



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

2024
INTERIM REPORT

** For identification purposes only*



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. WANG Jian Sheng (*Chairman*)

Mr. YAO Guoliang

Independent Non-executive Directors

Ms. CHEUNG Siu Wan

Prof. CHAN Yee Kwong

Mr. DENG Heng

BOARD COMMITTEES

Audit Committee

Ms. CHEUNG Siu Wan (*Chairman*)

Prof. CHAN Yee Kwong

Mr. DENG Heng

Remuneration Committee

Prof. CHAN Yee Kwong (*Chairman*)

Mr. DENG Heng

Mr. WANG Jian Sheng

Nomination Committee

Mr. WANG Jian Sheng (*Chairman*)

Ms. CHEUNG Siu Wan

Mr. DENG Heng

COMPANY SECRETARY

Mr. LAU Leong Ho

(Practising Solicitor) (Hong Kong)

(resigned on 14 May 2024)

Ms. CHAN Wing Man

(Practising Solicitor) (Hong Kong)

(appointed on 14 May 2024 and

resigned on 26 July 2024)

Ms. NG Sau Mei (appointed on 26 July 2024)

AUTHORISED REPRESENTATIVES

Mr. WANG Jian Sheng

Mr. YAO Guoliang

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1604, 16th Floor

Far East Finance Centre

16 Harcourt Road

Admiralty

Hong Kong

INDEPENDENT AUDITOR

BDO Limited

Certified Public Accountants

Registered Public Interest

Entity Auditor

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited

Suite 3204, Unit 2A

Block 3, Building D, P.O. Box 1586

Gardenia Court, Camana Bay

Grand Cayman, KY1-1100

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17th Floor, Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communications (Hong Kong)
Limited
China CITIC Bank International Limited
Citibank, N.A.
DBS Bank (Hong Kong) Limited

WEBSITE

www.strongpetrochem.com

SHARE INFORMATION

The Stock Exchange of Hong Kong Limited
Stock code: 00852

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2024 (the “Six Month Period”), Strong Petrochemical Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) focused on its principal businesses of trading of commodities and storage and other ancillary services for petroleum products and petrochemicals and leases.

Revenue for the Six Month Period was approximately Hong Kong (“HK”) dollar (“HK\$”) 895.4 million. Loss attributable to owners of the Company for the Six Month Period was approximately HK\$8.8 million.

Trading of Commodities

Some analysts predicted that oil demand and prices would be stable during the Six Month Period due to weak economic growth, while some believed that higher oil prices would be supported by rising tensions in the Middle East. During the Six Month Period, Brent crude oil price swung between United States dollar (“US\$”) 75.89 per barrel (“BBL”) and US\$91.17 per BBL. Brent crude oil price reached US\$91.17 per BBL in early April 2024 due to the escalated tensions between Israel and Iran and the expectations of a tighter supply-demand oil inventory. Oil prices slipped subsequently because of the less serious geopolitical tensions in the Middle East, the interest rate cut in the People’s Republic of China (the “PRC”) and the declining oil demand.

Facing our standstill crude oil trading business, the Group has stepped forward to restart its first crude oil transaction in the past three years. Our crude oil trading team will proactively search for business opportunities and gradually recover our crude oil trading business to previous level. Simultaneously, we continued to maintain business relationships with our key customers and develop business opportunities in trading petroleum products, petrochemicals and coal.

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

Strong Petrochemical (Nantong) Logistics Company Ltd. (“Strong Nantong”), an indirect wholly-owned subsidiary of the Company, operates its storage facilities of 21 storage tanks with a capacity of 139,000 cubic meters in Nantong City, Jiangsu Province, the PRC. It is principally engaged in providing storage services for gasoline, diesel fuel and methyl alcohol. During the Six Month Period, Strong Nantong experienced drops in revenue and profits because of the end of a contract with a key customer. In the second half of 2024, Strong Nantong will continue to develop relationships with different customers and develop new business models to increase the utilisation rate of the storage tanks.

