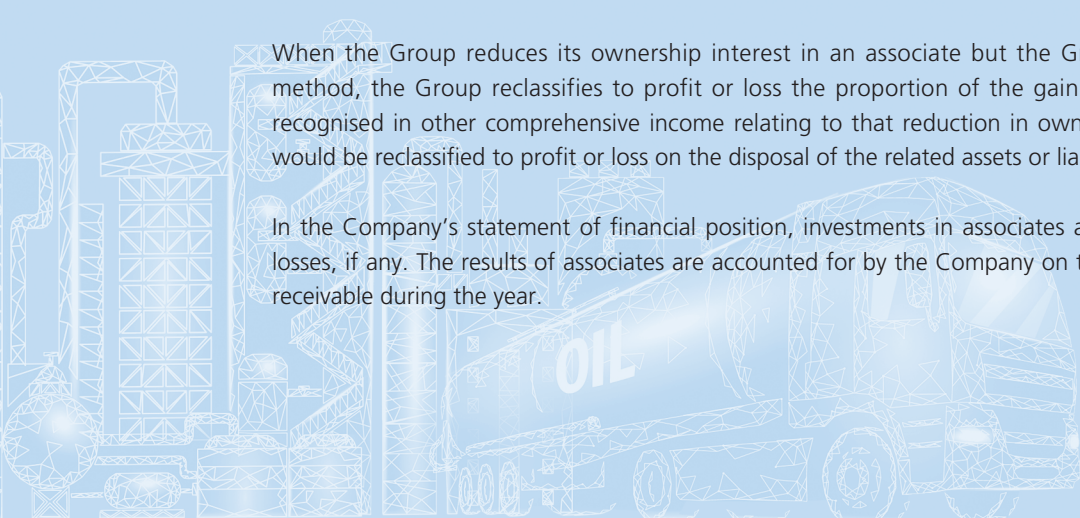
Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions are eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred, they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9 *Financial Instruments*. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, all amounts previously recognised in other comprehensive income in relation to that associate are recognised on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

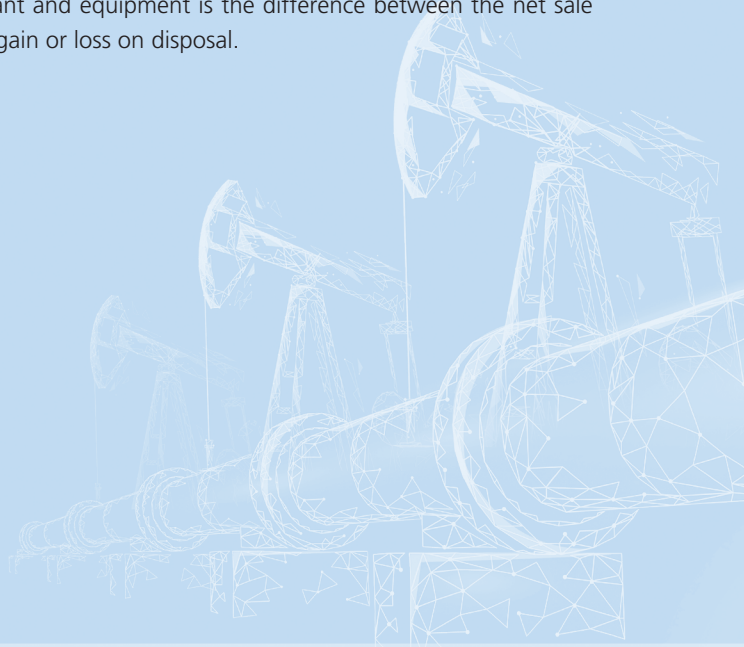
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives of property, plant and equipment are set out in Note 14.

Construction in progress is stated at cost less impairment losses, if any. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate classes of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised as gain or loss on disposal.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both.

Investment properties are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated to write-off the cost of investment properties, less their residual values, if any, using straight-line method over their estimated useful lives of 20 years. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives of investment properties are set out in Note 15.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised.

Rent receivable is recognised on a straight-line basis over the period of the lease. Where an incentive (such as a rent free period) is given to a tenant, the carrying value of the investment property excludes any amount reported as a separate asset as a result of recognising rental income on this basis.

### (i) Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Leases

#### The Group as a lessee

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than twelve months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

#### *Right-of-use asset*

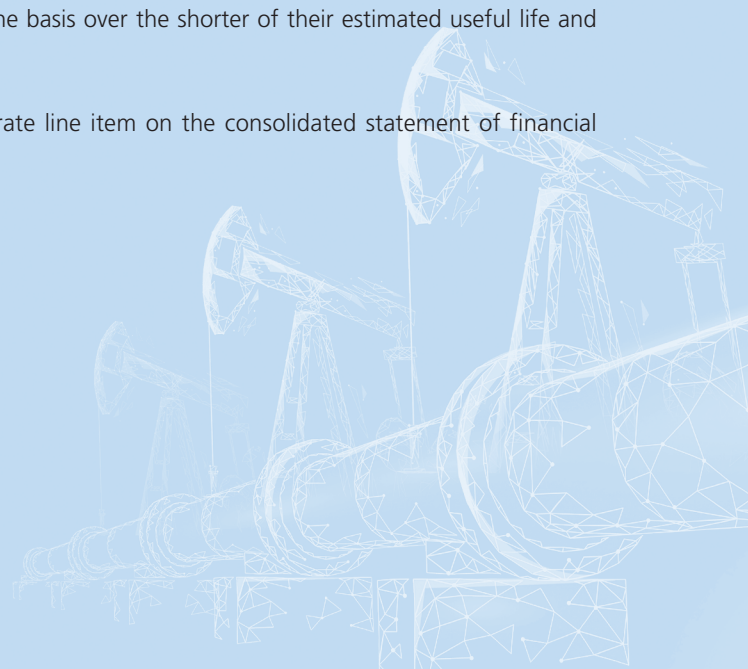
The right-of-use asset is initially recognised at cost and would comprise:

- (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease terms.

The Group presents the right-of-use assets as a separate line item on the consolidated statement of financial position.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Leases (continued)

#### The Group as a lessee (continued)

##### Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

- (i) fixed lease payments less any lease incentives receivable;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- (iii) amounts expected to be payable by the lessee under residual value guarantees;
- (iv) exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

- (i) increasing the carrying amount to reflect interest on the lease liability;
- (ii) reducing the carrying amount to reflect the lease payments made; and
- (iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

#### The Group as a lessor

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Any changes in the scope of the consideration for a lease that was not part of the original terms and conditions of the lease are accounted for as lease modifications. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, recognising the remaining lease payments as income on either a straight-line basis or another systematic basis over the remaining lease term.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Financial instruments

#### (i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. Trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

#### *Financial assets at FVTPL*

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Financial instruments *(continued)*

#### (ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss (“ECL”) on trade receivables and financial assets measured at amortised cost and debt investments measured at FVTOCI. ECLs are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the twelve months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group measured loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition and debt investment securities that are determined to have low credit risk at the reporting date, in which case the allowance will be based on the 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or the financial asset is more than 90 days past due.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Financial instruments *(continued)*

#### (ii) Impairment loss on financial assets *(continued)*

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when there is:

- a significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- probability that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in "FVTOCI reserve (recycling)".

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Financial instruments *(continued)*

#### (iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

#### *Financial liabilities at FVTPL*

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

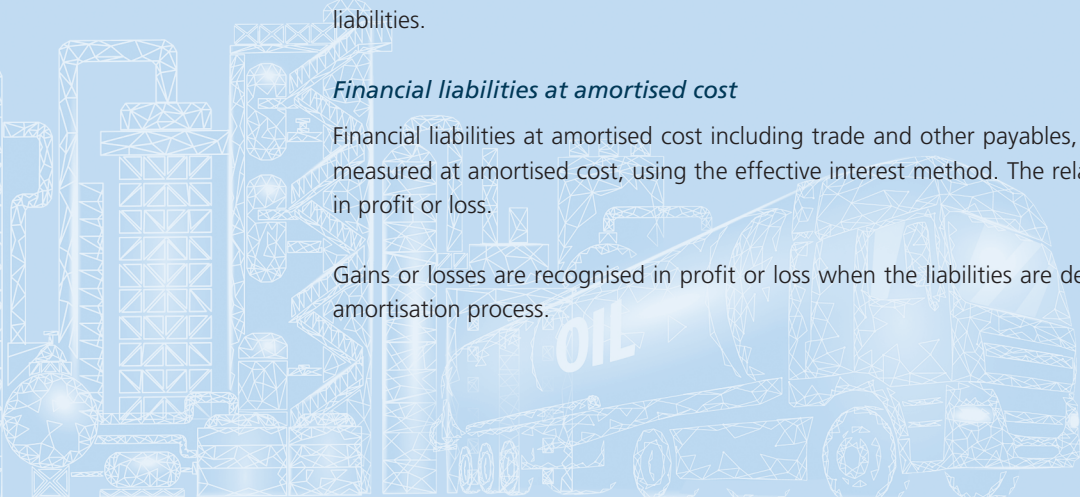
Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising the gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

#### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade and other payables, and borrowings, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Financial instruments *(continued)*

#### (iv) Derivative financial instruments

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

##### *Embedded derivatives*

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

#### (v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### (vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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

#### (vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### (m) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added taxes or other sales taxes and is after deduction of any trade discounts.

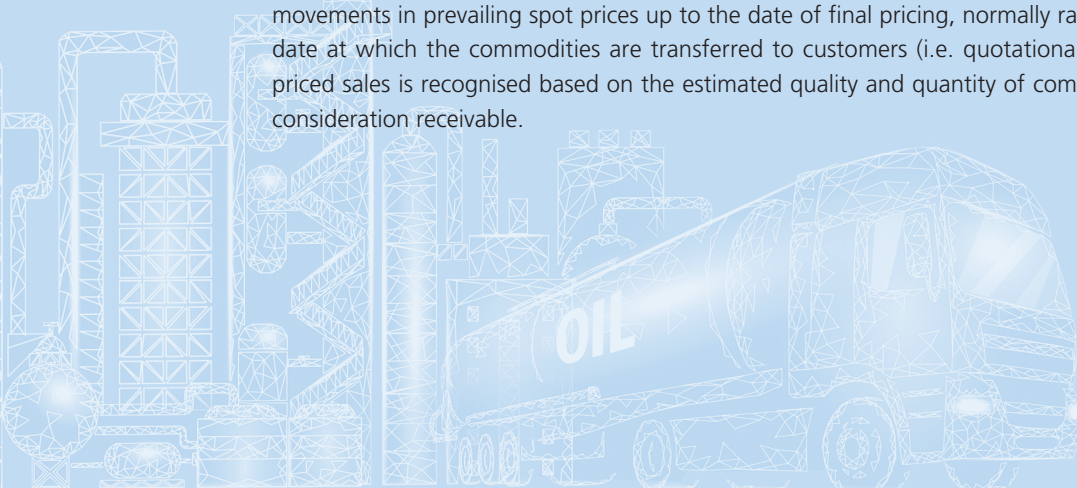
Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

### Provisional pricing arrangements in relation to trading of commodities

For trading of commodities, the sales price is determined on a provisional basis at the date of sale, as the final sales price is subject to (a) final assay for the quality and quantity of commodities after discharge and (b) movements in prevailing spot prices up to the date of final pricing, normally ranging from 30 to 90 days from the date at which the commodities are transferred to customers (i.e. quotational period). Revenue on provisionally priced sales is recognised based on the estimated quality and quantity of commodities and fair value of the total consideration receivable.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Revenue recognition *(continued)*

#### **Provisional pricing arrangements in relation to trading of commodities** *(continued)*

The Group estimates the amount of the variable consideration of trading of commodities to which it will be entitled using the most likely amount as it better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Adjustment to the sales price occurs based on movements in prevailing spot prices up to the completion of quotational period and, thus, the revenue adjustment mechanism has the characteristic of a commodity derivative. Accordingly, the fair value of the total consideration receivable subject to the final sales price adjustment is re-estimated continuously by reference to prevailing spot prices and changes in fair value are recognised in profit or loss. Such fair value adjustments do not form part of the revenue recognised from the contracts with customers but included in the "other gains and losses" line item in the consolidated statement of profit or loss and other comprehensive income. These trade receivables are governed under HKFRS 9 and are recognised at FVTPL.

#### **Principal versus agent**

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

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

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

#### **Contract liabilities**

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Revenue recognition (continued)

#### Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- (b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

As a practical expedient, the Group may recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

### (n) Joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- (a) the structure of the joint arrangement;
- (b) the legal form of joint arrangement structured through a separate vehicle;
- (c) the contractual terms of the joint arrangement agreement; and
- (d) any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interest in joint operation by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations. In accordance with HKFRS 11 *Joint Arrangements*, the Group is required to apply all of the principles of HKFRS 3 *Business Combinations* when it acquires an interest in a joint operation that constitutes a business as defined by HKFRS 3.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries and associates where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

### (p) Foreign currencies

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Foreign currencies *(continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the gain or loss on disposal.

### (q) Employee benefits

#### (i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

#### (ii) Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

#### (iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Share-based payments

#### Equity-settled share-based payment transactions

##### *Share options granted to employees*

Equity-settled share-based payment to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

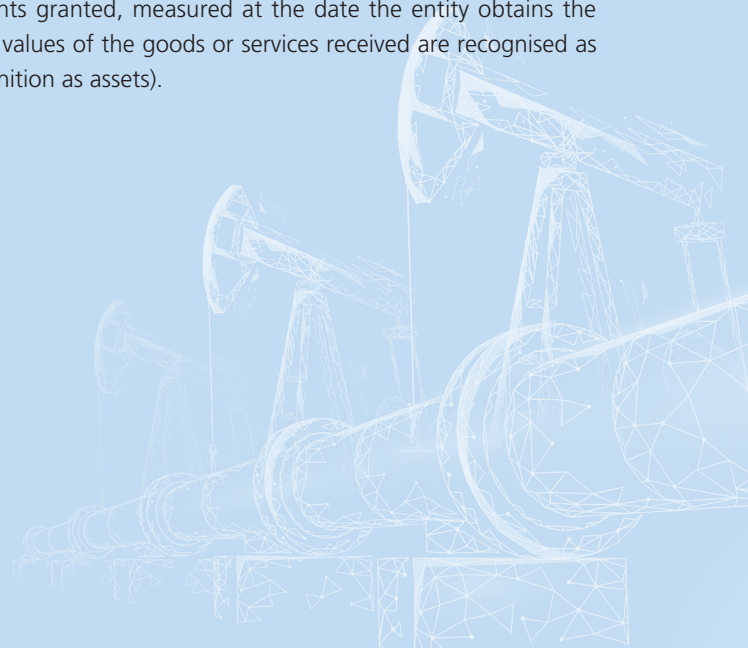
The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in share-based payments reserve.

