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

* *For identification purposes only*

2023 Annual Report

Contents

Forward-looking statements (the "Statements") contained in this annual report (the "Annual 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 Annual 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 Annual 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
17th Floor, Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

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

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:

	2023	2022	2021	2020	2019
Results (HK$'000)					
Revenue	**1,266,376**	923,115	810,612	6,572,314	17,356,253
(Loss) profit before taxation	**(88,965)**	13,562	13,920	(65,120)	124,125
Income tax expense	**(7,274)**	(7,828)	(7,696)	(19,294)	57
(Loss) profit for the year	**(96,239)**	5,734	6,224	(84,414)	124,182
Assets and Liabilities (HK$'000)					
Total assets	**1,588,017**	1,478,578	1,628,476	1,747,967	3,872,982
Total liabilities	**(290,634)**	(82,449)	(189,615)	(326,339)	(2,365,018)
Total equity	**1,297,383**	1,396,129	1,438,861	1,421,628	1,507,964

Chairman's Statement

To all shareholders,

I present herewith the audited consolidated financial results of the Group for the year ended 31 December 2023 (the "Year").

Revenue for the Year was approximately Hong Kong dollar ("HK$") 1,266.4 million (2022: approximately HK$923.1 million). Loss attributable to owners of the Company for the Year was approximately HK$95.4 million (2022: profit of approximately HK$6.2 million).

BUSINESS REVIEW AND PROSPECTS

Trading of Commodities

With the new banking facilities granted by certain banks during the Year, the Group proactively seek opportunities to restart the trading business of crude oil. However, the oil market remained volatile and the trading opportunities were still limited. As such, we decided to closely monitor the oil market and strived to gradually resume the crude oil trading business.

As a result of the European Union's import ban on Russian crude oil and products and global recession concerns, the international oil price continued to fluctuate, but generally at a downward trend, during the Year. In the first half of 2023, Brent crude oil price reached multi-year highs due to Russia's full-scale invasion of Ukraine. However, in the second half of the Year, geopolitical tensions and concerns on crude oil demand led to more fluctuation in crude oil price; Brent crude oil price dropped to United States dollar ("US$") 78 per barrel ("BBL"), which is approximately 5% lower than that at the beginning of the Year. Thus, the Group decided to take a cautious approach to crude oil trading, and put more effort on developing trading businesses of petroleum products, petrochemicals and coal in the meantime.

During the Year, Caixin China General Manufacturing Purchasing Managers' Index varied between 49.2 and 51.6, while it was mostly above the neutral 50.0 level. Benefited from the economic recovery in the People's Republic of China (the "PRC"), with the effort of our trading team, revenue generated from the trading of petroleum products, petrochemicals and coal were generally on an upward trend.

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 and expand its customer base. Strong Nantong reported record high results in storage revenue and net profit in the Year due to the continued increase in service fee premium. We believe Strong Nantong can maintain its profitability and generate a sustainable revenue stream for the Group in the future.

Prospects

In 2023, the Tianjin oil fields project of SH Energy Fund 1 ("SH Energy") continued to be profitable and generated positive cash flows. However, as the Tianjin oil fields project has not yet obtained the approval to extend the production period, a substantial impairment loss in the investment in SH Energy was recognised during the Year. We will monitor the performance of SH Energy and the progress of project extension negotiation closely.

Chairman's Statement

Fujian Hong Kong Petrochemical Limited ("Fujian Petrochemical"), our indirect wholly-owned subsidiary with principal activities of manufacturing and trading of petrochemicals, is setting up a petrochemicals manufacturing plant (the "Fujian Plant") in Quanzhou City, Fujian Province of the PRC. With smooth construction progress, we expect the first phase of the Fujian Plant will commence operation on 31 March 2024. 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") after completion of the second phase. The SEBS Project has been listed as one of the PRC's local provincial key projects. With the strong and solid support from the local government, we are positive and optimistic about the development of the SEBS Project and future product sales.

Starting from 2022, the Group entered into the solar energy business which focuses on installation of solar energy systems in Hong Kong Special Administrative Region of the PRC ("Hong Kong"). Thanks to the solar energy team's efforts, number of customers and revenue generated continued to increase steadily. The Group believes that the investment in new energy business will generate a sustainable revenue for the Group, and simultaneously, allow it to diversify its business gradually.

In 2024, the Group will continue to closely monitor the changes of global economy and explore opportunities to develop the Group's business so as to enhance returns for shareholders.

APPRECIATION

Finally, on behalf of the board of directors of the Company ("Directors", collectively, the "Board"), I would like to take this opportunity to express my sincere appreciation to our shareholders and business partners for their trust, patience and support to the Group, and to extend my gratitude to our fellow colleagues and Directors for their diligent efforts and invaluable contributions.

Wang Jian Sheng
Chairman

Hong Kong, 26 March 2024

Management Discussion and Analysis

BUSINESS REVIEW

Trading of Commodities

The sharp decline in international oil price was influenced by macroeconomic factors such as expected interest rate changes, the strength of the United States Dollars, and supply-demand dynamics. Geopolitical events further introduced uncertainties into the market. Overall, cautious market sentiment reflected concerns about the global economy and the outlook for energy demand. In response to the current market conditions, the Group adopted a more prudent and cautious approach to decision-making in the trading of commodities. We continued to focus on back-to-back trade arrangements and maintained a low level of inventories to minimise inventory risk. Simultaneously, we made efforts to maintain business relationships with our key customers while actively seeking new business opportunities. During the Year, the Group refrained from trading crude oil as a conservative measure, choosing to remain calm during this uncertain period and carefully monitor profitable trading opportunities. The trading volume of coal, petroleum products and petrochemicals increased mainly because of the recovered demand in the PRC market.

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 increased from approximately 1,979,000 MT in 2022 to approximately 2,291,000 MT in 2023. During the Year, Strong Nantong has achieved record high result in both revenue and profit before taxation due to its ability to charge for higher service fee premium. By charging higher storage fee and vehicle loading fee, and expanding customer base, Strong Nantong continued to generate higher income from the storage business.

Management Discussion and Analysis

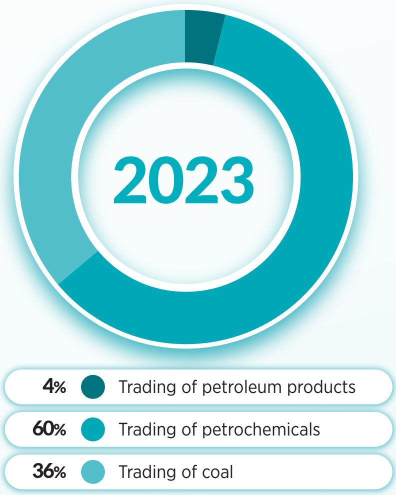
FINANCIAL REVIEW

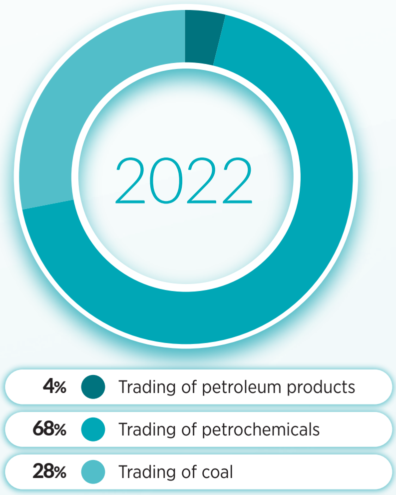
Revenue

Trading of commodities

The Group is principally engaged in the trading of commodities. The revenue from trading business of the Group was approximately HK$1,211.6 million (2022: approximately HK$879.9 million) for the Year. Approximately 60% (2022: 68%) 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 for the Year was approximately 4% (2022: 4%). Revenue generated from trading of coal for the Year was approximately 36% (2022: 28%).

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





Benefited from the PRC economic recovery, the trading volume of petroleum products increased from 3,660 MT last year to 5,906 MT for the Year, the trading volume of petrochemicals increased from 93,878 MT last year to 131,138 MT for the Year, and the trading volume of coal increased significantly from 341,926 MT last year to 660,724 MT for the Year.

		Year ended 31 December					
		2023			2022		
Products	Unit	**Number of contracts**	**Sales quantity**	**Revenue HK$'000**	Number of contracts	Sales quantity	Revenue HK$'000
Trading of commodities							
Petroleum products	MT	**4**	**5,906**	**47,430**	2	3,660	31,386
Petrochemicals	MT	**184**	**131,138**	**723,542**	187	93,878	602,587
Coal	MT	**18**	**660,724**	**440,629**	11	341,926	245,880
Total		**206**		**1,211,601**	200		879,853

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$39.9 million for the Year (2022: approximately HK$31.0 million). Approximately 66% (2022: 74%) of the Group's revenue from storage business for the Year was generated from general storage services. Other ancillary services, such as pipeline transmission, waste treatment and vehicle loading, accounted for approximately 34% (2022: 26%) of the Group's revenue from storage business.

Revenue generated from leases was approximately HK$14.9 million (2022: approximately HK$12.2 million) for the Year.

Fair Value Changes on Derivative Financial Instruments

The Group has established trading teams to manage the overall physical cargo price exposure and controls it through offsetting oil derivative contracts according to the Group's risk management policies. As part of our stringent 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 market risk exposure.

During the Year, the Group reported a gain on fair value changes on derivative financial instruments of approximately HK$17.6 million (2022: approximately HK$21.8 million).

Gross Profit

The overall gross profit of the Group for the Year increased to approximately HK$41.6 million (2022: approximately HK$33.4 million).

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company for the Year was approximately HK$95.4 million (2022: profit of approximately HK$6.2 million).

Management Discussion and Analysis

Properties Held for Investment

As at 31 December 2023, the Group held properties in Hong Kong with address at 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 term of three years in June 2021 to generate operating lease income which amounted to approximately HK$2.0 million for the Group during the Year (2022: approximately HK$3.2 million). No impairment loss on investment properties was made during the Year (2022: Nil).

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 2023, the Group had deposits placed with brokers, pledged bank deposit and bank balances and cash of approximately HK$106.2 million (2022: approximately HK$123.2 million), approximately HK$25,000 (2022: approximately HK$26.6 million) and approximately HK$456.6 million (2022: approximately HK$288.0 million) respectively. The total of deposits placed with brokers, pledged bank deposit and bank balances and cash (collectively, the "Liquidity Resources") were approximately HK$562.8 million (2022: approximately HK$437.8 million). Most of the Liquidity Resources were denominated in US$.

The equity attributable to owners of the Company decreased by approximately HK$97.9 million to approximately HK$1,298.6 million as at 31 December 2023 (2022: approximately HK$1,396.5 million).

As at 31 December 2023, the Group had bank borrowings, represented by long-term loans, of approximately HK$159.9 million (2022: Nil). As at 31 December 2023, the Group's gearing ratio was approximately 10% (2022: 0%). The gearing ratio is calculated as the Group's total borrowings divided by total assets. The increase in gearing ratio is mainly because the Group has raised bank borrowings to support the construction of the Fujian Plant.

The Group aims to use the Internal Funds to repay all 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 2023, the Group has banking facilities of US$188.0 million and Renminbi ("RMB") 17.0 million (equivalent to approximately HK$1,485.2 million in total) from several banks. Save as disclosed in note 38 to the consolidated financial statements, the Group did not have any other charges on asset as at 31 December 2023.

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 2023, property, plant and equipment of approximately HK$37.8 million (2022: Nil), right-of-use assets of approximately HK$60.1 million (2022: approximately HK$15.3 million) and pledged bank deposits of approximately HK$25,000 (2022: approximately HK$26.6 million) had been pledged to secure certain banking facility and bank borrowings granted to the Group.

Contingent Liabilities

As at 31 December 2023, the Group did not have any significant contingent liabilities.

Management Discussion and Analysis

Litigation

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 Petrochemical Limited (Macao Commercial Offshore) ("Strong Macao"), the Company's indirect wholly-owned subsidiary which was closed in 2021, 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 was 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"). In December 2022, the Group and Shandong Shengxing has reached another agreement on the repayment schedule that Shandong Shengxing has to repay the Shandong Shengxing Unsettled Outstanding Sum in full by instalments before 30 June 2024 and the accrued interest before 31 December 2024 (the "Shandong Shengxing Supplemental Agreement"). During the Year, Shandong Shengxing paid approximately US$21.8 million (equivalent to approximately HK$170.0 million in total) as partial settlement of the Shandong Shengxing Unsettled Outstanding Sum in accordance with 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$3.1 million (equivalent to approximately HK$24.2 million) as partial settlement of the Shandong Shengxing Unsettled Outstanding Sum up to the date of this annual report (the "Annual Report") in accordance with the Shandong Shengxing Supplemental Agreement.

Considering the availability of securities held by the Group including the share charge in relation to 68% 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 Shangdong Shengxing is made. The Group will continue to proactively recover the Shandong Shengxing Unsettled Outstanding Sum.

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 2023.

Investment

The Group held an investment in SH Energy as at 31 December 2023. 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 up to 2.5 million participating shares in SH Energy, the cost of such investment is US$25.0 million (equivalent to approximately HK$195.0 million), approximately 99% shares held in the investment. 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 2023, the accumulated investment made by the Group in SH Energy amounted to US$25.0 million (equivalent to approximately HK$195.0 million) (2022: US$25.0 million (equivalent to approximately HK$195.0 million)). The fair value of SH Energy was approximately US$6.5 million (equivalent to approximately HK$50.4 million) as at 31 December 2023 (2022: approximately US$19.6 million (equivalent to approximately HK$152.6 million)), which represented approximately 3% (2022: 10%) of the Group's total assets. During the Year, fair value loss on investment in SH Energy of approximately US$13.1 million (equivalent to approximately HK$102.1 million) (2022: fair value loss on investment in SH Energy of approximately US$5.7 million (equivalent to approximately HK$44.9 million) was recognised as a result of the change in fair value. The Tianjin oil fields project of SH Energy has not yet obtained the approval to extend the production period as at 31 December 2023 and up to the date of this Annual Report, resulting a reduction of forecast volume of oil produced in the remaining forecast periods. Together with the drop in crude oil price as comparing with 31 December 2022, these result in significant fair value loss on the investment in SH Energy for the Year. During the year ended 31 December 2022, a dividend of 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). No dividend was declared during the Year.

Significant Investments

There were no significant investments held by the Group as at 31 December 2023, which represented over 5% of the Group's total assets.

Material Acquisitions and Disposals, and Future Plans for Material Investments

The realisation of the expected synergies, cost control, and growth opportunities and potentials upon integration of the acquired businesses are important to the Group's success. The Group focuses 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. Failure to operate the acquired businesses successfully and thereby not achieving the expected financial benefits, may adversely affect the Group's financial position and results.

Fujian Petrochemical is in the process of setting up the Fujian Plant in Quzhou City, Fujian Province of the PRC. The expected completion date of the first phase of the Fujian Plant will be 31 March 2024 and the Fujian Plant will start its operation then.

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

Employees

The number of employees of the Group increased to 145 as at 31 December 2023 (2022: 93) because of the setting up of the Fujian Plant. 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 70, has been an executive Director and the chairman of the Company (the "Chairman") since 1 February 2008. He has served as 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 ("Shares"). Separately, Mr. Wang owns the entire issued share capital of Speed Success Group Limited ("Speed Success") which in turn holds 50,576,000 Shares. Furthermore, since Mr. Wang and Mr. Yao Guoliang ("Mr. Yao") jointly control Forever Winner which in turn holds 1,041,746,000 Shares, 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 58, has been 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, 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. Furthermore, since Mr. Wang and Mr. Yao jointly control Forever Winner which in turn holds 1,041,746,000 Shares, Mr. Wang and Mr. Yao are deemed as parties acting in concert. Therefore, as Mr. Wang indirectly owns approximately 2.38% equity interest in the Company, Mr. Yao shall be deemed to hold the same equity interest in the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHEUNG Siu Wan ("Ms. Cheung"), aged 57, has been an independent non-executive director of the Company (an "INED") since 1 January 2012. Ms. Cheung has served as 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 from 2016 to 2023. 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 from 2017 to 2022. 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 61, has been an INED since 1 July 2017. Prof. Chan has served as the chairman of the Remuneration Committee and a member of the Audit Committee since 1 July 2017. Prof. Chan obtained his BBA, MBA and PhD (business administration) degrees from the Chinese University of Hong Kong. He further obtained 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 has served as a Full Professor in the Department of Marketing of the College of Professional and Continuing Education of the Hong Kong Polytechnic University since 19 February 2024. Additionally, he will take on the position of Associate Dean starting from 3 May 2024. He has also served as an honorary Adjunct Professor of Auckland University of Technology since 1 January 2024. 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 54, has been an INED since 1 January 2018. Mr. Deng has served as 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 58, 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 70, 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 40 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 53, 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 30 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. 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 applied the principles of the Corporate Governance Code (the "CG Code") set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") on the Company's corporate governance structure and operation in the manner as stated in this Annual Report.

The Company has fully complied with the CG Code and met the code provisions set out in Part 2 of Appendix C1 to the Listing Rules during the Year. 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 prior to the meeting. Views expressed by the shareholders of the Company at general meetings are recorded and circulated for discussion by all Directors regardless of attendance.

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 annual 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 judgment 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.

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 has one female INED, which is in compliance with Rule 13.92 of the Listing Rules. The Board considers that the Company has achieved gender diversity at the Board level and targets to maintain at least the current level of female representation. In addition to gender diversity, the Nomination Committee took the view that the measurable objectives for Board diversity had been achieved to a large extent for the Year.

