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)

DISCLOSEABLE TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SUCCESS PLUS GLOBAL LIMITED

THE ACQUISITION

The Board is pleased to announce that on 26 June 2024 (after trading hours), the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at the consideration of US$9.0 million (equivalent to approximately HK$70.2 million).

The valuation of the Target Group in the amount of approximately US$9.1 million (equivalent to approximately HK$71.0 million) was carried out by the Valuer.

The principal asset of the Target Group is the entire participating interest in Pan-China's entitlement under the PSC and overriding royalty interest in Zhou 13 Block of Daqing Zhaozhou Oilfield of the PRC.

As at the date of this announcement, the Target Company is held as to 100% by the Vendor. Upon Completion, members of the Target Group will become wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

Completion of the Acquisition is subject to fulfillment or waiver of the conditions set out in the Sale and Purchase Agreement, and the Acquisition may or may not proceed to Completion. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 26 June 2024 (after trading hours), the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at the consideration of US$9.0 million (equivalent to approximately HK$70.2 million).

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

Date

26 June 2024 (after trading hours)

Parties

(i) Saint Ocean, as the Purchaser; and

(ii) SH Energy, as the Vendor

Asset to be acquired

The asset to be acquired under the Sale and Purchase Agreement is the Sale Shares.

The Sale Shares represent the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement and Completion.

The principal asset of the Target Group is the entire participating interest in Pan-China's entitlement under the PSC and overriding royalty interest in Zhou 13 Block of Daqing Zhaozhou Oilfield of the PRC, details of which are set forth under the section headed ''Information of the Parties'' below.

Consideration

Pursuant to the Sale and Purchase Agreement, the consideration is US$9.0 million (equivalent to approximately HK$70.2 million) which shall be paid by the Purchaser to the Vendor or its nominees as the Parties may agree in writing by way of bank transfer at Completion.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to numerous factors, including without limitation, the current production rate, cash flow and historical financial information of the Target Group. The principal asset of the Target Group is the entire participating interest in Pan-China's entitlement under the PSC and overriding royalty interest in Zhou 13 Block of Daqing Zhaozhou Oilfield of the PRC. The valuation of the Target Group in the amount of approximately US$9.1 million (approximately HK$71.0 million) was carried out by an independent Valuer by adopting discounted cash flow valuation methodology under income approach which takes into account of the above factors.

The Board considers that the consideration, taking into account of the aforementioned facts and circumstances, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Company currently intends to fund the Acquisition by internal resources.

Conditions precedent

Completion of the Acquisition is conditional upon fulfillment or waiver (as the case may be) of the following conditions precedent on or before the Long-stop Date:

(a) the Purchaser in its absolute discretion being satisfied with the results of due diligence concerning, inter alia, the legal, financial, tax and technical conditions of the Target Group;

(b) save as disclosed, the Vendor is and as at Completion remains the sole legal and beneficial owner of the Sale Shares and it has the power to sell or assign the Sale Shares to the Purchaser free from encumbrances and third party rights upon Completion;

(c) the Sale Shares shall have represented the entire issued shares in the capital of the Target Company;

(d) all the warranties being true and accurate in all material respects and not being misleading in any respect as at the date of the Sale and Purchase Agreement and at Completion;

(e) there having been no material adverse change in the Target Group and in its Oil and Gas Operations prior to Completion;

(f) the obtaining of all relevant government approvals and other necessary third party consents and approvals required in relation to the transactions contemplated hereunder; and

(g) the cash or cash equivalent of the Target Group shall not be less than approximately US$1.0 million (equivalent to approximately HK$7.8 million) as at Completion.

If the above conditions have not been fulfilled or waived on or before 4:00 p.m. on the Long-stop Date (or such other date as the parties may agree), the Sale and Purchase Agreement shall cease and terminate and thereafter, neither party shall have any obligations and liabilities towards each other save for any antecedent breaches of the terms of the Sale and Purchase Agreement.

