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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

The board of directors (the “Board”) of Strong Petrochemical Holdings Limited (the “Company”) presents herewith the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2023 (the “Year”), together with the comparative audited figures for the year ended 31 December 2022 as follows:

* *For identification purposes only*

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

For the year ended 31 December 2023

| | NOTES | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------|-------------------------|-------------------------|
| Revenue | 3 | | |
| 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 | 5 | 25,859 | 39,710 |
| Other gains and losses | 6 | (5,065) | 12,779 |
| Other operating income | 7 | – | 28,147 |
| Reversal of impairment loss on interest in an associate | | – | 4,394 |
| Loss on financial assets at fair value through profit or loss, net | 13 | (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 | | (1,025) | (625) |
| Share of results of associates | | 4,965 | 4,281 |
| (Loss)/profit before taxation | 9 | (88,965) | 13,562 |
| Income tax expense | 8 | (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) |

| | NOTE | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|------|-------------------------|-------------------------|
| (Loss)/profit for the year attributable to: | | | |
| Owners of the Company | | (95,407) | 6,180 |
| Non-controlling interests | | (832) | (446) |
| | | <u>(96,239)</u> | <u>5,734</u> |
| Total comprehensive expense for the year attributable to: | | | |
| Owners of the Company | | (97,914) | (42,366) |
| Non-controlling interests | | (832) | (446) |
| | | <u>(98,746)</u> | <u>(42,812)</u> |
| (Loss)/earnings per share | 11 | | |
| — basic (HK cents) | | <u>(4.49)</u> | <u>0.29</u> |
| — diluted (HK cents) | | <u>(4.49)</u> | <u>0.29</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

| | NOTES | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------|-------------------------|-------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 440,619 | 172,534 |
| Investment properties | 12 | 156,058 | 165,984 |
| Right-of-use assets | | 61,728 | 66,840 |
| Other assets | | 667 | 1,792 |
| Trade receivables | 14 | – | 119,931 |
| Rental deposit | | 205 | 533 |
| Interests in associates | | 75,459 | 71,668 |
| Financial asset at fair value through profit or loss | 13 | 50,441 | 152,564 |
| | | <u>785,177</u> | <u>751,846</u> |
| Current assets | | | |
| Inventories | | 9,391 | 35,177 |
| Trade receivables | 14 | 196,706 | 228,859 |
| Other receivables, deposits and prepayments | | 21,345 | 23,127 |
| Income tax recoverables | | – | 839 |
| Derivative financial instruments | | 12,276 | 613 |
| Financial assets at fair value through profit or loss | 13 | 272 | 338 |
| Deposits placed with brokers | | 106,239 | 123,219 |
| Pledged bank deposit | | 25 | 26,598 |
| Bank balances and cash | | 456,586 | 287,962 |
| | | <u>802,840</u> | <u>726,732</u> |
| Current liabilities | | | |
| Trade payables | 15 | 2,947 | 38,855 |
| Other payables and accrued charges | | 110,752 | 35,442 |
| Contract liabilities | | 1,798 | 2,078 |
| Lease liabilities | | 1,443 | 2,840 |
| Income tax payables | | 672 | 1,046 |
| Derivative financial instruments | | 12,879 | 514 |
| | | <u>130,491</u> | <u>80,775</u> |
| Net current assets | | <u>672,349</u> | <u>645,957</u> |
| Total assets less current liabilities | | <u>1,457,526</u> | <u>1,397,803</u> |

| | NOTE | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|------|-------------------------|-------------------------|
| Non-current liabilities | | | |
| Lease liabilities | | 251 | 1,674 |
| Bank borrowings | 16 | <u>159,892</u> | <u>–</u> |
| | | <u>160,143</u> | <u>1,674</u> |
| Net assets | | <u><u>1,297,383</u></u> | <u><u>1,396,129</u></u> |
| Capital and reserves | | | |
| Share capital | | 53,084 | 53,084 |
| Reserves | | <u>1,245,497</u> | <u>1,343,411</u> |
| Equity attributable to owners of the Company | | 1,298,581 | 1,396,495 |
| Non-controlling interests | | <u>(1,198)</u> | <u>(366)</u> |
| Total equity | | <u><u>1,297,383</u></u> | <u><u>1,396,129</u></u> |

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 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 and coal, 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”), the People’s Republic of China (other than Hong Kong, Macao Special Administrative Region and Taiwan) (the “PRC”) 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 Stock Exchange of Hong Kong Limited (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.