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.

The Company values gender diversity across all levels of the Group. The employee gender ratio (male:female) as at 31 December 2023 is 100:45. The Group, when hiring employees, considers a number of factors, including but not limited to gender, age, cultural and education background, qualification, ethnicity, professional experience, skills, knowledge and length of service, and the Group will make sure achieving gender diversity across the workforce. The Board is satisfied that the Company has achieved gender diversity in its workforce.

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on pages 29 to 69 of this Annual Report.

Corporate Governance Report

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.

BOARD COMPOSITION, BOARD AND COMMITTEE MEETINGS

As at 31 December 2023, 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 the Directors at least 14 days before the meetings, so that the 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 the 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.

The Audit Committee has undertaken a review of all the non-audit services provided by the Company's auditor, Messrs. BDO Limited, during the Year, and is satisfied that such services would not affect the independence of Messrs. BDO Limited as the Company's auditor. 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 annual general meeting ("AGM").

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 judgments 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 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.

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.

The major work of the Audit committee for the Year are as follow:

(i) Reviewed the annual financial results for the year ended 31 December 2022 and the interim financial results for the six months ended 30 June 2023. During the review process, the members performed sufficient and necessary communication with the Company's external auditor and the management of the Company and fulfilled the committee's duties in ensuring the Company's compliance with regulations, completeness and accuracy of the financial results disclosed by the Company.

(ii) Reviewed and discussed the work for internal audit and risk management of the Company and considered and approved the 2022 internal audit reports and the risk assessment report of the Company, and proposed to pay attention to data security. The Company should strengthen the management of audit work, and the key areas and links of overseas audit should be fully covered and normalised. Meanwhile, the Company should also strengthen internal audit training and strengthen the application of big data in audit work.

(iii) Reviewed the provision for asset impairment and the connected transactions of the Company. The Audit Committee required the Company to pay attention to the changes of industry environment and attach importance to the evaluation of investment strategy.

Regarding the re-appointment of the auditor, the Audit Committee unanimously approved the re-appointment of Messrs. BDO Limited as auditor of the Company for the year ending 31 December 2024.

During the Year, 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.

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 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 Year end, the Audit Committee has reviewed the Group's audited consolidated financial statements for the Year, 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.

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.

(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.

(ix) To review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

During the Year, 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 own remuneration.

The remuneration of senior management was within the following bands:

The emolument bands (in HK$)	Number of individuals 2023	2022
Nil to HK$1,000,000	–	–
HK$1,000,001 – HK$2,000,000	1	1
HK$2,000,001 – HK$3,000,000	1	1
HK$10,000,001 – HK$10,500,000	1	–
HK$16,000,001 – HK$16,500,000	–	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.

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, 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.

For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. A circular setting out information as required pursuant to the applicable laws, rules and regulations of the proposed candidates will be sent to the shareholders. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

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. Deng Heng and Prof. Chan Yee Kwong for re-election at the forthcoming AGM. The Board has accepted the Nomination Committee's recommendation.

Meetings Held and Attendance

Details of Directors' attendance of the Board meetings, three committees meetings and the AGM held during the Year are set out as follows:

	Meetings attended/Meetings held				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**AGM held on 25 May 2023**
Executive Directors					
Mr. Wang Jian Sheng *(Chairman)*	7/7	N/A	1/1	1/1	1/1
Mr. Yao Guoliang *(CEO)*	6/7	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Ms. Cheung Siu Wan	6/7	1/2*	N/A	1/1	1/1
Prof. Chan Yee Kwong	7/7	2/2	1/1	N/A	1/1
Mr. Deng Heng	7/7	2/2	1/1	1/1	1/1

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 25 May 2023, the Company has not held any other general meetings.

* Ms. Cheung Siu Wan, the chairman of the Audit Committee, was unable to attend the meeting of the Audit Committee held on 24 August 2023 (the "Meeting") due to other prior business engagement. She has authorised Mr. Deng Heng, a member of the Audit Committee, to take the chair position at the Meeting, and make any necessary arrangements as he sees fit.

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 developed and 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 C3 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.

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 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.

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.

During the Year, the Company Secretary provided all the Directors with the latest information on the Listing Rules and other applicable requirements, so as to update and strengthen the Directors' awareness of the development of corporate governance, and maintained records of training participated by the Directors. The means of such training are as follows:

Name of Directors	Reading Materials	Seminars/talks/ training courses
Executive Directors		
Mr. Wang Jian Sheng *(Chairman)*	✓	✓
Mr. Yao Guoliang *(CEO)*	✓	✓
Independent Non-executive Directors		
Ms. Cheung Siu Wan	✓	✓
Prof. Chan Yee Kwong	✓	✓
Mr. Deng Heng	✓	✓

All the Directors read materials relevant to the Company's business or to their duties and responsibilities.

All the Directors understand the importance of continuous professional development and are committed to participating in any suitable training to develop and refresh their knowledge and skills.

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 15 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 2024 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.

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 judgments 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 79 to 83 of the annual report.

AUDITOR'S REMUNERATION

Auditors' remuneration in relation to audit amounted to approximately HK$1,979,000 for the Year. 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 of Messrs. BDO Limited.

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

	HK$'000
Audit services:	
— Messrs. BDO Limited	**1,700**
— Singapore subsidiary's auditor	**121**
— The PRC subsidiaries' auditors	**41**
	1,862
Non-audit services *(note)*:	
— Messrs. BDO Limited	**150**
	2,012
Disbursement charged by auditors	**117**
	2,129

Note: Performed an agreed-upon procedures engagement on the interim financial statements of the Group for the six months ended 30 June 2023.

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.

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 annual 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 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 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.

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.

An annual review of the Company's shareholders communication policy had been undertaken and the effectiveness of the policy was confirmed considering multiple channels were in place and adopted to reflect the current best practice in communications with shareholders.

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.

Shareholders may at any time send their enquiries or written requisitions as mentioned above 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

The Company has adopted the amended and restated memorandum and articles of association of the Company by a special resolution passed on 25 May 2023 and effective on the same day. A copy of the amended and restated memorandum and articles of association of the Company is posted on the HKEx's website at www.hkexnews.hk and the Company's website at www.strongpetrochem.com. Saved as disclosed, there had been no significant change in the Company's constitutional documents during the Year.

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

ABOUT THIS REPORT

Purpose and Objective

The Group is pleased to present the Environmental, Social and Governance ("ESG") Report 2023 (the "Report") to our stakeholders. This Report aims to provide our key stakeholders with a clear and transparent overview of its sustainability management approach, strategies, policies, initiatives, and performance of our material sustainability issues, enabling them to deepen their understanding of the Group and our ESG efforts.

Reporting Scope and Period

Unless otherwise stated, the reporting scope includes the locations where the Group operates our core business operations, including (i) trading of commodities ("trading business") and (ii) storage and other ancillary services for petroleum products and petrochemicals and leases ("storage business"), across our head office in Hong Kong, the offices in Macao, Singapore, Quanzhou City in Fujian Province, Nantong City in Jiangsu Province as well as the storage facilities in Nantong City in Jiangsu Province in the PRC, which account for approximately 96% of the Group's total revenue for the period from 1 January 2023 to 31 December 2023 (the "Reporting Period").

The reporting boundary is determined according to the corresponding materiality of each business segment to our business and operations and its impact on sustainable development.

Reporting Standards

The Report has been prepared in accordance with the latest disclosure requirements of the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix C2 to the Listing Rules issued by the HKEx.

Reporting Principles

This Report adheres to the four reporting principles stipulated in the ESG Reporting Guide in the course of this Report's preparation: materiality, quantitative, balance and consistency:

Reporting Principle	Our Application
Materiality	By engaging with stakeholders and conducting materiality assessments, the Group has identified issues material to our sustainable development and prioritised them in this Report. For further details, please refer to "Stakeholder Engagement" and "Materiality Assessment".
Quantitative	Quantitative data, key performance indicators ("KPIs"), and relevant information are presented, where applicable, throughout this Report.
Balance	The information disclosed faithfully reflects the overall ESG performance of the Group, encompassing both positive and negative aspects, achievements, challenges, and opportunities in our principal business activities.
Consistency	Unless otherwise specified, the statistical methodologies employed in this Report remained substantially consistent with the previous year. Any changes in the scope of disclosure or calculation methodologies will be explained along with the relevant data.

Environmental, Social and Governance Report

Access to this Report

As part of the Annual Report, the Report is available in both English and Chinese versions on the websites of the HKEx and the Group. In case of any discrepancy between these two versions, the English version shall prevail.

Your Feedback

The Group highly values the feedback or suggestions on this Report and our sustainability approach from our stakeholders, which would help guide us in future enhancement of our ESG journey. Please share your thoughts at:

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

ABOUT STRONG PETROCHEMICAL HOLDINGS LIMITED

Our Business Overview

Established in Hong Kong in 1999 and listed on the Main Board of the HKEx since 2009, the Company has emerged as a distinguished energy products trading company, with a focus on core businesses:

Trading business

- Petroleum products
- Petrochemicals
- Coal
- Crude oil

Storage business

- Provision of general storage and other ancillary services (e.g., pipeline transmission, waste treatment and vehicle loading) for petroleum products and petrochemicals and leases

Our Culture

Vision

- Committed to be a responsible and respectable energy company through sustainable development strategies and flexible business explorations

Mission

- Endeavouring to create values and bring benefits to stakeholders and society by providing premium products and quality services

OUR APPROACH TO SUSTAINABILITY

ESG Management Approach and Strategy

Our corporate vision "*committed to be a responsible and respectable energy company through sustainable development strategies and flexible business explorations*" is a core foundation guiding our sustainability journey. The Group has formulated our ESG framework built upon three key strategic pillars: (1) Creating Value for Our Customers; (2) Creating Value for Our People; and (3) Creating Value for Our Environment, with specific goals and targets* that guides us in fulfilling our vision and turning our mission "endeavouring to create values and bring benefits to stakeholders and society by providing premium products and quality services" into reality.

Creating Value for Our Customers

Enhancing Service Sustainability and Product Quality

Goal:

To continually improve the sustainability of our services and deliver high-quality commodities to enhance customer experience

Creating Value for Our People

Cultivating a Supportive Culture and Community Impact

Goal:

To foster a workplace culture that prioritises employee well-being, growth, and development, while actively investing in community initiatives

Creating Value for Our Environment

Integrating Climate Resilience and Eco-friendly Practices into Operations

Goal:

To reduce environmental impact and increase climate resilience to contribute to a better planet

* Please refer to the section headed "Creating Value for Our Environment" for our green targets.

Our ESG framework, approved by the Board, guides us to enhance sustainability performance and contribute positively to customers, employees, environment, and communities for us all.

Environmental, Social and Governance Report

ESG Governance and Board's Oversight

The Board has the overall responsibility for our ESG strategy and reporting. The Board provides oversight of ESG issues, encompassing our sustainability management approach, strategy, and initiatives, and places a particular emphasis on guiding the Group's long-term development and positioning. Delegated by the Board, our ESG Task Force oversees our ESG management approach and advises the Board on the ESG matters below on a regular basis, including but not limited to:

- Development and review of our ESG-related strategies, frameworks, priorities, goals and targets;
- Identification, evaluation, prioritisation, review and management of material ESG-related risks (including but not limited to climate-related risks and ESG risks along the supply chain);
- Review and formulation of the implementation of ESG-related policies and practices to ensure compliance with laws and regulations;
- Monitoring and reviewing our ESG performance and progress against any targets and goals; and
- Preparing an annual ESG report on its activities for Board's approval.

ESG Risk Management

ESG risk management is considered essential for robust corporate governance and long-term business resilience. The material ESG-related risks are regularly identified, evaluated, prioritised and managed by our ESG Task Force. Our ESG Task Force submits an ESG-related risk assessment report to the Board on a regular basis, and the Board holds ultimate responsibility for overseeing the Group's risk management activities. The Board regularly reviews the effectiveness of control measures and provides relevant recommendations when necessary.

During the Reporting Period, the Group conducted an ESG-related risk assessment to enhance our risk mitigation and response. The details of the steps of the Group's ESG risk management process are as follows:

1. Identification

The Group identified relevant ESG-related risks in the industry and ESG trends, including climate-related risks and ESG risks along the supply chain, by making reference to the latest market and industry trends.

2. Evaluation

The Group evaluated the potential impacts and likelihood of the identified key ESG-related risks.

3. Prioritisation

The Group prioritised the key ESG risks by considering their risk level scores in terms of potential impact and likelihood.

4. Management and Mitigation

In order to manage the identified ESG risks and minimise their impact on our business, the Group established corresponding risk mitigation and internal controls measures, tasking the relevant operation units with the implementation of such measures.

The results of the ESG risk assessment, along with any other relevant issues, were reported to the Board for discussion, review and providing recommendation.

Details on our corporate governance and risk management approach are presented in the "Corporate Governance Report" section of this Annual Report.

Environmental, Social and Governance Report

Stakeholder Engagement

The Group is dedicated to meeting stakeholder expectations by thoroughly understanding and incorporating their concerns into our sustainability strategy. During the Reporting Period, the Group actively engaged with stakeholders, fostering open communication to receive valuable feedback and suggestions.

Shareholders and Investors

- Annual general meeting
- Shareholder meetings
- Financial reports
- Announcements and circulars

Suppliers and Service Providers

- Procurement process
- On-site visits
- Supplier audit and assessment
- Supplier management meetings
- Emails

Employees

- Annual general meeting
- Shareholder meetings
- Financial reports
- Announcements and circulars

Regulatory Bodies and Government Authorities

- Compliance officer
- Legal adviser
- On-site inspections

Customers

- Customer satisfaction survey
- Customer service hotline or email
- Company website

Community and Non-governmental Organizations

- Procurement process
- On-site visits
- Supplier audit and assessment
- Supplier management meetings
- Emails

Media

- Customer service hotline or email
- Company website
- ESG reports
- Media channels

Materiality Assessment

To pinpoint ESG issues that are the most relevant to our business and our stakeholders, in addition to the above regular communication channels, the Group performed a materiality assessment with the support of an independent sustainability consultant during the Reporting Period. The results of the materiality assessment and relevant ESG issues are regularly discussed and reviewed by our ESG Task Force and the Board.

Our materiality assessment involves multiple stages: identification, prioritisation, as well as validation. The details of the procedures and steps of our materiality assessment are as follows:

Identification

The identification of a total of 23 ESG-related material issues was informed by our business knowledge, industry trends, peer benchmarking and stakeholder feedback.

Prioritisation

Internal and external stakeholderswere invited to participate in an online survey, providing ratings for the importance of each ESG issue.

Validation

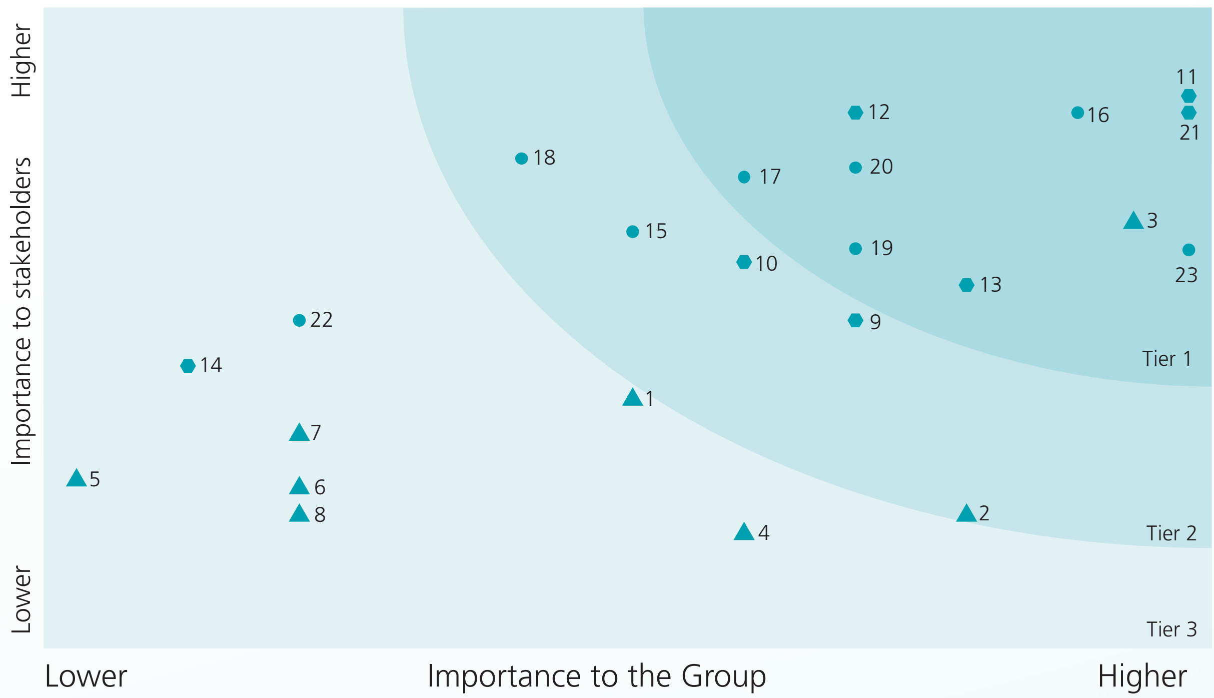
The survey results were analysed to develop a materiality matrix. The prioritised list of 10 most material issues were presented to the ESG Task Force and the Board for discussion and validation.

