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**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)**

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board of directors (the “Board”) of Strong Petrochemical Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2021, together with the comparative audited figures for the year ended 31 December 2020 as follows:

\* *For identification purposes only*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 December 2021*

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

	<i>NOTE</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Profit (loss) for the year attributable to:			
Owners of the Company		<b>6,224</b>	(93,013)
Non-controlling interests		<u>–</u>	<u>8,599</u>
		<b><u>6,224</u></b>	<b><u>(84,414)</u></b>
Total comprehensive income for the year attributable to:			
Owners of the Company		<b>17,736</b>	(70,381)
Non-controlling interests		<u>6</u>	<u>9,812</u>
		<b><u>17,742</u></b>	<b><u>(60,569)</u></b>
Earnings (loss) per share	<i>11</i>		
— basic (HK cents)		<b><u>0.29</u></b>	<b><u>(4.38)</u></b>
— diluted (HK cents)		<b><u>0.29</u></b>	<b><u>(4.38)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2021*

	<i>NOTES</i>	<b>2021</b>	2020
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>129,186</b>	84,881
Investment properties	<i>12</i>	<b>174,400</b>	209,987
Right-of-use assets		<b>71,216</b>	68,695
Other assets		<b>1,828</b>	1,865
Trade receivables	<i>14</i>	<b>310,354</b>	–
Prepayment		–	3,045
Rental deposit		<b>214</b>	321
Interests in associates		<b>68,434</b>	52,080
Financial asset at fair value through profit or loss	<i>13</i>	<b>197,485</b>	195,000
		<b><u>953,117</u></b>	<u>615,874</u>
<b>Current assets</b>			
Inventories		–	24,399
Trade receivables	<i>14</i>	<b>232,433</b>	713,876
Other receivables, deposits and prepayments		<b>48,075</b>	107,566
Derivative financial instruments		<b>59,980</b>	53,253
Financial assets at fair value through profit or loss	<i>13</i>	<b>417</b>	1,233
Deposits placed with brokers		<b>176,302</b>	87,593
Bank balances and cash		<b>158,152</b>	144,173
		<b><u>675,359</u></b>	<u>1,132,093</u>
<b>Current liabilities</b>			
Trade payables	<i>15</i>	–	28,945
Other payables and accrued charges		<b>106,410</b>	104,181
Contract liabilities		<b>1,756</b>	6
Lease liabilities		<b>1,360</b>	2,085
Taxation payable		<b>1,812</b>	–
Bank and other borrowings		–	140,198
Derivative financial instruments		<b>78,054</b>	50,428
		<b><u>189,392</u></b>	<u>325,843</u>
Net current assets		<b><u>485,967</u></b>	<u>806,250</u>
Total assets less current liabilities		<b><u>1,439,084</u></b>	<u>1,422,124</u>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

## 1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, 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 Stock Exchange of Hong Kong Limited 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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 1604, 16th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, respectively.

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

The principal operations of the Group are conducted in Hong Kong Special Administrative Region (“Hong Kong”), Macao Special Administrative Region (“Macao”), the People’s Republic of China (other than Hong Kong, Macao and Taiwan) (the “PRC”) and Singapore. The functional currency of the Company and most of its subsidiaries is United States Dollar (“US\$”), as the Group mainly trades in US\$ with its customers and suppliers. However, for the convenience of the financial statements’ users, the consolidated financial statements are presented in Hong Kong Dollar (“HK\$”).

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

### (a) Adoption of amended HKFRSs

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

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

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

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

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

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

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

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

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

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

### 3. REVENUE

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

Segments	For the year ended 31 December 2021		
	Trading business HK\$'000	Storage business HK\$'000	Total HK\$'000
<b>Types of goods or services in respect of contracts with customers</b>			
Trading of commodities			
Petroleum products	118,300	–	118,300
Petrochemicals	448,981	–	448,981
Coal	204,787	–	204,787
	<u>772,068</u>	<u>–</u>	<u>772,068</u>
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	–	16,380	16,380
Other ancillary services	–	9,576	9,576
	<u>–</u>	<u>25,956</u>	<u>25,956</u>
Total	<u>772,068</u>	<u>25,956</u>	<u>798,024</u>

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

**(ii) Leases**

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

**4. SEGMENT INFORMATION**

**Geographical information**

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

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

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

*Note:* The non-current assets for the purpose of geographical information exclude financial assets at fair value through profit or loss (“FVTPL”), trade receivables, investment properties, rental deposit, prepayment, certain right-of-use assets and property, plant and equipment.