Exploration, Exploitation and Operation of Crude Oil

In June 2024, Saint Ocean Investment Limited (“Saint Ocean”), a direct wholly-owned subsidiary of the Company, acquired the entire share capital of Success Plus Global Limited (“Success Plus”) which directly owns the entire equity interest in Pan-China Resources Ltd. (“Pan-China”). Pan-China operates the oil and gas development and production in relation to the three blocks, namely Duannan, West Xiepo and Xiaoji (collectively, “Kongnan Block”), located in Dagang Oilfield in Hebei province of the PRC (“Oil and Gas Operations”). Pursuant to the petroleum contract between China National Petroleum Corporation (“CNPC”) and Pan-China for the Oil and Gas Operations (the “Petroleum Contract”), Pan-China holds the entire participating interest in the entitlement. Pan-China conducts the Oil and Gas Operations and shares 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%. The Petroleum Contract originally signed in 1997 with a maximum term of 30 years, will be expired in 2027. In the second half of 2024, the Group will press ahead and obtain the extension of the Petroleum Contract. So far the management of the Group consider there is no foreseeable obstacles in obtaining the extension of the Petroleum Contract.

Outlook

Fujian Hong Kong Petrochemical Limited (“Fujian Petrochemical”), an indirect wholly-owned subsidiary of the Company, was established in Quanzhou City, Fujian Province, the PRC in April 2019 with principal activities of manufacturing and trading of petrochemicals. Fujian Petrochemical has set up a petrochemicals manufacturing plant (the “Fujian Plant”) in Fujian Province of the PRC while the Fujian Plant is in the process of defect rectification to better prepare for the trial run. Fujian Petrochemical has continued its trading business of petrochemicals during the Six Month Period. Fujian Petrochemical is currently developing a two phases production project for a petrochemical product named Styrene Ethylene Butylene Styrene Thermoplastic Elastomer (the “SEBS Project”), with expected annual production scale of 50,000 metric tons (“MT”). The SEBS Project has been listed as one of the PRC’s local provincial key projects. We are confident that the SEBS Project can generate a satisfactory return to the Group in future.

Despite of the sluggish storage business, we have successfully resumed the crude oil trading business and made headway to enter the oil and gas development and production sector during the Six Month Period. Looking forward to the second half of 2024, we will proactively seek for business opportunities so as to enhance the value to the shareholders.

FINANCIAL REVIEW

Revenue

Trading of commodities

The revenue from trading business of the Group was approximately HK\$888.3 million (the six months ended 30 June 2023 (“1H2023”): approximately HK\$462.7 million) for the Six Month Period, representing an increase of approximately 92%, compared with 1H2023. Approximately 20% (1H2023: 0%) of the Group’s revenue from trading business was generated from trading of crude oil for the Six Month Period. Approximately 0% (1H2023: approximately 2%) of the Group’s revenue from trading business was generated from trading of petroleum products for the Six Month Period. The revenue generated from the trading of petrochemicals for the Six Month Period was approximately 62% (1H2023: approximately 69%). For the Six Month Period, approximately 18% (1H2023: approximately 29%) of the Group’s revenue from trading business was generated from the trading of coal.

Trading business of crude oil was resumed in the Six Month Period and its trading volume was 298,842 BBL. The trading volume of petroleum products was 129 MT for the Six Month Period (1H2023: 986 MT). The trading volume of petrochemicals increased from 53,921 MT for 1H2023 to 94,370 MT for the Six Month Period which was resulted from the development of Methanol as the core product. The trading volume of coal increased from 155,029 MT for 1H2023 to 200,441 MT for the Six Month Period because of the rising demand.

Products	Unit	Six months ended 30 June			2023		
		Number of contracts	2024 Sales quantity	Revenue HK\$ million	Number of contracts	Sales quantity	Revenue HK\$ million
Trading of commodities							
Crude oil	BBL	1	298,842	174.6	–	–	–
Petroleum products	MT	1	129	0.5	1	986	8.0
Petrochemicals	MT	104	94,370	553.4	83	53,921	320.6
Coal	MT	8	200,441	159.8	6	155,029	134.1
Total		114		888.3	90		462.7

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\$2.8 million for the Six Month Period (1H2023: approximately HK\$17.7 million). Approximately 29% (1H2023: approximately 65%) of the Group's revenue from storage business was generated from general storage services, while approximately 71% (1H2023: approximately 35%) was generated from other ancillary services such as pipeline transmission, waste treatment and vehicle loading. Revenue generated from leases was approximately HK\$4.4 million for the Six Month Period (1H2023: approximately HK\$8.1 million).