At the end of the reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

##### *Share options granted to suppliers/consultants/advisers*

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investment properties under cost model; and
- interests in associates.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

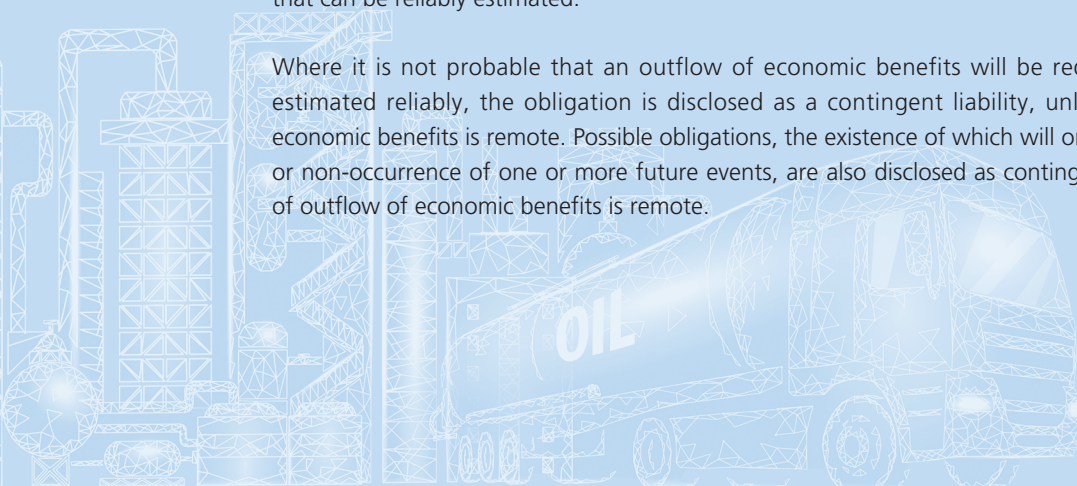
Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

### (t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits and highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the consolidated statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

### (v) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of key management personnel of the Company or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (a) Critical judgement in applying accounting policies

#### Principal versus agent consideration (principal)

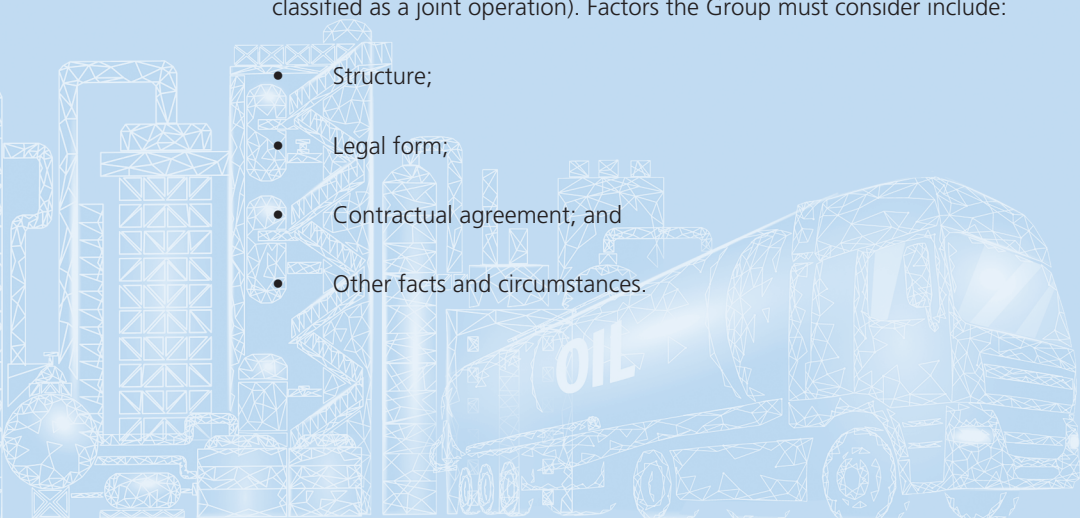
The Group engages in trading of commodities, mainly crude oil, petroleum products, petrochemicals, coal and iron ore. The directors of the Company concluded that the Group acts as the principal for such transactions as the Group controls the specified goods before the goods are transferred to customers after taking into consideration of indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods, the Group has certain level of inventory risk before transferring the goods to customers and the Group has discretion in establishing the prices for the goods in the form of a premium over the market price of the goods. Before transferring the goods to customers, the Group has ability to direct the use of, and obtain substantially all of the remaining benefits from, the goods by determining the customers and the timing to which the goods will be sold. When the Group satisfies the performance obligation, the Group recognises revenue from trading of commodities in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

For the year ended 31 December 2021, the Group recognised revenue from trading of commodities amounting to approximately HK\$772,068,000.

#### Joint arrangements

For all joint arrangements structured in separate vehicles the Group must assess the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Group to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to and obligations for specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). Factors the Group must consider include:

- Structure;
- Legal form;
- Contractual agreement; and
- Other facts and circumstances.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### (a) Critical judgement in applying accounting policies *(continued)*

#### Joint arrangements *(continued)*

Upon consideration of these factors, the Group has determined that all of its joint arrangements are not structured through separate vehicles and thus, give it rights to and obligations for specific assets, liabilities expenses and revenues.

During the year ended 31 December 2021, the Group entered into a joint operation with an independent third party which met the definitions of a joint operation under relevant accounting standards. The joint operation supplies coal to a thermal power plant in the Vietnam. Under the joint operation, the Group shares 30% of the profit distribution in each coal supply contract. As at 31 December 2021, the Group has recorded other receivables and other payables of approximately HK\$15,216,000 and approximately HK\$7,411,000, respectively, related to the joint operation. For the year ended 31 December 2021, the Group has recorded its share of profit in the joint operation of approximately HK\$7,805,000 in other operating income. For details, please refer to Note 7(C).

### (b) Key sources of estimation uncertainty

#### Valuation of interest in an associate

The Group shares the results of an associate, Sinochem Tianjin Port Petrochemical Terminal Co., Ltd (“Sinochem Port”), which is principally engaged in provision of crude oil and petrochemicals storage services. The service charges and demand for these storage services are influenced by the market conditions. In view of the unsatisfactory results of this associate in prior years, impairment losses of approximately HK\$11,116,000 have been provided for the Group’s interest in this associate.

For the year ended 31 December 2021, the management of the Group has performed an impairment assessment and concluded that the recoverable amount of this associate exceeded its carrying value. Thus, the Group recognised a reversal of impairment of approximately HK\$6,723,000 for the year. This conclusion is based on the value-in-use calculation using a discounted cash flow model developed by the management of the Group with the assistance of an independent qualified professional valuer engaged by the Group. The model requires significant estimation on growth rates and gross profit margin which form parts of the underlying future cash flows of this associate and the appropriate discount rate.

As at 31 December 2021, the carrying amount of the Group’s interest in this associate is approximately HK\$68,434,000, net of impairment of approximately HK\$4,393,000 (2020: approximately HK\$52,080,000, net of impairment of approximately HK\$11,116,000), and for the year ended 31 December 2021, the Group has share of profit of this associate amounting to approximately HK\$7,949,000 (2020: profit of approximately HK\$4,203,000).

Details of this associate and its impairment assessment are set out in Note 17.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### (b) Key sources of estimation uncertainty *(continued)*

#### ECLs impairment

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement. In particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk in overdue trade receivables and long outstanding other receivables. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Details of the impairment assessment on trade and other receivables are set out in Note 35.

#### Fair value measurement

A number of assets and liabilities included in the Group's consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible.

Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

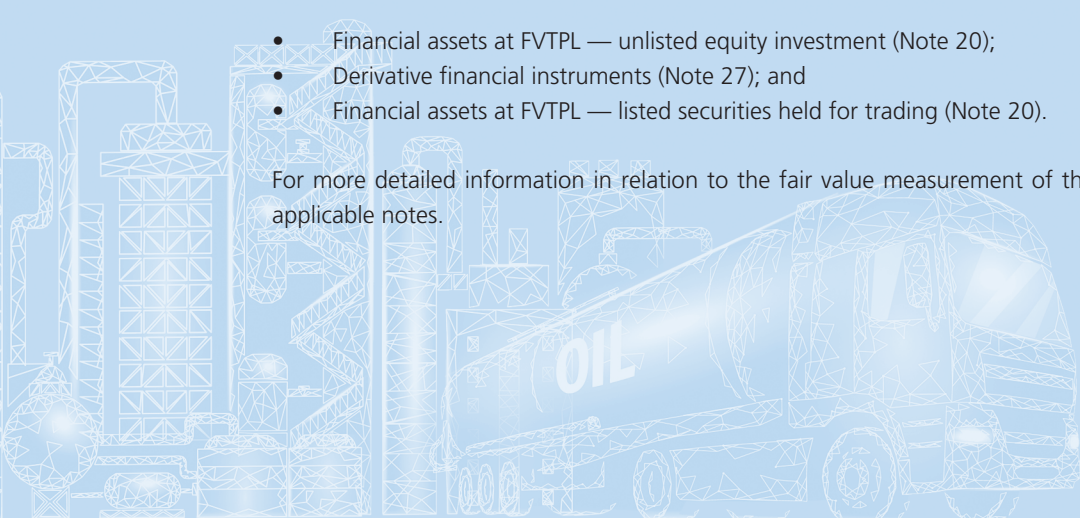
- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Financial assets at FVTPL — unlisted equity investment (Note 20);
- Derivative financial instruments (Note 27); and
- Financial assets at FVTPL — listed securities held for trading (Note 20).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. REVENUE

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

Segments	For the year ended 31 December 2021		
	Trading business HK\$'000	Storage business HK\$'000	Total HK\$'000
<b>Types of goods or services in respect of contracts with customers</b>			
Trading of commodities			
Petroleum products	118,300	–	118,300
Petrochemicals	448,981	–	448,981
Coal	204,787	–	204,787
	<b>772,068</b>	<b>–</b>	<b>772,068</b>
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	–	16,380	16,380
Other ancillary services	–	9,576	9,576
	<b>–</b>	<b>25,956</b>	<b>25,956</b>
<b>Total</b>	<b>772,068</b>	<b>25,956</b>	<b>798,024</b>
<b>Geographical markets</b>			
The PRC	738,356	25,956	764,312
Other regions	33,712	–	33,712
<b>Total</b>	<b>772,068</b>	<b>25,956</b>	<b>798,024</b>
<b>Timing of revenue recognition</b>			
A point in time	772,068	–	772,068
Over time	–	25,956	25,956
<b>Total</b>	<b>772,068</b>	<b>25,956</b>	<b>798,024</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. REVENUE (CONTINUED)

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

Segments	For the year ended 31 December 2020		
	Trading business HK\$'000	Storage business HK\$'000	Total HK\$'000
<b>Types of goods or services in respect of contracts with customers</b>			
Trading of commodities			
Crude oil	5,099,470	–	5,099,470
Petroleum products	353,676	–	353,676
Petrochemicals	696,811	–	696,811
Coal	224,169	–	224,169
Iron ore	106,895	–	106,895
	6,481,021	–	6,481,021
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	–	22,605	22,605
Other ancillary services	–	19,568	19,568
	–	42,173	42,173
<b>Total</b>	<b>6,481,021</b>	<b>42,173</b>	<b>6,523,194</b>
<b>Geographical markets</b>			
The PRC	5,307,590	42,173	5,349,763
Other regions	1,173,431	–	1,173,431
<b>Total</b>	<b>6,481,021</b>	<b>42,173</b>	<b>6,523,194</b>

### Timing of revenue recognition

A point in time	6,481,021	–	6,481,021
Over time	–	42,173	42,173
<b>Total</b>	<b>6,481,021</b>	<b>42,173</b>	<b>6,523,194</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. REVENUE (CONTINUED)

### (ii) Performance obligations for contracts with customers

#### Trading of commodities

The Group recognises revenue from the sale of crude oil, petroleum products, petrochemicals, coal and iron ore in the period that the performance obligations are satisfied which refers to delivery of the goods to the destination specified by the customers. The destination may be the vessel on which the goods is shipped, destination port or the customer's premises. The quantity of crude oil, petroleum products, petrochemicals, coal and iron ore as specified in each sales contract is separately identifiable and represents a distinct performance obligation to which the transaction price is allocated. Performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers. The customers have obtained control on the goods through their ability to direct the use of and obtain substantially all the benefits from the goods.

The sales price is determined on a provisional basis at the date of sale as the final sales price is subject to final assay after the goods discharged and movements of prevailing spot prices subsequent to the transfer of control of the goods. Details of the accounting policy in respect of the provisional pricing arrangement included in the contracts with customers are set out in Note 3.

The Group has no particular policy on the amounts received prior to the delivery of goods and it is negotiated with customers on contract by contract basis. The advance payments received from customers are recognised as liabilities throughout the period before the control on the goods is transferred to customers.

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

The Group provides general storage and other ancillary services in respect of petroleum products and petrochemicals to customers. Other ancillary services include truck and cargo loading and unloading, port and tunnel usage and cleaning services, etc. The Group charges service fees based on a pre-agreed fixed amount per unit of goods or per month from customers. The revenue is recognised over time as the customers simultaneously receive and consume the benefits in relation to services provided by the Group.

### (iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group has elected to apply the practical expedient under HKFRS 15 *Revenue from Contracts with Customers* for not to disclose the information of remaining performance obligations which are part of a contract that has an original expected duration of one year or less; or from satisfaction of which the Group recognises revenue in the amount, which the Group has the right to invoice, that corresponds directly with the value to the customers of the Group's performance completed to date.

The transaction price allocated to the remaining performance obligations where the aforementioned practical expedients are not applicable as at 31 December 2021 is approximately HK\$14,354,000 (2020: approximately HK\$3,992,000), which relates to contracts of storage and other ancillary services for petroleum products and petrochemicals only. This amount represents the revenue expected to be recognised by the Group in the future when it satisfies the remaining performance obligations and 100% (2020: approximately 50%) is expected to be recognised as revenue within one year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. REVENUE (CONTINUED)

### (iv) Leases

	2021 HK\$'000	2020 HK\$'000
For operating leases:		
Lease income that is fixed or depends on a rate	12,588	49,120

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

	2021 HK\$'000	2020 HK\$'000
Trading business	772,068	6,481,021
Storage business	25,956	42,173
Revenue from contracts with customers	798,024	6,523,194
Leases	12,588	49,120
Total revenue	810,612	6,572,314

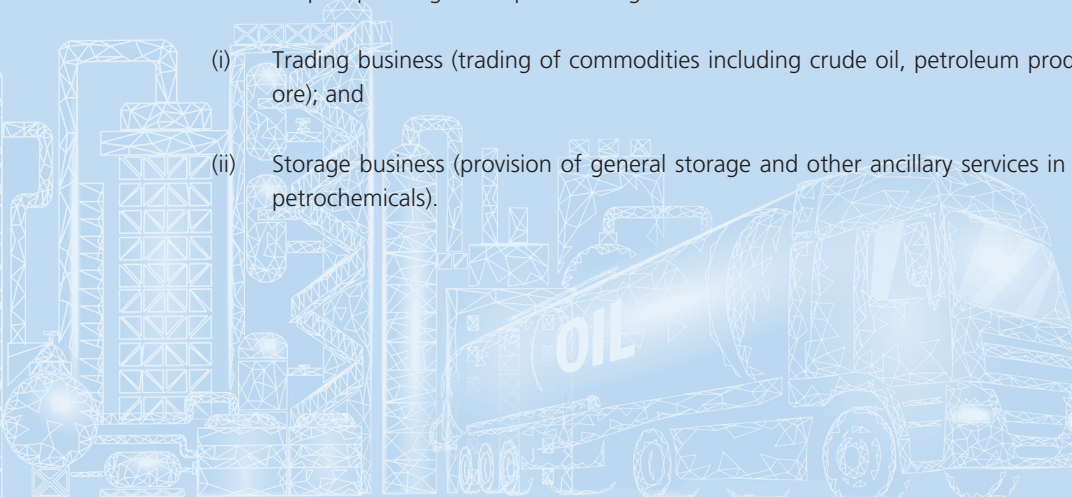
## 6. SEGMENT INFORMATION

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the executive directors of the Company for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities. No operating segments have been aggregated to form the reporting segments.

Segment revenue, expenses, and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment assets excluding tax recoverable are managed on a group basis. Segment liabilities excluding tax payable are managed on a group basis. 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).