Completion

Completion shall take place within three Business Days after the date on which all of the conditions precedent under the Sale and Purchase Agreement have been fulfilled or waived or such other date as shall be mutually agreed between the Purchaser and the Vendor.

Upon Completion, members of the Target Group will become wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

INFORMATION OF THE PARTIES

The Group

The Company is an investment holding company. The Group is principally engaged in trading of commodities, including crude oil, petroleum products, petrochemicals and coal, and provision of general storage and other ancillary services for petroleum products and petrochemicals.

The Target Group

The Target Company is a company incorporated under the laws of the British Virgin Islands and is beneficially wholly-owned by SH Energy. The principal business activity of the Target Group is the Oil and Gas Operations. Pursuant to the PSC with CNPC, Pan-China holds the entire participating interest in the entitlement and is the operator of the oil and gas development and production operations of the Kongnan Block in the PRC.

The PSC, originally signed in 1997 with a maximum term of 30 years, has been in the commercial production phase since 2009, currently covering an area of 31.29 square kilometres of the Kongnan Block within Dagang Oilfield in Hebei province of the PRC. Kongnan Block is located in the largest oil production basin in the PRC — Southern Bohai Basin and is a mature oilfield with relatively assured geological reserves. The Target Group can conduct oil development and production operations in the contracted area and share in the production of crude oil with CNPC after the successful development of oil reserves. Upon full recovery of its development costs, the revenue and operating costs have been allocated to Pan-China at 49%.

Based on data provided in the Competent Person's Report issued by the Competent Person, the Kongnan Block had proved reserves and probable reserves of approximately 1,562,000 barrels and approximately 255,000 barrels on gross basis respectively, as at 31 December 2023.

For the year ended 31 December 2023, the Target Group produced 588,925 barrels of oil or an average of 1,613 barrels per day.

The Vendor

The Vendor is an exempted company incorporated under the laws of the Cayman Islands with limited liability on 14 July 2020. The issued share capital of the Vendor comprises 2,700,000 limited-voting, non-redeemable, participating shares of US$0.01 each and 100 management shares of US$1.00 each. 2,500,000 participating shares of the Vendor, representing approximately 93% of the issued participating shares of the Vendor, are held by Strong New Energy Global Limited, an indirect wholly-owned subsidiary of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the remaining 200,000 participating shares are held by Independent Third Parties. The 100 management shares, which represent all of the voting shares in SH Energy, are held by Dragon Ridge Holdings Limited. Both the director and the ultimate beneficial owner of Dragon Ridge Holdings Limited are Mr. Mo Hiu Fai, an Independent Third Party.

The Vendor has appointed the Manager as its investment manager. The directors of the Manager are Mr. Ng Kai Sum Houston and Mr. Wang Haifeng, both of them are Independent Third Parties.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, SH Energy, Dragon Ridge Holdings Limited, the Manager and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

FINANCIAL INFORMATION OF THE TARGET GROUP

The unaudited consolidated financial information of the Target Group for the two years ended 31 December 2022 and 31 December 2023, which have been prepared based on Hong Kong Financial Reporting Standards, are summarised as follows:

	For the year ended 31 December 2022 (unaudited) *(US$'000)*	**For the year ended 31 December 2023** (unaudited) *(US$'000)*
Turnover	33,800	21,250
Profit/(loss) before taxation	2,434	(29,191)
Net profit/(loss) attributable to shareholders	67	(25,726)

	As at 31 December 2022 (unaudited) *(US$'000)*	As at 31 December 2023 (unaudited) *(US$'000)*
Total assets	67,013	35,416
Total liabilities	(29,837)	(24,441)
Net assets	37,176	10,975