Materiality Matrix

The materiality matrix presented below summarises the relative importance of the 23 ESG-related material issues to both stakeholders and our business. The most material issues are located in Tier 1 of the matrix, while the less material issues are located in Tier 3.

During the Reporting Period, a total of 10 issues from Tier 1 were prioritised as the most material issues for us to address and report on.

Materiality Matrix



Tier 1: Most Material Issues
Tier 2: Moderate Material Issues
Tier 3: Less Material Issues

Creating Value to Our People | Creating Value to Our Environment | Creating Value to Our Customers

List of ESG-related Material Issues

ESG-related material issues		Report Sections
Tier 1: Most Material Issues		
3.	Energy efficiency and greenhouse gas ("GHG") emission	Energy, Air and GHG Emissions
11.	Occupational health and safety	Occupational Health and Safety
12.	Staff development and training	Talent Development
13.	Employment compliance	Talent Acquisition and Retention
16.	Product and service quality	Quality of Products and Services
17.	Customer service	Quality of Products and Services
19.	Intellectual property rights management	Respect for Intellectual Property Rights
20.	Data protection and cybersecurity	Data Privacy Protection
21.	Risk and crisis management	Occupational Health and Safety
23.	Anti-corruption	Business Ethics and Integrity
Tier 2: Moderate Material Issues		
2.	Waste	
9.	Staff welfare	
10.	Equal-opportunity, diversity, and inclusion	
15.	Ethically responsible sourcing	
18.	Responsible marketing and labelling	
Tier 3: Less Material Issues		
1.	Air emissions	
4.	Wastewater and water consumption	
5.	Biodiversity and ecological impacts	
6.	Climate adaptation and resilience	
7.	Green procurement	
8.	Environmental risk in supply chain	
14.	Community investment	
22.	Anti-competitive behaviour	

CREATING VALUE FOR OUR CUSTOMERS

Enhancing Service Sustainability and Product Quality

Goal:

To continually improve the sustainability of our services and deliver high-quality commodities to enhance customer experience

The most significant issues addressed in this chapter:

- Product and service quality
- Customer service
- Intellectual property rights management
- Data protection and cybersecurity
- Anti-corruption

Elevating the customer experience is our top priority, and the Group firmly believes that integrating sustainable practices into our products and services is crucial for delivering long-term value to our customers. Our commitment is reinforced by our policies and internal guidelines, as well as our adherence to all applicable laws and regulations relating to product responsibility and anti-corruption[1].

During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations relating to health and safety and privacy matters relating to our products and services provided and methods of redress, as well as bribery, extortion, fraud and money laundering.

[1] Please refer to the "Significant Laws and Regulations" section for the list of product responsibility and anti-corruption related laws and regulations significant to our business operations.

Sustainable Supply Chain Management

Our suppliers are required to comply with applicable laws and regulations concerning supply chain management. As detailed in our Sustainable Supply Chain Policy, the Group actively cultivates a sustainable and resilient supply chain by engaging with our suppliers based on principles of impartiality, fairness, and loyalty, fostering a mutually supportive relationship.

Supplier Selection	Supply Chain Risk Management	Monitoring Supplier Performance
• The Group selects all our suppliers through an open and transparent process outlined in the Supplier Selection and Fair Treatment Policy, aligning with the principles of Green Procurement Policy • The Group conducts background check for suppliers and consider factors including the following: o Product quality o Business ethics o Environmental standards such as ISO 14001	• The Group performs an ESG-related risk assessment to identify potential environmental and socials risks of our major suppliers along the supply chain, with the goal of effectively mitigating these risks	• The Group conducts inspections and evaluations on the existing suppliers regularly • The Group evaluates the performances of suppliers in terms of the following: o Punctuality o Product quality o Efficiency o Environmental performance o Ethical performance o Health and safety performance • The Group offers feedback and conduct a reassessment to the suppliers if their performances fall below the Group's standards

As of 31 December 2023, the breakdown of major suppliers by geographical region was as follows: 83 (2022: 74) in the PRC, 5 (2022: 3) in Indonesia, and 5 (2022: 1) in Singapore. During the Reporting Period, the aforementioned supplier engagement practices were implemented for all 93 (2022: 78) major suppliers in the Group's core businesses.

Quality of Products and Services

The Group is dedicated to meeting customer and client needs through our commitment to quality assurance, with our top priority being the secure delivery of high-quality products and services. This commitment is reinforced through a series of policies and measures:

- Ensuring the quality of commodities and product specifications are agreed upon with suppliers or customers
- Implementing stringent supplier selection procedures
- Maintaining clear storage procedures to prevent accidents
- Conduct regular on-site inspections by our quality assurance team to meet the Group's standards for service quality and site safety
- Performing comprehensive safety assessments on storage tanks and pipelines to prevent spills and optimise operational efficiency
- Leveraging customer feedback as a catalyst for continuous improvement
- Establishing diverse communication channels to understand and meet customer and client expectations

During the Reporting Period, the Group encountered 0 material complaint[2] related to our product or service (2022: 0).

Data Privacy Protection

The Group recognises the importance of data privacy and cybersecurity and take all necessary steps to safeguard our customer information in all our communications with them. As such, our Information Protection Policy, outlined in our Compliance Manual and Code of Ethics, provides clear guidelines to safeguard proprietary and confidential information, including but not limited to:

- Establishing standard procedures for handling sensitive data to prevent unauthorised access
- Mandating adherence to confidentiality clauses in employment contracts
- Implementing a Password Policy to enhance data security through defined standards for password creation and change frequency
- Installing anti-virus detection systems to safeguard network from authorised access and cyberattacks
- Sharing updates and tips on information security and cybersecurity

During the Reporting Period, there were no material substantiated incidents regarding invasion of customers' and suppliers' privacy or loss of data. Also, the Group was not aware of any material non-compliance with relevant laws and regulations[3].

2 Material complaints are defined as those that would result in long-term significant impact on our customers, or a failure to deliver agreed-upon product and service requirements.

3 Please refer to the "Significant Laws and Regulations" section for the list of product responsibility-related laws and regulations significant to our business operations.

Respect for Intellectual Property Rights

The Group respects intellectual property rights of both itself and third parties, and require our employees not to infringe copyrighted work in the course of their work as set out in the Staff Handbook:

- In safeguarding our intellectual property rights, the Group takes proactive measures by registering trademarks and domain names across multiple jurisdictions.
- The Group will conduct regular monitoring of potential infringement of intellectual property rights.
- In the event of intellectual property rights infringement by our employees, the Group will escalate the matter to the appropriate authorities for further action.

As of 31 December 2023, the Group holds registered proprietorship of:

	Hong Kong	**The PRC**	**Macao**
Trademarks	2 (2022: 2)	1 (2022: 1)	1(2022: 1)
Domain names	3 (2022: 3)	4 (2022: 4)	2 (2022: 2)

Business Ethics and Integrity

The Group is always devoted to upholding high ethical standards in all aspects of our business. Our policies set out the ethical conduct expectation to ensure that the principles of integrity, fairness, whistle-blowing, conflicts of interest and accountability are fully adhered to across all levels. Our employees, suppliers and business partners are also strictly prohibited from soliciting or accepting advantages, as well as engaging in any form of bribery, extortion, fraud, money laundering and anti-competitive behaviours in our operations.

[4] Please refer to the "Significant Laws and Regulations" section for the list of product responsibility-related laws and regulations significant to our business operations.

Policies and Procedures

- Our Compliance Manual and Code of Ethics guides Directors and employees, ensuring adherence to work ethics, including the prevention of money laundering and conflicts of interest.

Whistle-blowing Mechanism and Reporting Concerns

- Our Whistle-blowing Policy is in place to encourage employees and stakeholders to raise concerns about any suspected irregularity, misconduct or malpractice, through a number of reporting channels.
- The Group respects confidentiality and provide serval confidential mechanisms for anonymous reporting via mailing addresses or, if necessary, direct communication with the Audit Committee or the Compliance Officer.
- Subsequent investigations will be conducted in a fair manner, and corrective and follow-up actions will be taken promptly.
- The Board has an overall responsibility for the mechanism, whereas the Audit Committee is responsible for overseeing and implementing the mechanism.

Training and Awareness

- During the Reporting Period, the Group provided anti-corruption training for both Directors and employees to strengthen their awareness and understanding of anti-corruption practices as well as regulatory requirements.
- In addition to induction training for new joiners, anti-corruption training materials on business ethics and anti-corruption practices are distributed annually to Directors and employees, fostering enhanced knowledge and capability in identifying and addressing corruption issues.

During the Reporting Period, there were no concluded legal cases regarding corrupt practices brought against the Group or our employees (2022: Nil).

CREATING VALUE FOR OUR PEOPLE

Cultivating a Supportive Culture and Community Impact

Goal:

To foster a workplace culture that prioritises employee well-being, growth, and development, while actively investing in community initiatives

The most significant issues addressed in this chapter:

- Occupational health and safety
- Staff development and training
- Employment compliance
- Risk and crisis management

The Group cherishes its employees as invaluable members of our community, and our mission extends beyond the workplace. The Group is deeply committed to fostering a culture of health, wellness, fairness and safety, not only within our company bus also within the wider community.

To that end, the Group is in strict compliance with applicable laws and regulations relating to employment, health and safety and labour standards in the jurisdictions where our businesses operate[5]. During the Reporting Period, the Group was not aware of any non-compliance of relevant employment and labour-related laws and regulations.

5 Please refer to the "Significant Laws and Regulations" section for the laws and regulations significant to our business operations.

Talent Acquisition and Retention

Our comprehensive set of guidelines, including Staff Handbook and other policies, explicitly detail compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, as well as other welfare and benefits to safeguard our employees' rights.

The Group advocates for equal opportunities, and strictly prohibit all forms of discrimination and harassment in the workplace. Our Equal Employment Opportunities Policy is in place to ensure fairness, diversity and zero-discrimination at all levels of labour practices including but not limited to recruitment, training and staff development. Recruitment through various channels, including job agents, advertisements, employee referrals and our office website, to enhance the talent pool. The Group provide equal opportunities, ensuring that potential candidates are not discriminated against due to their gender, disability, marital status, family status, age, race, religion and colour. When choosing the right candidates, the Group focus on their qualifications, work experience, and personal abilities.

Instances of violations may result in disciplinary action, and in the event of discrimination complaints, they will be promptly addressed by the Head of the Human Resources ("HR") Department.

Human Rights Protection

The Group upholds a zero-tolerance stance against for the use of child and forced labour in strict compliance with all laws and regulations[6]. The applicants' identification documents and relevant working permits or certificates are carefully reviewed Throughout the entire recruitment process to ensure they are of legal working age. The Group strictly follows guidelines outlined in the Staff Handbook, providing employees with sufficient rest time and necessary compensation to prevent forced labour. In the unlikely event of confirmed instances of forced labour or the misuse of child labour, swift intervention will be carried out by our HR Department to cease such infringements, ensure appropriate compensation, and investigate the matter thoroughly. Our HR Department reviews the recruitment practices regularly to ensure the effectiveness of our existing measures against child and forced labour.

The Group promotes collaboration between labour and management while respecting employees' freedom of association and collective bargaining rights.

Remuneration and Benefits

The Group is dedicated to fostering a sense of belonging among our employees to enhance talent retention and motivation within the Group. Consequently, the Group allocates resources strategically to offer competitive remuneration packages, promotion opportunities, reasonable working hours, and rest periods to attract and retain talents. Full-time employees are entitled to annual leave, sick leave, marriage leave, maternity leave, compassionate leave, jury leave, no pay leave, education leave and examination leave. Other employee benefits include but are not limited to:

6 Please refer to the "Significant Laws and Regulations" section for the list of environmental laws and regulations significant to our business operations.

Environmental, Social and Governance Report

Gift Distribution on International Women's Day

Gift Distribution on Dragon Boat Festival

Gift Distribution on Mid-Autumn Festival

Basketball Competition

Firefighting Skills Competition

Talent Development

The Group considers the professional growth of our employees, recognising the significant impact this has on the company's long-term development. The HR Department has implemented a Training Management Standard, tailoring training to employees' roles and needs. To support career development, the Group offers education leave and subsidies for external training, easing financial burdens and promoting skills growth. During the Reporting Period, we organised different types of trainings, including but not limited to:

Orientation Training	Vocational Training	Sustainability Training
• New Employees Training	• Health and Safety • Finance and Taxation • Hazardous Chemicals Business	• Anti-corruption • ESG • Latest Requirements on Climate-Related Disclosures Proposed by the HKEx

Occupational Health and Safety

The Group is deeply committed to prioritising the health and safety of our employees, ensuring strict compliance with applicable laws and regulations[7] to mitigate risks within our workplace. As such, the Group has established a standardised Safety Management System in accordance with applicable health and safety-related laws and regulations. Our dedication is explicitly outlined in our Health and Occupational Safety Policy, where the Group establishes a comprehensive framework and minimum health and safety requirements for our employees to adhere to.

In alignment with the principle of 'safety comes first', the Group has developed Special Equipment Safety Technical Supervision Procedures specifically for employees involved in our storage business. These procedures are designed to ensure the safe operation of equipment and mitigate inherent risks. To assess the effectiveness of our safety measures, the Environment, Health, and Safety ("EHS") Department takes on the responsibility of overseeing the implementation of both the safety management system and safety procedures:

- Identifying, assessing, and mitigating risks based on safety standards and guidelines
- Updating the safety standards to 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 accidents
- Arranging annual occupational health checks for employees to monitor their health conditions

[7] Please refer to the "Significant Laws and Regulations" section for the list of health and safety-related laws and regulations significant to our business operations.

Safety Training

Emergency Drill

During the Reporting Period, there were no lost days (2022: 0) due to work injury, nor were there any work-related casualties. In addition, there have been no work-related fatalities in the past three years including the reporting year (2022: 0).

Community Investment

In alignment with our dedication to fulfilling our corporate social responsibilities, the Group has established a Community Investment Policy. The Group actively encourages our employees to engage in volunteer activities, serving as a positive force for the wider community and fostering continuous investment in its wellbeing.

During the Reporting Period, Strong Nantong made a charitable donation of RMB40,000 (equivalent to approximately HK$44,000) to the Red Cross of Nantong Economic and Technological Development Area, in support of their community efforts.

捐赠证书

南通润德石油化工有限公司：

感谢您发扬"人道、博爱、奉献"的红十字精神，向红十字会捐款 40000 元。

特颁此证，以表谢忱！

南通市经济技术开发区红十字会

2023 年 10 月 23 日

CREATING VALUE FOR OUR ENVIRONMENT

Integrating Climate Resilience and Eco-friendly Practices into Operations

Goal:

To reduce environmental impact and increase climate resilience to contribute to a better planet

The most significant issues addressed in this chapter:

- Energy efficiency and greenhouse gas ("GHG") emission

The Group endeavours to operate in an environmentally conscious manner to promote environmental responsibility and address climate resilience. Policies and procedures are formulated to guide our employees in reducing environmental footprint and promoting responsible use of resources, in accordance with relevant environmental laws and regulations[8].

During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

8 Please refer to the "Significant Laws and Regulations" section for the list of environmental laws and regulations significant to our business operations.

Climate Resilience and Management

The Group acknowledges the impact of climate change on both our business operations and the broader community. Consequently, a Climate Change Policy has been formulated to identify, assess and address climate-related issues proactively.

During the Reporting Period, the Group conducted an ESG-related risk assessment to closely monitor the impact of climate change and to mitigate potential climate physical and climate transition risks.

Risk Description	Potential Impacts	Resilience Measures
Physical Risks		
• Acute Risk	• Increased cost to repair damaged equipment, and/or facilities • Potential health and safety risks for employees	• Maintaining comprehensive insurance coverage to mitigate potential losses from extreme weather conditions • Implementing typhoon and rainstorm arrangements, including allowing employees to work from home for safety
• Chronic Risk	• Increased operational cost • Potential decrease in business due to business disruption	• Implementing preventive measures like applying sandbags to entrances, to mitigate climate events, reduce flooding risks
Transition Risks		
• Market Risk	• Decrease in revenue and market reputation	• Installing monitoring devices to prevent storage tank leakage and abnormal evaporation • Establishing stringent guidelines for proper treatment of hazardous wastes
• Policy and Legal Risk	• Increase in operating costs and compliance costs	• Reviewing climate-related government policies, regulatory requirements, and the latest developments regularly to ensure adequate preparation

Environmental, Social and Governance Report

To enhance the resilience of our operations in the face of climate change, the Group has established the following green targets, using FY2022 as the baseline year:

Our Green Targets		Progress
GHG Emission	• To achieve carbon emissions peak by 2030 to be in line with the 14th Five-Year Plan of the PRC	In Progress
Waste	• To reduce the total non-hazardous waste intensity by 3% on or before 2027 • To reduce solid and liquid hazardous waste intensity by 3% on or before 2027	In Progress
Energy	• To reduce total energy consumption intensity by 3% on or before 2027	In Progress
Water	• To reduce total water consumption intensity by 3% on or before 2027	Achieved

Case Study

Advancing Climate Action: A Strategic Entry into Hong Kong's Solar Energy Market

In a proactive effort to contribute to the reduction of carbon emissions, the Group has strategically entered the solar energy market in Hong Kong in recent years. During the Reporting Period, the total electricity generated from solar energy system projects experienced a significant twofold increase, compared to 2022. By collaborating with potential property and landowners for solar energy system projects, the Group envisions a steady expansion in the installation of solar energy systems in the future.