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results

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

#### For the year ended 31 December 2021

	Trading business HK\$'000	Storage business HK\$'000	Total HK\$'000
Revenue from contracts with customers	772,068	25,956	798,024
Leases	–	12,588	12,588
Total revenue	772,068	38,544	810,612
Segment results	64,214	14,665	78,879
Share of results of associates			7,949
Loss on disposal of a subsidiary			(573)
Reversal of impairment loss on interest in an associate			6,723
Impairment loss on other receivables			(1,836)
Impairment loss on investment properties			(24,910)
Gain on changes in fair value of financial assets at FVTPL, net			1,669
Other operating losses from time chartering, net			(37,717)
Share of profits from a joint operation, net			7,805
Other operating income from logistics and blending services, net			1,506
Unallocated finance costs			(2,727)
Unallocated income and gains			4,366
Unallocated expenses and losses			(27,214)
Profit before taxation			13,920

#### For the year ended 31 December 2020

	Trading business HK\$'000	Storage business HK\$'000	Total HK\$'000
Revenue from contracts with customers	6,481,021	42,173	6,523,194
Leases	–	49,120	49,120
Total revenue	6,481,021	91,293	6,572,314
Segment results	(72,015)	31,329	(40,686)
Share of results of associates			4,203
Loss on disposal of subsidiaries			(1,695)
Impairment loss on other receivables			(468)
Unallocated finance costs			(13,580)
Unallocated income and gains			880
Unallocated expenses and losses			(13,774)
Loss before taxation			(65,120)



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. SEGMENT INFORMATION (CONTINUED)

### Other segment information

Other segment information included in the consolidated statement of profit or loss are as follows:

Amounts included in the measure of segment profit or loss:

#### For the year ended 31 December 2021

	Trading business HK\$'000	Storage business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Interest income (included in other income)	2,476	6	7	2,489
Depreciation of property, plant and equipment	(365)	(7,062)	(348)	(7,775)
Depreciation of investment properties	–	–	(10,677)	(10,677)
Depreciation of right-of-use assets	(2,720)	(466)	(1,064)	(4,250)
Gain on debt modification (included in other gains and losses)	26,747	–	–	26,747
Gain on changes in fair value of derivative financial instruments, net	72,047	–	–	72,047
Finance costs	(765)	(5)	(2,727)	(3,497)

#### For the year ended 31 December 2020

	Trading business HK\$'000	Storage business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Interest income (included in other income)	464	11	85	560
Depreciation of property, plant and equipment	(461)	(20,214)	(263)	(20,938)
Depreciation of investment properties	–	–	(3,559)	(3,559)
Depreciation of right-of-use assets	(2,797)	(1,618)	–	(4,415)
Gain on changes in fair value of derivative financial instruments, net	25,436	–	–	25,436
Gains on changes in fair value under provisional pricing arrangements in relation to trading of commodities, net	1,699	–	–	1,699
Finance costs	(6,737)	(34)	(13,580)	(20,351)



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. SEGMENT INFORMATION (CONTINUED)

### Other segment information (continued)

#### Geographical information

The Group's operations are currently carried out by the subsidiaries operating in Hong Kong, Macao, the PRC and Singapore.

Information about the Group's revenue from external customers is categorised by (a) the locations of shipment/delivery as designated by the customers, (b) the locations that the customers are instructed to pick up the commodities as determined by the Group and (c) the locations that the general storage and other ancillary services in respect of petroleum products and petrochemicals are rendered by the Group. Information about the Group's non-current assets is presented based on by geographical location of assets.

	Revenue from external customers		Non-current assets (note)	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong	–	–	3,273	5,018
Macao	–	–	–	369
The PRC	776,900	5,398,883	152,954	138,503
Singapore	–	–	1,128	151
Korea	–	477,164	–	–
Indonesia	17,154	–	–	–
Japan	–	65,926	–	–
Vietnam	16,558	173,259	–	–
United Kingdom	–	457,082	–	–
	<b>810,612</b>	<b>6,572,314</b>	<b>157,355</b>	<b>144,041</b>

note: The non-current assets for the purpose of geographical information exclude financial assets at FVTPL, trade receivables, investment properties, rental deposit, prepayment, certain right-of-use assets and property, plant and equipment.

#### Information about major customers

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

	2021 HK\$'000	2020 HK\$'000
Customer A	N/A*	821,976
Customer B	N/A*	1,301,692
Customer C	N/A*	796,058

\* Revenue contributed less than 10% of the Group's revenue for the corresponding year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 7. OTHER INCOME, OTHER GAINS AND LOSSES, AND OTHER OPERATING INCOME

### A. Other income

	2021 HK\$'000	2020 HK\$'000
Bank interest income	111	474
Interest income from deposits placed with brokers	–	69
Interest income from trade receivables (Note 19)	2,378	–
Rental income	1,862	180
Non-performance and insurance claims	60	71
Government grants	570	2,348
Service income (note (i))	2,249	12,144
Others (note (ii))	3,488	2,405
	<b>10,718</b>	17,691

notes:

- (i) The Group entered into agency agreements with independent third parties (the "Principal"). Based on the agreements, the Group confirms and performed coal (2020: crude oil) transactions with the Principal's counterparties on behalf of the Principal and earns service income.
- (ii) During the year ended 31 December 2021, others mainly comprise income from oil gas reclamation, bad debt recovery and written-off of excess accrued interest (2020: demurrage recovery, compensation received and written-off of excess deviation cost).

### B. Other gains and losses

	2021 HK\$'000	2020 HK\$'000
Realised gains on changes in fair value of financial assets at FVTPL, net	–	1
Gains (losses) on disposal of property, plant and equipment	115	(1)
Gains on changes in fair value under provisional pricing arrangements in relation to trading of commodities, net	–	1,699
Gain on debt modification (Note 19)	26,747	–
Net foreign exchange losses	(2,545)	(2,154)
Others	1,308	(13)
	<b>25,625</b>	(468)

### C. Other operating income

	2021 HK\$'000	2020 HK\$'000
Income from time chartering (note (i))	35,252	–
Income from logistics and blending services (note (ii))	47,480	–
Share of profits from a joint operation, net	7,805	–
	<b>90,537</b>	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 7. OTHER INCOME, OTHER GAINS AND LOSSES, AND OTHER OPERATING INCOME (CONTINUED)

### C. Other operating income (continued)

notes:

- (i) During the year ended 31 December 2021, the Group engaged in time chartering business, of which approximately HK\$72,969,000 related expenses were recorded under distribution, selling and operating expenses. The Group has ceased its time chartering business upon the rental expiry of the time charter in the subsequent period.
- (ii) In view of the adverse commodities market condition with uncertain price trend and the on-going uncertainties related to the latest pandemic, the Group engaged in logistics and blending services during the year ended 31 December 2021 to mitigate, amongst others, inventory and cash flow risk associated with trading of commodities. Related expenses of approximately HK\$45,974,000 for logistics and blending services, was recorded under distribution, selling and operating expenses.

## 8. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Bank charges on letter of credit facilities	705	6,710
Interest on bank and other borrowings	2,703	13,555
Interest on lease liabilities	89	86
	<b>3,497</b>	20,351

## 9. INCOME TAX EXPENSE

Income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2021 HK\$'000	2020 HK\$'000
Current tax		
Enterprise Income Tax ("EIT") in the PRC (note (i))	7,251	–
Hong Kong Profits Tax (note (ii))	–	19,391
Singapore Corporate Income Tax	445	–
	<b>7,696</b>	19,391
Deferred tax credit (Note 28)	–	(97)
	<b>7,696</b>	19,294



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 9. INCOME TAX EXPENSE (CONTINUED)

notes:

- (i) Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law in the PRC, the tax rate of the PRC subsidiaries is 25% for both years.
- (ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the consolidated financial statements. Accordingly, Hong Kong Profits Tax for subsidiaries operating in Hong Kong is calculated at 16.5% of the estimated assessable profit for both years.

During the years ended 31 December 2020 and 2019, the Group had a tax case with the IRD on certain of its subsidiaries. The IRD initiated a tax field audit on the Company and certain of its subsidiaries for the years of assessment from 2010/11 onwards in 2017. In March 2017, assessment/estimated assessments (the "Protective Assessments") totaling HK\$10,725,000 for the year of assessment 2010/11 were issued to two of the subsidiaries of the Group (the "Relevant Subsidiaries").

In January 2018, Protective Assessments totaling HK\$6,576,000 for the year of assessment 2011/12 were issued to the Relevant Subsidiaries. The Relevant Subsidiaries lodged objections against the Protective Assessments with the IRD and the tax demanded was held over on the condition that tax reserve certificates ("TRC") would be purchased. During the year ended 31 December 2018, the Group purchased TRC of HK\$3,675,000 in total in relation to years of assessment 2010/11 and 2011/12. In December 2018, the Protective Assessments totaling HK\$57,400,000 for the year of assessment 2012/13 were issued to the Relevant Subsidiaries.

During the year ended 31 December 2019, the Group further purchased TRC of HK\$4,500,000 in relation to the year of assessment of 2012/13. Also the Group carried out meetings and discussions with the IRD and facilitated the IRD to have in-depth review of all relevant information and documents. In February 2020, the Protective Assessments totalling HK\$88,090,000 for the year of assessment 2013/14 were issued to the Relevant Subsidiaries. In March 2020, the Relevant Subsidiaries lodged objections against the Protective Assessments for the year of assessment 2013/14 with request on unconditional holdover of tax demanded. For the year ended 31 December 2019, based on the advice from the Hong Kong's legal adviser, the directors of the Company considered that the Relevant Subsidiaries had a good supportive ground to defend their tax positions against the IRD. Therefore, no provision of Hong Kong Profits Tax was made in the consolidated financial statements for the years of assessment in issue.

During the year ended 31 December 2020, the Group further purchased TRC of HK\$2,800,000 in relation to the year of assessment of 2013/14. In June 2020, the IRD preliminarily agreed the settlement proposal raised by the Company, and the Group made a provision for Hong Kong Profits Tax of HK\$18,989,000, including under provision in prior years of HK\$13,989,000 and a penalty of HK\$5,000,000. In July 2020, the Company received the official reply from the IRD confirming its agreement on the settlement proposal. In September 2020, the Group settled the tax liability of HK\$18,989,000 and the IRD case was closed. TRC of HK\$10,975,000 was fully utilised to partially settle the tax liability.

- (iii) Pursuant to the Decree Law No. 58/99M, Chapter 2, Article 12 dated 18 October 1999, issued by Macao, Strong Petrochemical Limited (Macao Commercial Offshore) ("Strong Petrochemical (Macao)") was exempted from Macao Complementary Tax in 2020.
- (iv) The Singapore Corporate Income Tax is determined by applying the Singapore tax rate of 17%. With the approval of the Group's application for Global Transfer Programme by International Enterprise Singapore, certain qualified income generated by a subsidiary operating in Singapore during the year from physical trading of energy products is taxed at a concessionary rate of 10% until the end of year 2024. No provision for Singapore Corporate Income Tax had been made for the year ended 31 December 2020 as the subsidiary operating in Singapore incurred tax losses in previous years and it utilised the tax losses brought forward in last year.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 9. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the profit (loss) before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021			2020		
	The PRC (including Hong Kong and Macao)		Total	The PRC (including Hong Kong and Macao)		Total
	Singapore HK\$'000	HK\$'000	HK\$'000	Singapore HK\$'000	HK\$'000	HK\$'000
Profit (loss) before taxation	<b>50,319</b>	<b>(36,399)</b>	<b>13,920</b>	11,682	(76,802)	(65,120)
Taxation at the domestic rate applicable to profits in the country concerned	<b>8,554</b>	<b>(2,842)</b>	<b>5,712</b>	1,986	(10,779)	(8,793)
Tax effect of income not taxable for tax purpose	<b>(673)</b>	<b>(8,278)</b>	<b>(8,951)</b>	(128)	(1,614)	(1,742)
Tax effect of expenses not deductible for tax purpose	<b>28</b>	<b>16,875</b>	<b>16,903</b>	38	14,974	15,012
Tax effect of share of results of associates	–	<b>(1,987)</b>	<b>(1,987)</b>	–	(1,051)	(1,051)
Utilisation of tax losses previously not recognised	<b>(4,178)</b>	<b>(1,689)</b>	<b>(5,867)</b>	(112)	(6,754)	(6,866)
Tax effect of tax losses not recognised	–	<b>3,312</b>	<b>3,312</b>	–	5,127	5,127
Effect of income tax on a concessionary rate in Singapore and the PRC	<b>(3,277)</b>	–	<b>(3,277)</b>	(1,179)	–	(1,179)
Under provision in prior year	–	<b>1,860</b>	<b>1,860</b>	–	13,989	13,989
Others	<b>(9)</b>	–	<b>(9)</b>	(605)	5,402	4,797
Income tax expense for the year	<b>445</b>	<b>7,251</b>	<b>7,696</b>	–	19,294	19,294

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 10. PROFIT (LOSS) BEFORE TAXATION

### A. Profit (loss) before taxation is arrived after charging:

	2021 HK\$'000	2020 HK\$'000
Auditor's remuneration	2,011	2,345
Depreciation of property, plant and equipment	7,775	20,938
Depreciation of investment properties	10,677	3,559
Depreciation of right-of-use assets	4,250	4,415
Amortisation of other assets	36	1,295
Net foreign exchange losses	2,545	2,154
Impairment loss on inventories	–	161
Directors' emoluments (Note 11)	480	480
Other staff costs		
Salaries, bonus and other allowances	45,625	46,602
Retirement benefit schemes contributions	1,576	1,382
	<b>47,681</b>	48,464
Cost of inventories recognised as an expense (included in cost of sales)	<b>754,724</b>	6,099,825

### B. Disposal of subsidiaries

On 4 December 2020, the Group disposed of its entire equity interest (i.e. 51%) in Nicefame Global Limited ("Nicefame Global") which owns 90% equity interest in Huizhou Daya Bay Nicefame Chemical Storage and Trading Co., Ltd. ("Huizhou Nicefame") (collectively referred to as "Nicefame Global Group"). Huizhou Nicefame was engaged in trading of petrochemicals and petroleum products, and provision of petrochemicals and petroleum products storage services.

The results of Nicefame Global Group for the preceding period before its disposal were as follows:

	1 January 2020 to 4 December 2020 HK\$'000
Revenue	725,664
Cost of sales	(696,250)
Other income	457
Other gains and losses	1,709
Administrative expenses	(5,760)
Finance costs	(7,351)
Profit before taxation	18,469
Deferred tax credit	97
Profit for the period	18,566
Profit for the period attributable to:	
Owners of the Company	9,967
Non-controlling interests	8,599
	18,566

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

The emoluments paid or payable to each of the 5 (2020: 5) directors of the Company, including the chief executive, are as follows:

	Executive directors		Independent non-executive directors			Total HK\$'000
	Wang Jian Sheng HK\$'000	Yao Guoliang HK\$'000 <i>(note)</i>	Chan Yee Kwong HK\$'000	Deng Heng HK\$'000	Cheung Siu Wan HK\$'000	
Fees	-	-	150	150	180	480
Other emoluments:	-	-	-	-	-	-
Salaries and other benefits	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Discretionary bonus	-	-	-	-	-	-
Contributions to retirement benefits schemes	-	-	-	-	-	-
<b>Total emoluments for the year ended 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>150</b>	<b>150</b>	<b>180</b>	<b>480</b>
Fees	-	-	150	150	180	480
Other emoluments:	-	-	-	-	-	-
Salaries and other benefits	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Discretionary bonus	-	-	-	-	-	-
Contributions to retirement benefits schemes	-	-	-	-	-	-
<b>Total emoluments for the year ended 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>150</b>	<b>150</b>	<b>180</b>	<b>480</b>

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

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (CONTINUED)

The independent non-executive directors' emoluments shown above were paid for their services as directors of the Company.

During the years ended 31 December 2021 and 2020, no emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived or agreed to waive any emoluments during both years.

