



STRONG PETROCHEMICAL HOLDINGS LIMITED

海峡石油化工有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock Code: 852

* For identification purposes only

INTERIM REPORT
2022



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. WANG Jian Sheng (*Chairman*)

Mr. YAO Guoliang

Independent Non-executive Directors

Ms. CHEUNG Siu Wan

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

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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

LEGAL ADVISER

Lau & Co, Solicitors & Notaries

(as to Hong Kong laws)

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
17th Floor, Far East Finance Centre
16 Harcourt Road
Admiralty
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PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications (Hong Kong)
Limited
China CITIC Bank International Limited
Citibank, N.A.
DBS Bank (Hong Kong) Limited

WEBSITE

www.strongpetrochem.com

SHARE INFORMATION

The Stock Exchange of Hong Kong Limited
Stock code: 00852

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2022 (the “Six Month Period”), Strong Petrochemical Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) focused on its principal businesses of trading of commodities and storage and other ancillary services for petroleum products and petrochemicals and leases.

Revenue for the Six Month Period was approximately Hong Kong (“HK”) dollar (“HK\$”) 477.8 million. Profit attributable to owners of the Company for the Six Month Period was approximately HK\$13.8 million.

Trading of Commodities

As a trader of commodities with certain storage businesses, we remained judicious and careful in our trading business in view of the development of the energy trading market during the Six Month Period. In the first half of 2022, the international oil price was hit by the military conflicts between Russia and Ukraine and the fears that a foreseeable global economic recession would dent demand of oil related commodities. Oil price rose significantly in March 2022 in response to the ban of the United States of America (the “US”) on Russian fossil fuel exports, and then dropped by mid-March amid worries over demand after the People’s Republic of China (the “PRC”), the world’s largest oil importer, implemented new COVID-19 lockdowns. Oil price gradually rebounded above United States dollar (“US\$”) 100 per barrel (“BBL”) on supply concerns after the European Union and other countries joined the US to impose extended sanctions on Russian oil imports, together with the anticipated rebound of demand from the PRC when the country eased restrictions after successful and rapid effect of its “Dynamic Zero COVID” policy. Conflicting factors of supply and demand of oil have increased uncertainty on the oil price trend. With numerous factors pulling oil prices in two-way directions, the Group continued to adopt a conservative approach on the trading of commodities.

In view of the uncertain market condition, the Group tended to adopt a cautious approach in the trading of commodities, and thus, the Group continued to focus on back-to-back trade arrangement and keep a low level of inventories to minimise inventory risk. Facing the economic uncertainty, we strove to maintain business relationships with our key customers, and looked for new business opportunities simultaneously.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Strong Petrochemical (Nantong) Logistics Company Ltd. (“Strong Nantong”), an indirect wholly-owned subsidiary of the Company, operates its storage facilities of 21 storage tanks with a capacity of 139,000 cubic meters in Nantong City, Jiangsu Province, the PRC. It is principally engaged in providing storage services for gasoline, diesel fuel and methyl alcohol. Due to the increased total throughput, Strong Nantong has recorded increases in both revenue and profit during the Six Month Period. In the second half of 2022, Strong Nantong strove to coordinate well with its customers, and optimize the storage tank usage plan in order to shorten empty lease period and capture maximum profit for the Group. In addition, Strong Nantong is enthusiastic to carry out voluntary renovation work for its storage tanks guided by the Volatile Organic Compound Emission Reduction Plan issued by the local government. We are optimistic about the continued growths in the revenue and profit of Strong Nantong.

Outlook

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 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 supports given by the local government, we are positive and optimistic about the development of the SEBS Project and the future product sales.

MANAGEMENT DISCUSSION AND ANALYSIS

In the Six Month Period, Brent crude oil price soared to highs not seen since 2008 from US\$81.75 per BBL in January 2022 to the highest US\$120.65 per BBL in March 2022 as a result of the shocking outbreak of Russia-Ukraine war. However, the decrease of oil price in early July 2022 was due to serious concerns over threatening recession. We will keep a close eye on profitable trading opportunities of oil products in the volatile oil market.

Considering the limited opportunities in the crude oil and petroleum products market currently, our Singapore office has sustained its effort to develop and maintain the business relationship with the Indonesian coal supplier during the Six Month Period.

New and renewable energy such as solar energy is popular in recent years. However, solar energy accounts for only a very small percentage of the total electricity generation in Hong Kong. To promote the reduction of carbon emissions, solar energy systems installations are expected to show a steady growth in the coming years. We remain positive about the growth of our solar energy business and strive to overcome major difficulties such as the increasing installation costs, supplies of premises, land availability and grid connection. We are eager to search for business opportunities in newly developed business areas in the hope of developing new revenue streams to the Group.