## 5. OTHER INCOME

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

*Notes:*

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

## 6. OTHER GAINS AND LOSSES

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

## 7. OTHER OPERATING INCOME

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

### Notes:

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

## 8. INCOME TAX EXPENSE

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

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

## 9. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation is arrived after charging (crediting):

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

## 10. DIVIDENDS

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

## 11. EARNINGS (LOSS) PER SHARE

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

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

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

## 12. INVESTMENT PROPERTIES

The Group's investment properties comprise of commercial properties situated in Hong Kong. The Group assessed impairment loss for the investment properties by considering its recoverable amount, having regard to the change in market conditions in Hong Kong after the outbreak of COVID-19. The recoverable amount of the investment properties is estimated based on the fair value less costs of disposal of the investment properties, which is estimated reference to comparable sales transactions as available in the relevant market with adjustments to reflect the condition and location of the related properties. An impairment loss on investment properties of approximately HK\$24,910,000 (2020: HK\$Nil) was recognised for the year ended 31 December 2021.

## 13. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

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

#### 14. TRADE RECEIVABLES

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

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

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

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

## 15. TRADE PAYABLES

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Trade payables	<u>–</u>	<u>28,945</u>

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:

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
0 to 30 days	<u>–</u>	<u>28,945</u>

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

## 16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

### **BUSINESS REVIEW**

#### **Trading of Commodities**

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

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

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

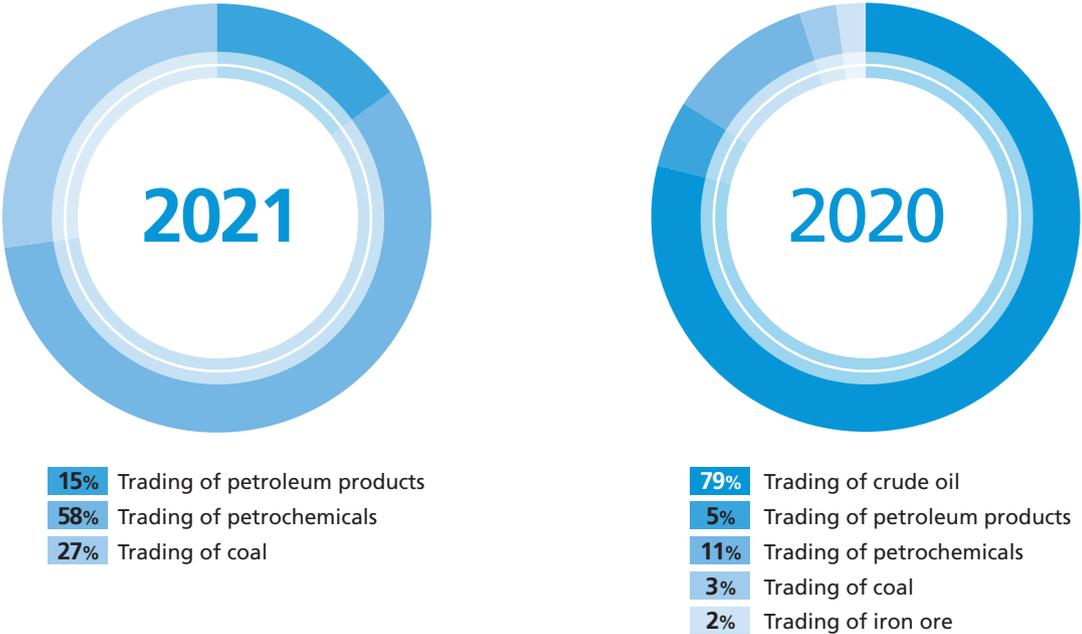
# FINANCIAL REVIEW

## Revenue

### *Trading of commodities*

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

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



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

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

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

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

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

#### **Fair Value Changes on Derivative Financial Instruments**

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

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

### **Gross Profit**

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

### **Profit Attributable to Owners of the Company**

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

### **Properties Held for Investment**

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

### **Liquidity and Financial Resources**

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

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

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

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

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

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

### **Pledge of Group Assets**

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

### **Contingent Liabilities**

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

## Litigations

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

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

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

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

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

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

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

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

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

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

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

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