The cumulative achievement of our solar energy system projects since its commencement in 2022 includes:

Generated
839.46 kWh
of solar electricity

Energy, Air and GHG Emissions

Our main sources of air, GHG emissions and energy consumption are purchased electricity and fuel consumption of company vehicles.

As a responsible corporation, the Group is dedicated to minimising energy consumption, and air and GHG emissions that will bring negative environmental impacts to the globe. The Group has implemented a set of green measures as stated below:

Measures Tackling Energy, Air and GHG Emissions
Energy-Saving • Install LED lights • Encourage office temperature maintenance 24–26 °C in summer • Promote switching off idle electric appliances • Increase usage of innovative and energy-efficient technology • Track and monitor energy usage across operations • Conduct regular energy audit
Air Quality Management • Efficiently plan driving routes to minimise trips • Implement engine shut-off during idling periods • Regularly maintain and repair vehicles by qualified personnel • Ensure fuel efficiency and compliance with emission standards • Install monitoring devices to prevent tank leakage and abnormal evaporation • Commit to immediate inspections and repairs for safety and waste prevention • Install inner floating roofs in storage tanks to reduce evaporation • Implement oil gas facilities to reclaim vapor into storage tanks
GHG Reduction • Control the selection of vehicles • Promote the importance of vehicle maintenance • Encourage environmentally friendly driving habits • Implement video conferencing to reduce business travel

Water Resources Management

The Group is committed to enhancing water efficiency, with water consumption primarily associated with our operational activities. During the Reporting Period, the Group did not encounter any difficulties in sourcing water. Emphasising wastewater management, the main sources of wastewater include initial rainwater and sanitary sewage from our storage business.

Water-Saving Measures and Wastewater Treatment

Water Conservation

- Reuse reclaimed water from greywater recycling facilities for irrigation
- Mandate employees to turn off water taps after use
- Report any water leakage or drip for prompt maintenance

Wastewater Management

- Install trench drains around loading areas to prevent spills
- Equip rain and sewage diffluence systems to recycle and cool incoming trucks
- Equip a wastewater treatment facility for proper treatment before discharge
- Test sewage through monitoring systems to ensure compliance with relevant laws and regulations

Waste Management

The non-hazardous waste generated from the Group's operations mainly includes other general refuse and a minimal amount of hazardous waste generated from our storage business.

To address this, the Group has instituted stringent guidelines to ensure proper waste treatment, supported by dedicated personnel responsible for waste management practices across our operations. For instance, within our storage business, our EHS Department oversees these waste management practices, while corresponding departments are also mandated to periodically report waste performance for assessment. Detailed waste management measures are outlined below:

Waste Management Measures

Hazardous Waste Management

- Establish stringent guidelines for proper treatment of hazardous waste
- Designate specific waste areas for safe sorting and storage prior to disposal
- Appoint licensed waste disposal service companies for appropriate disposal and treatment

Non-Hazardous Waste Management

- Encourage general waste sorting and waste reduction at the source
- Implement recycling of reusable materials, particularly metals
- Conduct annual activities, such as seminars, to raise waste reduction awareness among employees

Green Procurement

To promote environmentally preferable products and services when selecting suppliers, the Group focuses on green procurement practices in the procurement process, including:

- Priority is given to suppliers committed to environmental responsibility or offering eco-friendly products and services during the selection process, such as prioritising the use of FSC® certified eco-friendly paper and the purchase of appliances with energy labels.

- The Group collaborate with local suppliers to reduce the carbon footprint from transportation.

LOOKING FORWARD

In our ongoing commitment to sustainability, the Group is dedicated to further integrating ESG into our business operations. Our focus extends beyond creating value solely for our customers and our workforce; the Group is equally devoted to benefitting the environment and community at large. As the Group embarks on this sustainability journey, the Group remains dedicated to continually exploring and enhancing both our business and ESG performance over the year ahead towards a more sustainable, resilient future.

PERFORMANCE DATA SUMMARY

Environmental Performance[9][10]

	Unit	2023	2022
Air Emission			
Nitrogen oxides (NO_x)	kg	26.98	17.62
Sulphur oxides (SO_x)	kg	0.36	0.25
Particulate Matter (PM)	kg	2.21	1.45
Energy Consumption[11]			
Total Energy Consumption	MWh	1,076.58	929.08
• Unleaded Petrol	MWh	213.45	154.78
• Diesel Oil	MWh	9.38	12.01
• Purchased Electricity	MWh	853.75	762.29
Total Energy Consumption Intensity	MWh/gross floor area (m^2)	0.58	0.56
	MWh/revenue (HK$ million)	0.85	1.01
GHG Emission			
Total GHG (Scopes 1 & 2) Emission[12]	tonnes CO_2e	584.80	481.00
• Total Direct (Scope 1) GHG Emission	tonnes CO_2e	64.92	45.00
• Energy Indirect (Scope 2) Emission	tonnes CO_2e	519.88	436.00
Total GHG (Scopes 1 & 2) Intensity	tonnes CO_2e/gross floor area (m^2)	0.31	0.29
	tonnes CO_2e/revenue (HK$ million)	0.46	0.52
Water[13]			
Total Water Consumption	m^3	3,482.00	3,607.00
Total Water Consumption Intensity	m^3/gross floor area (m^2)	1.87	2.18
	m^3/revenue (HK$ million)	2.75	3.91

9 Totals may not be the exact sum of numbers shown here due to rounding.

10 The intensity metric is based on the gross floor area ("GFA") and total revenue of our reporting scope during the respective reporting year in this chapter, unless otherwise specified.
As of 31 December 2023, the total floor area was 1,861.33 m^2 (2022: 1,651.33 m^2), representing the sum of (i) GFA of offices in Hong Kong headquarter, Macao, Singapore, Quanzhou City in Fujian Province and Nantong City in Jiangsu Province, the PRC and (ii) the GFA of storage site in Nantong City in Jiangsu Province, the PRC. The Group's revenue for 2023 was HK$1,266.376 million (2022: HK$923.115 million).

11 The data on purchased electricity and its corresponding indirect GHG emissions (Scope 2) do not include our office in Quanzhou City in Fujian Province, the PRC, as the electricity supply was controlled by the property management and hence the relevant data was unavailable to individual tenants.

12 In accordance with The Greenhouse Gas Protocol — A Corporate Accounting and Reporting Standard (Revised Edition) published by the World Business Council for Sustainable Development and World Resources Institute, Scope 1 direct emissions are resulted from operations that are owned or controlled by the Group, while Scope 2 indirect emissions are resulted from the generation of purchased or acquired electricity, heating, cooling, and steam consumed within the Group.

13 The data on water consumption do not include our offices in Hong Kong headquarter, Macao, Singapore and Quanzhou City in Fujian Province, the PRC, as the water supply is controlled by the property management and such data is unavailable to individual tenants.

	Unit	2023	2022
Waste			
Total Hazardous Waste Generated	tonnes	2.54	4.20
Total Hazardous Waste Intensity	tonnes/gross floor area (m^2)	0.0014	0.0025
	tonnes/revenue (HK$ million)	0.0020	0.0045
Total Non-hazardous Waste Generated	tonnes	16.45	11.45
• Recyclable materials: metal, plastic, and paper	tonnes	0.98	1.70
• Disposed general waste	tonnes	15.47	9.75
Total Non-hazardous Waste Intensity	tonnes/gross floor area (m^2)	0.0088	0.0070
	tonnes/revenue (HK$ million)	0.013	0.012

Social Performance

		Unit	2023	2022
Workforce[14]				
Total Workforce		No. of people	145	93
By gender	Male	No. of people	100	73
	Female	No. of people	45	20
By employee category	Senior Management	No. of people	14	24
	Middle-level Management	No. of people	25	17
	General Staff	No. of people	106	52
By employment type	Full-time	No. of people	140	92
	Part-time	No. of people	5	1
By age group	<31	No. of people	44	13
	31–50	No. of people	70	48
	>50	No. of people	31	32
By geographical region	Hong Kong	No. of people	10	13
	Macao	No. of people	3	5
	Singapore	No. of people	6	9
	The PRC	No. of people	126	66
Employee Turnover Rate[15]				
By gender	Male	%	19	11
	Female	%	11	5
By age group	<31	%	32	7
	31–50	%	10	9
	>50	%	7	12
By geographical region	Hong Kong	%	10	26
	Macao	%	67	–
	Singapore	%	17	35
	The PRC	%	15	4

14 Data of the whole Group has been included.

15 Calculation of employee turnover rate: Number of employees who left during the Reporting Period divided by the average of beginning and ending number of employees during the Reporting Period x 100%.

		Unit	2023	2022
Development and Training[16]				
Employees trained[17]				
By gender	Male	%	73	73
	Female	%	67	60
By employee category	Senior Management	%	57	58
	Middle-level Management	%	59	29
	General Staff	%	75	88
Average training hours per employee[18]				
By gender	Male	Hours	117.9	18.1
	Female	Hours	153.2	21.5
By employee category	Senior Management	Hours	9.5	34.2
	Middle-level Management	Hours	19.5	2.5
	General Staff	Hours	165.8	37.1

16 Training data included relevant training data of resigned employees during the Reporting Period to reflect the number of resources invested by the Group in training and the application extent of the same.

17 Calculation of employee trained: Number of employees trained in the specific category during the Reporting Period divided by number of employees in the specific category at the end of the Reporting Period x 100%.

18 Calculation of average training hours per employee: Training hours of employees in the specific category during the Reporting Period divided by number of employees in the specific category at the end of the Reporting Period.

SIGNIFICANT LAWS AND REGULATIONS

ESG Aspect	Significant Laws and Regulations China	Hong Kong	Macao	Singapore
Aspect A: Environment	• Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) • Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水法》) • Law of the PRC on Prevention and Control of Soil Contamination (《中華人民共和國土壤污染防治法》) • Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) • Regulation on the Safe Management of Hazardous Chemicals (《危險化學品安全管理條例》) • Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) • Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) • Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》)	• Cap. 311 Air Pollution Control Ordinance • Cap. 358 Water Pollution Control Ordinance • Cap. 354 Waste Disposal Ordinance • Cap. 400 Noise Control Ordinance	• Environmental Law (Law No.2/91/M)	• Environmental Public Health Act • Control and Drainage Act 1975 • Environmental Protection and Management Act 1999 • Environmental Public Health Act (EPHA) and the Environmental Public Health (Toxic Industrial Waste) Regulations (TIWR) • Environmental Protection and Management Act

ESG Aspect	Significant Laws and Regulations China	 Hong Kong	 Macao	 Singapore
Aspect B1: Employment	• Employment Promotion Law of the PRC (《就業促進法》) • Labour Law of the PRC (《中華人民共和國勞動法》) • Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) • Social Insurance Law of the PRC (《中華人民共和國社會保險法》)	• Cap. 57 Employment Ordinance • Cap. 282 Employees' Compensation Ordinance • Cap. 480 Sex Discrimination Ordinance • Cap. 487 Disability Discrimination Ordinance • Cap. 527 Family Status Discrimination Ordinance • Cap. 602 Race Discrimination Ordinance	• Labour Relations Law (Law No. 7/2008)	• Employment of Foreign Manpower Act • Employment Act • Central Provident Fund Act • Immigration Act
Aspect B2: Health and Safety	• Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) • Regulations on Work Injury Insurance (《工傷保險條例》) • Work Safety Law of the PRC (《中華人民共和國安全生產法》) • Special Provisions on the Labour Protection of Female Employees (《女職工勞動保護特別規定》) • Interim Measures for the supervision and administration of the three simultaneous supervision of safety facilities in construction projects (《建設項目安全設施"三同時"監督管理辦法》)	• Cap. 509 Occupational Safety and Health Ordinance	• Approval of General Regulation of Working Safety and Hygiene of Office, Service and Commercial Establishment (Law No. 37/89/M)	• Workplace Safety and Health Act • Environmental Public Health Act

ESG Aspect	Significant Laws and Regulations China	Hong Kong	Macao	Singapore
	• Measures for the Supervision and Administration of "Three Simultaneities" of Facilities for the Prevention and Control of Occupational Diseases of Construction Projects (《建設項目職業病防護設施"三同時"監督管理辦法》) • Special Equipment Safety Law of the PRC (《中華人民共和國特種設備安全法》) • Regulations on the Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) • Measures for the Safety Supervision and Administration of Hazardous Chemical Construction Projects (《危險化學品建設項目安全監督管理辦法》) • Work Safety Law of the PRC (《中華人民共和國安全生產法》) • Fire Protection Law of the PRC (《中華人民共和國消防法》) • Regulations on Occupational Health Supervision and Management in the Workplace (《工作場所職業衛生監督管理規定法規》) • Measures for the Supervision and Administration of Occupational Health Surveillance by Employers (《用人單位職業健康監護監督管理辦法》)			

ESG Aspect	Significant Laws and Regulations			
	China	Hong Kong	Macao	Singapore
Aspect B4: Labour Standards	• Law of the PRC on the Protection of Minors (《中華人民共和國未成年人保護法》) • Protection of Children and Youths Welfare and Rights Act (《未成年工特殊保護規定》) • Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》) • Labour Law of the PRC (《中華人民共和國勞動法》)	• Cap. 57B Employment of Children Regulations • Cap. 57 Employment Ordinance	• Framework Law on Employment Policy and Worker's Rights (Law No. 4/98/M) • Regulation on prohibition of illegal work (Law No. 17/2004)	• Employment Act
Aspect B6: Product Responsibility	• Civil Code of the PRC (《民法典》) • Law of the PRC on Protection of the Rights and Interests of the Consumers (《中華人民共和國消費者權益保護法》) • Product Quality Law of the PRC (《中華人民共和國產品質量法》) • Law of the PRC on Protection of the Rights and Interests of the Consumers (《中華人民共和國消費者權益保護法》) • Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》)	• Cap. 26 Sale of Goods Ordinance • Cap. 457 Supply of Services (Implied Terms) Ordinance • Cap. 486 Personal Data (Privacy) Ordinance • Copyright (Amendment) Ordinance 2007	• Consumer Protection Law (Law No. 12/88/M)	• Consumer Protection Laws and Regulations 2023 • Workplace Safety and Health Act • Personal Data Protection Act
Aspect B7: Anti-corruption	• Anti-Unfair Competition Law of the PRC 《中華人民共和國反不正當競爭法》) • Criminal Law of the PRC 《中華人民共和國刑法》) • Anti-Money Laundering Law of the PRC《中華人民共和國反洗錢法》)	• Cap. 201 Prevention of Bribery Ordinance	• Prevention and Suppression of Money Laundering Crimes (Law no. 2/2006)	• Prevention of Corruption Act • Penal Code • Corruption, Drug Trafficking, And Other Serious Crimes Act (CDSA)

ESG REPORTING GUIDE INDEX

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Aspect A1: Emissions			
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Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.		Significant Laws and Regulations	P. 59
KPI A1.1	The types of emissions and respective emissions data.	Performance Data Summary — Environmental Performance	P. 55
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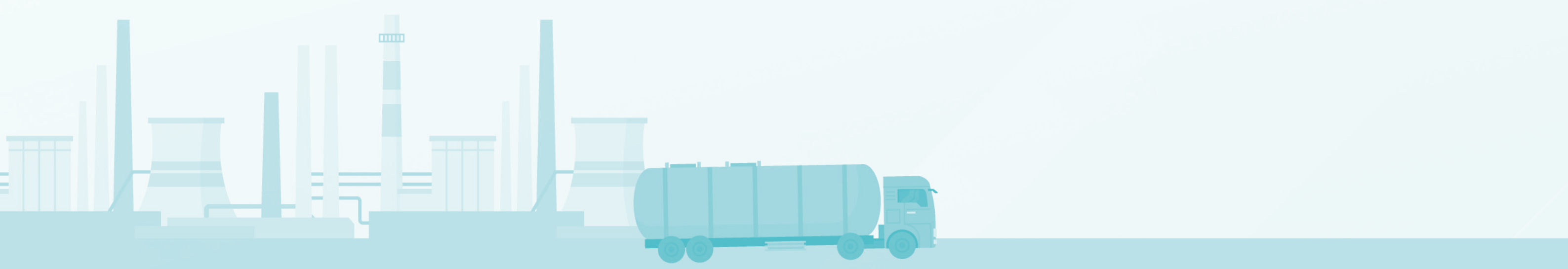
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Creating Value for Our Environment	P. 48
		Water Resource Management	P. 53
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Due to the business nature, the Group does not generate a significant amount of packaging material.	N/A



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KPI 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 Resilience and Management	P. 49
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KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety	P. 46
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General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.		Talent Development	P. 46
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Performance Data Summary — Social Performance	P. 58
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KPI B5.1	Number of suppliers by geographical region.	Sustainable Supply Chain Management	P. 39
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KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Due to our business nature, we do not have products sold or shipped subject to recalls for safety and health reasons.	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Quality of Products and Services	P. 40
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Respect for Intellectual Property Rights	P. 41
KPI B6.4	Description of quality assurance process and recall procedures.	Quality of Products and Services Due to our business nature, we do not have products sold or shipped subject to recalls for safety and health reasons.	P. 40 N/A
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Data Privacy Protection	P. 40

Subject Areas, aspects, general disclosure and KPIs		Section	Page Number
Aspect B7: Anti-corruption			
General Disclosure		Business Ethics and Integrity	P. 41
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Significant Laws and Regulations	P. 59
KPI B7.1	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.	Business Ethics and Integrity	P. 41
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Business Ethics and Integrity	P. 41
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Business Ethics and Integrity	P. 41
Community			
Aspect B8: Community Disclosure			
General Disclosure		Community Investment	P. 47
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.			
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment	P. 47
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment	P. 47

Directors' Report

The Directors present their report and the audited consolidated financial statements of the Company for the Year.