Looking ahead to the challenging year 2022, we will adopt appropriate strategies to develop our businesses while diversifying business risks simultaneously. We will continue to look for new opportunities to maximise the return for the shareholders.

FINANCIAL REVIEW

Revenue

Trading of commodities

The revenue from trading business of the Group was approximately HK\$455.3 million (the six months ended 30 June 2021 ("1H2021"): approximately HK\$331.2 million) for the Six Month Period, representing an increase of approximately 37%, compared with 1H2021. Approximately 4% (1H2021: 0%) of the Group's revenue from trading business was generated from trading of petroleum products for the Six Month Period. The revenue generated from the trading of petrochemicals for the Six Month Period was approximately 67% (1H2021: approximately 82%). For the Six Month Period, approximately 29% (1H2021: approximately 18%) of the Group's revenue from trading business was generated from the trading of coal.

MANAGEMENT DISCUSSION AND ANALYSIS

The trading volume of petroleum products for the Six Month Period was 1,810 MT. The trading volume of petrochemicals decreased from 48,480 MT for 1H2021 to 44,510 MT for the Six Month Period which was resulted from the decrease in demand in the PRC market. The trading volume of coal increased from 126,150 MT for 1H2021 to 193,861 MT for the Six Month Period because of the increasing demand from the Vietnam power plants.

Products	Unit	Six months ended 30 June			2021		
		Number of contracts	Sales quantity	Revenue HK\$ million	Number of contracts	Sales quantity	Revenue HK\$ million
Trading of commodities							
Petroleum products	MT	1	1,810	17.3	-	-	-
Petrochemicals	MT	106	44,510	303.7	124	48,480	272.7
Coal	MT	7	193,861	134.3	4	126,150	58.5
Total		114		455.3	128		331.2

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\$15.5 million for the Six Month Period (1H2021: approximately HK\$11.0 million). Approximately 74% (1H2021: 66%) of the Group's revenue from storage business was generated from general storage services, while approximately 26% (1H2021: 34%) was generated from other ancillary services such as pipeline transmission, waste treatment and vehicle loading. Revenue generated from leases was approximately HK\$7.0 million for the Six Month Period (1H2021: approximately HK\$4.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

Due to the lower premium charged in commodities trading under the ailing market condition, the gross profit dropped to approximately HK\$22.4 million in the Six Month Period (1H2021: approximately HK\$23.6 million).

Changes in Fair Value of Derivative Financial Instruments

The Group has engaged in trading of derivative financial instruments for investment purpose. The Group intends to enhance its profitability with the use of surplus cash through investing in crude oil and oil products related derivative products and securities.

For the Six Month Period, the Group reported an aggregate gain on changes in fair value of derivative financial instruments of approximately HK\$7.4 million (1H2021: approximately HK\$20.7 million). The realised loss and unrealised gain on changes in fair value of derivative financial instruments were approximately HK\$0.1 million and HK\$7.5 million, respectively (1H2021: realised gain of approximately HK\$24.1 million and unrealised loss HK\$3.4 million respectively).

Profit for the Period

Profit attributable to owners of the Company for the Six Month Period was approximately HK\$13.8 million (1H2021: loss attributable to owners of the Company of approximately HK\$5.3 million).

Liquidity and Financial Resources

The bank balances and cash as at 30 June 2022 amounted to approximately HK\$285.1 million (31 December 2021: approximately HK\$158.2 million). The increase in bank balances and cash was mainly attributable to the increase in operating cash flows and the decrease in deposits placed with brokers.

The banking facilities as at 30 June 2022 were amounted to US\$3.0 million and Renminbi ("RMB") 17.0 million (equivalent to approximately HK\$43.3 million in total) from several banks. The Group had neither bank borrowing nor bank overdraft as at 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

As at 30 June 2022, the gearing ratio was 0% (31 December 2021: 0%). The gearing ratio was calculated as the Group's total borrowings divided by total assets.

Charges of Assets and Contingent Liabilities

As at 30 June 2022, the Group's banking facilities were secured by pledged bank deposits of approximately HK\$2.3 million (31 December 2021: Nil) and right-of-use assets of approximately HK\$16.2 million (31 December 2021: approximately HK\$17.1 million).

As at 30 June 2022, the Group did not have any significant contingent liabilities.