### Employees' emoluments

For the year ended 31 December 2021, of the five individuals with the highest emoluments in the Group, none (2020: none) of them is the director of the Company. The emoluments of these five (2020: five) individuals are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other benefits	10,012	9,680
Discretionary bonus	3,162	5,364
Contributions to retirement benefits schemes	251	194
	<b>13,425</b>	15,238

Their emoluments were within the following bands:

	2021 Number of employees	2020 Number of employees
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$5,000,001 to HK\$5,500,000	1	–
HK\$8,000,001 to HK\$8,500,000	–	1

During the year ended 31 December 2021, no emoluments have been paid to the five employees with the highest emoluments as an inducement to join or upon joining the Group (2020: paid to one of the five employees with the highest emoluments of US\$200,000 (equivalent to approximately HK\$1,560,000)). No emoluments have been paid by the Group to them as compensation for loss of office.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 12. DIVIDENDS

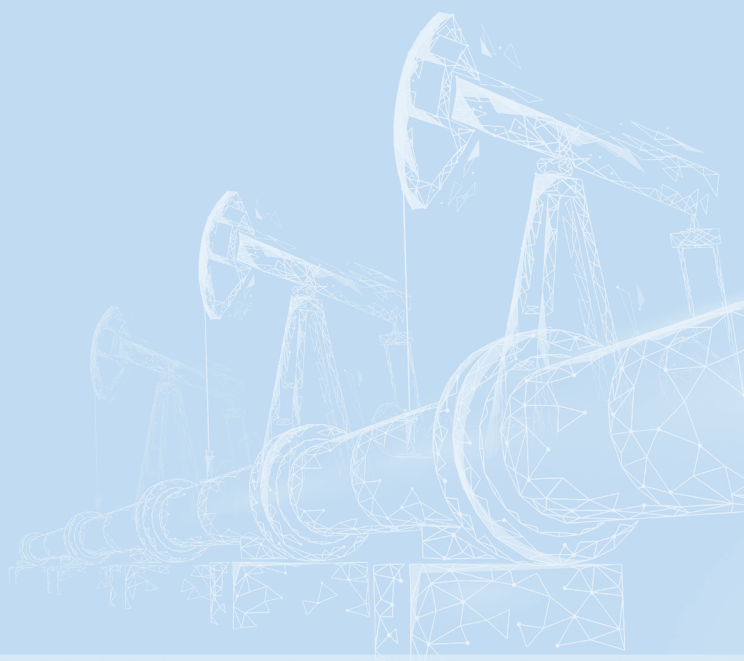
No dividend was paid or proposed during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

## 13. 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:

	2021 HK\$'000	2020 HK\$'000
<b>Earnings (loss)</b>		
Earnings (loss) for the purposes of calculating basic and diluted earnings (loss) per share		
Earnings (loss) for the year attributable to owners of the Company	<b>6,224</b>	(93,013)
	2021	2020
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share	<b>2,123,364,090</b>	2,123,369,953

The computation of diluted earnings (loss) per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares for both 2021 and 2020. Accordingly, the weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings (loss) per share are the same as there were no potential dilutive ordinary shares during the years ended 31 December 2021 and 31 December 2020.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Storage tanks HK\$'000	Leasehold improvements HK\$'000	Plant & machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>COST</b>									
At 1 January 2020	16,980	180,627	1,067	111,398	1,118	2,471	6,095	5,405	325,161
Additions	-	3	-	3,185	19	430	960	8,658	13,255
Disposals	-	-	(585)	(26)	(5)	(63)	-	-	(679)
Acquired from acquisition of subsidiaries	-	-	-	-	-	53	-	-	53
Disposal of subsidiaries (Note 30)	(16,130)	(99,424)	-	(94,811)	(311)	(316)	(473)	-	(211,465)
Exchange realignment	848	10,789	-	6,376	21	64	74	348	18,520
At 31 December 2020 and 1 January 2021	1,698	91,995	482	26,122	842	2,639	6,656	14,411	144,845
Additions	-	62	708	3,256	23	196	466	45,523	50,234
Disposals	-	-	(456)	(1,673)	(243)	(837)	(2,645)	-	(5,854)
Exchange realignment	-	2,704	-	769	3	30	27	424	3,957
<b>At 31 December 2021</b>	<b>1,698</b>	<b>94,761</b>	<b>734</b>	<b>28,474</b>	<b>625</b>	<b>2,028</b>	<b>4,504</b>	<b>60,358</b>	<b>193,182</b>
<b>ACCUMULATED DEPRECIATION</b>									
At 1 January 2020	2,107	32,493	1,067	21,193	992	1,952	5,253	-	65,057
Provided for the year	994	9,584	-	9,469	39	283	569	-	20,938
Eliminated on disposals	-	-	(585)	(25)	(5)	(63)	-	-	(678)
Disposal of subsidiaries (Note 30)	(1,800)	(10,957)	-	(16,415)	(265)	(173)	(286)	-	(29,896)
Exchange realignment	79	2,572	-	1,787	16	48	41	-	4,543
At 31 December 2020 and 1 January 2021	1,380	33,692	482	16,009	777	2,047	5,577	-	59,964
Provided for the year	85	4,435	14	2,532	35	229	445	-	7,775
Eliminated on disposals	-	-	(455)	(1,257)	(238)	(747)	(2,645)	-	(5,342)
Exchange realignment	-	1,053	-	507	2	22	15	-	1,599
<b>At 31 December 2021</b>	<b>1,465</b>	<b>39,180</b>	<b>41</b>	<b>17,791</b>	<b>576</b>	<b>1,551</b>	<b>3,392</b>	<b>-</b>	<b>63,996</b>
<b>CARRYING VALUES</b>									
<b>At 31 December 2021</b>	<b>233</b>	<b>55,581</b>	<b>693</b>	<b>10,683</b>	<b>49</b>	<b>477</b>	<b>1,112</b>	<b>60,358</b>	<b>129,186</b>
At 31 December 2020	318	58,303	-	10,113	65	592	1,079	14,411	84,881

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

Buildings	Over the shorter of the term of the lease, or 20 years
Storage tanks	Over the shorter of the term of the lease, or 20 years
Leasehold improvements	Over the shorter of the term of the lease, or 3–4 years
Plant and machinery	5%–33 $\frac{1}{3}$ %
Furniture and fixtures	20%–33 $\frac{1}{3}$ %
Office equipment	19%–33 $\frac{1}{3}$ %
Motor vehicles	17%–30%

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In accordance with the Group's accounting policies, the Group reviews the carrying amount of its property, plant and equipment to determine whether there is any indication of that these assets have suffered an impairment loss. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made at the reporting period.

During the year, the completion of the Group's petrochemicals manufacturing plant (the "Fujian Plant") was deferred to the first quarter of 2023 due to delays in the construction progress affected by the COVID-19 pandemic. Accordingly, the management of the Group considered the delay in construction is an indicator of impairment and performed an impairment assessment accordingly. As at 31 December 2021, construction in progress and leasehold land relating to the Fujian Plant of approximately HK\$60,358,000 and HK\$52,517,000 were respectively recorded in property, plant and equipment and right-of-use assets (the "Manufacturing Plant Related Assets").

The recoverable amount of the Manufacturing Plant Related Assets has been determined by value-in-use approach adopted by an independent qualified valuer, based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by the management of the Group. Key inputs used in the calculation include pre-tax discount rate of 16.3%, terminal growth rate of 3%, utilisation rate of the Fujian Plant ranging from 50% to 90%.

The values assigned to the above key assumption on market development of petrochemical manufacturing plants and the discount rates are consistent with external information sources.

Based on the impairment assessment, as at 31 December 2021, the carrying amount of the Manufacturing Plant Related Assets is less than the recoverable amount. Accordingly, no impairments on the Manufacturing Plant Related Assets was recognised.

There were no impairment indicators for the remaining property, plant and equipment held by the Group as at 31 December 2021.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 15. INVESTMENT PROPERTIES

	HK\$'000
<b>COST</b>	
At 1 January 2020	–
Additions	213,546
<b>At 31 December 2020 and 31 December 2021</b>	<b>213,546</b>
<b>ACCUMULATED DEPRECIATION</b>	
At 1 January 2020	–
Provided for the year	3,559
At 31 December 2020	3,559
Provided for the year	<b>10,677</b>
<b>At 31 December 2021</b>	<b>14,236</b>
<b>ACCUMULATED IMPAIRMENT</b>	
At 1 January 2020, 31 December 2020 and 1 January 2021	–
Impairment loss recognised	<b>24,910</b>
<b>At 31 December 2021</b>	<b>24,910</b>
<b>CARRYING VALUES</b>	
<b>At 31 December 2021</b>	<b>174,400</b>
At 31 December 2020	209,987

The Group's investment properties comprise of a commercial property and car park spaces situated in Hong Kong. These properties were acquired in 2020 with estimated useful lives of 20 years. The Group assessed impairment loss for the investment properties by considering its recoverable amount, having regard to the change in market conditions in Hong Kong after the outbreak of COVID-19. The recoverable amount of the investment properties is estimated based on the fair value less costs of disposal of the investment properties, which is estimated reference to comparable sales transactions as available in the relevant market with adjustments to reflect the condition and location of the related properties. In assessing the fair value, the Group adopted a direct comparison method. The key unobservable inputs for the commercial property and car park spaces are the market prices ranging from HK\$28,448 to HK\$28,513 per square feet and ranging from HK\$2,250,000 to HK\$2,500,000 per car park space, respectively. An impairment loss on investment properties of approximately HK\$24,910,000 (2020: HK\$Nil) was recognised for the year ended 31 December 2021.

During the year, approximately HK\$1,862,000 (2020: approximately HK\$180,000) was recognised in the consolidated statement of comprehensive income in relation to rental income from the investment properties. Direct operating expenses, including repairs and maintenance, arising from investment properties that generated rental income amounted to approximately HK\$173,000 (2020: approximately HK\$27,000). During the year, there were no direct operating expenses, including repairs and maintenance, arising from investment properties that did not generate rental income (2020: HK\$Nil).



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 16. OTHER ASSETS

The amounts represent a golf club membership and an art work that are carried at cost less amortisation.

## 17. INTERESTS IN ASSOCIATES

	2021 HK\$'000	2020 HK\$'000
Cost of interests in associates, unlisted	129,751	129,751
Share of post-acquisition results, net of dividend	(62,216)	(70,165)
Less: Impairment loss recognised	(8,803)	(15,526)
Exchange realignment	9,702	8,020
	<b>68,434</b>	52,080

As at 31 December 2021 and 2020, the Group has interests in the following associates:

Name of the entity	Form of business structure	Place of establishment and principal place of business	Paid up registered capital		Equity interest attributable to the Group		Principal activity
			2021	2020	2021 %	2020 %	
中化天津港石化倉儲有限公司 Sinochem Tianjin Port Petrochemical Terminal Co., Ltd. ("Sinochem Port")	Sino-foreign owned enterprise	PRC	Renminbi ("RMB") 628,060,000	RMB628,060,000	15 (note)	15 (note)	Provision of crude oil and petrochemicals storage services
天津港中化石化碼頭有限公司 Tianjin Port Sinochem Petrochemical Dock Co., Ltd. ("Tianjin Port")	Sino-foreign owned enterprise	PRC	RMB139,388,000	RMB139,388,000	15 (note)	15 (note)	Development and operation of dock and related ancillary facilities

*note:* The Group is able to exercise significant influence over Sinochem Port and Tianjin Port because it has the power to appoint one out of the five directors of these entities under the provisions stated in the articles of association of these entities.

### Impairment assessment on the material associate

#### Sinochem Port

For the year ended 31 December 2021, in view of the improvement of results of Sinochem Port in the current year, the management of the Group carried out an impairment review on the carrying amount of its interest in Sinochem Port by comparing its recoverable amount with its carrying amount with the assistance of an independent qualified professional valuer engaged by the Group. The recoverable amount is determined using value-in-use calculation. In determining the value in use of Sinochem Port, the management of the Group estimated the proceeds on ultimate disposal of Sinochem Port based on the estimation of the present value of the future cash flows expected to arise from the operation of Sinochem Port. Key inputs used in the calculation include earnings before interest, taxes, depreciation, and amortisation ("EBITDA") margin of 54% (2020: 63%), pre-tax discount rate of 13.8% (2020: 13.4%) and terminal growth rate of 3% (2020: 3%).

As the recoverable amount of Sinochem Port exceeded its carrying value as at 31 December 2021 and Sinochem Port has experienced recurring profits in the last two years, a reversal of impairment loss on interest in an associate of approximately HK\$6,723,000 (2020: HK\$Nil) was recognised for the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 17. INTERESTS IN ASSOCIATES (CONTINUED)

### Summarised financial information of the material associate

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

#### Sinochem Port

	2021 HK\$'000	2020 HK\$'000
Non-current assets	1,013,956	1,004,214
Current assets	60,281	57,131
Current liabilities	(79,925)	(90,777)
Non-current liabilities	(502,466)	(545,232)
	2021 HK\$'000	2020 HK\$'000
Revenue	266,768	222,762
Profit and total comprehensive income for the year	52,991	28,017

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Sinochem Port recognised in the consolidated financial statements is as follows:

	2021 HK\$'000	2020 HK\$'000
Net assets of Sinochem Port	491,846	425,336
Proportion of the Group's ownership interest in Sinochem Port	15%	15%
The Group's share of net assets in Sinochem Port	73,777	63,800
Less: Impairment losses recognised	(4,393)	(11,116)
Exchange realignment	(950)	(604)
Carrying amount of the Group's interest in Sinochem Port	68,434	52,080
The Group's share of results of Sinochem Port for the year	7,949	4,203

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 17. INTERESTS IN ASSOCIATES (CONTINUED)

### Aggregate information of associate that are not individually material

	2021 HK\$'000	2020 HK\$'000
The Group's share of results of this associate for the year	–	–

	2021 HK\$'000	2020 HK\$'000
Aggregate carrying amount of the Group's interests in this associate	–	–

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

## 18. INVENTORIES

At 31 December 2020, the amounts mainly related to petrochemicals held for resale purposes.

## 19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

### A. TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables		
— contracts with customers (note)	542,787	713,216
— lease receivables	–	660
	<b>542,787</b>	713,876
Classified as:		
Non-current assets	310,354	–
Current assets	232,433	713,876
	<b>542,787</b>	713,876

note: At 31 December 2021 and 31 December 2020, all trade receivables are at amortised cost.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

### A. TRADE RECEIVABLES (continued)

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.

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

	2021 HK\$'000	2020 HK\$'000
0 to 30 days	1,716	45,010
91 to 365 days	–	647,647
Over 365 days	541,071	21,219
	<b>542,787</b>	713,876

During the year ended 31 December 2020, the Group initiated legal proceedings to recover its outstanding debts from one of its customers of approximately HK\$647,647,000 (equivalent to approximately US\$83,000,000). On 21 December 2020, Dongying Intermediate People's Court of Shandong Province of the People's Republic of China (中華人民共和國山東省東營市中級人民法院) considered the overdue sum as a breach of contract and that the customer has to bear the payment responsibility and compensate the economic loss to the Group.

During the year ended 31 December 2021, the Group received partial payments from the customer of approximately HK\$135,701,000 (equivalent to approximately US\$17,400,000). On 8 December 2021, the customer and the Group entered into a debt renegotiation plan, which stipulated, amongst others, a monthly repayment schedule, the outstanding interest amount up to the latest practicable date of approximately HK\$6,753,000, which is expected to be paid at the end of 2024, and a 3.85% per annum interest charge on the total outstanding amount henceforth. In accordance with the repayment schedule, monthly repayments will be made from 2022 to 2024.

The Group engaged an independent third party valuer to assess the discount rate used to calculate the present value of the modified contractual cash flows. Since the modified contractual cash flows included additional interest confirmed by both parties as at 8 December 2021, being the debt modification date, a gain on debt modification of approximately HK\$26,747,000 (2020: HK\$Nil) was recorded in other gains and losses.

During the year ended 31 December 2021, interest income from trade receivables accrued under the effective interest method of approximately HK\$2,378,000 (2020: HK\$Nil) was recorded in other income upon confirmation of the nominal interest rate per annum charged during the remaining period.

Details of impairment assessment and loss allowance account in respect of trade receivables at amortised cost are set out in Note 35.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

### B. Other receivables, deposits and prepayments

	2021 HK\$'000	2020 HK\$'000
Prepayment to suppliers for purchase of petroleum products and petrochemicals	7,623	12,893
Consideration Receivable (note (i))	–	75,270
Prepayments and deposits related to time chartering	14,982	–
Value-added tax receivable	2,138	4,265
Other receivables (note (ii))	20,857	12,737
Other deposits	845	832
Other prepayments	1,844	1,890
	<b>48,289</b>	107,887
Classified as:		
Non-current assets	214	321
Current assets	48,075	107,566
	<b>48,289</b>	107,887

notes:

- (i) The balance was in relation to the disposal of the Group's entire interest of 49.3% in GSR GO Scale Capital Advisors, Ltd. ("GSR GO") to a designated company (the "Purchaser"), as set out in the Company's announcements dated 21 December 2018, 24 December 2018 and 30 May 2019. The disposal was completed on 30 May 2019 and the Purchaser was liable to settle the consideration of US\$10,000,000 (equivalent to approximately HK\$78,000,000) (the "Consideration Receivable"). However, as the Purchaser could not settle the Consideration Receivable at the completion date, the Group, the Purchaser and the shareholder of GSR GO (the "Shareholder") entered into a supplemental agreement on 18 July 2019 to extend the settlement of the Consideration Receivable to no later than 30 May 2020. During the year ended 31 December 2020, the Purchaser made a partial payment of US\$350,000 (equivalent to approximately HK\$2,730,000), and as approved by the Group, the payment deadline of the Consideration Receivable was extended to 30 May 2021. During the year ended 31 December 2021, as approved by the Group, the payment deadline of the remaining Consideration Receivable is further extended to 30 November 2021. The remaining Consideration Receivable was fully settled before 30 November 2021.
- (ii) The other receivables mainly comprise receivable from a joint operation and rent receivable (2020: port charge receivable and amount due from non-controlling shareholders of a subsidiary).