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.

(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 Amendment to HKAS 7 and HKFRS 7 | Non-current Liabilities with Covenants ¹ 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. REVENUE

(i) Disaggregation of revenue from contracts with customers

| Segments | For the year ended 31 December 2023 | | |
|---|--|--|--------------------------|
| | Trading business <i>HK\$'000</i> | Storage business <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| 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 |
| | <u>1,211,601</u> | <u>–</u> | <u>1,211,601</u> |
| Storage and other ancillary services for petroleum products and petrochemicals | | | |
| General storage services | – | 26,373 | 26,373 |
| Other ancillary services | – | 13,519 | 13,519 |
| | <u>–</u> | <u>39,892</u> | <u>39,892</u> |
| Total | <u>1,211,601</u> | <u>39,892</u> | <u>1,251,493</u> |

| Segments | For the year ended 31 December 2022 | | |
|--|--|--|--------------------------|
| | Trading business <i>HK\$'000</i> | Storage business <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| 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 |
| | <u>879,853</u> | <u>–</u> | <u>879,853</u> |
| Storage and other ancillary services for petroleum products and petrochemicals | | | |
| General storage services | – | 22,950 | 22,950 |
| Other ancillary services | – | 8,090 | 8,090 |
| | <u>–</u> | <u>31,040</u> | <u>31,040</u> |
| Total | <u><u>879,853</u></u> | <u><u>31,040</u></u> | <u><u>910,893</u></u> |
| (ii) Leases | | | |
| | | 2023 | 2022 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| For operating leases: | | | |
| Lease income that is fixed or depends on a rate | | <u><u>14,883</u></u> | <u><u>12,222</u></u> |

4. SEGMENT INFORMATION

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 (<i>note</i>) | |
|-------------|------------------------------------|-------------------------|------------------------------------|-------------------------|
| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
| 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 | – | – | – |
| | <u>1,266,376</u> | <u>923,115</u> | <u>150,621</u> | <u>154,418</u> |

note: The non-current assets for the purpose of geographical information excluded financial assets at fair value through profit or loss (“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 Fujian Plant).

5. OTHER INCOME

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

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.

6. OTHER GAINS AND LOSSES

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

7. OTHER OPERATING INCOME

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Income from time chartering (<i>note (i)</i>) | – | 20,260 |
| Income from logistics and blending services (<i>note (ii)</i>) | – | 7,887 |
| | <u>–</u> | <u>28,147</u> |
| | <u>–</u> | <u>28,147</u> |

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 ongoing 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. INCOME TAX EXPENSE

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current tax | | |
| Enterprise Income Tax in the PRC | 6,939 | 7,544 |
| Singapore Corporate Income Tax | 39 | 284 |
| | <u>6,978</u> | <u>7,828</u> |
| Under-provision of taxation in prior year | | |
| Singapore Corporate Income Tax | 296 | – |
| | <u>7,274</u> | <u>7,828</u> |
| | <u>7,274</u> | <u>7,828</u> |

9. (LOSS)/PROFIT BEFORE TAXATION

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| 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 | 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) | <u>1,208,251</u> | <u>873,716</u> |

10. DIVIDENDS

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

11. (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 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| (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 | <u>(95,407)</u> | <u>6,180</u> |
| | 2023 | 2022 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share | <u>2,123,364,090</u> | <u>2,123,364,090</u> |

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 did 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.

12. INVESTMENT PROPERTIES

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. No impairment loss on investment properties was recognised for the Year (2022: Nil).

13. FINANCIAL ASSETS AT FVTPL

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Non-current asset | | |
| — Unlisted equity investment | 50,441 | 152,564 |
| Current assets | | |
| — Listed securities held for trading | 272 | 338 |
| | <u>50,713</u> | <u>152,902</u> |
| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
| 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) |
| | <u>(102,189)</u> | <u>(17,700)</u> |

14. TRADE RECEIVABLES

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

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

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

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 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 0 to 30 days | 12,965 | 5,399 |
| Over 365 days | 183,741 | 343,391 |
| | <u>196,706</u> | <u>348,790</u> |

15. TRADE PAYABLES

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| Trade payables at amortised cost | <u>2,947</u> | <u>38,855</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:

| | 2023 | 2022 |
|--------------|---------------------|---------------|
| | HK\$'000 | HK\$'000 |
| 0 to 30 days | <u>2,947</u> | <u>38,855</u> |

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

16. BANK BORROWINGS

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue for the Year was approximately 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

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 Petrochemical (Nantong) Logistics Company Ltd. (“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 metric tons (“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.