Foreign Exchange Exposure

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

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

Capital Commitment

As at 30 June 2022, the Group had contracted for capital expenditure of approximately RMB365.7 million (equivalent to approximately HK\$427.6 million) in respect of the construction of the Fujian Plant (31 December 2021: approximately RMB33.3 million (equivalent to approximately HK\$40.7 million)). The increase in capital commitment was mainly due to the conclusion of a material construction contract for setting up infrastructure of the Fujian Plant.

Interim Dividends

The board (the "Board") of directors (the "Directors") of the Company does not recommend the payment of any interim dividend for the Six Month Period (1H2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investment

The Group held a significant investment in SH Energy Fund 1 (“SH Energy”) as at 30 June 2022, which represented over 5% of the Group’s total assets and a significant portion in the net assets of the Group as at 30 June 2022.

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, an indirect wholly-owned subsidiary of the Company, has agreed to make a capital commitment to subscribe for up to 2.5 million class A shares in SH Energy. The cost of such investment is US\$25.0 million (equivalent to approximately HK\$195.0 million). SH Energy is managed by a fund manager and seeks to achieve its investment objective by investing in privately held oil and gas assets and companies in the explorative and/or production stage, as well as assets and companies involved in the upstream and/or downstream oil and gas production processes. By investing in SH Energy, it is expected that the Group can benefit from diversifying its revenue stream through investments in oil and gas assets and companies which demonstrate a strong performance record, which will in turn broaden the Group’s revenue base in the future. As at 30 June 2022, the accumulated investment made by the Group in SH Energy amounted to US\$25.0 million (equivalent to approximately HK\$195.0 million). The fair value of SH Energy was US\$25.3 million (equivalent to approximately HK\$197.5 million) as at 30 June 2022, which represented approximately 9% of the Group’s total assets. During the Six Month Period, a dividend amounted to US\$3.5 million (equivalent to approximately HK\$27.3 million) was declared from SH Energy, while the dividend amount was offset against the payable for the outstanding investment commitment of US\$3.5 million (equivalent to approximately HK\$27.3 million).

Save as disclosed above, there were no other significant investments held by the Group as at 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Material Acquisitions and Disposals, and Future Plans for Material Investments

Fujian Petrochemical, an indirect wholly-owned subsidiary of the Company is in the process of setting up the Fujian Plant in Fujian Province of the PRC. The expected commencement date of operation will be the first quarter of 2023. Fujian Petrochemical was engaged in trading of petrochemicals during the Six Month Period.

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 in the future.

The abovementioned investments are expected to be supported by bank borrowings and surplus funds.

Save as disclosed above, there were no other plans for material investments of capital assets as at the date of this report, nor were there other material acquisitions and disposals of subsidiaries during the Six Month Period.

Employees and Remuneration Policy

The number of the Group's employees decreased to 89 as at 30 June 2022 (31 December 2021: 93). The Group's remuneration packages are maintained at competitive levels and are determined on the basis of performance, qualification and experience of individual employee.

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

OTHER INFORMATION

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

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2022, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the Company's associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are set out below:

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

Name of Director	Nature of interest	Number of ordinary shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. Wang Jian Sheng	Interest of a controlled corporation (note 1)	1,041,746,000	49.06
	Interest of concert parties (note 2)	124,984,000	5.89
Mr. Yao Guoliang	Beneficial owner	124,984,000	5.89
	Interest of a controlled corporation (note 1)	1,041,746,000	49.06

OTHER INFORMATION

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

Note 2: Since Mr. Wang Jian Sheng and Mr. Yao Guoliang jointly control Forever Winner which in turn holds 1,041,746,000 shares of the Company, Mr. Wang Jian Sheng and Mr. Yao Guoliang are deemed as parties acting in concert. Therefore, as Mr. Yao Guoliang currently beneficially owns approximately 5.89% equity interest in the Company, Mr. Wang Jian Sheng shall be deemed to hold the same equity interest in the Company.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2022, the Directors are not aware of any other person (other than the interests of the Directors or the chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of Part XV of the SFO:

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

Name of shareholder	Nature of interest	Number of ordinary shares held	Approximate percentage of the issued share capital of the Company (%)
Forever Winner	Beneficial owner (note 1)	1,041,746,000	49.06
Mr. Yao Guoliang	Beneficial owner	124,984,000	5.89
Hongkong Hengyuan Investment Limited	Beneficial owner (note 2)	353,603,681	16.65