These balances were expected to be realised within one year from the end of the reporting period.

Details of the impairment assessment of other receivables and refundable deposit are set out in Note 35.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK\$'000	2020 HK\$'000
Non-current assets		
— Unlisted equity investment	197,485	195,000
Current assets		
— Listed securities held for trading	417	1,233
	<b>197,902</b>	196,233

### Unlisted equity investment

On 31 August 2020, the Group subscribed for 2.5 million Class A Shares in SH Energy Fund 1 ("SH Energy"). SH Energy is an exempted company incorporated under the laws of the Cayman Islands with limited liability on 14 July 2020. The cost of such investment is US\$25,000,000 (equivalent to approximately HK\$195,000,000), including the unpaid amount of US\$3,500,000 (equivalent to approximately HK\$27,300,000) as at 31 December 2021 (2020: US\$7,500,000 (approximately HK\$58,500,000)). The outstanding amount is recorded in other payables.

Fair value measurement of the Group's investment in SH Energy is classified as Level 3 of the fair value hierarchy. For the year ended 31 December 2021, the management of the Group assessed the fair value of its investment in SH Energy with the assistance of an independent qualified professional valuer engaged by the Group. The fair value is determined using value-in-use calculation. In determining the fair value of its investment in SH Energy, the management of the Group estimated the proceeds on ultimate disposal of SH Energy based on the estimation of the present value of the future cash flows expected to arise from the dividends to be recovered from SH Energy. Details of the key unobservable inputs are disclosed on Note 34. Based on the fair value assessment, a fair value gain of approximately US\$319,000 (equivalent to approximately HK\$2,485,000) is recognised for the year. For the year ended 31 December 2020, the fair value of the investment approximated its carrying value at the end of the reporting period.

### Listed securities held for trading

	2021 HK\$'000	2020 HK\$'000
Listed securities held for trading:		
— Equity securities listed in Hong Kong	346	1,147
— Equity securities listed outside Hong Kong	71	86
	<b>417</b>	1,233

Fair value measurement of the Group's investment in listed securities is classified as Level 1 of the fair value hierarchy, as the fair value is based on quoted bid prices in active markets. For the year ended 31 December 2021, a fair value loss of approximately HK\$816,000 (2020: fair value gain of approximately HK\$419,000) is recognised for the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 21. DEPOSITS PLACED WITH BROKERS

The amounts represent margin deposits placed with brokers for trading derivatives financial instruments. The amounts carry interest at variable interest rates of 0.001% (2020: 0.001%) per annum.

## 22. BANK BALANCES AND CASH

Bank balances and cash comprise cash on hand, balances in savings and current accounts, and short-term bank deposits with an original maturity of three months or less. As at 31 December 2021, the bank balances and cash of approximately HK\$92,978,000 (2020: approximately HK\$75,480,000) are denominated in RMB which is not freely convertible into other currencies.

Balances in savings account and short-term bank deposits carry effective interest at prevailing market rates ranging from 0.001% to 0.50% (2020: 0.001% to 1.15%) per annum.

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

### A. TRADE PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables at amortised cost	–	28,945
Trade payables designated at FVTPL	–	–
	–	28,945

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

	2021 HK\$'000	2020 HK\$'000
0 to 30 days	–	28,945

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 23. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES (CONTINUED)

### B. Other payables and accrued charges

	2021 HK\$'000	2020 HK\$'000
Accrued demurrage and late lifting charges	4,046	3,534
Payable for agency costs arising from a joint operation	7,411	–
Payable related to time chartering, net (note (iii))	31,832	–
Payables for purchase and construction of property, plant and equipment	2,902	1,901
Payable for an unlisted equity investment (Note 20)	27,300	58,500
Other accrued charges (note (i))	24,933	20,911
Other payables and deposits received (note (ii))	7,986	19,335
	<b>106,410</b>	104,181

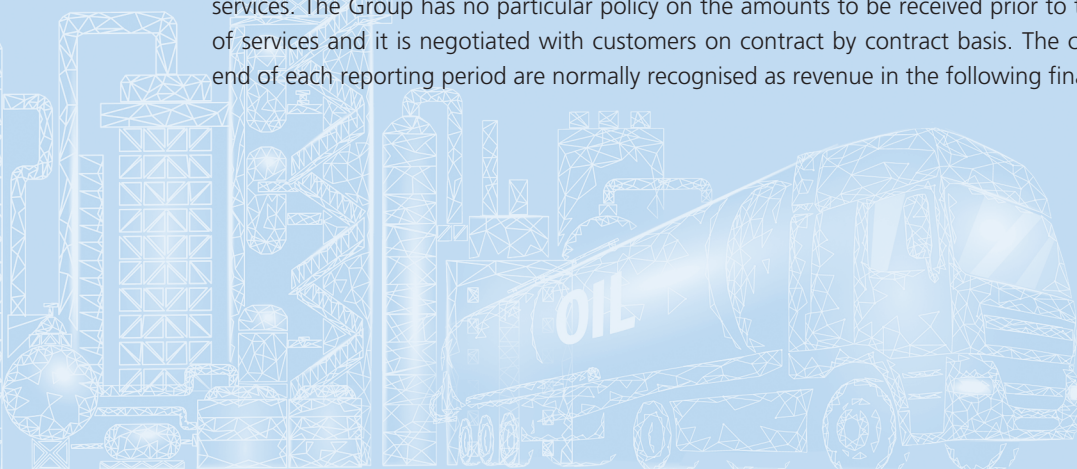
notes:

- (i) Other accrued charges mainly comprise accrued bank charges for letter of credit facilities, port charges, salaries and bonus and legal and professional fee.
- (ii) Other payables mainly comprise freight charge payables, storage fee and professional fee payable.
- (iii) Payables related to time chartering mainly comprise short-term rental and other operating expenses paid on behalf of the Group by the agent, net of receivables collected on behalf of the Group by the agent. During the subsequent period, the amount was settled on a net basis.

## 24. CONTRACT LIABILITIES

	2021 HK\$'000	2020 HK\$'000
Trading of commodities	995	6
Storage related ancillary services for petroleum products and petrochemicals	761	–
	<b>1,756</b>	6

Contract liabilities represent prepayments received from the customers prior to delivery of goods and provision of services. The Group has no particular policy on the amounts to be received prior to the delivery of goods and provision of services and it is negotiated with customers on contract by contract basis. The contract liabilities recognised at the end of each reporting period are normally recognised as revenue in the following financial reporting period.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 25. LEASES

### The Group as a lessee

#### Right-of-use assets

	2021 HK\$'000	2020 HK\$'000
Carrying amounts		
— Leasehold land	69,657	66,130
— Leased properties	1,559	2,565
	<b>71,216</b>	68,695
Depreciation provided:		
— Leasehold land	1,530	1,699
— Leased properties	2,720	2,716
	<b>4,250</b>	4,415
Expenses relating to short term leases (note (i))	42,322	320
Total cash outflow for leases (note (ii))	11,117	3,066
Additions to right-of-use assets:		
— Leasehold land	3,134	49,102
— Leased properties	1,714	3,900
	<b>4,848</b>	53,002
Disposal of subsidiaries (Note 30)		
— Leasehold land	—	(50,651)

note:

- (i) Approximately HK\$41,949,000 were short term leases in relation to a vessel for the time chartering operations.
- (ii) Approximately HK\$33,998,000 short term lease payments were paid on behalf of the Group by its agent operating the vessel for the time chartering. The amount is included in the net payable related to time chartering under other payables. For details, please refer to Note 23.

The Group owns several buildings, where its storage facilities are primarily located, and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

In addition, the Group leased various offices for its operations. Lease contracts are entered into for a fixed term of 1 year to 2 years. The Group may extend the lease beyond the initial agreed period but it is subject to mutual agreement between the Group and the property owner. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Details of the impairment assessment on leasehold land related to the Fujian Plant is further disclosed in Note 14.

There were no impairment indicators for the remaining right-of-use assets held by the Group as at 31 December 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 25. LEASES (CONTINUED)

### The Group as a lessee (continued)

#### Lease liabilities

Future lease payments are due as follows:

	Future lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
<b>As at 31 December 2021</b>			
Within one year	1,394	34	1,360
After one year but within two years	224	1	223
After two years but within five years	–	–	–
After five years	–	–	–
	<b>1,618</b>	<b>35</b>	<b>1,583</b>
<b>As at 31 December 2020</b>			
Within one year	2,120	35	2,085
After one year but within two years	497	1	496
After two years but within five years	–	–	–
After five years	–	–	–
	<b>2,617</b>	<b>36</b>	<b>2,581</b>

The present value of future lease payments are analysed as:

	2021 HK\$'000	2020 HK\$'000
Current	1,360	2,085
Non-current	223	496
	<b>1,583</b>	<b>2,581</b>

Reconciliation of lease liabilities is set out in Note 39.

### The Group as a lessor

Minimum lease payments receivable on leases are as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	17,954	1,996
In the second year	3,600	1,996
In the third year	1,770	–
	<b>23,324</b>	<b>3,992</b>

Minimum lease payments receivable includes rental income from investment properties of approximately HK\$8,970,000 for the period from 1 January 2022 to 27 June 2024.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 26. BANK AND OTHER BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Bank borrowings — secured	–	20,198
Shareholder loans — unsecured (Note 36)	–	120,000
<b>Total</b>	<b>–</b>	<b>140,198</b>
The carrying amounts of the above borrowings are repayable ( <i>note</i> ):		
Within one year or on demand	–	140,198

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

Bank and other borrowings comprise:

	Security	Maturity date	Effective interest rate	Carrying amount	
				2021 HK\$'000	2020 HK\$'000
Floating-rate borrowings:					
Loan Prime Rate (“LPR”) plus 1% bank borrowing of RMB10,500,000	Yes	10 October 2021	4.85%	–	12,475
LPR plus 1% bank borrowing of RMB6,500,000	Yes	8 October 2021	4.85%	–	7,723
Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.75% other borrowing of HK\$120,000,000 (Note 36)	No	10 March 2021*	2.00%	–	120,000
<b>Total bank and other borrowings</b>				<b>–</b>	<b>140,198</b>

\* The other borrowing is repayable on demand. The maturity date was subsequently extended to 10 December 2021.

As at 31 December 2020, the bank borrowings are secured by the right-of-use assets. Details of the pledged assets to secure the bank borrowings are set out in Note 38.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 HK\$'000	2020 HK\$'000
The carrying amount of derivative financial instruments is presented as:		
Current assets	59,980	53,253
Current liabilities	78,054	50,428

The Group has the following outstanding net-settled futures, swaps and options contracts.

The major terms of these contracts are as follows:

### At 31 December 2021

Notional amount	Maturity date	Strike prices
Brent futures contracts — Long position: US\$1,570,800	31 January 2022	US\$78.42 to US\$78.68 per barrel
Brent futures contracts — Short position: US\$1,581,030	31 January 2022	US\$79.02 to US\$79.09 per barrel
WTI options contracts — Long position: US\$80,220	17 May 2022	US\$2.66 to US\$2.68 per barrel
WTI options contracts — Short position: US\$80,340	17 May 2022	US\$2.63 to US\$2.72 per barrel
Propane ARGUS futures contracts — Long position: US\$16,595,000	31 December 2021*	US\$591.00 to US\$654.00 per ton
Propane ARGUS futures contracts — Short position: US\$33,826,300	31 December 2021*	US\$622.95 to US\$740.00 per ton
Propane OPIS futures contracts — Long position: US\$16,645,650	31 December 2021* to 31 January 2022	US\$0.95 to US\$1.16 per ton
Propane OPIS futures contracts — Short position: US\$11,656,260	31 December 2021* to 31 January 2022	US\$0.81 to US\$1.53 per ton
Propane different futures contracts — Short position: US\$257,500	31 January 2022	US\$51.50 per ton



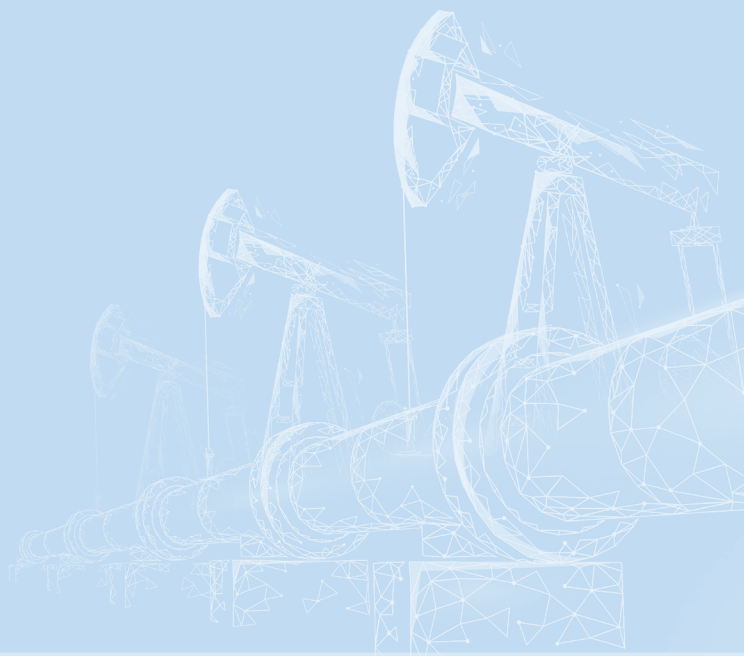
# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notional amount	Maturity date	Strike prices
Propane Saudi futures contracts — Long position: US\$827,000	31 January 2022	US\$827.00 per ton
Propane ARGUS swap contracts — Long position: US\$44,467,840	31 December 2021* to 31 January 2022	US\$588.00 to US\$919.63 per ton
Propane ARGUS swap contracts — Short position: US\$31,707,320	31 December 2021* to 31 January 2022	US\$487.00 to US\$850.00 per ton
Fuel oil futures contracts — Long position: US\$5,800,650	31 December 2021*	US\$144.78 to US\$581.01 per ton
Fuel oil futures contracts — Short position: US\$3,264,750	31 December 2021*	US\$32.75 to US\$130.81 per ton
Fuel oil different futures contracts — Long position: -US\$209,500	31 December 2021*	-US\$11.00 to -US\$10.00 per ton
Fuel oil different futures contracts — Short position: -US\$777,000	31 December 2021*	-US\$100.00 to -US\$14.00 per ton
Gasoil futures contracts — Short position: US\$3,322,600	31 December 2021*	US\$89.80 per barrel

\* The settlement date of these contracts is 3 January 2022.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

At 31 December 2020

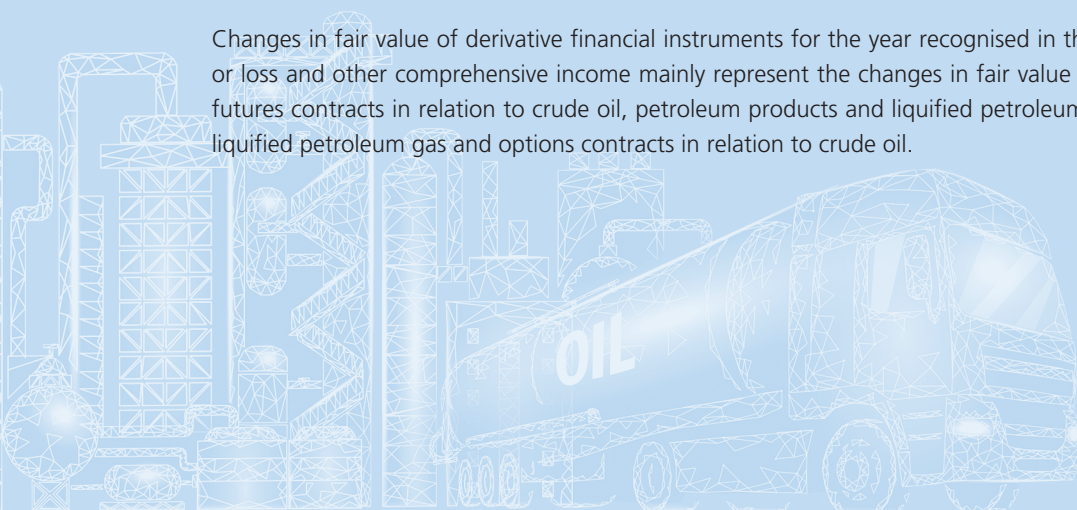
Notional amount	Maturity date	Strike prices
Brent futures contracts — long position: US\$265,228,820	30 December 2020 <sup>^</sup> to 29 January 2021	US\$46.78 to US\$52.29 per barrel
Brent futures contracts — short position: US\$265,149,360	30 December 2020 <sup>^</sup> to 29 January 2021	US\$46.82 to US\$52.21 per barrel
Natural gas futures contracts — long position: US\$23,714,100	27 January 2021 to 24 February 2021	US\$2.28 to US\$2.72 per million metric British thermal unit ("MMBtu")
Natural gas futures contracts — short position: US\$23,748,030	27 January 2021 to 24 February 2021	US\$2.28 to US\$2.67 per MMBtu
Liquified petroleum gas swap contracts — long position: US\$5,434,000	31 December 2020 <sup>#</sup>	US\$445.00 to US\$455.00 per ton
Liquified petroleum gas swap contracts — short position: US\$3,255,000	31 December 2020 <sup>#</sup>	US\$0.51 to US\$0.52 per gallon

<sup>^</sup> The settlement date of these contracts was 6 January 2021.