Gross Profit

Due to the lower profit margin in commodities trading under the unfavourable market conditions, the gross profit dropped to approximately HK\$11.1 million in the Six Month Period (1H2023: approximately HK\$17.7 million).

Changes in Fair Value of Derivative Financial Instruments

The Group has engaged in trading of derivative financial instruments for investment purpose. The Group intends to enhance its profitability with the use of surplus cash through investing in crude oil and oil products related derivative products and securities.

For the Six Month Period, the Group reported an aggregate gain on changes in fair value of derivative financial instruments of approximately HK\$7.3 million (1H2023: approximately HK\$1.3 million). The realised gain and unrealised loss on changes in fair value of derivative financial instruments were approximately HK\$11.6 million and HK\$4.3 million, respectively (1H2023: realised gain of approximately HK\$0.5 million and unrealised gain HK\$0.8 million respectively).

Loss for the Period

Loss attributable to owners of the Company for the Six Month Period was approximately HK\$8.8 million (1H2023: approximately HK\$10.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

The bank balances and cash as at 30 June 2024 amounted to approximately HK\$481.1 million (31 December 2023: approximately HK\$456.6 million). The increase in bank balances and cash was mainly attributable to the repayment from trade receivables.

The banking facilities as at 30 June 2024 were amounted to US\$218.0 million and Renminbi (“RMB”) 17.0 million (equivalent to approximately HK\$1,719.0 million in total) from several banks. Save for the Group’s bank borrowings of approximately HK\$242.7 million, the Group had no other bank overdraft as at 30 June 2024.

Gearing Ratio

As at 30 June 2024, the gearing ratio was approximately 18% (31 December 2023: approximately 10%). The gearing ratio was calculated as the Group’s total borrowings divided by total assets. The increase in gearing ratio is mainly attributable to the other borrowing obtained from acquisition of Success Plus and its subsidiary during the Six Month Period to support the exploration, exploitation and operation business of Pan-China and the other borrowing to support the solar energy business.

Charges of Assets and Contingent Liabilities

As at 30 June 2024, the Group’s banking facilities were secured by certain right-of-use assets of approximately HK\$58.8 million (31 December 2023: approximately HK\$60.1 million), property, plant and equipment of approximately HK\$56.3 million (31 December 2023: approximately HK\$37.8 million), trade receivables of approximately HK\$16.5 million (31 December 2023: Nil), deposits of approximately HK\$1.0 million (31 December 2023: Nil) and none of pledged bank deposits (31 December 2023: HK\$25,000).

As at 30 June 2024, the Group did not have any significant contingent liabilities.

Foreign Exchange Exposure

The functional currency of the Group is denominated in US\$, while the reporting currency is denominated in HK\$. Since the exchange rate of US\$ against HK\$ has been relatively stable during the Six Month Period, the exposure on foreign exchange was insignificant.

The Group has not implemented any foreign currency hedging policy at the moment. Nonetheless, the management of the Group has been continuously monitoring the level of foreign currency receipts and payments, ensuring that their net exposure to foreign exchange risk is kept at an acceptable level from time to time and will consider hedging the foreign exchange exposure if it is significant to the Group.

Capital Commitment

As at 30 June 2024, the Group had contracted for capital expenditure of approximately RMB84.1 million (equivalent to approximately HK\$92.1 million) in respect of the construction of the Fujian Plant (31 December 2023: approximately RMB108.3 million (equivalent to approximately HK\$119.5 million)).

Interim Dividends

The board (the "Board") of directors (the "Directors") of the Company does not recommend the payment of any interim dividend for the Six Month Period (1H2023: Nil).