OTHER INFORMATION

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

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

SHARE OPTIONS

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

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

Nature or category of participant	Date of grant (dd/mm/yy)	Exercise price HK\$	Price of share of the Company		Number of share options			
			At the grant date	At the exercise date	Outstanding at 1/1/2022	Exercised during the period	Lapsed during the period	Outstanding at 30/6/2022
			of share options HK\$	of share options HK\$				
Other participants in aggregate	05/09/14	0.78	0.77	N/A	138,000,000	-	-	138,000,000
Total					138,000,000	-	-	138,000,000

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

OTHER INFORMATION

The number of securities available for issue under the Share Option Scheme was 314,801,840 shares, representing approximately 14.8% of the number of the issued shares of the Company (i.e. 2,123,364,090 shares) as at 30 June 2022 and as at 26 August 2022, the date of this report .

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

AUDIT COMMITTEE

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has fully complied with the Corporate Governance Code (the “CG Code”) and met the code provisions set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the Six Month Period, with the exception of deviation that Mr. Yao Guoliang, the executive Director, was unable to attend the annual general meeting of the Company (“AGM”) held on 26 May 2022 due to other prior business engagement. When Directors are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Company prior to the meeting. Ms. Cheung Siu Wan, the independent non-executive Director who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre and competence for answering questions at the AGM. Views expressed by the shareholders of the Company at general meetings are recorded and circulated for discussion by all Directors regardless of attendance.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

SUFFICIENCY OF PUBLIC FLOAT

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

By order of the Board

Wang Jian Sheng

Chairman

Hong Kong, 26 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	NOTES	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3		
Goods and services		470,831	342,195
Leases		6,978	4,833
		477,809	347,028
Cost of sales		(455,381)	(323,412)
Gross profit		22,428	23,616
Other income	4	19,138	3,913
Other gains and losses	4	(16,218)	(663)
Other operating income	4	28,147	49,902
Dividend income from financial asset at fair value through profit or loss		27,300	–
(Loss) gain on changes in fair value of financial assets at fair value through profit or loss, net		(53)	54
Gain on changes in fair value of derivative financial instruments, net		7,440	20,745
Distribution, selling and operating expenses		(28,092)	(62,235)
Administrative expenses		(44,540)	(41,295)
Finance costs	5	(180)	(2,106)
Share of results of associates		2,629	5,901
Profit (loss) before taxation	7	17,999	(2,168)
Income tax expense	6	(4,348)	(3,175)
Profit (loss) for the period		13,651	(5,343)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(26,034)	4,127
Total comprehensive income for the period		(12,383)	(1,216)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	NOTES	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		13,778	(5,343)
Non-controlling interests		(127)	—
		<u>13,651</u>	<u>(5,343)</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		(12,256)	(1,221)
Non-controlling interests		(127)	5
		<u>(12,383)</u>	<u>(1,216)</u>
Earnings (loss) per share	9		
— basic (HK cents)		<u>0.65</u>	<u>(0.25)</u>
— diluted (HK cents)		<u>0.65</u>	<u>(0.25)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	NOTES	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	168,842	129,186
Investment properties	11	169,729	174,400
Right-of-use assets		69,986	71,216
Other assets		1,810	1,828
Trade receivables	13	181,192	310,354
Rental deposit		316	214
Interests in associates		68,026	68,434
Financial asset at fair value through profit or loss	12	197,485	197,485
		857,386	953,117
Current assets			
Inventories		2,296	–
Trade receivables	13	211,140	232,433
Other receivables, deposits and prepayments		17,966	48,075
Derivative financial instruments		705,394	59,980
Financial assets at fair value through profit or loss	12	364	417
Deposits placed with brokers		122,434	176,302
Pledged bank deposits		2,329	–
Bank balances and cash		285,145	158,152
		1,347,068	675,359