<sup>#</sup> The settlement date of these contracts was 4 January 2021.

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

Changes in fair value of derivative financial instruments for the year recognised in the consolidated statement of profit or loss and other comprehensive income mainly represent the changes in fair value of all settled and unsettled trading futures contracts in relation to crude oil, petroleum products and liquified petroleum gas, swap contracts in relation to liquified petroleum gas and options contracts in relation to crude oil.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

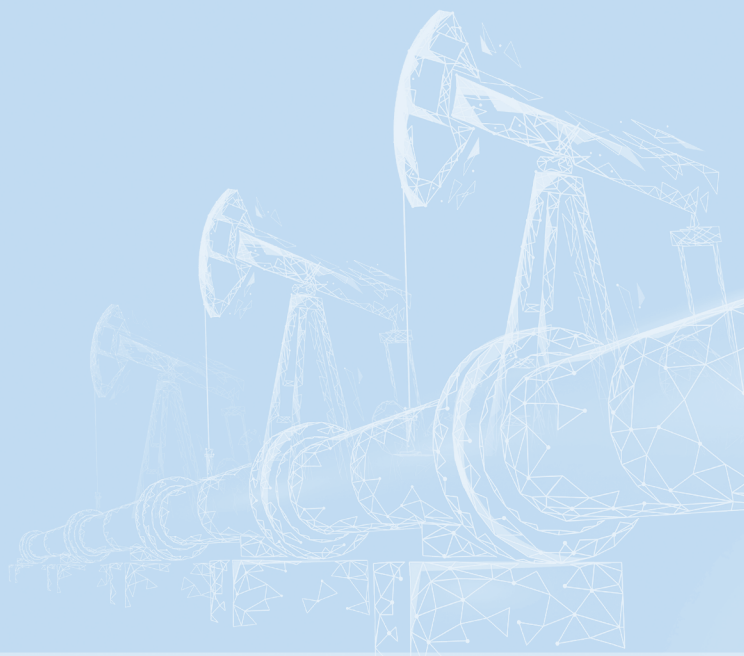
## 28. DEFERRED TAX LIABILITIES

The followings are major deferred tax liabilities recognised and movements thereon during the current and preceding year:

	Fair value adjustment on property, plant and equipment HK\$'000	Fair value adjustment on right-of- use assets HK\$'000	Total HK\$'000
At 1 January 2020	–	3,897	3,897
Credit to profit or loss for the year	–	(97)	(97)
Disposal of subsidiaries (Note 30)	–	(4,017)	(4,017)
Exchange realignment	–	217	217
At 31 December 2020 and 31 December 2021	–	–	–

At the end of the reporting period, the Group has estimated tax losses of approximately HK\$47,265,000 (2020: approximately HK\$76,306,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams of respective entities of the Group. Included in the unrecognised tax losses are losses of approximately HK\$4,386,000 (2020: approximately HK\$7,606,000) that will expire by 2026 (2020: 2025). Other losses may be carried forward indefinitely.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately HK\$22,033,000 (2020: approximately HK\$8,798,000) has not been provided for in the consolidated financial statements as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 29. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.025 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	4,000,000,000	100,000
Issued and fully paid:		
At 1 January 2020	2,123,712,090	53,093
Repurchase and cancellation of shares (note (i))	(348,000)	(9)
<b>At 31 December 2020 and 31 December 2021</b>	<b>2,123,364,090</b>	<b>53,084</b>

notes:

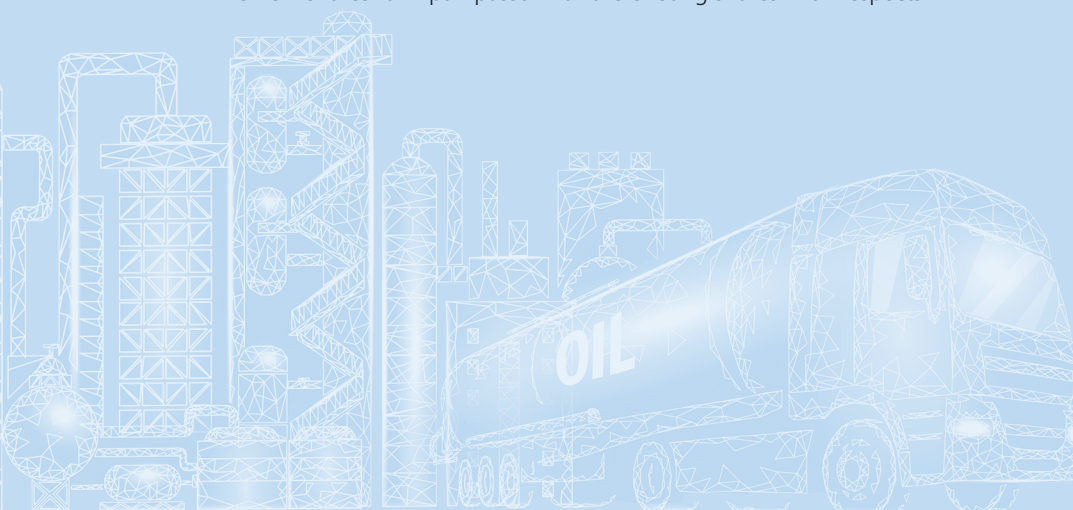
- (i) During the year ended 31 December 2020, the Company repurchased its own ordinary shares through the HKEx as follows:

Month of repurchase	Number of ordinary shares of HK\$0.025 each '000	Price per share		Aggregate consideration paid (including transaction costs) HK\$'000
		Highest HK\$	Lowest HK\$	
January 2020	348	0.380	0.365	130

The above ordinary shares were cancelled on 7 April 2020.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 30. DISPOSAL OF SUBSIDIARIES

### A. Disposal of Nicefame Global Group

As disclosed in Note 10(B), on 4 December 2020, the Group disposed of its entire equity interest (i.e. 51%) in Nicefame Global Group.

The net assets of Nicefame Global Group at the date of disposal were as follows:

	At 4 December 2020 HK\$'000
Property, plant and equipment	181,569
Right-of-use assets	50,651
Inventories	4,019
Trade receivables	9,529
Other receivables, deposits and prepayments	51,042
Bank balances and cash	15,832
Other payables and accrued charges	(22,295)
Contract liabilities	(61,630)
Amount due to a non-controlling shareholder of a subsidiary	(25,496)
Amount due to an ultimate holding company	(27)
Bank borrowing	(149,057)
Deferred tax liabilities	(4,017)
Net assets disposed of	50,120
Non-controlling interests	(25,637)
Amount due to an ultimate holding company	27
Other payables and accrued charges	2
Goodwill	3,551
Reclassification of cumulative translation reserve	(394)
	27,669
Loss on disposal	(1,695)
Total consideration	25,974
Total consideration satisfied by cash	25,974
Net cash inflow arising on disposal:	
Cash consideration	25,974
Bank balances and cash disposed of	(15,832)
	10,142

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 30. DISPOSAL OF SUBSIDIARIES (Continued)

### B. Disposal of Nanjing Smart Team Petrochemical Limited

On 23 July 2021, the Group disposed of its entire equity interest (i.e. 51%) in Nanjing Smart Team Petrochemical Limited ("Nanjing Smart Team").

The net assets of Nanjing Smart Team at the date of disposal were as follows:

	At 23 July 2021 HK\$'000
Other receivables, deposits and prepayments	1,313
Bank balances	3
Other payables and accrued charges	(277)
Net assets disposed of	1,039
Non-controlling interests	(509)
Reclassification of cumulative translation reserve	43
	573
Loss on disposal	(573)
Total consideration	–
Net cash outflow arising on disposal:	
Bank balances disposed of	(3)
	(3)



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 31. RETIREMENT BENEFIT SCHEMES

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

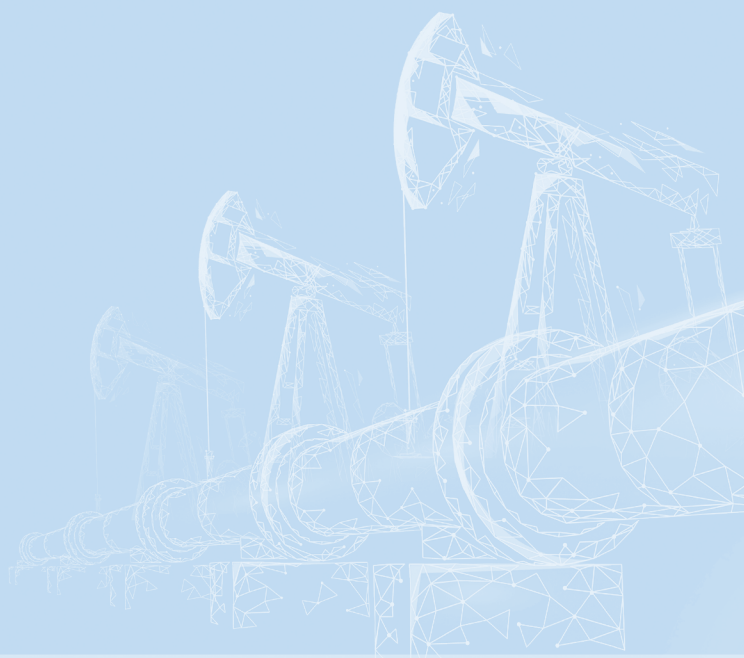
The Group’s subsidiaries operating in Macao, in compliance with the applicable regulations of Macao, participated in a defined contribution pension scheme operated by the local government. The subsidiaries are required to contribute a fixed amount for each employee. The only obligation of the Group with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

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

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

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

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





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 32. SHARE-BASED PAYMENT TRANSACTIONS

### Equity-settled share option schemes

The share option scheme was adopted by an ordinary resolution of the shareholders at annual general meeting of the Company on 15 May 2014 (the "Share Option Scheme"). The Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules and will remain in force for 10 years from 15 May 2014.

### Share Option Scheme

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

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

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

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

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 32. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

### Equity-settled share option schemes (continued)

#### Share Option Scheme (continued)

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

The variables and assumptions used in computing the fair value of the share options were based on the best estimate of the directors of the Company. The value of an option varied with different variables of certain subjective assumptions.

The following table discloses the Company's share options held by other eligible participants at the end of the reporting period:

#### Share Option Scheme

	Outstanding at 31 December 2020 and 31 December 2021
<b>Eligible participants</b>	
Others (note)	138,000,000

note: Others represented advisers who had provided advisory services (mainly for business opportunity for trading of crude oil) to the Group.

As at 31 December 2021 and 31 December 2020, all share options under the Share Option Scheme were exercisable. No share options under the Share Option Scheme were exercised during the years ended 31 December 2021 and 31 December 2020.

As at 31 December 2021, the number of shares of the Company in respect of which share options had been granted and remained outstanding under the Share Option Scheme is 138,000,000 (2020: 138,000,000), representing 6.5% (2020: 6.5%) of the shares of the Company in issue at that date.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 33. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt representing bank and other borrowings disclosed in Note 26, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, share premium, retained profits and other reserves as disclosed in the consolidated statement of changes in equity. The directors of the Company review the capital structure on a continuous basis.

The net debt to equity ratios at the end of the reporting period are as follows:

	2021 HK\$'000	2020 HK\$'000
Debt	–	140,198
Cash and cash equivalents	158,152	144,173
Net debt	(158,152)	(3,975)
Equity attributable to owners of the Company	1,438,861	1,421,125
Net debt to equity ratio	N/A	N/A

## 34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

	Notes	31 December 2021	
		Financial assets at FVTPL HK\$'000	Financial assets at amortised cost HK\$'000
<b>Financial assets</b>			
Trade receivables	19		
Contracts with customers		–	542,787
Other receivables and deposits	19		
Rent receivable		–	1,022
Deposits from time chartering arrangement		–	14,391
Other receivables and other deposits		–	20,398
Deposits placed with brokers	21	–	176,302
Bank balances and cash	22	–	158,152
Financial assets at FVTPL	20		
Unlisted equity investment		197,485	–
Listed securities held for trading		417	–
Derivative financial instruments	27	59,980	–
		<b>257,882</b>	<b>913,052</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

	Notes	Financial liabilities at FVTPL HK\$'000	Financial liabilities at amortised cost HK\$'000
<b>Financial liabilities</b>			
Other payables	23	–	77,431
Lease liabilities	25	–	1,583
Derivative financial instruments	27	78,054	–
		<b>78,054</b>	<b>79,014</b>

	Notes	31 December 2020 Financial assets at FVTPL HK\$'000	Financial assets at amortised cost HK\$'000
<b>Financial assets</b>			
Trade receivables	19		
Contracts with customers		–	713,216
Lease receivables		–	660
Other receivables and deposits	19		
Consideration receivable		–	75,270
Other receivables and other deposits		–	12,743
Deposits placed with brokers	21	–	87,593
Bank balances	22	–	144,173
Financial assets at FVTPL	20		
Unlisted equity investment		195,000	–
Listed securities held for trading		1,233	–
Derivative financial instruments	27	53,253	–
		<b>249,486</b>	<b>1,033,655</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

	Notes	Financial liabilities at FVTPL HK\$'000	Financial liabilities at amortised cost HK\$'000
<b>Financial liabilities</b>			
Trade payables	23	–	28,945
Other payables	23	–	84,418
Bank and other borrowings	26	–	140,198
Lease liabilities	25	–	2,581
Derivative financial instruments	27	50,428	–
		50,428	256,142

### Fair value measurements of financial instruments

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

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

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).