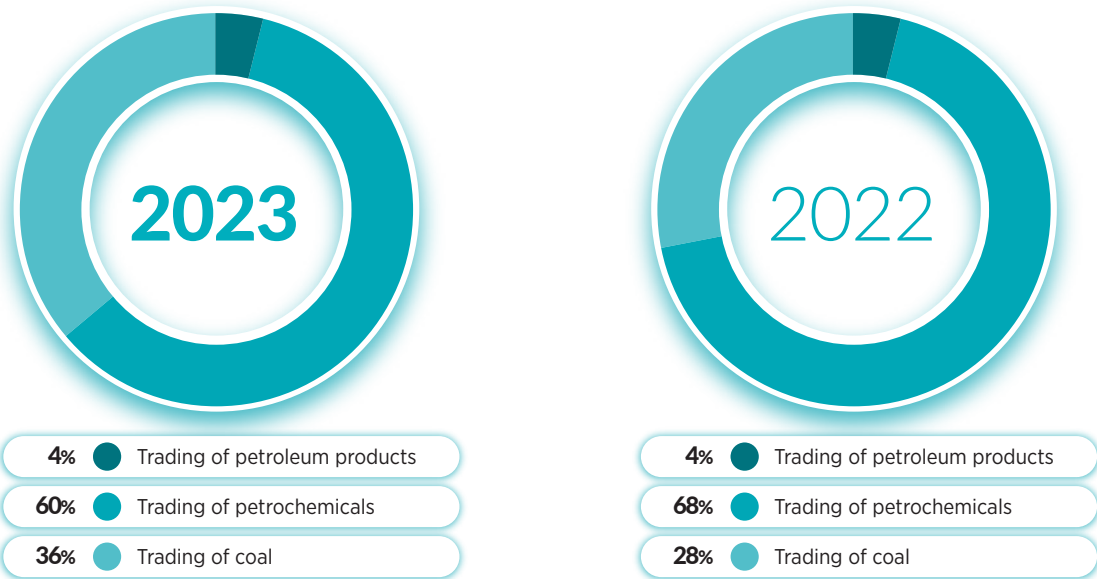
FINANCIAL REVIEW

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.

| Products | Unit | Year ended 31 December | | | | | |
|------------------------|------|------------------------|----------------|------------------|---------------------|----------------|------------------|
| | | 2023 | 2023 | | 2022 | 2022 | |
| | | 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 | | <u>206</u> | | <u>1,211,601</u> | <u>200</u> | | <u>879,853</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\$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).

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\$178.0 million and Renminbi (“RMB”) 17.0 million (equivalent to approximately HK\$1,407.2 million in total) from several banks.

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.

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 announcement 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 Shandong Shengxing is made. The Group will continue to proactively recover the Shandong Shengxing Unsettled Outstanding Sum.

Capital Commitments

As at 31 December 2023, the Group had contracted for capital expenditure of approximately RMB108.3 million (equivalent to approximately HK\$119.5 million) (2022: approximately RMB360.1 million (equivalent to approximately HK\$403.1 million)) in respect of the construction of the Fujian Plant.

Investment

The Group held an investment in SH Energy Fund 1 (“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 announcement, 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 Hong Kong Petrochemical Limited is in the process of setting up the Fujian Plant in Quanzhou City, Fujian Province of the PRC. The expected completion date of the Fujian Plant will be 31 March 2024 and the Fujian Plant will start its operation then.

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

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.

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 (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 annual general meeting (“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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has fully complied with the Corporate Governance Code (the “CG Code”) and met the code provisions set out in Part 2 of Appendix C1 to the Listing Rules during the Year. When directors of the Company are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Company prior to the meeting. Views expressed by the shareholders of the Company at general meetings are recorded and circulated for discussion by all directors of the Company regardless of attendance.

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 Company’s directors’ securities transactions. Having made specific enquiries by the Company, all directors of the Company 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 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 2023 as set out in this announcement have been agreed by the Group's auditor, Messrs. BDO Limited, with 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 independent non-executive directors of the Company ("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.

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 AGM.

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.

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

Hong Kong, 26 March 2024

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.