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	NOTES	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Current liabilities			
Trade payables	14	16,406	–
Other payables and accrued charges	14	34,824	106,410
Contract liabilities		5,026	1,756
Lease liabilities		2,567	1,360
Taxation payable		1,636	1,812
Derivative financial instruments		715,959	78,054
		<u>776,418</u>	<u>189,392</u>
Net current assets		<u>570,650</u>	<u>485,967</u>
Total assets less current liabilities		<u>1,428,036</u>	<u>1,439,084</u>
Non-current liability			
Lease liabilities		1,478	223
		<u>1,478</u>	<u>223</u>
Net assets		<u>1,426,558</u>	<u>1,438,861</u>
Capital and reserves			
Share capital	15	53,084	53,084
Reserves		1,373,521	1,385,777
Equity attributable to owners of the Company		<u>1,426,605</u>	<u>1,438,861</u>
Non-controlling interests		<u>(47)</u>	<u>–</u>
Total equity		<u>1,426,558</u>	<u>1,438,861</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (note (i))	Legal reserve HK\$'000 (note (ii))	Share-based payments reserve HK\$'000	Transition reserve HK\$'000	Other reserve HK\$'000 (note (iii))	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2021	53,084	566,111	(1,922)	49	50,391	10,206	12,295	730,911	1,421,125	503	1,421,628
Loss for the period	-	-	-	-	-	-	-	(5,343)	(5,343)	-	(5,343)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	4,122	-	-	4,122	5	4,127
Total comprehensive income for the period	-	-	-	-	-	4,122	-	(5,343)	(1,221)	5	(1,216)
Reclassification of legal reserve to retained profits upon closure of the Macao subsidiary	-	-	-	(49)	-	-	-	49	-	-	-
At 30 June 2021 (unaudited)	53,084	566,111	(1,922)	-	50,391	14,328	12,295	725,617	1,419,904	508	1,420,412
At 1 January 2022	53,084	566,111	(1,922)	-	50,391	21,718	12,295	737,184	1,438,861	-	1,438,861
Profit for the period	-	-	-	-	-	-	-	13,778	13,778	(127)	13,651
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(26,034)	-	-	(26,034)	-	(26,034)
Total comprehensive income for the period	-	-	-	-	-	(26,034)	-	13,778	(12,256)	(127)	(12,383)
Contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	80	80
At 30 June 2022 (unaudited)	53,084	566,111	(1,922)	-	50,391	(4,316)	12,295	750,962	1,426,605	(47)	1,426,558

notes:

- (i) The special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganisation to rationalise the structure of the Group prior to the listing of the Company's share on the Stock Exchange.
- (ii) According to the law and regulation of Macao Special Administrative Region ("Macao"), a legal reserve is required to be established up to a minimum of 50% of a company's paid up capital and is established in any year in which a dividend is appropriated. A subsidiary of the Company established in Macao appropriated a final dividends for the year ended 31 March 2006 to its holding company, as a result, 50% of the issued capital of Macao Patacas 100,000 was transferred to the legal reserve. During the six month period ended 30 June 2021, the Macao subsidiary was closed and the legal reserve had been reclassified as 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Net cash from operating activities	140,864	26,893
Net cash from (used in) investing activities		
Decrease (increase) in deposits placed with brokers	53,868	(18,101)
Payment for acquisition of property, plant and equipment	(49,658)	(20,827)
Placement of pledged bank deposits	(2,329)	–
Interest received	121	49
	2,002	(38,879)
Net cash used in financing activities		
Proceeds from bank borrowings	–	20,407
Repayments of bank borrowings	–	(20,114)
Repayments of lease liabilities	(1,391)	(1,101)
Contribution from a non-controlling shareholder of a subsidiary	80	–
Interest paid	(49)	(460)
	(1,360)	(1,268)
Net increase (decrease) in cash and cash equivalents	141,506	(13,254)
Cash and cash equivalents at 1 January	158,152	144,173
Effect of foreign exchange rate changes	(14,513)	1,223
Cash and cash equivalents at 30 June, representing bank balances and cash	285,145	132,142

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It was authorised for issue on 26 August 2022.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the Six Month Period are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the Six Month Period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s financial year beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020
Amendments to HKFRS 3	Reference to the Conceptual Framework

The application of the amendments to HKFRSs in the Six Month Period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRS would have a material impact on its results of operations and financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

Segments	Six months ended 30 June 2022		
	Trading business	Storage business	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Types of goods or services in respect of contracts with customers			
Trading of commodities			
Petroleum products	17,384	-	17,384
Petrochemicals	303,663	-	303,663
Coal	134,284	-	134,284
	<u>455,331</u>	<u>-</u>	<u>455,331</u>
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	-	11,484	11,484
Other ancillary services	-	4,016	4,016
	<u>-</u>	<u>15,500</u>	<u>15,500</u>
Total	<u>455,331</u>	<u>15,500</u>	<u>470,831</u>
Geographical markets			
The PRC	321,047	15,500	336,547
Other regions	134,284	-	134,284
Total	<u>455,331</u>	<u>15,500</u>	<u>470,831</u>
Timing of revenue recognition			
A point in time	455,331	-	455,331
Over time	-	15,500	15,500
Total	<u>455,331</u>	<u>15,500</u>	<u>470,831</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION – continued