Investment

The Group held an investment in SH Energy as at 30 June 2024. 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, 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 Fund 1 ("SH Energy"), the cost of such investment is 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 was expected that the Group could benefit from diversifying its revenue stream through investments in oil and gas assets and companies which demonstrated a strong performance record, which would in turn broaden the Group's revenue base. As at 30 June 2024, the accumulated investment made by the Group in SH Energy amounted to US\$25.0 million (equivalent to approximately HK\$195.0 million) (31 December 2023: US\$25.0 million (equivalent to approximately HK\$195.0 million)). The Group acquired the principle assets of SH Energy (the "Acquisition") during the Six Month Period. The details of the Acquisition are set up in the section "Material Acquisitions and Disposals, and Future Plans for Material Investments". Subsequent to the Acquisition, the directors of SH Energy have informed the Group that SH Energy would be wind up and the entire participating share in SH Energy held by the Group would be compulsorily redeemed. The fair value of SH Energy was approximately US\$6.3 million (equivalent to approximately HK\$48.9 million) as at 30 June 2024 (31 December 2023: approximately US\$6.5 million (equivalent to approximately HK\$50.4 million)), which represented approximately 3% (31 December 2023: approximately 3%) of the Group's total assets. During the Six Month Period, fair value loss on investment in SH Energy of approximately US\$0.2 million (equivalent to approximately HK\$1.6 million) (1H2023: Nil) was recognised as a result of the change in fair value.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investment

There were no significant investments held by the Group as at 30 June 2024, which represented over 5% of the Group's total assets.

Material Acquisitions and Disposals, and Future Plans for Material Investments

As announced on 26 June 2024, Saint Ocean, a direct wholly-owned subsidiary of the Company, has agreed to acquire the entire share capital of Success Plus at the consideration of US\$9.0 million (equivalent to approximately HK\$70.2 million). Success Plus holds the entire share capital of Pan-China. The principal business activity of Pan-China is the Oil and Gas Operations. Pan-China holds the entire participating interest in the entitlement and overriding royalty interest in Zhou 13 Block of Daqing Zhaozhou Oilfield of the PRC. The Board considers this 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. The Acquisition was completed on 28 June 2024. This investment was supported by internal funds.

Fujian Petrochemical is in the process of defect rectification of the Fujian Plant in Fujian Province of the PRC. Fujian Petrochemical was engaged in trading of petrochemicals during the Six Month Period. This investment is expected to be supported by bank borrowings and internal funds.

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

Employees and Remuneration Policy

Due to the acquisition of Success Plus and its subsidiary in June 2024, the number of the Group's employees increased to 253 as at 30 June 2024 (31 December 2023: 145). The Group's remuneration packages are maintained at competitive levels and are determined on the basis of performance, qualification and experience of individual employee.

We recognise the importance of maintaining good relationships with our employees by providing our employees with competitive remuneration packages that commensurate with prevailing market practice, including but not limited to provident fund, life and medical insurances, discretionary bonus and trainings 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 Six Month Period.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2024, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the Company's associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are set out below:

Long position in the ordinary shares of HK\$0.025 each of the Company

Name of Director	Nature of interest	Number of ordinary shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. Wang Jian Sheng	Interest of a controlled corporation (note 1)	1,041,746,000	49.06
	Interest of a controlled corporation (note 2)	50,576,000	2.38
	Interest of concert parties (note 3)	124,984,000	5.89
Mr. Yao Guoliang	Beneficial owner	124,984,000	5.89
	Interest of a controlled corporation (note 1)	1,041,746,000	49.06
	Interest of concert parties (note 4)	50,576,000	2.38

OTHER INFORMATION

notes:

1. Each of Sino Century Holdings Limited ("Sino Century") and Jin Yao Holdings Ltd. ("Jin Yao") holds 50% of the entire issued share capital of Forever Winner International Ltd. ("Forever Winner"). Mr. Wang Jian Sheng holds the entire issued share capital of Sino Century. Mr. Yao Guoliang holds the entire issued share capital of Jin Yao.
2. Mr. Wang Jian Sheng holds the entire issued share capital of Speed Success Group Limited.
3. Since Mr. Wang Jian Sheng and Mr. Yao Guoliang jointly control Forever Winner which in turn holds 1,041,746,000 shares of the Company, Mr. Wang Jian Sheng and Mr. Yao Guoliang are deemed as parties acting in concert. Therefore, as Mr. Yao Guoliang beneficially owns approximately 5.89% equity interest in the Company as at 30 June 2024, Mr. Wang Jian Sheng shall be deemed to hold the same equity interest in the Company.
4. Since Mr. Wang Jian Sheng and Mr. Yao Guoliang jointly control Forever Winner which in turn holds 1,041,746,000 shares of the Company, Mr. Wang Jian Sheng and Mr. Yao Guoliang are deemed as parties acting in concert. Therefore, as Mr. Wang Jian Sheng indirectly owns approximately 2.38% equity interest in the Company as at 30 June 2024, Mr. Yao Guoliang shall be deemed to hold the same equity interest in the Company.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 June 2024, the Directors are not aware of any other person (other than the interests of the Directors or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO:

Long position in the ordinary shares of HK\$0.025 each of the Company

Name of shareholder	Nature of interest	Number of ordinary shares held	Approximate percentage of the issued share capital of the Company (%)
Forever Winner	Beneficial Owner (<i>note 1</i>)	1,041,746,000	49.06
Hongkong Hengyuan Investment Limited	Beneficial Owner (<i>note 2</i>)	353,603,681	16.65

notes:

- Each of Sino Century and Jin Yao holds 50% of the entire issued share capital of Forever Winner. Mr. Wang Jian Sheng holds the entire issued share capital of Sino Century. Mr. Yao Guoliang holds the entire issued share capital of Jin Yao.
- Mr. Chang Liang holds the entire issued share capital of Hongkong Hengyuan Investment Limited.

OTHER INFORMATION

SHARE OPTIONS

A share option scheme (the "Share Option Scheme") was adopted on 15 May 2014 as the Share Option Scheme was able to provide the Company with more flexibility in long term planning of granting of the share options to the employees, directors, consultants, advisers and shareholders of the Group in a longer period in the future so as to provide appropriate incentives or rewards to them for their contributions or potential contributions to the Group. All outstanding share options granted under the Share Option Scheme were lapsed during the Six Month Period.

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

Nature or category of participant	Date of grant ⁽¹⁾ (dd/mm/yy)	Exercise price HK\$	Price of share of the Company		Number of share options ⁽²⁾			
			At the grant date of share options HK\$	At the exercise date of share options HK\$	Outstanding at 1/1/2024	Exercised during the period	Lapsed during the period	Outstanding at 30/6/2024
Related entity participants or service providers with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue ⁽³⁾	05/09/14	0.78	0.77	N/A	138,000,000	-	(138,000,000)	-
Total					138,000,000	-	(138,000,000)	-

notes:

- Under the Share Option Scheme, share options granted were exercisable during the period starting from 6 September 2014 to 14 May 2024.
- During the Six Month Period, 138,000,000 share options of the Company were lapsed.
- They represented advisers who had provided advisory services (mainly for business opportunity for trading of crude oil) to the Group.

Save as disclosed above, at no time during the Six Month Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDIT COMMITTEE

An audit committee has been established to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this report, the audit committee of the Company comprises all of the three independent non-executive Directors, namely, Ms. Cheung Siu Wan (Chairman), Prof. Chan Yee Kwong and Mr. Deng Heng. The unaudited interim results of the Group for the Six Month Period have been reviewed by the audit committee of the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has fully complied with the code provisions as set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the Six Month Period.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its code of conduct regarding the Directors' securities transactions. Having made specific enquiries by the Company, all Directors have confirmed that they had complied with the required standards set out in the Model Code during the Six Month Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the Six Month Period.