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (level 3) is as follows:

	Financial assets at FVTPL HK\$'000
<b>Unlisted equity investment</b>	
At 31 December 2020 and 1 January 2021	195,000
Change in fair value of financial assets at FVTPL	2,485
At 31 December 2021	197,485



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

Fair value measurements of financial instruments (continued)

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

Fair value hierarchy at 31 December 2021 and 31 December 2020

	At 31 December 2021			Total HK\$'000
	Level 1 HK\$'000 (note (i))	Level 2 HK\$'000	Level 3 HK\$'000 (note (iii))	
<b>Financial assets</b>				
Financial assets at FVTPL				
Unlisted equity investment	–	–	197,485	197,485
Derivative financial instruments (note(ii))	–	59,980	–	59,980
Listed securities held for trading	417	–	–	417
<b>Financial liabilities</b>				
Financial liabilities at FVTPL				
Derivative financial instruments (note(ii))	–	78,054	–	78,054
At 31 December 2020				
	Level 1 HK\$'000 (note (i))	Level 2 HK\$'000	Level 3 HK\$'000 (note (iii))	Total HK\$'000
<b>Financial assets</b>				
Financial assets at FVTPL				
Unlisted equity investment	–	–	195,000	195,000
Derivative financial instruments (note(ii))	–	53,253	–	53,253
Listed securities held for trading	1,233	–	–	1,233
<b>Financial liabilities</b>				
Financial liabilities at FVTPL				
Derivative financial instruments (note(ii))	–	50,428	–	50,428

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

### Fair value measurements of financial instruments (continued)

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

Fair value hierarchy at 31 December 2021 and 31 December 2020 (continued)

notes:

- (i) Quoted bid prices in active markets.
- (ii) Difference between the contracted strike prices and prevailing futures, swap and options prices or published indexes. Such prevailing futures, swap and options prices or published indexes are derived from the relevant futures exchanges or prices publication as specified in the contracts.
- (iii) The underlying investment in the fund is an oil reserve in the PRC. The fair value valuation has adopted certain key assumptions provided by management of the Group, including, but not limited to, the validity of the cash flow projection. Other key inputs used in the valuation include average EBITDA margin of 64% (2020: 60%), pre-tax discount rate of 21.4% (2020: 17.7%), discount for lack of marketability of 15.8% (2020: 15.8%) and discount for lack of control of 16.7% (2020: 22.6%).

There were no transfers among Level 1, 2 and 3 during the year.

#### (b) Fair value 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 cost in the consolidated financial statements approximate their fair values.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

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

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

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

	Gross amounts of recognised financial assets (liabilities) HK\$'000	Gross amounts of recognised financial assets (liabilities) set-off in the consolidated statement of financial position HK\$'000	Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments HK\$'000	Cash collateral HK\$'000	Net amount HK\$'000
<b>At 31 December 2021</b>						
<b>Financial assets</b>						
Deposits placed with brokers	176,302	-	176,302	(78,054)	-	98,248
Derivative financial instruments						
— futures, swap and options contracts	59,980	-	59,980	-	-	59,980
<b>Total</b>	<b>236,282</b>	<b>-</b>	<b>236,282</b>	<b>(78,054)</b>	<b>-</b>	<b>158,228</b>
<b>Financial liabilities</b>						
Derivative financial instruments						
— futures, swap and options contracts	(78,054)	-	(78,054)	78,054	-	-
<b>Total</b>	<b>(78,054)</b>	<b>-</b>	<b>(78,054)</b>	<b>78,054</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2020</b>						
<b>Financial assets</b>						
Deposits placed with brokers	87,593	-	87,593	(50,428)	-	37,165
Derivative financial instruments						
— futures and swap contracts	53,253	-	53,253	-	-	53,253
<b>Total</b>	<b>140,846</b>	<b>-</b>	<b>140,846</b>	<b>(50,428)</b>	<b>-</b>	<b>90,418</b>
<b>Financial liabilities</b>						
Derivative financial instruments						
— futures and swap contracts	(50,428)	-	(50,428)	50,428	-	-
<b>Total</b>	<b>(50,428)</b>	<b>-</b>	<b>(50,428)</b>	<b>50,428</b>	<b>-</b>	<b>-</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 35. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

### Market risks

#### Interest rate risk

The Group's cash flow interest rate risk primarily relates to its variable-rate deposits placed with brokers, bank balances, and bank and other borrowings, as set out in Notes 21, 22 and 26 respectively. The Group's cash flow interest rate is mainly concentrated on fluctuations of LPR and HIBOR, arising from the bank and other borrowings. The Group aims at keeping bank and other borrowings at variable rates. The Group manages the interest rate exposure based on the interest rate level as well as potential impact on the Group's results arising from volatility of the interest rate. The management of the Group monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

During the year ended 31 December 2021, the total interest income recognised by the Group from financial assets measured at amortised cost is approximately HK\$2,489,000 (2020: approximately HK\$560,000). During the year ended 31 December 2021, the total interest expense recognised by the Group from financial liabilities measured at amortised cost is approximately HK\$2,792,000 (2020: approximately HK\$13,555,000).

#### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances, deposits placed with brokers and bank and other borrowings at the end of the reporting period. The analysis is prepared assuming the amount of bank balances, deposits placed with brokers and bank and other borrowings outstanding at the end of the reporting period are outstanding for the whole year. A 10 (2020: 10) basis points increase or decrease is used for bank balances, deposits placed with brokers and a 50 (2020: 50) basis points increase or decrease is used for bank and other borrowings which represents assessment of reasonably possible changes in interest rates by the management of the Group.

For bank balances and deposits placed with brokers, if the interest rate increases/decrease by 10 (2020: 10) basis points and all other variables are held constant, the Group's profit for the year would increase/decrease by approximately HK\$334,000 (2020: loss for the year would decrease/increase by approximately HK\$232,000).

For bank and other borrowings, if interest rate increases/decreases by 50 (2020: 50) basis points and all other variables are held constant, the Group's profit for the year would decrease/increase by HK\$Nil (2020: loss for the year would increase/decrease by approximately HK\$701,000).

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market risks (continued)

#### Currency risk

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

	Assets		Liabilities	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Functional currency as US\$ against				
RMB	541,129	1,897	–	–
Other currencies	2,011	4,307	1,087	136

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

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

For entities with US\$ as functional currency holding monetary assets denominated in HK\$ or vice versa, the directors of the Company consider that, as HK\$ is pegged to US\$, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of HK\$ against US\$ and vice versa.

#### Sensitivity analysis

At the end of the reporting period, the Group is not exposed to currency risk from US\$ against RMB as functional currency. The exposure is mainly derived from the outstanding trade receivables originally denominated in US\$, but was modified to settle in RMB at the respective settlement dates during the year ended 31 December 2021. As at 31 December 2021, if RMB against US\$ as functional currency increases/decreases by 5%, with all other variables held constant, the Group's profit for the year would increase/decrease by approximately HK\$27,056,000. As at 31 December 2020, if RMB against US\$ as functional currency increases/decreases by 5%, with all other variables held constant, the Group's loss for the year would decrease/increase by approximately HK\$95,000. 5% is the sensitivity rate used by the management of the Group in the assessment of the reasonably possible change in foreign exchange rate.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market risks (continued)

#### Other price risks

##### (i) Oil price risk

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

The Group's derivative financial instruments are measured at fair value provided by financial institutions with reference to the quoted crude oil futures prices, oil indexes or oil prices publication as specified in the contract.

As disclosed in Notes 3, 19 and 23, the Group's certain sales and purchases are under provisional pricing arrangements and the final settlement prices are subject to the changes in prevailing spot price over a specified future period after completion of the sales and purchases of goods.

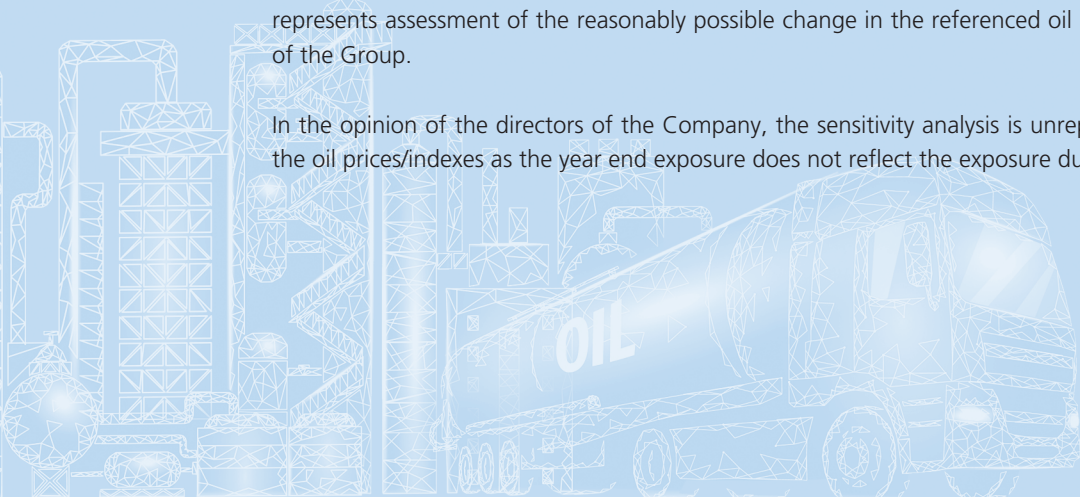
Therefore, the Group is primarily exposed to oil price risk and the management of the Group monitors the price movements and takes appropriate actions when it is required.

#### Sensitivity analysis

At the end of the reporting period, the Group is not exposed to oil price risk in relation to net open position of trade receivables and trade payables at FVTPL (2020: HK\$Nil).

In relation to derivative financial instruments, if the referenced oil prices/indexes have been 10% higher/lower and all other variables are held constant, the Group's profit for the year would decrease/increase by approximately HK\$1,446,000 (2020: loss would decrease/increase by approximately HK\$2,018,000). The sensitivity rate of 10% represents assessment of the reasonably possible change in the referenced oil prices/indexes by the management of the Group.

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market risks (continued)

### Other price risks (continued)

#### (ii) Equity price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL. As at 31 December 2021, the Group's equity price risk is mainly concentrated on equity investments in listed entities operating in oil and gas industry and other industries. The shares of listed entities are quoted in the HKEx and New York Stock Exchange (2020: the HKEx and New York Stock Exchange).

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

#### Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to equity price risk at the end of the reporting period. If the market prices of the equity securities have been 10% higher/lower and all other variables are held constant, the Group's profit for the year would increase/decrease by approximately HK\$42,000 (2020: loss for the year would decrease/increase by approximately HK\$123,000).

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent risk of the equity price as the year end exposure does not reflect the exposure during the year.

### Liquidity risk

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

As at 31 December 2021, the Group has available unutilised short-term bank loan facilities of US\$3,000,000 (equivalent to approximately HK\$23,400,000) (2020: US\$258,000,000 (equivalent to approximately HK\$2,012,400,000)) and RMB17,500,000 (equivalent to approximately HK\$21,404,000) (2020: RMB35,000,000 (equivalent to approximately HK\$41,585,000)).

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk (continued)

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

	Weighted average effective interest rate %	On demand or less than 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>At 31 December 2021</b>					
Non-derivative financial liabilities					
Other payables	N/A	77,431	–	77,431	77,431
		77,431	–	77,431	77,431
Lease liabilities					
Derivative financial instruments	4.37	1,394	224	1,618	1,583
Futures, options and swap contracts	N/A	78,054	–	78,054	78,054
<b>At 31 December 2020</b>					
Non-derivative financial liabilities					
Trade payables	N/A	28,945	–	28,945	28,945
Other payables	N/A	84,418	–	84,418	84,418
Bank and other borrowings	2.42	141,686	–	141,686	140,198
		255,049	–	255,049	253,561
Lease liabilities					
Derivative financial instruments	2.59	2,120	497	2,617	2,581
Futures and swap contracts	N/A	50,428	–	50,428	50,428

### Credit risk and impairment assessment

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

The Group's credit risk is primarily attributable to its trade and other receivables. The management of the Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk and impairment assessment *(continued)*

#### Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. To measure ECL of trade receivables at amortised cost, the Group applies internal credit rating for its customers and they are assessed individually by reference to past default experience, current past due exposure of the debtors and an analysis of the debtors' current financial position.

The Group has concentration of credit risk on the trade receivables. As at 31 December 2021, approximately 100% (2020: approximately 91%) of the Group's outstanding trade receivables arise from a customer, which the Group has instituted legal proceedings against. For details, please refer to Note 19. The five largest customers are mainly large and established trading companies and a property development company, which purchased coal from the Group during the year. These companies are reputable with good financial backgrounds. The management of the Group closely monitors the subsequent settlement by the customers. At the same time, the management of the Group endeavoured to diversify and expand the customer base in order to mitigate the concentration of credit risk through establishing new business relationships with non state-owned licensed import agents and overseas oil trading companies.

As at 31 December 2021 and 31 December 2020, significant trade receivables are past due and the management of the Group has performed assessment on the recoverability of the overdue debtor balances as follows:

#### *Past due balance of US\$83,000,000*

In November 2020, the Group instituted legal proceedings against a debtor in the PRC to claim for the outstanding balances of approximately US\$83,000,000 (equivalent to approximately HK\$647,647,000) (the "Outstanding Sum") and applied for taking possession of the Debtor's certain physical assets as collateral (the "Collateral"). The Group's claim on the Outstanding Sum and its application for the Collateral were confirmed by Dongying Intermediate People's Court of Shandong Province of the People's Republic of China (the "Court") on 16 November 2020. Based on the Court decision, the Collateral held by the Group over the Outstanding Sum is deemed to have a market value not less than approximately RMB681,000,000 (equivalent to approximately HK\$808,000,000, with interests on the Outstanding Sum included). In addition to the Collateral, the Outstanding Sum is secured by 69% (2020: 49%) equity interest in the Debtor and 0% (2020: 100%) equity interest of a related party of the Debtor in favour of the Group (the "Share Charges").

As detailed in Note 19, the Debtor and the Group entered into a debt repayment plan. During the subsequent period, the Group has received payment of approximately US\$15,800,000 (equivalent to approximately HK\$123,240,000), which is in line with the debt repayment plan.

Taking into account of the above-mentioned points, the management of the Group considers that the remaining outstanding amount in relation to the Outstanding Sum of approximately HK\$541,071,000 is not credit-impaired at the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk and impairment assessment *(continued)*

#### Trade receivables arising from contracts with customers *(continued)*

##### *Past due balance of US\$2,720,000*

In September 2020, the Group instituted legal proceedings against a customer in the PRC to claim for the unsettled balance. The Group's claim was accepted by the Court on 24 September 2020. On 14 December 2020, the Bankruptcy Administrator in the PRC confirmed the recoverable amount for the Group to be approximately US\$2,720,000 (equivalent to approximately HK\$21,219,000) (the "Settlement Proposal").

Taking into account the Settlement Proposal, amount of approximately US\$27,800,000 (equivalent to approximately HK\$216,301,000) was written off during the year ended 31 December 2020, and the management of the Group considers the remaining balance is not credit-impaired. During the year ended 31 December 2021, the remaining balance is fully settled.

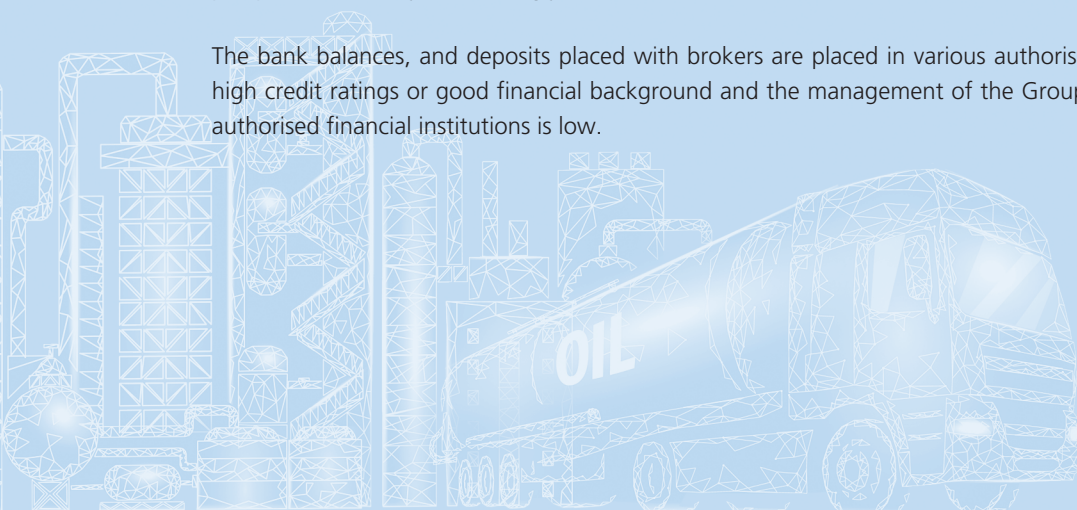
#### Consideration receivable included in other receivables

Save as disclosed in Note 19B(i), the management of the Group made an assessment on the recoverability of the Consideration Receivable as at 31 December 2020 to determine whether impairment loss shall be recognised. The Group closely monitored the fair value of the collateral as well as the status of the arbitration case of the Shareholder which may affect the Shareholder's and the Purchaser's ability to pay. The collateral refers to beneficial interests held by a private equity fund in a company engaged in provision of digital banking and related services in European Union and is deemed to have a value not less the carrying value of the Consideration Receivable. Thus, the management considers the Consideration Receivable is not credit-impaired. During the year ended 31 December 2021, the remaining balance was fully settled.