Revenue – continued

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

Segments	Six months ended 30 June 2021		
	Trading business	Storage business	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Types of goods or services in respect of contracts with customers			
Trading of commodities			
Petroleum products	–	–	–
Petrochemicals	272,668	–	272,668
Coal	58,515	–	58,515
	<u>331,183</u>	<u>–</u>	<u>331,183</u>
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	–	7,304	7,304
Other ancillary services	–	3,708	3,708
	<u>–</u>	<u>11,012</u>	<u>11,012</u>
Total	<u>331,183</u>	<u>11,012</u>	<u>342,195</u>
Geographical markets			
The PRC	313,735	11,012	324,747
Other regions	17,448	–	17,448
Total	<u>331,183</u>	<u>11,012</u>	<u>342,195</u>
Timing of revenue recognition			
A point in time	331,183	–	331,183
Over time	–	11,012	11,012
Total	<u>331,183</u>	<u>11,012</u>	<u>342,195</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION – continued

Revenue – continued

(ii) Leases

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
For operating leases: Lease income that is fixed or depends on a rate	6,978	4,833

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Trading business	455,331	331,183
Storage business	15,500	11,012
Revenue from contracts with customers	470,831	342,195
Leases	6,978	4,833
Total revenue	477,809	347,028

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION – *continued*

Segment information

Operating segments and the amounts of each segment item reported in the condensed 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 and coal); and
- (ii) Storage business (provision of general storage and other ancillary services in respect of petroleum products and petrochemicals).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION – continued

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 six months ended 30 June 2022

	Trading business HK\$'000 (unaudited)	Storage business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from contracts with customers	455,331	15,500	470,831
Leases	–	6,978	6,978
Total revenue	455,331	22,478	477,809
Segment results	2,359	11,449	13,808
Share of results of associates			2,629
Loss on changes in fair value of financial assets at fair value through profit or loss ("FVTPL"), net			(53)
Other operating income from time chartering, net			6
Other operating income from logistics and blending services, net			49
Dividend income from financial asset at FVTPL			27,300
Unallocated finance costs			(9)
Unallocated income and gains			2,832
Unallocated expenses and losses			(28,563)
Profit before taxation			17,999

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION – continued

Segment information – continued

Segment revenue and results – continued

For six months ended 30 June 2021

	Trading business HK\$'000 (unaudited)	Storage business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from contracts with customers	331,183	11,012	342,195
Leases	–	4,833	4,833
Total revenue	<u>331,183</u>	<u>15,845</u>	<u>347,028</u>
Segment results	<u>10,426</u>	<u>4,692</u>	15,118
Share of results of associates			5,901
Gain on changes in fair value of financial assets at FVTPL, net			54
Other operating losses from time chartering, net			(11,743)
Other operating income from logistics and blending services, net			688
Unallocated finance costs			(1,588)
Unallocated income and gains			1,568
Unallocated expenses and losses			<u>(12,166)</u>
Loss before taxation			<u>(2,168)</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4. OTHER INCOME, OTHER GAINS AND LOSSES, AND OTHER OPERATING INCOME

A. Other income

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Bank interest income	121	49
Interest income from trade receivable	15,875	–
Rental income	1,595	240
Insurance claims	–	24
Government grants	1,233	465
Others (<i>note</i>)	314	3,135
	19,138	3,913

note: Others mainly comprise income from oil gas reclamation, bad debt recovery and written-off of excess accrued interest for 1H2021.

B. Other gains and losses

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Gains (losses) on disposal of property, plant and equipment	14	(42)
Net foreign exchange losses	(16,819)	(1,068)
Others	587	447
	(16,218)	(663)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4. OTHER INCOME, OTHER GAINS AND LOSSES, AND OTHER OPERATING INCOME – continued

C. Other operating income

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Income from time chartering (note (i))	20,260	14,299
Income from logistics and blending services (note (ii))	7,887	35,603
	28,147	49,902

notes:

- (i) During the Six Month Period, the Group engaged in time chartering business, of which approximately HK\$20,254,000 related expenses were recorded under distribution, selling and operating expenses (1H2021: approximately HK\$26,042,000). The net loss from time chartering was recorded as cost of sales for the six months ended 30 June 2021. The comparative figures have been restated to be consistent with the Company's 2021 annual report. The Group has ceased its time chartering business upon the rental expiry of the time charter during the Six Month 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 to mitigate, amongst others, inventory and cash flow risk associated with trading of commodities. Related expenses of approximately HK\$7,838,000 for logistics and blending services, was recorded under distribution, selling and operating expenses (1H2021: approximately HK\$34,915,000). The net income from logistics and blending services was recorded as service income under other income for the six months period ended 30 June 2021. The prior period comparative figures have been restated to be consistent with the Company's 2021 annual report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