REASONS FOR AND BENEFITS OF THE ACQUISITION

As mentioned in the annual report of the Company for the year ended 31 December 2023, the Group has been closely monitor the oil market and strived to gradually resume the crude oil trading business. During the year ended 31 December 2023, as there was an uncertainty as to whether the PSC would be able to extend, the Target Group incurred loss due to an impairment of assets with a shorter useful life of existing oil wells. In addition, this uncertainty also led to the deferral of drilling of new oil wells resulting in a decreasing revenue. Notwithstanding the above, the Board has considered (i) the Group's experience in oil trading business; (ii) Pan-China's long-standing role as the operator of the Oil and Gas Operations with extensive knowledge and experience in its operations; and (iii) the Directors' belief that there is no foreseeable obstacles in obtaining the extension of the PSC. As such, the Board considers the Acquisition to be a valuable and attractive opportunity as the first and significant step for tapping into the upstream sector of oil industry and becoming an oil producer, and it is in the interests of the Company and its Shareholders as a whole.

The Directors believe that the Acquisition will be a valuable and attractive opportunity to effectively facilitate and resume the development of the Group's oil business. The Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

None of the Directors was deemed to have material interests in the Sale and Purchase Agreement and the transactions contemplated thereunder and thus no Director was required to abstain from voting on the relevant resolution(s) at the board meeting.

PROFIT FORECASTS UNDER THE VALUATION REPORT

According to the Valuation Report dated 24 June 2024 issued by the Valuer, the Valuer mainly applied the discounted cash flow method under the income approach and based on certain assumptions in the valuation to appraise the value of the Target Group, which constitutes a profit forecast under Rule 14.61 of the Listing Rules and the requirements of Rule 14.60A of the Listing Rules are therefore applicable.

Valuation Methods

In determining the equity value of the Target Group, the Valuer applied the discounted cash flow method under the income approach. Under this method, values depend on the present worth of future economic benefits to be derived from the projected sales income. Indications of value have been developed by discounting projected future net cash flows to their present worth at a chosen discount rate.

General Assumptions

1. ***Transaction Assumption***

   The transaction assumption assumes that all assets to be appraised are already in the process of being transacted, and the Valuer simulates the market for appraisal according to the transaction conditions of the appraised assets. The transaction assumption is one of the most basic preconditional assumptions for the performance of an asset appraisal.

2. ***Open Market Assumption***

   The open market assumption assumes that as for the subject assets transacted in the market, or the subject assets to be transacted in the market, both parties to the transaction have equal footings and have the opportunity and time to obtain sufficient market information, so as to make a rational judgment on the functions, use and transaction price of the subject assets. The open market assumption is based on the fact that the subject assets can be publicly traded in the market.

3. ***Going-concern Assumption***

   The going-concern assumption refers to such an assumption that, the subject assets will continue to be used as per its current purpose and the manner, scale, frequency and environment of use, or continue to be used on the basis of certain change therein, and the Valuer determines the method, parameters and basis for appraisal accordingly.

Special assumptions of the valuation

(1) The projected revenue and income will be achieved according to the proposed business plan of the Target Group and with the effort of the Target Group's management;

(2) All relevant legal approvals and business certificates or licenses required for the Target Group to operate its business or intends to operate have been or will be officially obtained and are renewable upon expiry;

(3) All proposed facilities and systems will work properly and will be sufficient for future operation;

(4) There will be no material changes in the international financial environment, global economic environment and national macroeconomic conditions, and that there will be no material changes in the political, economic and social environment in which the Target Group operates;

(5) The operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

(6) The financial and operational information provided by the Target Group is accurate and it has been relied to a considerable extent on such information in arriving at the opinion of value; and

(7) There are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value.

Major assumptions and parameters

Details of major assumptions adopted in the discounted cash flow method are summarised as follows:

1. Profit forecast

(1) Revenue

(a) Forecast oil sales price was estimated based on the Brent crude oil price forecast as of 31 December 2023 and adjusted based on the historical three-year average price difference between Pan-China's actual oil selling price and Brent crude oil price. The forecast oil sales price assumptions in the remaining contract years from 2024 to 2027 are as follows:

	Financial year ended 31 December			
	2024	**2025**	**2026**	**2027**
Oil Sales Price Forecast (US$/barrel of crude oil)	65.41	67.05	68.72	70.43