#### Other financial assets at amortised cost

For other receivables (excluding the Consideration Receivable and prepayments, the management of the Group makes periodic individual assessments on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. For the year ended 31 December 2021, based on the assessment, the management of the Group considers that certain other receivables of approximately HK\$1,836,000 (2020: approximately HK\$11,436,000) are credit-impaired and there is no realistic prospect of recovery. Accordingly, the amounts are written off.

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

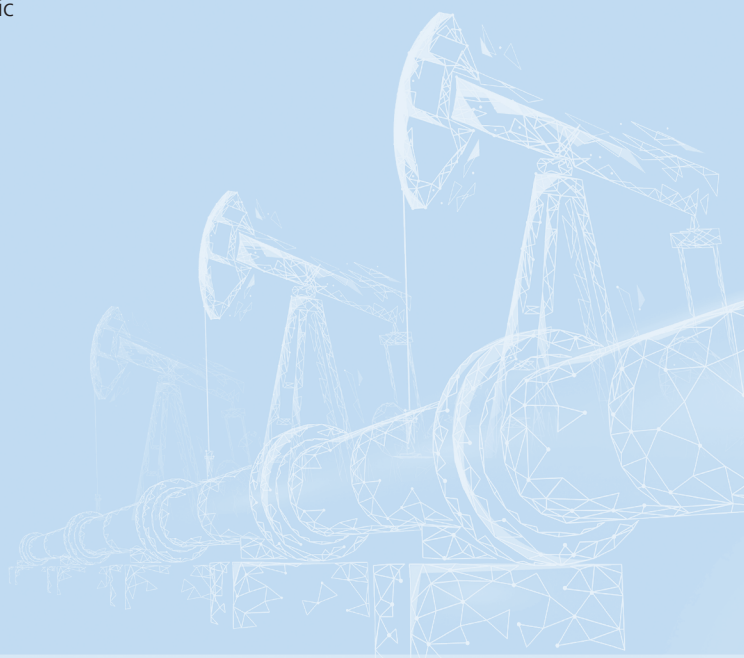
## 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk and impairment assessment *(continued)*

#### Other financial assets at amortised costs *(continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and lease receivables	Other financial assets at amortised cost
Low risk	The counter party has a low risk of default. The balance has not past-due or has past-due but frequently repays after due dates and always settles in full.	Lifetime ECL (not credit-impaired)	12m ECL
Watch list	The counterparty does not frequently repay after due dates but usually settle in full.	Lifetime ECL (not credit-impaired)	12m ECL
Doubtful	There has been significant increase in credit risk since initial recognition through information developed internally or external sources.	Lifetime ECL (not credit-impaired)	Lifetime ECL (not credit-impaired)
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL (credit-impaired)	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the company has no realistic prospect of recovery.	Amount is written off	Amount is written off





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk and impairment assessment (continued)

#### Other financial assets at amortised costs (continued)

The following table shows the credit risk exposures of the Group's financial asset at amortised cost and lease receivables which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2021 Gross carrying amounts HK\$'000	2020 Gross carrying amounts HK\$'000
<b>Financial assets at amortised cost</b>						
Trade receivables	19	N/A	Low risk	Lifetime ECL (not credit-impaired)	542,787	713,216
Other receivables and deposits	19	N/A	Low risk	12m ECL	20,398	12,743
		N/A	Doubtful	Lifetime ECL (not credit-impaired)	–	75,270
Deposits placed with brokers	21	Aa1–Ba3	N/A	12m ECL	176,302	87,593
Bank balances	22	Aa1–Baa2	N/A	12m ECL	158,152	144,173
<b>Other item</b>						
Lease receivables	19	N/A	Low risk	Lifetime ECL (not credit-impaired)	–	660
Deposits from time chartering arrangement	19	N/A	Low risk	Lifetime ECL (not-credit impaired)	14,391	–
Rent receivable	19	N/A	Low risk	Lifetime ECL (not-credit impaired)	1,022	–

(a) Movement in the loss allowance account in respect of trade receivables is as follows:

	2021 HK\$'000	2020 HK\$'000
At 1 January	–	–
Impairment losses recognised	–	216,301
Amounts written off	–	(216,301)
At 31 December	–	–

(b) Movement in the loss allowance account in respect of other receivables is as follows:

	2021 HK\$'000	2020 HK\$'000
At 1 January	–	–
Impairment losses recognised	1,836	11,436
Amounts written off	(1,836)	(11,436)
At 31 December	–	–



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 36. RELATED PARTY TRANSACTIONS

### (a) Shareholder loans

During the year, the Group entered into the following loan agreements with its related parties.

	2021 HK\$'000	2020 HK\$'000
Mr. Wang Jian Sheng ( <i>note</i> )	–	60,000
Mr. Yao Guoliang ( <i>note</i> )	–	60,000
	–	120,000

*note:* During the year ended 31 December 2020, the Group entered into shareholder loan agreements with each of Mr. Wang Jian Sheng (“Mr. Wang”) and Mr. Yao Guoliang (“Mr. Yao”), the controlling shareholders of the Company, pursuant to which each of Mr. Wang and Mr. Yao agreed to provide an unsecured term loan of HK\$60 million, in aggregate of HK\$120 million (the “Shareholder Loans”) to the Group in order to support its operating activities. The Group shall repay the Shareholder Loans on 10 March 2021 or upon demand. Each of the Shareholder Loans bears an interest of 1-month HIBOR plus 1.75% per annum. During the year ended 31 December 2021, the Shareholder Loans were further extended to 10 December 2021. The Shareholder Loans were fully settled in December 2021.

### (b) Transaction

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following transaction with its related party during the year:

Name of related party	Nature of transaction	2021 HK\$'000	2020 HK\$'000
Strong Property Limited ( <i>note (i)</i> )	Rental expenses	1,988	1,988
Mr. Wang Jian Sheng ( <i>note (ii)</i> )	Interest expense	1,071	–
Mr. Yao Guoliang ( <i>note (ii)</i> )	Interest expense	1,071	–

*note:*

- (i) Strong Property Limited is owned and controlled by one key management personnel of the Group.
- (ii) Mr. Wang Jian Sheng and Mr. Yao Guoliang are executive directors of the Company.

### (c) Compensation of key management personnel

The remuneration of directors of the Company and the other members of key management of the Group during the year are set out in Note 11.

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

## 37. CAPITAL COMMITMENTS

	2021 HK\$'000	2020 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	40,734	21,865

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. PLEDGE OF ASSETS

The carrying amounts of assets that have been pledged as collaterals to secure bank borrowings and certain banking facilities are as follows:

	2021 HK\$'000	2020 HK\$'000
Right-of-use assets	17,140	17,110

The lease agreements do not impose any covenants other than the security interests in the lease assets that are held by the lessor and the relevant leased assets may not be used as securities for borrowing purposes.

## 39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Interest payable HK\$'000 (note)	Bank and other borrowings HK\$'000 (Note 26)	Lease liabilities HK\$'000 (Note 25)	Total HK\$'000
<b>At 1 January 2021</b>	–	140,198	2,581	142,779
Changes from financing cash flows:				
Proceeds from bank and other borrowings	–	20,407	–	20,407
Repayment of bank and other borrowings	–	(160,579)	–	(160,579)
Repayment of lease liabilities	–	–	(2,704)	(2,704)
Interest paid	(2,704)	–	(89)	(2,793)
<b>Total changes from financing cash flows</b>	<b>(2,704)</b>	<b>(140,172)</b>	<b>(2,793)</b>	<b>(145,669)</b>
Other changes:				
Finance costs	2,703	–	89	2,792
New leases entered during the year	–	–	1,714	1,714
Foreign exchange translation	1	(26)	(8)	(33)
<b>Total other changes</b>	<b>2,704</b>	<b>(26)</b>	<b>1,795</b>	<b>4,473</b>
<b>At 31 December 2021</b>	<b>–</b>	<b>–</b>	<b>1,583</b>	<b>1,583</b>

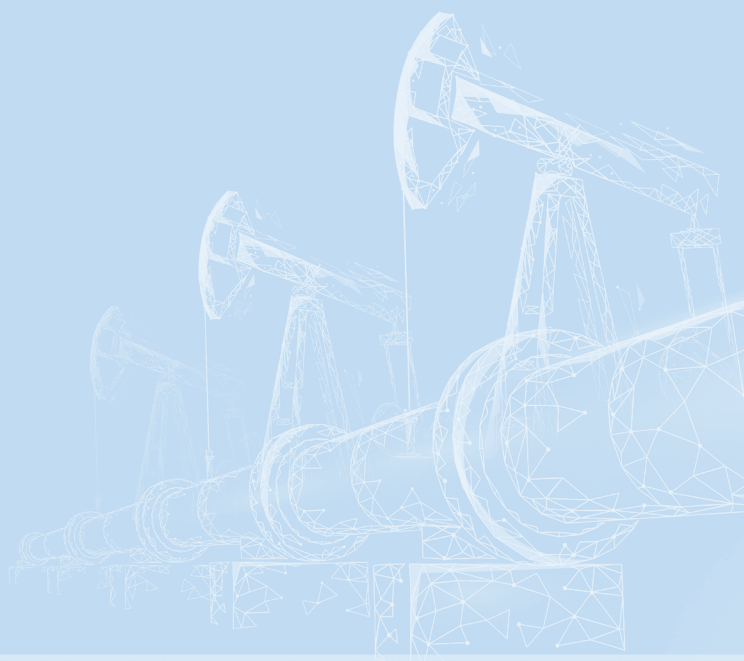
# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Interest payable HK\$'000 (note)	Bank and other borrowings HK\$'000 (Note 26)	Lease liabilities HK\$'000 (Note 25)	Total HK\$'000
<b>At 1 January 2020</b>	–	1,006,496	1,370	1,007,866
Changes from financing cash flows:				
Proceeds from bank and other borrowings	–	1,878,807	–	1,878,807
Repayment of bank and other borrowings	–	(2,605,037)	–	(2,605,037)
Repayment of lease liabilities	–	–	(2,660)	(2,660)
Interest paid	(13,555)	–	(86)	(13,641)
<b>Total changes from financing cash flows</b>	<b>(13,555)</b>	<b>(726,230)</b>	<b>(2,746)</b>	<b>(742,531)</b>
Other changes:				
Finance costs	13,555	–	86	13,641
Deductions from disposal of subsidiaries	–	(149,057)	–	(149,057)
New leases entered during the year	–	–	3,885	3,885
Foreign exchange translation	–	8,989	(14)	8,975
<b>Total other changes</b>	<b>13,555</b>	<b>(140,068)</b>	<b>3,957</b>	<b>(122,556)</b>
<b>At 31 December 2020</b>	<b>–</b>	<b>140,198</b>	<b>2,581</b>	<b>142,779</b>

note: Interest payable is included in other payables.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of the financial position of the Company at the end of the reporting period is as follows:

	2021 HK\$'000	2020 HK\$'000
Non-current assets		
Interests in subsidiaries	166,962	251,189
Amounts due from subsidiaries	1,061,796	1,154,983
	<b>1,228,758</b>	1,406,172
Current assets		
Other receivables, deposits and prepayments	360	2,305
Deposits placed with brokers	154	3,018
Bank balances and cash	13,420	31,103
	<b>13,934</b>	36,426
Current liabilities		
Other payables and accrued charges	1,744	1,813
Other borrowings	–	120,000
Amounts due to subsidiaries	175,480	246,847
	<b>177,224</b>	368,660
Net current liabilities	<b>(163,290)</b>	(332,234)
Net assets	<b>1,065,468</b>	1,073,938
Capital and reserves		
Share capital	53,084	53,084
Reserves	1,012,384	1,020,854
Total equity	<b>1,065,468</b>	1,073,938

Movement in the Company's reserves:

	Share premium HK\$'000	Share-based payments reserve HK\$'000	Contribution surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2020	566,232	50,391	118,111	291,601	1,026,335
Loss and total comprehensive income for the year	–	–	–	(5,360)	(5,360)
Repurchase of shares (Note 29)	(121)	–	–	–	(121)
At 31 December 2020 and 1 January 2021	566,111	50,391	118,111	286,241	1,020,854
Loss and total comprehensive income for the year	–	–	–	(8,470)	(8,470)
<b>At 31 December 2021</b>	<b>566,111</b>	<b>50,391</b>	<b>118,111</b>	<b>277,771</b>	<b>1,012,384</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 41. PRINCIPAL SUBSIDIARIES

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

Name of entity	Place of incorporation/ establishment	Principal place of business	Equity interest and voting rights attributable to the Company		Issued and fully paid share capital/ registered capital	Principal activity
			2021 %	2020 %		
Wide Sea International Limited ("Wide Sea")	British Virgin Islands ("BVI")	Hong Kong	100	100	US\$2	Investment holding
Saint Ocean Investment Limited ("Saint Ocean")	BVI	Hong Kong	100	100	US\$2	Investment holding
Strong Petrochemical Limited	Hong Kong	Hong Kong	100	100	HK\$20,000,000	Trading of crude oil, petroleum products and petrochemicals
Strong Petrochemical (Macao)	Macao	Macao	–	100	MOP100,000	Trading of crude oil, petroleum products, petrochemicals and coal
南通潤德石油化工有限公司# Strong Petrochemical (Nantong) Logistics Co., Limited*	The PRC	The PRC	100	100	US\$12,500,000	Provision of petroleum products and petrochemicals storage services
Strong Petroleum Singapore Private Ltd.	Singapore	Singapore	100	100	Singapore Dollar 1,000,000	Trading of crude oil, petroleum products, coal and iron ore
南通海峽國際貿易有限公司# Nantong Strong International Trading Company Limited*	The PRC	The PRC	100	100	US\$5,000,000	Trading of petroleum products and petrochemicals
淄博海峽匯能石油化工有限公司# Zibo Strong Huineng Petrochemical Limited*	The PRC	The PRC	100	100	RMB10,000,000	Trading of petroleum products and petrochemicals
Copower Properties Investments Company Limited	Hong Kong	Hong Kong	100	100	HK\$10,000	Property investment

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

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

\* The English names of these entities established in the PRC are for identification purpose only.

# Wholly foreign owned enterprise registered in the PRC.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 41. PRINCIPAL SUBSIDIARIES (CONTINUED)

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

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

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

## 42. DETAILS OF NON-WHOLLY OWNED SUBSIDIARY THAT HAS MATERIAL NON-CONTROLLING INTERESTS

The following table shows detail of non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Individually immaterial subsidiary with non-controlling interest	PRC	-	49%	-	-	-	503
				-	-	-	503

## 43. EVENT AFTER THE END OF THE REPORTING PERIOD

Save as disclosed elsewhere in these consolidated financial statements, the Group has the following event after the end of the reporting period:

On 18 January 2022, the Group enters into a shareholder agreement with an independent third party and, pursuant to the agreement, the Group agrees to subscribe for 120,000 new shares (equivalent to 60% of the entire issued capital) of a private company in Hong Kong at a consideration of HK\$120,000 which will be settled by cash. The major business of this private company is anticipated to be the provision of installation and maintenance services of solar energy system.

## 44. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.