5. FINANCE COSTS

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Bank charges on letter of credit facilities	131	515
Interest on bank and other borrowings	3	1,567
Interest on lease liabilities	46	24
	180	2,106

6. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Current tax		
Enterprise Income Tax ("EIT") in the PRC	3,917	1,666
Singapore Corporate Income Tax	156	199
Underprovision of taxation in prior year		
EIT in the PRC	275	1,310
	4,348	3,175

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

6. INCOME TAX EXPENSE – *continued*

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 considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the condensed 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 periods. No provision for Hong Kong Profits Tax has been made for both periods since tax losses are incurred for the subsidiaries operating in Hong Kong or the assessable profit is wholly absorbed by tax losses brought forward from previous years.

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

No provision for Macao Profits Tax has been made for both periods since loss was incurred for the subsidiary operating in Macao.

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 Trader Programme by International Enterprise Singapore, certain qualified income generated by a subsidiary operating in Singapore for both periods from physical trading of energy products is taxed at a concessionary rate of 10% until the end of year 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

7. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Profit (loss) before taxation is arrived after charging (crediting):		
Auditor's remuneration	884	1,051
Depreciation of property, plant and equipment	4,231	3,840
Depreciation of investment properties	4,671	5,339
Depreciation of right-of-use assets	2,082	1,830
Net foreign exchange losses	16,819	1,068
Impairment loss on inventories	284	–
Share of results of associates	(2,629)	(5,901)
Directors' emoluments	240	240
Other staff costs		
Salaries, bonus and other allowances	22,549	18,044
Retirement benefit schemes contributions	998	751
	23,787	19,035
Cost of inventories recognised as an expense (included in cost of sales)	447,682	315,152

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

8. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Six Month Period (1H2021: Nil).

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Profit (loss)		
Profit (loss) for the purposes of calculating basic and diluted earnings (loss) per share		
Profit (loss) for the period attributable to owners of the Company	<u>13,778</u>	<u>(5,343)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share	<u>2,123,364,090</u>	<u>2,123,364,090</u>

For the Six Month Period and 1H2021, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June 2022 HK\$'000 (unaudited)	For the year ended 31 December 2021 HK\$'000 (audited)
At the beginning of the period/year	129,186	84,881
Exchange realignment	(5,508)	2,358
Additions	49,395	50,234
Disposals	–	(512)
Depreciation charge	(4,231)	(7,775)
At the end of the period/year	168,842	129,186

11. INVESTMENT PROPERTIES

The Group's investment properties comprise of commercial properties and car park spaces with estimated useful lives of 20 years situated in Hong Kong.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Non-current asset		
— Unlisted equity investment	197,485	197,485
Current assets		
— Listed securities held for trading	364	417
	197,849	197,902

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

– continued

Unlisted equity investment

On 31 August 2020, the Group subscribed for 2.5 million Class A Shares in 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).

Fair value measurement of the Group's investment in SH Energy is classified as Level 3 of the fair value hierarchy (Note 18). 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. Based on the fair value assessment, a fair value gain of approximately US\$319,000 (equivalent to approximately HK\$2,485,000) was recognised for the year ended 31 December 2021. The management of the Group determined that there was no major indication for material change over the Six Month Period and the carrying value approximated the fair value as at 30 June 2022.

Listed securities held for trading

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Listed securities held for trading:		
— Equity securities listed in Hong Kong	284	346
— Equity securities listed outside Hong Kong	80	71
	364	417

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13. TRADE RECEIVABLES

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Trade receivables		
— contracts with customers (<i>note</i>)	391,877	542,787
— lease receivables	455	—
	392,332	542,787
Classified as:		
Non-current assets	181,192	310,354
Current assets	211,140	232,433
	392,332	542,787

note: As at 30 June 2022 and 31 December 2021, all trade receivables are at amortised cost.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13. TRADE RECEIVABLES – continued

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:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
0 to 30 days	24,024	1,716
Over 365 days	368,308	541,071
	392,332	542,787

Included in the trade receivables as at 30 June 2022, an amount of approximately HK\$368,308,000 from one customer was past due for over 365 days. However, the customer and the Group entered into a debt renegotiation plan on 8 December 2021. In accordance with the repayment schedule stipulated in the debt renegotiation plan, monthly repayments will be made from 2022 to 2024. During the Six Month Period, the customer made repayments in compliance with the debt renegotiation plan. Considering the value of the securities held by the Group in respect of these trade receivables exceeds their carrying amounts, the Directors are in the view that no expected credit loss provision is required on these trade receivables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