(b) The gross oil sales volume was estimated based on the Competent Person's Report issued by the Competent Person. The proved reserves and probable reserves ("**2P**") assumptions in the remaining contract years from 2024 to 2027 are as follows:

	Financial year ended 31 December			
	2024	**2025**	**2026**	**2027**
Gross Oil Sales Volume (2P) (barrel of crude oil)	522,912	513,574	439,878	341,111

(2) Cost of revenue and operating expenses

The forecast cost of revenue and operating expenses were estimated based on the historical cost information and budget provided by Pan-China. The cost and expenses assumptions in the remaining contract years from 2024 to 2027 are as follows:

	Financial year ended 31 December			
	2024	**2025**	**2026**	**2027**
Cost of Revenue and Operating Expenses (US$ in million)	13.82	15.30	14.05	11.78

(3) Operating profit margin

The forecast earnings before interest and taxes margin ranges from 0% to 24.1% in the remaining contract years from 2024 to 2027.

(4) Income tax rate

The Target Group would be subject to Corporate Income Tax of the PRC with standard tax rate of 25%.

2. Discount rate

The discount rate adopted for the valuation of the Target Group is 11%, which was determined by using the weighted average cost of capital method.

3. Discount for lack of marketability

A factor to be considered in valuing closely held companies is the marketability of an interest in such businesses. Marketability is defined as the ability to convert the business interest into cash quickly, with minimum transaction and administrative costs, and with a high degree of certainty as to the amount of net proceeds. There is usually a cost and a time lag associated with locating interested and capable buyers of interests in privately-held companies, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a private-held company is worth less because no established market exists which is known as discount for lack of marketability ("**DLOM**").

The DLOM adopted for the valuation of the Target Group is 13% determined by using the put option method, which is one of the most commonly used theoretical models.

Confirmation

BDO Limited (the "**Reporting Accountants**") have been engaged to report on the calculations of the discounted cash flows used in the valuation prepared by the Valuer. The Reporting Accountants have reported that so far as the calculations are concerned, the discounted cash flows have been properly compiled in all material aspects in accordance with the bases and assumptions as set out in the valuation report. The text of the report issued by the Reporting Accountants in relation to the calculations of the discounted cash flows is set out in Appendix I to this announcement for the purpose under Rule 14.60A(2) of the Listing Rules.

A letter from VBG Capital Limited, the financial adviser to the Company, confirming that it is satisfied that the profit forecast in the valuation has been made by the Directors after due and careful enquiry, is set out in Appendix II to this announcement.

Experts

The following are the qualifications of experts who have provided opinions and/or suggestions contained in this announcement:

Name	**Qualification**
Asia-Pacific Consulting and Appraisal Limited	Independent valuation firm with asset valuation qualification in the PRC
BDO Limited	Certified public accountants
UNIWE International Energy Limited	Independent Competent Person
VBG Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)

Each of the experts mentioned above has given and none of the experts has withdrawn its written consent to the issue of this announcement with the inclusion of its letters, reports and/or opinions and the references to its names included herein in the form and context in which it is included.

As at the date of this announcement, none of the experts nor their respective subsidiaries mentioned above held any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the date of this announcement, as far as the Directors are aware, none of the experts nor their respective subsidiaries mentioned above had, or had had, any direct or indirect interest in any material assets which have been since 31 December 2023 (being the date to which the latest published audited consolidated accounts of the Company were made up) acquired, or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group.

