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STRONG PETROCHEMICAL HOLDINGS LIMITED

海峡石油化工控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 852)

COMPLETION OF DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE SHARE CAPITAL OF COPOWER PROPERTIES INVESTMENTS COMPANY LIMITED AND DISCLOSEABLE TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE TO AN INDEPENDENT THIRD PARTY

COMPLETION OF DISCLOSEABLE TRANSACTION

The Board is pleased to announce that save for the Outstanding CPs waived, all CPs under the SPA have been fulfilled and completion took place on 27 August 2020. Upon completion, the Target Company has become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Group.

PROVISION OF FINANCIAL ASSISTANCE

The Board also announces that, on 27 August 2020 upon completion of the Acquisition, the Company continued to provide the Properties as security to the Lender for an existing Loan Facility granted to the Borrower, an Independent Third Party, with an outstanding principal amount of approximately HK\$130.3 million for a remaining repayment period of 13 months.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the provision of financial assistance are more than 5% but less than 25%, the transaction constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

* For identification purposes only

BACKGROUND

Reference is made to the announcements of Strong Petrochemical Holdings Limited (the “**Company**”) dated 5 March 2019, 3 May 2019, 6 May 2019, 13 March 2020 and 29 June 2020 in relation to the Acquisition (the “**Announcements**”). Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

As disclosed in the Announcements, one of the CPs in relation to warranties states that as at completion, there will not be any amount outstanding between the Target Company and its related parties. Another CP states that the net asset value of the Target Company shall not be less than HK\$78.0 million at completion. Given that the Vendor needs more time to seek refinancing to satisfy the Outstanding CPs, the parties to the SPA agreed to extend the Long Stop Date to 12:00 noon on 5 July 2019. Subsequently, the parties to the SPA further agreed to extend the Long Stop Date to 12:00 noon on 30 June 2020. Given that more time is required for processing administrative works of completion to satisfy the Outstanding CPs, the parties to the SPA agreed to further extend the Long Stop Date to 12:00 noon on 31 August 2020.

COMPLETION OF DISCLOSEABLE TRANSACTION

Currently, the Properties are under security to a bank (the “**Lender**”) for a loan facility (the “**Loan Facility**”) granted to the Vendor. Meanwhile there exists amounts due to the Vendor by the Target Company with an aggregate amount almost the same as the outstanding amount under the Loan Facility.

The Board wishes to inform the Shareholders that the Board has considered the request of the Vendor to waive the Outstanding CPs. Having considered the request and taking into account, amongst other things, the above related party arrangement, and the time and resources which the Board expects will be needed to seek refinancing, on 27 August 2020 the Board resolved to waive the Outstanding CPs. As a compromise with the Vendor, on 27 August 2020 an indemnity agreement was executed by the Vendor to safeguard the Company on the provision of the Properties as security for the Loan Facility.

This announcement is made by the Company pursuant to Rule 14.36 of the Listing Rules, as the waiver of the Outstanding CPs constitutes a material variation of the terms of the Acquisition. Save for the above revisions, all the terms and conditions under the SPA remain the same.

The Board is pleased to announce that save for the Outstanding CPs waived, all CPs under the SPA have been fulfilled and completion took place on 27 August 2020. Upon completion, the Target Company has become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Group.

PROVISION OF FINANCIAL ASSISTANCE

The Board also announces that, on 27 August 2020 upon completion of the Acquisition, the Company continued to provide the Properties as security to the Lender for an existing Loan Facility granted to the Copower Enterprise Group Limited (the “**Borrower**”), an Independent Third Party, with an outstanding principal amount of approximately HK\$130.3 million for a remaining repayment period of 13 months.

THE LOAN FACILITY

Date:	22 August 2018
Lender:	A bank incorporated in Singapore
Borrower:	Copower Enterprise Group Limited (the Vendor)
	To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Lender and the Borrower are Independent Third Parties.
Security:	First fixed charge in respect of the Properties
Principal amount:	HK\$160,000,000
Term:	36 months from the date of drawdown
Interest:	2.2% per annum over 1-month Hong Kong Interbank Offered Rate
Repayment:	36 monthly instalments payable inclusive of principal plus accrued interest

INFORMATION ON LENDER

The Lender is a bank incorporated in Singapore. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Lender is an Independent Third Party.

INFORMATION ON BORROWER

The Borrower is the Vendor to the Acquisition. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Borrower is an Independent Third Party.

REASONS FOR AND BENEFITS OF THE PROVISION OF FINANCIAL ASSISTANCE

On completion of the Acquisition, the Target Company has amounts due to the Vendor while the Properties are continuing under security to the Lender for the existing Loan Facility granted to the Vendor. As a compromise with the Vendor in dealing with the outstanding amounts, the continuing provision of the Properties as security for the existing Loan Facility is a proper treatment.

The terms of the Loan Facility were negotiated on an arm's length basis between the Lender and the Borrower, with reference to prevailing market interest rates and commercial practices. The Directors are of the view that the provision of the financial assistance is on normal commercial terms within the meaning of the Listing Rules. The Group has taken into account the market value of the Properties, the outstanding amount under the Loan Facility and the background and creditability of the Borrower. Based on the foregoing, the Directors consider that the terms of the Loan Facility are fair and reasonable and the provision of the financial assistance is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP

The Company is an investment holding company. The Group is principally engaged in trading of commodities, including crude oil, petroleum products, petrochemicals, coal and iron ore, and provision of petroleum products and petrochemical storage services.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the provision of financial assistance are more than 5% but less than 25%, the transaction constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

By order of the Board
STRONG PETROCHEMICAL HOLDINGS LIMITED
Wang Jian Sheng
Chairman

Hong Kong, 27 August 2020

As at the date of this announcement, the Board comprises two executive Directors and three independent non-executive Directors. The executive Directors are Mr. Wang Jian Sheng and Mr. Yao Guoliang. The independent non-executive Directors are Ms. Cheung Siu Wan, Dr. Chan Yee Kwong and Mr. Deng Heng.