By order of the Board
Wang Jian Sheng
Chairman

Hong Kong, 22 August 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	NOTES	Six months ended 30 June	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Revenue	3		
Goods and services		891,049	480,470
Leases		4,381	8,148
		895,430	488,618
Cost of sales		(884,352)	(470,928)
Gross profit		11,078	17,690
Other income	4	8,641	12,010
Other gains and losses	4	(2,037)	(8,317)
Loss on financial assets at fair value through profit or loss, net	12	(1,655)	(43)
Gain on changes in fair value of derivative financial instruments, net		7,300	1,286
Distribution, selling and operating expenses		(943)	–
Administrative expenses		(31,762)	(32,649)
Finance costs	5	(381)	(415)
Share of results of associates		3,364	4,991
Loss before taxation	7	(6,395)	(5,447)
Income tax expense	6	(2,975)	(5,185)
Loss for the period		(9,370)	(10,632)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(3,580)	(11,638)
Total comprehensive expense for the period		(12,950)	(22,270)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	NOTE	Six months ended 30 June	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		(8,750)	(10,232)
Non-controlling interests		(620)	(400)
		<u>(9,370)</u>	<u>(10,632)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(12,330)	(21,870)
Non-controlling interests		(620)	(400)
		<u>(12,950)</u>	<u>(22,270)</u>
Loss per share	9		
— basic (HK cents)		<u>(0.41)</u>	<u>(0.48)</u>
— diluted (HK cents)		<u>(0.41)</u>	<u>(0.48)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	NOTES	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	595,794	440,619
Investment properties	11	151,339	156,058
Right-of-use assets		62,949	61,728
Other assets		1,167	667
Rental deposit		331	205
Interests in associates		78,274	75,459
Financial asset at fair value through profit or loss	12	48,856	50,441
Deferred tax assets		40,360	–
		979,070	785,177
Current assets			
Inventories		34,052	9,391
Trade receivables	13	103,541	196,706
Other receivables, deposits and prepayments		138,388	21,345
Derivative financial instruments		18,160	12,276
Financial assets at fair value through profit or loss	12	202	272
Deposits placed with brokers		113,275	106,239
Pledged bank deposit		–	25
Bank balances and cash		481,123	456,586
		888,741	802,840

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	NOTES	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Current liabilities			
Trade and bills payables	14	14,106	2,947
Other payables and accrued charges		138,441	110,752
Contract liabilities		65,972	1,798
Lease liabilities		2,546	1,443
Other borrowings	15	55,817	–
Income tax payables		2,443	672
Derivative financial instruments		23,106	12,879
		302,431	130,491
Net current assets		586,310	672,349
Total assets less current liabilities		1,565,380	1,457,526
Non-current liabilities			
Deferred tax liabilities		623	–
Lease liabilities		1,460	251
Bank and other borrowings	15	275,825	159,892
Accrued charges		3,039	–
		280,947	160,143
Net assets		1,284,433	1,297,383
Capital and reserves			
Share capital	16	53,084	53,084
Reserves		1,233,167	1,245,497
Equity attributable to owners of the Company		1,286,251	1,298,581
Non-controlling interests		(1,818)	(1,198)
Total equity		1,284,433	1,297,383

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (note (i))	Statutory reserve HK\$'000 (note (ii))	Share-based payments reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000 (note (iii))	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2023	53,084	566,111	(1,922)	4,708	50,391	(26,828)	12,295	738,656	1,396,495	(366)	1,396,129
Loss for the period	-	-	-	-	-	-	-	(10,232)	(10,232)	(400)	(10,632)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(11,638)	-	-	(11,638)	-	(11,638)
Total comprehensive expense for the period	-	-	-	-	-	(11,638)	-	(10,232)	(21,870)	(400)	(22,270)
Reclassification of special reserve to retained profits upon disposal of a subsidiary	-	-	(78)	-	-	-	-	78	-	-	-
At 30 June 2023 (unaudited)	53,084	566,111	(2,000)	4,708	50,391	(38,466)	12,295	728,502	1,374,625	(766)	1,373,859
At 1 January 2024	53,084	566,111	(2,000)	6,366	50,391	(29,335)	12,295	641,669	1,298,581	(1,198)	1,297,383
Loss for the period	-	-	-	-	-	-	-	(8,750)	(8,750)	(620)	(9,370)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(3,580)	-	-	(3,580)	-	(3,580)
Total comprehensive expense for the period	-	-	-	-	-	(3,580)	-	(8,750)	(12,330)	(620)	(12,950)
Appropriation to statutory reserves	-	-	-	(9)	-	-	-	9	-	-	-
At 30 June 2024 (unaudited)	53,084	566,111	(2,000)	6,357	50,391	(32,915)	12,295	632,928	1,286,251	(1,818)	1,284,433

notes:

- (i) The special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganisation to rationalise the structure of the Group prior to the listing of the Company's share on the Stock Exchange.

During the period ended 30 June 2023, a subsidiary was disposed of, and the relevant special reserve has been reclassified to retained profits.

- (ii) The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserve, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. Statutory reserve is created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory reserve prior to distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory reserve is more than 50% of its registered capital. The statutory reserve shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretionary reserve using its post-tax profits in accordance with resolutions of the shareholders.
- (iii) Other reserve was resulted from (a) the deemed disposal of partial interests in subsidiaries without losing the Group's control over the subsidiaries, and (b) the difference between the fair value of ordinary shares issued by the Company and the carrying amount of the additional interests in a subsidiary acquired by the Group in previous years.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Net cash from operating activities	56,384	15,836
Net cash used in investing activities		
(Increase) decrease in deposits placed with brokers	(7,036)	16,109
Payments for construction and purchase of property, plant and equipment	(96,243)	(70,260)
Payments for purchase of other assets	(500)	–
Reduction of pledged bank deposits	25	26,598
Interest received	4,823	3,761
Net cash outflow on acquisition of subsidiaries	(30,224)	–
	(129,155)	(23,792)
Net cash from financing activities		
Proceeds from bank and other borrowings	104,267	54,653
Repayments of lease liabilities	(1,394)	(1,428)
Interest paid	(4,540)	(341)
	98,333	52,884
Net increase in cash and cash equivalents	25,562	44,928
Cash and cash equivalents at 1 January	456,586	287,962
Effect of foreign exchange rate changes	(1,025)	(2,221)
Cash and cash equivalents at 30 June, representing bank balances and cash	481,123	330,669

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It was authorised for issue on 22 August 2024.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from adoption of new and amended Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the Six Month Period are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

Adoption of new and amended HKFRSs

In the Six Month Period, the Group has adopted the following new and amended HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s financial year beginning on 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current and Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

The adoption of the new and amended HKFRSs in the Six Month Period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has not adopted the new and amended HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and amended HKFRSs but is not yet in a position to state whether these new and amended HKFRS would have a material impact on its results of operations and financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

Segments	Six months ended 30 June 2024		
	Trading business	Storage business	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Types of goods or services in respect of contracts with customers			
Trading of commodities			
Crude oil	174,636	-	174,636
Petroleum products	467	-	467
Petrochemicals	553,390	-	553,390
Coal	159,795	-	159,795
	<u>888,288</u>	<u>-</u>	<u>888,288</u>
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	-	787	787
Other ancillary services	-	1,974	1,974
	<u>-</u>	<u>2,761</u>	<u>2,761</u>
Total	<u>888,288</u>	<u>2,761</u>	<u>891,049</u>
Geographical markets			
The PRC	764,024	2,761	766,785
Other regions	124,264	-	124,264
Total	<u>888,288</u>	<u>2,761</u>	<u>891,049</u>
Timing of revenue recognition			
A point in time	888,288	-	888,288
Over time	-	2,761	2,761
Total	<u>888,288</u>	<u>2,761</u>	<u>891,049</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION – continued