Completion of the Acquisition is subject to fulfillment or waiver of the conditions set out in the Sale and Purchase Agreement, and the Acquisition may or may not proceed to Completion. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following terms shall have the following meanings, unless the context otherwise requires:

"Acquisition"	the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement
"Board"	the board of Directors
"Business Day"	a day (excluding Saturdays, Sundays and holidays) on which banks are open for business in Hong Kong
"CNPC"	China National Petroleum Corporation, a company established in the PRC, being an Independent Third Party
"Company"	Strong Petrochemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 852)
"Competent Person"	has the meanings ascribed to thereto under the Listing Rules
"Competent Person's Report"	the competent person's report issued by UNIWE International Energy Limited, an Independent Third Party
"Completion"	completion of the matters described in the Sale and Purchase Agreement by the performance by the Purchaser and Vendor of their respective obligations
"connected person"	has the meanings ascribed to thereto under the Listing Rules
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Kongnan Block"	the three blocks, namely Duannan (段南), West Xiepo (西斜坡), and Xiaoji (小集), located in Dagang Oilfield in Hebei province of the PRC
"Independent Third Party"	third party independent of the Company and its connected persons
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

“Long-stop Date”	30 September 2024, or such other date as may be agreed between the Purchaser and the Vendor in writing
“Manager”	HakuCapital Global Investment Advisers Limited, a company incorporated in Hong Kong with limited liability on 27 December 2018, is licensed and regulated by the Securities and Futures Commission of Hong Kong to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined in the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“Oil and Gas Operations”	oil and gas development and production operations in relation to the Kongnan Block
“Pan-China”	Pan-China Resources Ltd., a wholly-owned subsidiary of the Target Company and a company incorporated in the British Virgin Islands with limited liability
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“PSC”	the petroleum contract between CNPC and Pan-China for Oil and Gas Operations dated 8 September 1997 and as amended or supplemented from time to time
“Purchaser” or “Saint Ocean”	Saint Ocean Investment Limited, a direct wholly-owned subsidiary of the Company and a company incorporated in the British Virgin Islands with limited liability
“Sale and Purchase Agreement”	the sale and purchase agreement dated 26 June 2024 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Sale Shares”	the 100 ordinary shares of the Target Company, which representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK$0.025 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Success Plus Global Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and Pan-China

"Valuer"	Asia-Pacific Consulting and Appraisal Limited, an Independent Third Party
"Vendor" or "SH Energy"	SH Energy Fund 1, an exempted company incorporated under the laws of the Cayman Islands with limited liability
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent

Unless the context requires otherwise, amounts denominated in US$ have been converted into HK$ at an exchange rate of US$1 = HK$7.80 for the purpose of illustration only. No representation is made that any amount in HK$ or US$ has been or could have been or could be converted at the relevant dates at the above rate or any other rates or at all.

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

Hong Kong, 26 June 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 Prof. Chan Yee Kwong, Ms. Cheung Siu Wan and Mr. Deng Heng.

The following is the text of the report dated 26 June 2024 from the Reporting Accountants, prepared for inclusion in this announcement.

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF *SUCCESS PLUS GLOBAL LIMITED (THE "TARGET COMPANY"), TOGETHER WITH ITS ONLY WHOLLY-OWNED SUBSIDIARY, PAN-CHINA RESOURCES LTD. (THE "TARGET GROUP")*

TO THE BOARD OF DIRECTORS OF STRONG PETROCHEMICAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "**Valuation**") dated 24 June 2024 prepared by Asia-Pacific Consulting and Appraisal Limited in respect of the appraisal of the fair value of the 100% equity interest in Success Plus Global Limited (the "**Target Company**"), together with its only wholly-owned subsidiary, Pan-China Resources Ltd. (the "**Target Group**") is based. The Valuation is set out in the announcement of Strong Petrochemical Holdings Limited (the "**Company**") dated 26 June 2024 (the "**Announcement**") in connection with the proposed acquisition by the Company of a 100% equity interest in the Target Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows, including the bases and assumptions set in the section headed "PROFIT FORECASTS UNDER THE VALUATION REPORT" of the Announcement on which the discounted future estimated cash flows are based. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

It is our responsibility, pursuant to paragraph 14.60A(2) of the Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows, and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to form the opinion.

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out in the section headed "PROFIT FORECASTS UNDER THE VALUATION REPORT" of the Announcement. The extent of procedures selected depends on the Reporting Accountant's judgement and our assessment of the engagement risk. Within the scope of our work, we, amongst others, reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows have been prepared using a set of bases and assumptions that include hypothetical assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Group.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the bases and assumptions adopted by the directors of the Company as set out in the section headed "PROFIT FORECASTS UNDER THE VALUATION REPORT" of the Announcement.