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 12 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 29 to 69.

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.

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 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 84 to 85.

The Board does not recommend the payment of final dividends for the Year (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from, Monday, 20 May 2024 to Thursday, 23 May 2024, 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 23 May 2024, 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, 17th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong not later than 4:30 p.m. on Friday, 17 May 2024.

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 2023, 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$955.0 million.

Directors' Report

DIRECTORS

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

Executive Directors	Independent Non-executive Directors
Mr. Wang Jian Sheng	Ms. Cheung Siu Wan
Mr. Yao Guoliang	Prof. Chan Yee Kwong
	Mr. Deng Heng

In accordance with Article 87 of the Company's articles of association, Mr. Deng Heng 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 13 to 14.

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 2023.

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.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2023, 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 *(note 1)*	1,041,746,000	49.06
	Interest of a controlled corporation *(note 2)*	50,576,000	2.38
	Interest of concert parties *(note 3)*	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
	Interest of concert parties *(note 4)*	50,576,000	2.38

Notes:

1. 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.

2. Mr. Wang holds the entire issued share capital of Speed Success.

3. Since Mr. Wang and Mr. Yao jointly control Forever Winner which in turn holds 1,041,746,000 Shares, 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 2023, Mr. Wang shall be deemed to hold the same equity interest in the Company.

4. Since Mr. Wang and Mr. Yao jointly control Forever Winner which in turn holds 1,041,746,000 Shares, Mr. Wang and Mr. Yao are deemed as parties acting in concert. Therefore, as Mr. Wang indirectly owns approximately 2.38% equity interest in the Company as at 31 December 2023, Mr. Yao shall be deemed to hold the same equity interest in the Company.

Save for those disclosed above, as at 31 December 2023, 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, 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.

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 major terms of the Share Option Scheme are as follows:

1. The purpose of the Share Option Scheme is 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.

2. The eligible participants of the Share Option Scheme include (a) any part-time or full-time employee or officer of any member of the Group or of any associated company; (b) the chief executive or any director (including executive, non-executive or independent non-executive directors) of any member of the Group or of any associated company; (c) any supplier, agent, customer, distributor, business associate or partner, professional or other adviser of, or consultant or contractor to, any member of the Group or any associated company; and (d) any shareholder of any member of the Group or of any associated company who, in the opinion of the Board, has made or will make contributions which are or may be beneficial to the Group as a whole, to be determined absolutely by the Board.

3. The total number of Shares available for issue under the Share Option Scheme was 171,855,800 Shares, representing 10% of the issued Shares as at 15 May 2014 and approximately 8.1% of the issued Shares as at 26 March 2024 (the date of this Annual Report).

4. The total number of Shares issued and to be issued upon exercise of an option to subscribe for Shares granted under the Share Option Scheme (the "Options") granted to each eligible participant (including exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the Shares in issue.

5. The exercise period of any Options granted under the Share Option Scheme shall be notified by the Board to each eligible participant who accepts an offer of the grant of an Option in accordance with the terms of the Share Option Scheme, or (where the context so permits) any person who is entitled, to exercise any Option to the extent not already exercised in consequence of the death of an original grantee (the "Grantee") on the date of offer to grant option (the "Offer Date"), but such period must not exceed ten years from the Offer Date.

6. Although there is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme, the Board may offer to grant any Options subject to such terms and conditions in relation to the minimum period of the Options to be held and/or the performance targets to be achieved before such Options can be exercised and/or any other terms as the Board may determine at its absolute discretion.

7. The acceptance of an offer of the grant of the Options must be made within 30 days from the Offer Date with a non-refundable payment of HK$1 from the Grantee.

8. The subscription price of Options shall not be less than the highest of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the HKEx on the Offer Date; (ii) the average closing prices of the Shares as stated in the daily quotations sheets issued by the HKEx for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a Share on the Offer Date.

9. The Share Option Scheme shall be valid and effective for a period of ten years commencing on the adoption date of the Share Option Scheme on 15 May 2014. As at 31 December 2023, the remaining life of the Share Option Scheme was approximately 4.5 months.

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

		Price of share of the Company			Number of share options[2]					
Nature or category of participant	Date of grant[1] (dd/mm/yy)	Exercise price HK$	At the grant date of share options HK$	At the exercise date of share options HK$	Outstanding at 01/01/2023	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Outstanding at 31/12/2023
Related entity participants or service providers with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of Shares in issue[3]	05/09/14	0.78	0.77	N/A	138,000,000	–	–	–	–	138,000,000
Total					138,000,000	–	–	–	–	138,000,000

Notes:

1. Options granted are exercisable during the period starting from 6 September 2014 to 14 May 2024.

2. During the Year, no share options of the Company were granted, cancelled, lapsed or exercised.

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

The number of options available for grant under the scheme mandate of the Share Option Scheme at the beginning and at the end of the Year were 33,855,800 and 33,855,800 respectively.

The numbers of Shares that may be issued in respect of options granted under the Share Option Scheme during the Year divided by the weighted average number of Shares in issue for the Year is approximately 6.5%.

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.

For further details of the principal terms of the Share Option Scheme, please refer to the circular of the Company dated 4 April 2014.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2023, 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 *(note 1)*	1,041,746,000	49.06
Hongkong Hengyuan Investment Limited	Beneficial Owner *(note 2)*	353,603,681	16.65

Notes:

1. 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.

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

INTERESTS OF CONTROLLING SHAREHOLDERS IN CONTRACTS

Save as disclosed below in the section of "Connected Transactions", and in note 36 to the consolidated financial statements, there was no contract of significance,whether for provision of service or otherwise, between the Company or any of its subsidiaries and controlling shareholders (as defined in paragraph 16 of Appendix D2 to the Listing Rules) or any of its subsidiaries, at any time during the Year.

CONNECTED TRANSACTIONS

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 approximately HK$44,000 (2022: HK$45,000).

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 47% and approximately 47% of the total sales and purchases for the Year, respectively. The Group's largest customer and supplier accounted for approximately 19% and approximately 25% 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

The Group had no significant events after 31 December 2023.

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.

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

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

26 March 2024

Independent Auditor's Report

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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 (together the "Group") set out on pages 84 to 158, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2023, 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 ("HKSAs") 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.

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
Recoverability of trade receivables	
As set out in Note 19, as at 31 December 2023, the carrying value of the Group's trade receivables amounted to HK$196,706,000, representing approximately 12% of total assets. Of which, HK$183,741,000 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.	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 2023 and inspecting underlying documents relating to the payments received on a sample basis.

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 2023, 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$50,441,000. The management of the Group has assessed the fair value of this investment using discounted cash flow model. The Group recognised a fair value loss relating to the unlisted equity investment of HK$102,123,000 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's expert and understanding the valuation basis, methodology used and underlying assumptions applied; • Evaluating the competency, capabilities and objectivity of the management's expert; • Assessing the appropriateness of the valuation methodology used by the management's expert; • 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.

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 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 HKSAs 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 these consolidated financial statements.

As part of an audit in accordance with HKSAs, 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, 26 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Revenue	5		
Goods and services		**1,251,493**	910,893
Leases		**14,883**	12,222
		1,266,376	923,115
Cost of sales		**(1,224,738)**	(889,759)
Gross profit		**41,638**	33,356
Other income	7	**25,859**	39,710
Other gains and losses	7	**(5,065)**	12,779
Other operating income	7	**–**	28,147
Reversal of impairment loss on interest in an associate	17	**–**	4,394
Loss on financial assets at fair value through profit or loss, net	20	**(102,189)**	(17,700)
Gain on changes in fair value of derivative financial instruments, net		**17,636**	21,771
Distribution, selling and operating expenses		**(1,465)**	(27,642)
Administrative expenses		**(69,319)**	(84,909)
Finance costs	8	**(1,025)**	(625)
Share of results of associates	17	**4,965**	4,281
(Loss)/profit before taxation	10	**(88,965)**	13,562
Income tax expense	9	**(7,274)**	(7,828)
(Loss)/profit for the year		**(96,239)**	5,734
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(2,507)**	(48,546)
Other comprehensive expense for the year		**(2,507)**	(48,546)
Total comprehensive expense for the year		**(98,746)**	(42,812)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	NOTES	**2023** **HK$'000**	2022 HK$'000
(Loss)/profit for the year attributable to:			
Owners of the Company		**(95,407)**	6,180
Non-controlling interests		**(832)**	(446)
		(96,239)	5,734
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(97,914)**	(42,366)
Non-controlling interests		**(832)**	(446)
		(98,746)	(42,812)
(Loss)/earnings per share	13		
— basic (HK cents)		**(4.49)**	0.29
— diluted (HK cents)		**(4.49)**	0.29

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	**2023 HK$'000**	2022 HK$'000
Non-current assets			
Property, plant and equipment	14	**440,619**	172,534
Investment properties	15	**156,058**	165,984
Right-of-use assets	25	**61,728**	66,840
Other assets	16	**667**	1,792
Trade receivables	19	**–**	119,931
Rental deposit	19	**205**	533
Interests in associates	17	**75,459**	71,668
Financial asset at fair value through profit or loss	20	**50,441**	152,564
		785,177	751,846
Current assets			
Inventories	18	**9,391**	35,177
Trade receivables	19	**196,706**	228,859
Other receivables, deposits and prepayments	19	**21,345**	23,127
Income tax recoverables		**–**	839
Derivative financial instruments	26	**12,276**	613
Financial assets at fair value through profit or loss	20	**272**	338
Deposits placed with brokers	21	**106,239**	123,219
Pledged bank deposit	21	**25**	26,598
Bank balances and cash	22	**456,586**	287,962
		802,840	726,732
Current liabilities			
Trade payables	23	**2,947**	38,855
Other payables and accrued charges	23	**110,752**	35,442
Contract liabilities	24	**1,798**	2,078
Lease liabilities	25	**1,443**	2,840
Income tax payables		**672**	1,046
Derivative financial instruments	26	**12,879**	514
		130,491	80,775
Net current assets		**672,349**	645,957
Total assets less current liabilities		**1,457,526**	1,397,803

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Lease liabilities	25	**251**	1,674
Bank borrowings	27	**159,892**	–
		160,143	1,674
Net assets		**1,297,383**	1,396,129
Capital and reserves			
Share capital	29	**53,084**	53,084
Reserves		**1,245,497**	1,343,411
Equity attributable to owners of the Company		**1,298,581**	1,396,495
Non-controlling interests		**(1,198)**	(366)
Total equity		**1,297,383**	1,396,129

The consolidated financial statements on pages 84 to 158 were approved and authorised for issue by the Board of Directors on 26 March 2024 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 2023

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 *(note (i))*	Statutory reserve HK$'000 *(note (ii))*	Share-based payments reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000 *(note (iii))*	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2022	53,084	566,111	(1,922)	–	50,391	21,718	12,295	737,184	1,438,861	–	1,438,861
Profit/(loss) for the year	–	–	–	–	–	–	–	6,180	6,180	(446)	5,734
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(48,546)	–	–	(48,546)	–	(48,546)
Total comprehensive (expense)/income for the year	–	–	–	–	–	(48,546)	–	6,180	(42,366)	(446)	(42,812)
Contribution from a non-controlling shareholder of a subsidiary (Note 14)	–	–	–	–	–	–	–	–	–	80	80
Appropriation to statutory reserves	–	–	–	4,708	–	–	–	(4,708)	–	–	–
	–	–	–	4,708	–	–	–	(4,708)	–	80	80
At 31 December 2022	53,084	566,111	(1,922)	4,708	50,391	(26,828)	12,295	738,656	1,396,495	(366)	1,396,129
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(95,407)**	**(95,407)**	**(832)**	**(96,239)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(2,507)**	**–**	**–**	**(2,507)**	**–**	**(2,507)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(2,507)**	**–**	**(95,407)**	**(97,914)**	**(832)**	**(98,746)**
Reclassification of special reserve to retained profits upon disposal of a subsidiary	**–**	**–**	**(78)**	**–**	**–**	**–**	**–**	**78**	**–**	**–**	**–**
Appropriation to statutory reserves	**–**	**–**	**–**	**1,658**	**–**	**–**	**–**	**(1,658)**	**–**	**–**	**–**
	–	**–**	**(78)**	**1,658**	**–**	**–**	**–**	**(1,580)**	**–**	**–**	**–**
At 31 December 2023	**53,084**	**566,111**	**(2,000)**	**6,366**	**50,391**	**(29,335)**	**12,295**	**641,669**	**1,298,581**	**(1,198)**	**1,297,383**

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").

During the year ended 31 December 2023, a subsidiary was disposed of and the relevant special reserve has been reclassified to retained profits.

(ii) The People's Republic of China (the "PRC") laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

(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 2023

	NOTES	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES			
(Loss)/profit before taxation		**(88,965)**	13,562
Adjustments for:			
Bank interest income	7	**(6,953)**	(922)
Interest income from trade receivables	7	**(10,526)**	(28,901)
Interest income from deposits placed with brokers	7	**(1,547)**	(270)
Finance costs	8	**1,025**	625
Depreciation of property, plant and equipment	10	**6,946**	7,996
Depreciation of investment properties	10	**9,926**	9,396
Depreciation of right-of-use assets	10	**4,229**	4,192
Amortisation of other assets	10	**25**	36
Gain on disposal of a subsidiary	30	**(50)**	–
Gains on disposal of property, plant and equipment	7	**(37)**	(14)
Loss on financial assets at fair value through profit or loss, net		**102,189**	17,700
Gain on debt modification	7	**–**	(11,353)
Reversal of impairment loss on interest in an associate		**–**	(4,394)
Share of results of associates	17	**(4,965)**	(4,281)
Operating cash flows before movements in working capital		**11,297**	3,372
Changes in working capital:			
Inventories		**25,426**	(36,419)
Trade receivables		**162,491**	234,495
Other receivables, deposits and prepayments		**1,412**	23,863
Trade payables		**(35,778)**	39,318
Other payables and accrued charges		**4,840**	(48,009)
Contract liabilities		**(251)**	488
Derivative financial instruments		**702**	(18,173)
Cash generated from operations		**170,139**	198,935
Bank charges		**(771)**	(527)
Income tax paid, net		**(6,771)**	(9,024)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**162,597**	189,384

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
INVESTING ACTIVITIES			
Decrease in deposits placed with brokers		**16,981**	53,083
Proceed from disposal of property, plant and equipment		**51**	–
Payments for addition of investment properties		**–**	(980)
Payments for acquisition of property, plant and equipment		**(203,583)**	(56,976)
Withdrawal/(placement) of pledged bank deposits		**26,573**	(26,598)
Interest received		**8,500**	1,192
Net cash inflow from disposal of a subsidiary	30	**1,150**	–
Net cash outflow from acquisition of a subsidiary		**–**	(118)
NET CASH USED IN INVESTING ACTIVITIES		**(150,328)**	(30,397)
FINANCING ACTIVITIES			
Proceeds from bank borrowings	39	**159,921**	–
Repayments of lease liabilities	39	**(2,861)**	(2,775)
Contribution from a non-controlling shareholder of a subsidiary	14	**–**	80
Interest paid	39	**(2,558)**	(98)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**154,502**	(2,793)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**166,771**	156,194
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**287,962**	158,152
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**1,853**	(26,384)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH		**456,586**	287,962

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. BASIS OF PREPARATION

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 and coal, 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 of the PRC ("Hong Kong"), the PRC (other than Hong Kong, Macao Special Administrative Region of the PRC ("Macao") and Taiwan) and Singapore.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("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 (the "Listing Rules").

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 in Note 3.

The functional currency of the Company is United States dollar ("US$"). The consolidated financial statements are presented in Hong Kong dollar ("HK$"), unless otherwise stated.

2. ADOPTION OF HKFRSs

(a) Adoption of new or amended HKFRSs

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	Making Materiality Judgements: Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance Contracts

None of the new or amended HKFRSs have a material effect on the reported results or financial position of the Group for both current and prior reporting periods except as discussed below. The Group has not early applied any new or amended HKFRSs that are not yet effective for the current accounting period.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Making Materiality Judgements: Disclosure of Accounting Policies

The amendments to HKAS 1 and HKFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

For the year ended 31 December 2023

2. ADOPTION OF 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 consolidated 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	Classification of Liabilities as Current and Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendment to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2024.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for 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.

3. MATERIAL ACCOUNTING POLICIES

(a) 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.

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.

(b) Investment properties

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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) 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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) 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.

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.

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments *(continued)*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables and financial assets measured at amortised cost. 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 *Financial Instruments* 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 ECLs, 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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) 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.

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.

(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 (i.e. derivatives which are not designated as effective hedging instruments) and financial liabilities designated upon initial recognition as at FVTPL. Gains or losses on liabilities are recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments *(continued)*

(iii) Financial liabilities *(continued)*

Financial liabilities at amortised cost

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

Borrowing costs are capitalised, net of interest received on cash drawn down yet to be expended when they are directly attributable to the acquisition, contribution or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

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

(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.

(e) 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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) 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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) 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.