A. Trade payables

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Trade payables at amortised cost	16,406	–

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:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
0 to 30 days	16,406	–

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

B. Other payables and accrued charges

As at 31 December 2021, payable related to time chartering, net of approximately HK\$31,832,000 and payable for an unlisted equity investment of approximately HK\$27,300,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.025 each		
Authorised:		
At 31 December 2021 (audited) and 30 June 2022 (unaudited)	<u>4,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31 December 2021 (audited) and 30 June 2022 (unaudited)	<u>2,123,364,090</u>	<u>53,084</u>

16. CAPITAL COMMITMENTS

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<u>427,590</u>	<u>40,734</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

17. RELATED PARTY TRANSACTIONS

Transactions

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group has the following transactions with its related parties during the period:

Name of related party	Nature of transaction	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (audited)
Strong Property Limited (<i>note (i)</i>)	Rental expenses	994	994
Mr. Wang Jian Sheng (<i>note (ii)</i>)	Interest expense	–	580
Mr. Yao Guoliang (<i>note (ii)</i>)	Interest expense	–	580

notes:

- (i) Strong Property Limited is owned and controlled by one key management personnel of the Group.
- (ii) During the year ended 31 December 2020, the Group entered into shareholder loan agreements with each of Mr. Wang Jian Sheng and Mr. Yao Guoliang, the controlling shareholders and executive directors of the Company, pursuant to which each of Mr. Wang Jian Sheng and Mr. Yao Guoliang agreed to provide an unsecured term loan of HK\$60,000,000, in aggregate of HK\$120,000,000 (the "Shareholder Loans") to the Group in order to support its operating activities. Each of the Shareholder Loans bears an interest of 1-month HIBOR plus 1.75% per annum. The Shareholder Loans were fully settled in December 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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).

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.

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

	Financial asset at FVTPL HK\$'000
Unlisted equity investment	
At 31 December 2021 (audited) and 30 June 2022 (unaudited)	197,485

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

– continued

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

Fair value hierarchy at 30 June 2022 and 31 December 2021

	At 30 June 2022			Total HK\$'000
	Level 1 HK\$'000 <i>(note (i))</i>	Level 2 HK\$'000	Level 3 HK\$'000 <i>(note (iii))</i>	
Financial assets				
Financial assets at FVTPL				
Unlisted equity investment	-	-	197,485	197,485
Derivative financial instruments <i>(note (ii))</i>	-	705,394	-	705,394
Listed securities held for trading	364	-	-	364
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments <i>(note (ii))</i>	-	715,959	-	715,959

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

– continued

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

Fair value hierarchy at 30 June 2022 and 31 December 2021 – continued

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

Financial liabilities

Financial liabilities at FVTPL

Derivative financial instruments

(note (ii))

–	78,054	–	78,054
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notes:

- (i) Quoted bid prices in active markets.
- (ii) Difference between the contracted strike prices and prevailing futures, swaps and options prices or published indexes. Such prevailing futures, swaps 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 SH Energy is an oil reserve in the PRC. As at 31 December 2021, 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%, pre-tax discount rate of 21.4%, discount for lack of marketability of 15.8% and discount for lack of control of 16.7%. No fair value assessment was required as in the opinion of the Directors, the fair value approximated the carrying value.

There were no transfers among Level 1, 2 and 3 during the Six Month Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

– continued

(ii) Fair values of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considered that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the condensed consolidated financial statements approximate their fair values.

19. MAJOR NON-CASH TRANSACTIONS

Saved as disclosed elsewhere in these condensed consolidated financial statements, the Group has the following major non-cash transaction.

As at 8 June 2022, the directors of SH Energy declared a dividend of US\$3.5 million (equivalent to approximately HK\$27.3 million) to the Group. On that day, the Group's payable for the outstanding investment commitment for SH Energy was amounted to US\$3.5 million (equivalent to approximately HK\$27.3 million). Thus, SH Energy arranged to offset the dividend declared against the Group's payable for the outstanding investment commitment for SH Energy. In doing so, no cash payment of the dividend shall be made to the Group and the Group shall be deemed to have paid the outstanding investment commitment for SH Energy and completed payment of its entire investment commitment of US\$25.0 million (equivalent to approximately HK\$195.0 million).