BDO Limited
Certified Public Accountants
Hong Kong, 26 June 2024

APPENDIX II — LETTER FROM VBG CAPITAL LIMITED

The following is the text of the letter dated 26 June 2024 from VBG Capital Limited, the financial adviser to the Company in respect of the profit forecast, for inclusion in this announcement.

26 June 2024

Strong Petrochemical Holdings Limited
Room 1604, 16th Floor
Far East Finance Centre
16 Harcourt Road
Admiralty, Hong Kong

Attention: The Board of Directors

Dear Sirs,

We refer to the valuation of the fair value of 100% equity interest in the Target Group as at 31 December 2023 (the "**Valuation**") prepared by the Valuer set out in the valuation report dated 24 June 2024 (the "**Valuation Report**") as referred to in the announcement of the Company dated 26 June 2024 (the "**Announcement**") regarding the acquisition of the entire issued share capital of Success Plus Global Limited. Capitalised terms used in this letter shall have the same meanings as those defined in the Announcement unless the context otherwise requires.

The Valuation, which has been arrived at using the discounted cash flow method, is based on the cash flow forecasts (the "**Forecasts**") provided by the management of the Company. The Forecasts are regarded as a profit forecast under Rule 14.61 of the Listing Rules. The principal assumptions upon which the Valuation is based on are included in the Announcement, of which this letter forms part.

Our work in connection with the Forecasts has been undertaken solely for the purpose of complying with the relevant requirements under Rule 14.60A(3) of the Listing Rules and for no other purpose. We have undertaken reasonableness checks to assess the relevant experience and expertise of the Valuer and are satisfied that reliance could fairly be placed on the Valuer's work. We have reviewed the Forecasts upon which the Valuation has been made and have discussed with the Valuer the valuation methods, bases and assumptions of the Forecasts. We have also considered the letter from BDO Limited, the reporting accountants to the Company, dated 26 June 2024 addressed to the Board as contained in Appendix I to the Announcement regarding the calculations underlying the Forecasts. BDO Limited concluded in its letter that so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the bases and assumptions adopted by the Directors.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions of the Valuation, for which the Board and the Valuer are responsible, we are satisfied that the Forecasts have been made by the Directors after due and careful enquiry.

We have not independently verified the assumptions or computations leading to the Valuation. We have had no role or involvement and have not provided and will not provide any assessment of the fair value of 100% equity interest in the Target Group as at 31 December 2023 to the Company. We have assumed that all information, materials and representations provided to us by the Company and the Valuer, including all information, materials, and representations referred to or contained in the Announcement, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Announcement and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, whether express or implied, is made by us on the accuracy, truth or completeness of such information, materials or representations. Accordingly, we accept no responsibility, whether expressly or implicitly, on the Valuation as set out in the Valuation Report.

We are acting as the financial adviser to the Company in reviewing the Forecasts. We, our directors and affiliates will, neither jointly or severally, be responsible to anyone other than the Company for providing advice in connection with the review of the Forecasts, nor will we, our directors or affiliates, whether jointly or severally, owe any responsibility to anyone other than the Company. For the avoidance of doubt, this letter does not constitute an independent valuation or fairness opinion and is expressly limited to the matters described herein. We express no opinion as to how closely the actual cash flows will eventually correlate with the Forecasts. This letter also does not serve as an opinion or recommendation to any person as to whether they should take any action in the securities of the Company. Shareholders and potential investors of the Company are recommended to read the Announcement with care, and if needed, to consult its professional adviser(s).

A copy of this letter in its entirety may be reproduced in the Announcement on the basis that none of the Company, the Valuer or any other person may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without our prior written consent. In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

Yours faithfully,
For and on behalf of
VBG Capital Limited

Doris Sing
Managing Director