For the year ended 31 December 2023

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 and coal. 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 2023, the Group recognised revenue from trading of commodities amounting to approximately HK$1,211,601,000 (2022: approximately HK$879,853,000).

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

(b) Key sources of estimation uncertainty

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 26); 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 respective notes.

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5. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	Trading business HK$'000	Storage business HK$'000	Total HK$'000
	For the year ended 31 December 2023		
Types of goods or services in respect of contracts with customers			
Trading of commodities			
Petroleum products	47,430	–	47,430
Petrochemicals	723,542	–	723,542
Coal	440,629	–	440,629
	1,211,601	–	1,211,601
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	–	26,373	26,373
Other ancillary services	–	13,519	13,519
	–	39,892	39,892
Total	1,211,601	39,892	1,251,493
Geographical markets			
The PRC	971,908	39,892	1,011,800
Other regions	239,693	–	239,693
Total	1,211,601	39,892	1,251,493
Timing of revenue recognition			
A point in time	1,211,601	–	1,211,601
Over time	–	39,892	39,892
Total	1,211,601	39,892	1,251,493

For the year ended 31 December 2023

5. REVENUE (CONTINUED)

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

Segments	For the year ended 31 December 2022 Trading business HK$'000	Storage business HK$'000	Total HK$'000
Types of goods or services in respect of contracts with customers			
Trading of commodities			
Petroleum products	31,386	–	31,386
Petrochemicals	602,587	–	602,587
Coal	245,880	–	245,880
	879,853	–	879,853
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	–	22,950	22,950
Other ancillary services	–	8,090	8,090
	–	31,040	31,040
Total	879,853	31,040	910,893
Geographical markets			
The PRC	633,974	31,040	665,014
Other regions	245,879	–	245,879
Total	879,853	31,040	910,893
Timing of revenue recognition			
A point in time	879,853	–	879,853
Over time	–	31,040	31,040
Total	879,853	31,040	910,893

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 and coal 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 and coal 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 of 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.

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.

5. REVENUE (CONTINUED)

(iv) Leases

	2023 HK$'000	2022 HK$'000
For operating leases:		
Lease income that is fixed or depends on a rate	**14,883**	12,222

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

	2023 HK$'000	2022 HK$'000
Trading business	**1,211,601**	879,853
Storage business	**39,892**	31,040
Revenue from contracts with customers	**1,251,493**	910,893
Leases	**14,883**	12,222
Total revenue	**1,266,376**	923,115

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 *(note)*, petroleum products, petrochemicals and coal; and

(ii) Storage business (provision of general storage and other ancillary services in respect of petroleum products and petrochemicals).

note: The Group did not conduct trades for crude oil for the years ended 31 December 2023 and 31 December 2022 as it adopted a conservative approach on the trading of crude oil commodities in response to the current market condition.

For the year ended 31 December 2023

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 2023

	Trading business HK$'000	Storage business HK$'000	Eliminations HK$'000	Total HK$'000
Revenue from contracts with customers	1,211,601	39,892	–	1,251,493
Leases	–	14,883	–	14,883
Inter-segment lease *(note (i))*	–	172	(172)	–
Total revenue	1,211,601	54,947	(172)	1,266,376
Segment results	6,765	30,756		37,521
Share of results of associates				4,965
Gain on disposal of a subsidiary				50
Loss on financial assets at FVTPL, net				(102,189)
Unallocated finance costs				(270)
Unallocated income and gains				10,365
Unallocated expenses and losses *(note (ii))*				(39,407)
Loss before taxation				(88,965)

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results *(continued)*

For the year ended 31 December 2022

	Trading business HK$'000	Storage business HK$'000	Total HK$'000
Revenue from contracts with customers	879,853	31,040	910,893
Leases	–	12,222	12,222
Total revenue	879,853	43,262	923,115
Segment results	18,942	20,079	39,021
Share of results of associates			4,281
Reversal of impairment loss on interest in an associate			4,394
Loss on financial assets at FVTPL, net			(17,700)
Other operating income from time chartering, net			456
Other operating income from logistics and blending services, net			49
Unallocated finance costs			(25)
Unallocated income and gains			6,095
Unallocated expenses and losses *(note (ii))*			(23,009)
Profit before taxation			13,562

notes:

(i) Inter-segment lease were charged at agreed terms set out in the lease contracts entered into between group companies.

(ii) Unallocated expenses and losses mainly comprised of exchange loss on capital reduction of a subsidiary in PRC, depreciation of investment properties and administrative costs of the headquarter (2022: depreciation of investment properties and administrative costs of the headquarter).

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 2023

	Trading business HK$'000	Storage business HK$'000	Unallocated HK$'000	Total HK$'000
Interest income (included in other income)	13,169	24	5,833	19,026
Depreciation of property, plant and equipment	(404)	(5,266)	(1,276)	(6,946)
Depreciation of investment properties	–	–	(9,926)	(9,926)
Depreciation of right-of-use assets	(885)	(429)	(2,915)	(4,229)
Gain on changes in fair value of derivative financial instruments, net	17,636	–	–	17,636
Finance costs	(752)	(3)	(270)	(1,025)

For the year ended 31 December 2022

	Trading business HK$'000	Storage business HK$'000	Unallocated HK$'000	Total HK$'000
Interest income (included in other income)	29,403	9	681	30,093
Depreciation of property, plant and equipment	(619)	(6,909)	(468)	(7,996)
Depreciation of investment properties	–	–	(9,396)	(9,396)
Depreciation of right-of-use assets	(2,805)	(449)	(938)	(4,192)
Gain on debt modification (included in other gains and losses)	11,353	–	–	11,353
Gain on changes in fair value of derivative financial instruments, net	21,771	–	–	21,771
Finance costs	(596)	(4)	(25)	(625)

For the year ended 31 December 2023

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, 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 (including revenue from operating leases) 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)*	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**7,977**	9,114
The PRC	**1,026,683**	677,236	**141,508**	143,272
Singapore	**–**	–	**1,136**	2,032
Indonesia	**185,403**	159,638	**–**	–
India	**–**	73,841	**–**	–
Vietnam	**–**	12,400	**–**	–
Philippines	**54,290**	–	**–**	–
	1,266,376	923,115	**150,621**	154,418

note: The non-current assets for the purpose of geographical information excluded financial assets at FVTPL, investment properties, other assets, rental deposit, certain right-of-use assets and property, plant and equipment which mainly consisted of the construction in progress of the petrochemicals manufacturing plant located in Quanzhou City, Fujian Province, the PRC (the "Fujian Plant") (2022: excluded financial assets at FVTPL, trade receivables, investment properties, rental deposit, certain right-of-use assets and property, plant and equipment which mainly consisted of the construction in progress of the petrochemicals manufacturing plant in Fujian).

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:

	2023	2022
	HK$'000	HK$'000
Customer A	**237,112**	295,175
Customer B	**150,320**	158,103

For the year ended 31 December 2023

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

A. Other income

	2023 HK$'000	2022 HK$'000
Bank interest income	**6,953**	922
Interest income from deposits placed with brokers	**1,547**	270
Interest income from trade receivables (Note 19)	**10,526**	28,901
Rental income	**1,997**	3,190
Government grants	**2,535**	2,215
Service income *(note (i))*	**1,708**	754
Others *(note (ii))*	**593**	3,458
	25,859	39,710

notes:

(i) The Group entered into agency agreements (the "Agreements") as an agent with various independent third parties (the "Principal"). Based on the Agreements, the Group performed coal transactions with the Principal's counterparties on behalf of the Principal and earned service income.

(ii) During the year ended 31 December 2022, others mainly comprised written-off of aged liabilities of approximately HK$3,070,000.

B. Other gains and losses

	2023 HK$'000	2022 HK$'000
Gains on disposal of property, plant and equipment	**37**	14
Gain on debt modification (Note 19)	**–**	11,353
Net foreign exchange (losses)/gains	**(6,089)**	515
Gain on disposal of a subsidiary	**50**	–
Others	**937**	897
	(5,065)	12,779

C. Other operating income

	2023 HK$'000	2022 HK$'000
Income from time chartering *(note (i))*	**–**	20,260
Income from logistics and blending services *(note (ii))*	**–**	7,887
	–	28,147

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 2022, the Group engaged in time chartering business, of which approximately HK$19,804,000 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 during the year ended 31 December 2022.

(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 2022 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 for the year ended 31 December 2022.

8. FINANCE COSTS

	2023 **HK$'000**	2022 HK$'000
Bank charges on letter of credit facilities	**771**	527
Interest on bank borrowings	**2,673**	3
Interest on lease liabilities	**85**	95
Less: capitalised finance costs *(note)*	**(2,504)**	–
	1,025	625

note: Specific borrowing costs of HK$2,504,000 (2022: Nil) that were directly attributable to the construction of a factory, which was regarded as the qualifying asset, were capitalised during the year ended 31 December 2023.

9. INCOME TAX EXPENSE

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

	2023 **HK$'000**	2022 HK$'000
Current tax		
Enterprise Income Tax ("EIT") in the PRC *(note (i))*	**6,939**	7,544
Singapore Corporate Income Tax *(note (ii))*	**39**	284
	6,978	7,828
Under-provision of taxation in prior year		
Singapore Corporate Income Tax *(note (ii))*	**296**	–
	7,274	7,828

For the year ended 31 December 2023

9. INCOME TAX EXPENSE (CONTINUED)

notes:

(i) 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 years. On 18 March 2022, the Ministry of Finance and the State Taxation Administration implemented preferential income tax policies for low-profit small businesses with annual taxable income that exceeds Renminbi ("RMB") 1 million but does not exceeds RMB3 million will be counted as 25% of the actual amount at a tax rate of 20% which would be retrospectively implemented from 1 January 2022 to 31 December 2024.

(ii) 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 during the year from physical trading of energy products is taxed at a concessionary rate of 10% until the end of year 2024.

(iii) 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. No provision for Hong Kong Profits Tax has been made for both years 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 year.

(iv) No provision for Macao Profits Tax has been made for both years since loss was incurred for the subsidiary operating in Macao.

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9. INCOME TAX EXPENSE (CONTINUED)

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

	2023			2022		
	Singapore HK$'000	**The PRC (including Hong Kong and Macao) HK$'000**	**Total HK$'000**	Singapore HK$'000	The PRC (including Hong Kong and Macao) HK$'000	Total HK$'000
(Loss)/profit before taxation	**(293)**	**(88,672)**	**(88,965)**	3,187	10,375	13,562
Taxation at the domestic rate applicable to profits in the country concerned	**(50)**	**(13,881)**	**(13,931)**	542	7,858	8,400
Tax effect of income not taxable for tax purpose	**–**	**(6,813)**	**(6,813)**	(26)	(18,227)	(18,253)
Tax effect of expenses not deductible for tax purpose	**153**	**24,487**	**24,640**	3	12,426	12,429
Tax effect of share of results of associates	**–**	**(1,241)**	**(1,241)**	–	(1,070)	(1,070)
Utilisation of tax losses previously not recognised	**–**	**(313)**	**(313)**	–	(420)	(420)
Tax effect of tax losses not recognised	**–**	**3,398**	**3,398**	–	5,499	5,499
Effect of income tax on a concessionary rate in Singapore and the PRC and tax exemption	**(46)**	**–**	**(46)**	(223)	(567)	(790)
Withholding tax paid in respect of dividend declared by subsidiaries in the PRC *(note)*	**–**	**1,302**	**1,302**	–	1,935	1,935
Underprovision in prior year	**296**	**–**	**296**	–	110	110
Others	**(18)**	**–**	**(18)**	(12)	–	(12)
Income tax expense for the year	**335**	**6,939**	**7,274**	284	7,544	7,828

note: The withholding tax rate was 10% on the remittance of dividends from the subsidiaries in the PRC during the years ended 31 December 2023 and 31 December 2022.

For the year ended 31 December 2023

10. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived after charging/(crediting):

	2023 HK$'000	2022 HK$'000
Auditor's remuneration		
Audit services	1,979	1,939
Non-audit services	150	150
	2,129	2,089
Depreciation of property, plant and equipment	6,946	7,996
Depreciation of investment properties	9,926	9,396
Depreciation of right-of-use assets	4,229	4,192
Amortisation of other assets	25	36
Net foreign exchange losses/(gains)	6,089	(515)
Directors' emoluments (Note 11)	480	480
Other staff costs		
Salaries, bonus and other allowances	33,216	43,551
Retirement benefit schemes contributions	1,468	1,813
	35,164	45,844
Cost of inventories recognised as an expense (included in cost of sales)	1,208,251	873,716

For the year ended 31 December 2023

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

The emoluments paid or payable to each of the five (2022: five) directors of the Company, including the chief executive, are as follows:

	Executive directors		Independent non-executive directors			
	Wang Jian Sheng HK$'000	Yao Guoliang HK$'000 *(note)*	Chan Yee Kwong HK$'000	Deng Heng HK$'000	Cheung Siu Wan HK$'000	Total HK$'000
Fees	**–**	**–**	**150**	**150**	**180**	**480**
Other emoluments:	**–**	**–**	**–**	**–**	**–**	**–**
Salaries and other benefits	**–**	**–**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**
Discretionary bonus	**–**	**–**	**–**	**–**	**–**	**–**
Contributions to retirement benefits schemes	**–**	**–**	**–**	**–**	**–**	**–**
Total emoluments for the year ended 31 December 2023	**–**	**–**	**150**	**150**	**180**	**480**
Fees	–	–	150	150	180	480
Other emoluments:	–	–	–	–	–	–
Salaries and other benefits	–	–	–	–	–	–
Share-based payments	–	–	–	–	–	–
Discretionary bonus	–	–	–	–	–	–
Contributions to retirement benefits schemes	–	–	–	–	–	–
Total emoluments for the year ended 31 December 2022	–	–	150	150	180	480

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.

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 2023 and 31 December 2022, 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 2023, of the five individuals with the highest emoluments in the Group, none (2022: none) of them is the director of the Company. The emoluments of these five (2022: five) individuals are as follows:

	2023 **HK$'000**	2022 HK$'000
Salaries and other benefits	**10,390**	10,116
Discretionary bonus	**6,259**	14,544
Contributions to retirement benefits schemes	**233**	353
	16,882	25,013

Their emoluments were within the following bands:

	2023 **Number of employees**	2022 Number of employees
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**2**	–
HK$2,000,001 to HK$2,500,000	**1**	1
HK$3,000,001 to HK$3,500,000	**–**	1
HK$10,000,001 to HK$10,500,000	**1**	–
HK$16,000,001 to HK$16,500,000	**–**	1

During the year ended 31 December 2023, no emoluments have been paid to the five employees with the highest emoluments as an inducement to join or upon joining the Group (2022: Nil). 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 2023

12. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

13. (LOSS)/EARNINGS PER SHARE

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

	2023 HK$'000	2022 HK$'000
(Loss)/profit		
(Loss)/profit for the purposes of calculating basic and diluted (loss)/earnings per share		
(Loss)/profit for the year attributable to owners of the Company	**(95,407)**	6,180

	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	**2,123,364,090**	2,123,364,090

For the year ended 31 December 2023, diluted loss per share was the same as the basic loss per share as potential ordinary shares arising from share options were not treated as dilutive as the conversion to ordinary would not increase the loss per share.

The computation of diluted earnings 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 2022. Accordingly, the weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same as there were no potential dilutive ordinary shares during the year ended 31 December 2022.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Storage tanks HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST									
At 1 January 2022	1,698	94,761	734	28,474	625	2,028	4,504	60,358	193,182
Additions	–	24	408	753	465	323	168	59,576	61,717
Disposals	–	–	–	–	(7)	(60)	–	–	(67)
Acquisition of a subsidiary *(note)*	–	–	–	192	–	–	–	–	192
Transfer from construction in progress	–	–	–	1,559	219	–	–	(1,778)	–
Exchange realignment	–	(8,027)	–	(2,412)	(10)	(96)	(121)	(5,113)	(15,779)
At 31 December 2022 and 1 January 2023	1,698	86,758	1,142	28,566	1,292	2,195	4,551	113,043	239,245
Additions	**–**	**175**	**685**	**530**	**17**	**717**	**287**	**274,990**	**277,401**
Disposals	**–**	**–**	**–**	**–**	**–**	**(20)**	**(274)**	**–**	**(294)**
Disposal of a subsidiary (Note 30)	**–**	**–**	**–**	**–**	**–**	**–**	**(839)**	**–**	**(839)**
Transfer from construction in progress	**–**	**–**	**–**	**4,993**	**–**	**–**	**–**	**(4,993)**	**–**
Exchange realignment	**–**	**(1,240)**	**–**	**(384)**	**(9)**	**(17)**	**(20)**	**(1,586)**	**(3,256)**
At 31 December 2023	**1,698**	**85,693**	**1,827**	**33,705**	**1,300**	**2,875**	**3,705**	**381,454**	**512,257**
ACCUMULATED DEPRECIATION									
At 1 January 2022	1,465	39,180	41	17,791	576	1,551	3,392	–	63,996
Provided for the year	84	4,275	245	2,629	59	225	479	–	7,996
Eliminated on disposals	–	–	–	–	(7)	(60)	–	–	(67)
Exchange realignment	–	(3,473)	–	(1,596)	(7)	(75)	(63)	–	(5,214)
At 31 December 2022 and 1 January 2023	1,549	39,982	286	18,824	621	1,641	3,808	–	66,711
Provided for the year	**85**	**4,088**	**412**	**1,675**	**128**	**237**	**321**	**–**	**6,946**
Eliminated on disposals	**–**	**–**	**–**	**–**	**–**	**(19)**	**(261)**	**–**	**(280)**
Disposal of a subsidiary (Note 30)	**–**	**–**	**–**	**–**	**–**	**–**	**(839)**	**–**	**(839)**
Exchange realignment	**–**	**(596)**	**–**	**(277)**	**(2)**	**(13)**	**(12)**	**–**	**(900)**
At 31 December 2023	**1,634**	**43,474**	**698**	**20,222**	**747**	**1,846**	**3,017**	**–**	**71,638**
CARRYING AMOUNT									
At 31 December 2023	**64**	**42,219**	**1,129**	**13,483**	**553**	**1,029**	**688**	**381,454**	**440,619**
At 31 December 2022	149	46,776	856	9,742	671	554	743	113,043	172,534

note: In 2022, the Group entered into a shareholder agreement with an independent third party and, pursuant to which the Group agreed to subscribe for 120,000 news shares (equivalent to 60% of the entire issued capital) of a private company in Hong Kong at a consideration of HK$120,000 which was settled by cash. The total share capital of the subsidiary is HK$200,000. The transaction resulted in a contribution from a non-controlling shareholder of HK$80,000. As at the date of acquisition, the subsidiary had assets (including property, plant and equipment of HK$192,000) and liabilities which were not material to the Group. The major business of this subsidiary is the provision of installation and maintenance services of solar energy systems. The aforementioned business combination was insignificant to the Group for the year ended 31 December 2022.