## **Capital Commitments**

As at 31 December 2021, the Group had contracted for capital expenditure of approximately RMB33.3 million (equivalent to approximately HK\$40.7 million) (2020: approximately RMB18.4 million (equivalent to approximately HK\$21.9 million)) in respect of the construction of a petrochemicals manufacturing plant (the “Fujian Plant”) in Fujian Province, the PRC.

## **Significant Investment**

The Group held a significant investment in SH Energy Fund 1 (“SH Energy”) as at 31 December 2021, which represented over 5% of the Group’s total assets and a significant portion in the net assets of the Group as at 31 December 2021.

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

As announced on 7 August 2020 and 14 August 2020, Strong New Energy Global Limited (“Strong New Energy”), an indirect wholly-owned subsidiary of the Company, has agreed to make a capital commitment to subscribe for the participating shares in SH Energy, of up to US\$25.0 million (equivalent to approximately HK\$195.0 million). SH Energy is managed by a fund manager and seeks to achieve its investment objective by investing in privately held oil and gas assets and companies in the explorative and/or production stage, as well as assets and companies involved in the upstream and/or downstream oil and gas production processes. By investing in SH Energy, it is expected that the Group can benefit from diversifying its revenue stream through investments in oil and gas assets and companies which demonstrate a strong performance record, which will in turn broaden the Groups revenue base in the future. As at 31 December 2021, the accumulated investment made by the Group in SH Energy amounted to US\$21.5 million (equivalent to approximately HK\$167.7 million). The fair value of SH Energy was approximately US\$25.3 million (equivalent to approximately HK\$197.5 million) as at 31 December 2021, which represented approximately 12% of the Group’s total assets. Fair value gain on investment in SH Energy of approximately US\$0.3 million (equivalent to approximately HK\$2.5 million) (2020: HK\$Nil) was recognised as a result of the increase in fair value. During the year, no distribution of dividend was received from the investment in SH Energy.

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

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

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

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

Fujian Hong Kong Petrochemical Limited ("Fujian Petrochemical"), an indirect wholly-owned subsidiary of the Company, is in the process of setting up the Fujian Plant in Fujian Province of the PRC. The expected completion date of the Fujian Plant will be in early 2023 and the expected commencement date of operation will be the first quarter of 2023. Fujian Petrochemical was engaged in trading of petrochemicals during the year.

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

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

## **Employees**

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

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

## **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.

## **DIVIDENDS**

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

## **CLOSURE OF REGISTER OF MEMBERS**

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

## **CORPORATE GOVERNANCE REPORT**

The Company has adopted and is fully compliant with all the provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2021, with the exception of the following deviation:

Pursuant to Code Provision A.6.7 of the CG Code, generally independent non-executive directors and other non-executive directors should attend the general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Wang Jian Sheng, the executive director of the Company, Prof. Chan Yee Kwong and Mr. Deng Heng, the independent non-executive directors of the Company ("INEDs"), were unable to attend the annual general meeting of the Company (the "AGM") held on 27 May 2021 due to other prior business engagements.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors’ securities transactions. Having made specific enquiries by the Company, all Directors have confirmed that they had complied with the required standards set out in the Model Code during the year.

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

## **SCOPE OF WORK OF MESSRS. BDO LIMITED**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group’s auditor, Messrs. BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. BDO Limited on this announcement.

## **AUDIT COMMITTEE**

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

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

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

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

Hong Kong, 24 March 2022

*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, Prof. Chan Yee Kwong and Mr. Deng Heng.*