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$^1/_3$%
Furniture and fixtures	20%–33$^1/_3$%
Office equipment	19%–33$^1/_3$%
Motor vehicles	17%–30%

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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 Fujian Plant was deferred to the end of the first quarter of 2024 due to delays in the construction progress affected by the landfall of typhoon Doksuri in late July 2023. 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 2023, construction in progress and leasehold land relating to the Fujian Plant of approximately HK$379,636,000 (2022: approximately HK$110,952,000) and approximately HK$45,517,000 (2022: approximately HK$47,161,000) 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 professional valuer engaged by the Group, 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 14.7%, terminal growth rate of 2.0%, utilisation rate of the Fujian Plant ranging from 15% to 98%.

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

Based on the impairment assessment, as at 31 December 2023, the carrying amount of the Manufacturing Plant Related Assets is less than the recoverable amount. Accordingly, no impairment loss on the Manufacturing Plant Related Assets was recognised (2022: Nil).

There were no impairment indicators for the remaining property, plant and equipment held by the Group as at 31 December 2023 (2022: Nil).

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15. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1 January 2022	213,546
Additions	980
At 31 December 2022 and 31 December 2023	**214,526**
ACCUMULATED DEPRECIATION	
At 1 January 2022	14,236
Provided for the year	9,396
At 31 December 2022 and 1 January 2023	23,632
Provided for the year	**9,926**
At 31 December 2023	**33,558**
ACCUMULATED IMPAIRMENT	
At 1 January 2022, 31 December 2022 and 31 December 2023	**24,910**
CARRYING AMOUNT	
At 31 December 2023	**156,058**
At 31 December 2022	165,984

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. 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$22,463 (2022: HK$25,711) to HK$28,242 (2022: HK$30,632) per square feet and ranging from HK$2,100,000 (2022: HK$1,950,000) to HK$2,300,000 (2022:HK$2,180,000) per car park space, respectively. No impairment loss on investment properties was recognised for the year ended 31 December 2023 (2022: Nil).

As at 31 December 2023, fair value of the investment properties amounted to HK$156,360,000 (2022: HK$173,400,000). The fair value measurement of the investment properties is classified as Level 3 of the fair value hierarchy. Relationships of unobservable inputs to fair value are as follows:

- The higher market price per square feet, the higher fair value;
- The higher market price per car park space, the higher fair value;

As at 31 December 2023 and 2022, management assessed whether an impairment loss recognised in prior periods might no longer exist or might have decreased and considered that there has been no major change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised and there has been no major change in the estimated service potential of the asset.

During the year, approximately HK$1,997,000 (2022: approximately HK$3,190,000) was recognised in the consolidated statement of profit or loss and other comprehensive income in relation to rental income from the investment properties. There was no direct operating expenses, including repairs and maintenance, arising from investment properties that generated rental income (2022: Nil). During the year, there were no direct operating expenses, including repairs and maintenance, arising from investment properties that did not generate rental income (2022: Nil).

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16. OTHER ASSETS

The amounts represent an art work (2022: a golf club membership and an art work) that are carried at cost less amortisation.

17. INTERESTS IN ASSOCIATES

	2023 HK$'000	2022 HK$'000
Cost of interests in associates, unlisted	**129,751**	129,751
Share of post-acquisition results, net of dividend	**(52,970)**	(57,935)
Less: Impairment loss recognised	**(4,409)**	(4,409)
Exchange realignment	**3,087**	4,261
	75,459	71,668

As at 31 December 2023 and 2022, 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
			2023	2022	**2023 %**	2022 %	
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	**RMB628,060,000**	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 2023, the Directors are in opinion that there are no impairment indicators in respect of Sinochem Port.

For the year ended 31 December 2022, in view of the improvement of results of Sinochem Port in the such 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 55.9%, pre-tax discount rate of 14.7% and terminal growth rate of 3.0%. As the recoverable amount of Sinochem Port exceeded its carrying amount as at 31 December 2022 and Sinochem Port has experienced recurring profits in the prior years, a reversal of impairment loss on interest in an associate of approximately HK$4,394,000 was recognised for the year ended 31 December 2022.

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

	2023	2022
	HK$'000	HK$'000
Non-current assets	**857,117**	896,064
Current assets	**27,400**	53,529
Current liabilities	**(50,043)**	(90,349)
Non-current liabilities	**(331,415)**	(381,456)

	2023	2022
	HK$'000	HK$'000
Revenue	**224,642**	239,315
Profit and total comprehensive income for the year	**33,098**	28,537

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:

	2023	2022
	HK$'000	HK$'000
Net assets of Sinochem Port	**503,059**	477,788
Proportion of the Group's ownership interest in Sinochem Port	**15%**	15%
The Group's share of net assets in Sinochem Port	**75,459**	71,668
Carrying amount of the Group's interest in Sinochem Port	**75,459**	71,668
The Group's share of results of Sinochem Port for the year	**4,965**	4,281

17. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associate that is not individually material

	2023 HK$'000	2022 HK$'000
The Group's share of results of this associate for the year	–	–

	2023 HK$'000	2022 HK$'000
Aggregate carrying amount of the Group's interest in this associate	–	–

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

18. INVENTORIES

The amounts mainly related to petrochemicals held for resale purposes.

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

A. Trade Receivables

	2023 HK$'000	2022 HK$'000
Trade receivables		
— contracts with customers	193,959	348,411
— lease receivables	2,747	379
	196,706	348,790
Classified as:		
Non-current assets	–	119,931
Current assets	196,706	228,859
	196,706	348,790

At 31 December 2023 and 31 December 2022, all trade receivables were at amortised cost.

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:

	2023	2022
	HK$'000	HK$'000
0 to 30 days	**12,965**	5,399
Over 365 days	**183,741**	343,391
	196,706	348,790

During the year ended 31 December 2020, the Group initiated legal proceedings to recover its outstanding debts from one of its customers. 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.

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.

On 29 December 2022, the Group entered into a supplemental modification agreement with the customer to agree a revised repayment schedule, as detailed in the below, with no changes in other key terms. In accordance with the revised repayment schedule, repayments of principal amount shall be partially made in 2023 and the remaining principal amount shall be fully repaid by the end of June 2024; repayment of accumulated interest shall be made by the end of December 2024. A gain on debt modification, being the difference of the carrying amount as at the date of supplemental modification agreement and the present value of revised contractual cashflow that are discounted at the financial asset's original effective interest rate, of approximately HK$11,353,000 was recognised in other gains and losses for the year ended 31 December 2022.

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

A. Trade Receivables *(continued)*

The debt modification represented one of the major non-cash transactions of the Group for the year ended 31 December 2022.

During the year ended 31 December 2023, interest income from trade receivables accrued under the effective interest method of approximately HK$10,526,000 (2022: approximately HK$28,901,000) was recognised in other income.

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

B. Other receivables, deposits and prepayments

	2023 HK$'000	2022 HK$'000
Prepayments to suppliers for purchases of petroleum products and petrochemicals	**8,438**	12,410
Value-added tax recoverables	**6,822**	5,549
Other receivables *(note)*	**4,513**	2,945
Other deposits	**566**	554
Other prepayments	**1,211**	2,202
	21,550	23,660
Classified as:		
Non-current assets	**205**	533
Current assets	**21,345**	23,127
	21,550	23,660

note: The other receivables mainly comprise rent receivable and demurrage charge receivable (2022: rent receivable).

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 deposits are set out in Note 35.

20. FINANCIAL ASSETS AT FVTPL

	2023 **HK$'000**	2022 HK$'000
Non-current asset		
— Unlisted equity investment	**50,441**	152,564
Current assets		
— Listed securities held for trading	**272**	338
	50,713	152,902

	2023 **HK$'000**	2022 HK$'000
Loss on financial assets at FVTPL, net:		
Dividend income from unlisted equity investment	**–**	27,300
Loss on fair value change in unlisted equity investment	**(102,123)**	(44,921)
Loss on fair value change in listed securities held for trading	**(66)**	(79)
	(102,189)	(17,700)

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). As at 31 December 2021, unpaid amount of US$3,500,000 (equivalent to approximately HK$27,300,000) was included in other payable. During the year ended 31 December 2022, the amount was settled through the declaration of dividend by SH Energy of the same amount which was one of the major non-cash transactions of the Group for the year ended 31 December 2022.

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 2023, 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 income approach 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 loss of approximately US$13,093,000 (equivalent to approximately HK$102,123,000) was recognised for the year ended 31 December 2023 (2022: approximately US$5,759,000 (equivalent to approximately HK$44,921,000). The Tianjin oil fields project of SH Energy has not yet obtained the approval to extend the production period as at 31 December 2023 and up to the date of this report, resulting a reduction of forecast volume of oil produced in the remaining forecast periods. Together with the drop in crude oil price as comparing with 31 December 2022, these result in significant fair value loss on the investment in SH Energy for the year ended 31 December 2023.

For the year ended 31 December 2023

20. FINANCIAL ASSETS AT FVTPL (CONTINUED)

Listed securities held for trading

	2023	2022
	HK$'000	HK$'000
Listed securities held for trading:		
— Equity securities listed in Hong Kong	**217**	260
— Equity securities listed outside Hong Kong	**55**	78
	272	338

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 2023, a fair value loss of approximately HK$66,000 (2022: approximately HK$79,000) was recognised for the year.

21. DEPOSITS PLACED WITH BROKERS AND PLEDGED BANK DEPOSIT

The amounts represent margin deposits placed with brokers for trading derivative financial instruments. The amounts carry interest at variable interest rate of from 0.001% to 3.5% (2022: from 0.001% to 2.5%) per annum.

As at 31 December 2023, bank deposit of approximately HK$25,000 (2022: approximately HK$26,598,000) was pledged for certain letter of credit facility provided by a bank. The effective interest rate on pledged bank deposits was 0.001% per annum (2022: 0.001% per annum). The mature date is 2 January 2024 (2022: 26 January 2023).

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 2023, the bank balances and cash of approximately HK$246,442,000 (2022: approximately HK$143,129,000) are denominated in RMB which is not freely convertible into other currencies.

Balances in savings account and short-term bank deposits carried effective interest at prevailing market rates ranging from 0.001% to 5.12% (2022: 0.001% to 4.34%) per annum.

23. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

A. Trade payables

	2023	2022
	HK$'000	HK$'000
Trade payables at amortised cost	**2,947**	38,855

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

A. Trade payables *(continued)*

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:

	2023 **HK$'000**	2022 HK$'000
0 to 30 days	**2,947**	38,855

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

B. Other payables and accrued charges

	2023 **HK$'000**	2022 HK$'000
Accrued demurrage charges	**6,708**	3,879
Payables for purchases and construction of property, plant and equipment	**78,015**	7,672
Other accrued charges *(note)*	**12,760**	14,349
Accrued interest for bank borrowings (Note 27)	**216**	–
Other payables and deposits received	**13,053**	9,542
	110,752	35,442

note: Other accrued charges mainly comprised salaries and bonus and legal and professional fee.

24. CONTRACT LIABILITIES

	2023 **HK$'000**	2022 HK$'000
Trading of commodities	**1,660**	1,536
Storage related ancillary services for petroleum products and petrochemicals	**138**	542
	1,798	2,078

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.

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25. LEASES

The Group as a lessee

Right-of-use assets

	2023 HK$'000	2022 HK$'000
Carrying amount		
— Leasehold land	**60,128**	62,416
— Leased properties	**1,600**	4,424
	61,728	66,840
Depreciation provided:		
— Leasehold land	**1,406**	1,387
— Leased properties	**2,823**	2,805
	4,229	4,192
Expenses relating to short term leases *(note (i))*	**458**	11,111
Total cash outflow for leases *(note (ii))*	**3,404**	47,978
Additions to right-of-use assets:		
— Leased properties	**–**	5,670
	–	5,670

note:

(i) No (2022: approximately HK$10,702,000) short term leases in relation to a vessel for the time chartering operations in 2023.

(ii) No short term lease payments were paid on behalf of the Group by its agent operating the vessel for the time chartering as at 31 December 2023 and 31 December 2022.

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.

25. LEASES (CONTINUED)

The Group as a lessee *(continued)*

Right-of-use assets *(continued)*

Details of the impairment assessment on leasehold land related to the Fujian Plant are 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 2023 and 31 December 2022.

Lease liabilities

Future lease payments are due as follows:

	Future lease payments HK$'000	Interest HK$'000	Present value HK$'000
As at 31 December 2023			
Within one year	**1,480**	**37**	**1,443**
After one year but within two years	**252**	**1**	**251**
After two years but within five years	**–**	**–**	**–**
After five years	**–**	**–**	**–**
	1,732	**38**	**1,694**
As at 31 December 2022			
Within one year	2,936	96	2,840
After one year but within two years	1,712	38	1,674
After two years but within five years	–	–	–
After five years	–	–	–
	4,648	134	4,514

The present value of future lease payments are analysed as:

	2023 HK$'000	2022 HK$'000
Current	**1,443**	2,840
Non-current	**251**	1,674
	1,694	4,514

Reconciliation of lease liabilities is set out in Note 39.

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25. LEASES (CONTINUED)

The Group as a lessor

Minimum lease payments receivable on leases are as follows:

	2023 HK$'000	2022 HK$'000
Within one year	**1,582**	5,225
In the second year	**–**	1,770
	1,582	6,995

Minimum lease payments receivable includes rental income from investment properties of approximately HK$1,298,000 (2022: approximately HK$5,370,000) for the period from 1 January 2024 to 27 June 2024 (2022: 1 January 2023 to 27 June 2024).

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 HK$'000	2022 HK$'000
The carrying amount of derivative financial instruments is presented as:		
Current assets	**12,276**	613
Current liabilities	**12,879**	514

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

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The major terms of these contracts are as follows:

At 31 December 2023

Notional amount	Maturity date	Strike prices
Brent futures contracts — Long position: US$7,987,010	31 January 2024 to 30 April 2024	US$78.10 to US$80.40 per barrel
Brent futures contracts — Short position: US$5,162,250	31 October 2024 to 31 October 2024	US$76.49 to US$77.40 per barrel
Dubai Crude Oil futures contracts — Long position: US$31,582,430	29 February 2024 to 31 March 2024	US$77.97 to US$80.33 per barrel
Dubai Crude Oil futures contracts — Short position: US$31,520,130	31 March 2024 to 30 April 2024	US$77.73 to US$80.07 per barrel
Henry Hub Natural Gas futures contracts — Long position: US$3,387,480	27 February 2024 to 26 June 2024	US$2.13 to US$2.69 per million British thermal unit
Propane ARGUS futures contracts — Long position: US$5,200,360	29 December 2023* to 31 January 2024	US$621.49 to US$680.00 per ton
Propane ARGUS futures contracts — Short position: US$5,037,230	29 December 2023* to 31 January 2024	US$618.70 to US$682.75 per ton
Naphtha C&F Japan Cargo swaps contracts — Long position: US$1,758,000	29 December 2023* to 29 December 2023*	US$586.00 to US$586.00 per ton
Naphtha C&F Japan (Platts) futures contracts — Short position: US$1,897,000	29 December 2023* to 29 December 2023*	US$612.00 to US$643.00 per ton

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

At 31 December 2022

Notional amount	Maturity date	Strike prices
Brent futures contracts — Long position: US$2,581,800	31 January 2023 to 28 February 2023	US$82.93 to US$83.47 per barrel
Brent futures contracts — Short position: US$2,594,500	31 January 2023 to 28 February 2023	US$83.36 to US$84.21 per barrel

* The settlement date of these contracts was 2 January 2024.

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

Changes in fair value of derivative financial instruments for the years ended 31 December 2023 and 31 December 2022 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 and petroleum products, and swap contracts in relation to petroleum products.

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27. BANK BORROWINGS

	2023 HK$'000	2022 HK$'000
Bank borrowings — secured	**159,892**	–
The carrying amount of the above borrowings are repayable *(note)*:		
Within a period of more than two years but not exceeding five years	**93,270**	–
More than five years	**66,622**	–
Amount shown under non-current liabilities	**159,892**	–

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

As at 31 December 2023, the bank borrowings carried interest at floating rate of ranging from 4.4% to 4.5% (Loan Prime Rate announced by the National Interbank Funding Center of the PRC plus 0.2%) and were secured by certain right-of-use assets and property, plant and equipment.

The bank borrowings were denominated in RMB.

28. DEFERRED TAX

At the end of the reporting period, the Group has estimated tax losses of approximately HK$102,111,000 (2022: approximately HK$84,872,000) 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$2,633,000 (2022: approximately HK$3,145,000) that will expire by 2028 (2022: 2027). 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$31,153,000 (2022: approximately HK$23,437,000) has not been provided for in the consolidated financial statements as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

Except for the above, the Group had no material unrecognised deferred tax liabilities or assets to 31 December 2023 and 31 December 2022.

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29. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.025 each		
Authorised:		
At 1 January 2022, 31 December 2022 and 31 December 2023	**4,000,000,000**	**100,000**
Issued and fully paid:		
At 1 January 2022, 31 December 2022 and 31 December 2023	**2,123,364,090**	**53,084**

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.

30. DISPOSAL OF A SUBSIDIARY

Disposal of Takada Trading Limited

On 12 September 2023, the Group disposed of its entire equity interest (i.e. 100%) in Takada Trading Limited ("Takada").

The net assets of Takada at the date of disposal were as follows:

	At 12 September 2023 HK$'000
Club membership	1,100
Net assets disposed of	1,100
Gain on disposal	50
Total consideration	1,150
Net cash inflow arising on disposal:	
Cash consideration	1,150
	1,150

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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 subsidiary operating in Macao, in compliance with the applicable regulations of Macao, participated in a defined contribution pension scheme operated by the local government. The subsidiary is 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 years ended 31 December 2023 and 31 December 2022 is disclosed in Note 10.

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

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 were HK$41,372,000 and HK$0.2998, respectively.

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

Eligible participants	Outstanding at 31 December 2022 and 31 December 2023
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 2023 and 31 December 2022, 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 2023 and 31 December 2022.

As at 31 December 2023, 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 (2022: 138,000,000), representing 6.5% (2022: 6.5%) of the shares of the Company in issue at that date.

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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 bank borrowings disclosed in Note 27, 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:

	2023	2022
	HK$'000	HK$'000
Bank borrowings	**159,892**	–
Cash and cash equivalents	**(456,586)**	(287,962)
Net debt	**(296,694)**	(287,962)
Equity attributable to owners of the Company	**1,298,581**	1,396,495
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:

		31 December 2023	
	Notes	**Financial assets at FVTPL HK$'000**	**Financial assets at amortised cost HK$'000**
Financial assets			
Trade receivables	19		
Contracts with customers		–	**193,959**
Lease receivables		–	**2,747**
Other receivables and deposits	19	–	**5,079**
Deposits placed with brokers	21	–	**106,239**
Pledged bank deposit	21	–	**25**
Bank balances and cash	22	–	**456,586**
Financial assets at FVTPL	20		
Unlisted equity investment		**50,441**	–
Listed securities held for trading		**272**	–
Derivative financial instruments	26	**12,276**	–
		62,989	**764,635**

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

	Notes	31 December 2023 Financial liabilities at FVTPL HK$'000	 Financial liabilities at amortised cost HK$'000
Financial liabilities			
Trade payables	23	–	2,947
Other payables	23	–	91,068
Lease liabilities	25	–	1,694
Bank borrowings	27	–	159,892
Derivative financial instruments	26	12,879	–
		12,879	255,601

	Notes	31 December 2022 Financial assets at FVTPL HK$'000	 Financial assets at amortised cost HK$'000
Financial assets			
Trade receivables	19		
Contracts with customers		–	348,411
Lease receivables		–	379
Other receivables and deposits	19	–	3,499
Deposits placed with brokers	21	–	123,219
Pledged bank deposit	21	–	26,598
Bank balances and cash	22	–	287,962
Financial assets at FVTPL	20		
Unlisted equity investment		152,564	–
Listed securities held for trading		338	–
Derivative financial instruments	26	613	–
		153,515	790,068

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

	Notes	31 December 2022 Financial liabilities at FVTPL HK$'000	Financial liabilities at amortised cost HK$'000
Financial liabilities			
Trade payables	23	–	38,855
Other payables	23	–	17,214
Lease liabilities	25	–	4,514
Derivative financial instruments	26	514	–
		514	60,583

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:

Unlisted equity investment	**Financial assets at FVTPL HK$'000**
At 1 January 2022	197,485
Change in fair value of financial assets at FVTPL	(44,921)
At 31 December 2022 and 1 January 2023	**152,564**
Change in fair value of financial assets at FVTPL	**(102,123)**
At 31 December 2023	**50,441**

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 2023 and 31 December 2022

	At 31 December 2023			
	Level 1 HK$'000 (note (i))	Level 2 HK$'000	Level 3 HK$'000 (note (iii))	Total HK$'000
Financial assets				
Financial assets at FVTPL				
Unlisted equity investment	–	–	50,441	50,441
Derivative financial instruments *(note(ii))*	–	12,276	–	12,276
Listed securities held for trading	272	–	–	272
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments *(note(ii))*	–	12,879	–	12,879

	At 31 December 2022			
	Level 1 HK$'000 (note (i))	Level 2 HK$'000	Level 3 HK$'000 (note (iii))	Total HK$'000
Financial assets				
Financial assets at FVTPL				
Unlisted equity investment	–	–	152,564	152,564
Derivative financial instruments *(note(ii))*	–	613	–	613
Listed securities held for trading	338	–	–	338
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments *(note(ii))*	–	514	–	514

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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 2023 and 31 December 2022 *(continued)*

notes:

(i) Quoted bid prices in active markets.

(ii) Difference between the contracted strike prices and prevailing futures and swap prices or published indexes at the end of each reporting period. Such prevailing futures and swap 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. 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 56.3% (2022: 66.1%), post-tax discount rate of 9.8% (2022: 10.6%), discount for lack of marketability of 20.5% (2022: 15.8%) and discount for lack of control of 13.3% (2022: 15.5%).

There were no transfers among Level 1, 2 and 3 during the years ended 31 December 2023 and 31 December 2022.

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

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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 and swap 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	Related amounts not set off in the consolidated statement of financial position: Cash collateral HK$'000	Net amount HK$'000
At 31 December 2023						
Financial assets						
Deposits placed with brokers	**106,239**	**–**	**106,239**	**(12,879)**	**–**	**93,360**
Derivative financial instruments						
— futures contracts	**10,412**	**–**	**10,412**	**–**	**–**	**10,412**
— swap contracts	**1,864**	**–**	**1,864**	**–**	**–**	**1,864**
Total	**118,515**	**–**	**118,515**	**(12,879)**	**–**	**105,636**
Financial liabilities						
Derivative financial instruments						
— futures contracts	**(12,879)**	**–**	**(12,879)**	**12,879**	**–**	**–**
Total	**(12,879)**	**–**	**(12,879)**	**12,879**	**–**	**–**
At 31 December 2022						
Financial assets						
Deposits placed with brokers	123,219	–	123,219	(514)	–	122,705
Derivative financial instruments						
— futures contracts	613	–	613	–	–	613
Total	123,832	–	123,832	(514)	–	123,318
Financial liabilities						
Derivative financial instruments						
— futures contracts	(514)	–	(514)	514	–	–
Total	(514)	–	(514)	514	–	–

35. FINANCIAL RISK MANAGEMENT

Exposure to market risks, liquidity risk and credit risk 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.

(a) Market risks

Interest rate risk

The Group's cash flow interest rate risk primarily relates to its variable-rate deposits placed with brokers, pledged bank deposit and bank balances, as set out in Notes 21 and 22 respectively. 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.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances, pledged bank deposit and deposits placed with brokers and at the end of the reporting period. The analysis is prepared assuming the amount of bank balances, pledged bank deposit and deposits placed with brokers outstanding at the end of the reporting period are outstanding for the whole year. A 10 (2022: 10) basis points increase or decrease is used for bank balances, pledged bank deposit and deposits placed with brokers which represents assessment of reasonably possible changes in interest rates by the management of the Group.

For bank balances, pledged bank deposit and deposits placed with brokers, if the interest rate increases/decreases by 10 (2022: 10) basis points and all other variables are held constant, the Group's loss for the year would decrease/increase by approximately HK$563,000 (2022: profit for the year would increase/decrease by approximately HK$438,000).

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.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) 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	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Functional currency as US$ against				
RMB	**65,984**	–	**–**	–
Other currencies	**6,291**	616	**6,159**	2,067

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.

Other price risks

(i) Commodity price risk

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

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

Sensitivity analysis
In relation to derivative financial instruments, if the referenced commodity prices/indexes have been 10% higher/lower and all other variables are held constant, the Group's loss for the year would decrease/increase by approximately HK$4,853,000 (2022: profit would remain unchanged). The sensitivity rate of 10% represents assessment of the reasonably possible change in the referenced commodity 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 commodity prices/indexes as the year end exposure does not reflect the exposure during the year.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) 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 2023, 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 (2022: 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 loss for the year would decrease/increase by approximately HK$27,000 (2022: profit for the year would increase/decrease by approximately HK$34,000).

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.

(b) 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.

As at 31 December 2023, the Group had available unutilised short-term and long-term bank loan facilities of US$188,000,000 (equivalent to approximately HK$1,466,400,000) and RMB172,103,000 (equivalent to approximately HK$189,913,000). As at 31 December 2022, the Group had available unutilised short-term bank loan facilities of US$38,000,000 (equivalent to approximately HK$296,400,000) and RMB17,000,000 (equivalent to approximately HK$19,031,000).

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.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) 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$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2023							
Non-derivative financial liabilities							
Trade payables	N/A	2,947	–	–	–	2,947	2,947
Other payables	N/A	91,068	–	–	–	91,068	91,068
		94,015	–	–	–	94,015	94,015
Lease liabilities	4.5	1,480	252	–	–	1,732	1,694
Bank borrowings	4.4	7,423	12,417	103,192	68,988	192,020	159,892
Derivative financial instruments							
Futures contracts	N/A	12,879	–	–	–	12,879	12,879
At 31 December 2022							
Non-derivative financial liabilities							
Trade payables	N/A	38,855	–	–	–	38,855	38,855
Other payables	N/A	17,214	–	–	–	17,214	17,214
		56,069	–	–	–	56,069	56,069
Lease liabilities	3.8	2,936	1,712	–	–	4,648	4,514
Derivative financial instruments							
Futures contracts	N/A	514	–	–	–	514	514

(c) 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.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) 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 ECLs 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 2023, approximately 93% (2022: approximately 98%) of the Group's outstanding trade receivables arise from a customer, which the Group had instituted legal proceedings against. For details, please refer to Note 19. The five largest customers are large and established trading companies, which purchased coal and petrochemicals 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 2023 and 31 December 2022, significant trade receivables were past due and the management of the Group has performed assessment on the recoverability of the overdue debtor balances as follows:

Past due trade receivable balance

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 on 16 November 2020. Based on the decision of Dongying Intermediate People's Court of Shandong Province of the People's Republic of China, 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 certain equity interest in the Debtor.

As detailed in Note 19, the Debtor and the Group entered into a debt repayment plan and supplemental modification agreement in 2021 and 2022, respectively. In addition to continuous repayments in accordance with the debt repayment plan, subsequent to 31 December 2023, the Group has received subsequent settlements of principal amount of approximately US$3.1 million (equivalent to approximately HK$24.2 million).

Taking into account of the above-mentioned points, the management of the Group considers that the remaining outstanding balance is not credit-impaired at the end of the reporting period.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk and impairment assessment *(continued)*

Other financial assets at amortised cost

For other receivables (excluding 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. As at 31 December 2023 and 2022, management of the Group considered that no material other receivables were credit-impaired.

The bank balances, pledged bank deposit 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.

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 ECLs (not credit-impaired)	12m ECLs
Watch list	The counterparty does not frequently repay after due dates but usually settle in full.	Lifetime ECLs (not credit-impaired)	12m ECLs
Doubtful	There has been significant increase in credit risk since initial recognition through information developed internally or external sources.	Lifetime ECLs (not credit-impaired)	Lifetime ECLs (not credit-impaired)
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECLs (credit-impaired)	Lifetime ECLs (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

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35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) 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 ECLs assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECLs	2023 Gross carrying amounts HK$'000	2022 Gross carrying amounts HK$'000
Financial assets at amortised cost						
Trade receivables	19	N/A	Low risk	Lifetime ECLs (not credit-impaired)	**196,706**	348,790
Other receivables and deposits	19	N/A	Low risk	12m ECLs	**3,831**	1,487
Deposits placed with brokers	21	Aa1–Ba3	N/A	12m ECLs	**106,239**	123,219
Pledged bank deposit	21	Aa1–Baa2	N/A	12m ECLs	**25**	26,598
Bank balances	22	Aa1–Baa2	N/A	12m ECLs	**456,578**	287,954
Other items						
Rent receivable	19	N/A	Low risk	Lifetime ECLs (not-credit impaired)	**1,248**	2,012

For the year ended 31 December 2023, the Group had no material expected credit losses on its financial assets (2022: Same).

36. RELATED PARTY TRANSACTIONS

(a) Transactions

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

Name of related party	Nature of transaction	2023 HK$'000	2022 HK$'000
Strong Property Limited *(note)*	Rental expenses	**1,988**	1,988

note: Strong Property Limited is owned and controlled by one key management personnel of the Group.

(b) 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

	2023 HK$'000	2022 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**119,501**	403,147

38. PLEDGE OF ASSETS

The carrying amounts of assets that have been pledged as collaterals to secure certain banking facilities are as follows:

	2023 HK$'000	2022 HK$'000
Pledged bank deposit	**25**	26,598
Right-of-use assets	**60,128**	15,256
Property, plant and equipment	**37,805**	–

For the year ended 31 December 2023

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.

	Bank borrowings HK$'000 (Note 27)	Accrued interest HK$'000 *(note)*	Lease liabilities HK$'000 (Note 25)	Total HK$'000
At 1 January 2023	**–**	**–**	**4,514**	**4,514**
Changes from financing cash flows:				
Proceed from bank borrowings	**159,921**	**–**	**–**	**159,921**
Repayments of lease liabilities	**–**	**–**	**(2,861)**	**(2,861)**
Interest paid	**–**	**(2,473)**	**(85)**	**(2,558)**
Total changes from financing cash flows	**159,921**	**(2,473)**	**(2,946)**	**154,502**
Other changes:				
Finance costs (before capitalisation)	**–**	**2,673**	**85**	**2,758**
Foreign exchange translation	**(29)**	**16**	**41**	**28**
Total other changes	**(29)**	**2,689**	**126**	**2,786**
At 31 December 2023	**159,892**	**216**	**1,694**	**161,802**

	Accrued interest HK$'000 *(note)*	Lease liabilities HK$'000 (Note 25)	Total HK$'000
At 1 January 2022	–	1,583	1,583
Changes from financing cash flows:			
Repayments of lease liabilities	–	(2,775)	(2,775)
Interest paid	(3)	(95)	(98)
Total changes from financing cash flows	(3)	(2,870)	(2,873)
Other changes:			
Finance costs	3	95	98
New leases entered during the year	–	5,670	5,670
Foreign exchange translation	–	36	36
Total other changes	3	5,801	5,804
At 31 December 2022	–	4,514	4,514

note: Accrued interest is included in other payables.

Notes to the Consolidated Financial Statements

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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:

	2023 HK$'000	2022 HK$'000
Non-current assets		
Interests in subsidiaries	**166,962**	166,962
Loan to a subsidiary	**11,950**	5,780
Amounts due from subsidiaries	**1,091,029**	1,122,039
	1,269,941	1,294,781
Current assets		
Other receivables, deposits and prepayments	**87**	2
Deposits placed with a broker	**–**	154
Bank balances	**188,351**	99,675
	188,438	99,831
Current liabilities		
Other payables and accrued charges	**1,913**	1,952
Amounts due to subsidiaries	**397,984**	333,283
	399,897	335,235
Net current liabilities	**(211,459)**	(235,404)
Net assets	**1,058,482**	1,059,377
Capital and reserves		
Share capital	**53,084**	53,084
Reserves	**1,005,398**	1,006,293
Total equity	**1,058,482**	1,059,377

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 2022	566,111	50,391	118,111	277,771	1,012,384
Loss and total comprehensive expense for the year	–	–	–	(6,091)	(6,091)
At 31 December 2022 and 1 January 2023	566,111	50,391	118,111	271,680	1,006,293
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(895)**	**(895)**
At 31 December 2023	**566,111**	**50,391**	**118,111**	**270,785**	**1,005,398**

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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
			2023	2022		
			%	%		
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$150,000,000 (2022: HK$20,000,000)	Trading of crude oil, petroleum products and petrochemicals
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 14,700,000	Trading of crude oil, petroleum products and coal
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
Strong New Energy Limited (Note 14)	Hong Kong	Hong Kong	**60**	60	HK$200,000	Installation and maintenance service of solar energy systems

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.

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 years ended 31 December 2023 and 31 December 2022.

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.

As at 31 December 2023 and 31 December 2022, the Group had no non-wholly owned subsidiary that had material non-controlling interest.

42. EVENT AFTER THE END OF THE REPORTING PERIOD

Save as disclosed elsewhere in these consolidated financial statements, the Group has no material event after the end of the reporting period.