Revenue – continued

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

Segments	Six months ended 30 June 2023		
	Trading business HK\$'000 (unaudited)	Storage business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Types of goods or services in respect of contracts with customers			
Trading of commodities			
Petroleum products	7,964	–	7,964
Petrochemicals	320,668	–	320,668
Coal	134,104	–	134,104
	<u>462,736</u>	<u>–</u>	<u>462,736</u>
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	–	11,527	11,527
Other ancillary services	–	6,207	6,207
	<u>–</u>	<u>17,734</u>	<u>17,734</u>
Total	<u>462,736</u>	<u>17,734</u>	<u>480,470</u>
Geographical markets			
The PRC	328,632	17,734	346,366
Other regions	134,104	–	134,104
Total	<u>462,736</u>	<u>17,734</u>	<u>480,470</u>
Timing of revenue recognition			
A point in time	462,736	–	462,736
Over time	–	17,734	17,734
Total	<u>462,736</u>	<u>17,734</u>	<u>480,470</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION – continued

Revenue – continued

(ii) Leases

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
For operating leases:		
Lease income that is fixed or depends on a rate	4,381	8,148

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Trading business	888,288	462,736
Storage business	2,761	17,734
Revenue from contracts with customers	891,049	480,470
Leases	4,381	8,148
Total revenue	895,430	488,618

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION – *continued*

Segment information

Operating segments and the amounts of each segment item reported in the condensed consolidated financial statements are identified from the financial information provided regularly to the executive directors of the Company for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities. No operating segments have been aggregated to form the reporting segments.

Segment revenue, expenses, and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment assets excluding tax recoverable are managed on a group basis. Segment liabilities excluding tax payable are managed on a group basis. The Group's operating and reportable segments are therefore as follows:

- (i) Trading business (trading of commodities including crude oil, petroleum products, petrochemicals and coal); and
- (ii) Storage business (provision of general storage and other ancillary services in respect of petroleum products and petrochemicals).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION – continued

Segment information – continued

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the six months ended 30 June 2024

	Trading business HK\$'000 (unaudited)	Storage business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from contracts with customers	888,288	2,761	891,049
Leases	–	4,381	4,381
Total revenue	888,288	7,142	895,430
Segment results	3,025	(2,055)	970
Share of results of associates			3,364
Loss on financial assets at fair value through profit or loss ("FVTPL"), net			(1,655)
Unallocated finance costs			(12)
Unallocated income and gains			5,263
Unallocated expenses and losses (<i>note</i>)			(14,325)
Loss before taxation			(6,395)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION – continued

Segment information – continued

Segment revenue and results – continued

For the six months ended 30 June 2023

	Trading business HK\$'000 (unaudited)	Storage business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue from contracts with customers	462,736	17,734	480,470
Leases	–	8,148	8,148
Total revenue	<u>462,736</u>	<u>25,882</u>	<u>488,618</u>
Segment results	<u>(5,260)</u>	<u>15,587</u>	10,327
Share of results of associates			4,991
Loss on financial assets at FVTPL, net			(43)
Unallocated finance costs			(48)
Unallocated income and gains			4,943
Unallocated expenses and losses (<i>note</i>)			<u>(25,617)</u>
Loss before taxation			<u>(5,447)</u>

note: Unallocated expenses and losses mainly comprised of depreciation of investment properties and administrative costs of the headquarter.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the Six Month Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

4. OTHER INCOME AND OTHER GAINS AND LOSSES

A. Other income

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Bank interest income	4,464	2,905
Interest income from deposits placed with brokers	359	856
Interest income from trade receivable	1,252	5,645
Rental income	1,329	631
Government grants	50	1,881
Others	1,187	92
	8,641	12,010

B. Other gains and losses

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Losses on disposal of property, plant and equipment	–	(1)
Net foreign exchange losses	(2,438)	(8,500)
Others	401	184
	(2,037)	(8,317)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

5. FINANCE COSTS

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Bank charges on letter of credit facilities	300	366
Interest on bank borrowings	4,550	359
Interest on lease liabilities	81	49
Less: capitalised finance costs (<i>note</i>)	(4,550)	(359)
	381	415

note: Fujian Petrochemical obtained bank borrowings to support the construction of the Fujian Plant. For the Six Month Period, interest on bank borrowings of approximately HK\$4,550,000 (2023: approximately HK\$359,000) was capitalised under property, plant and equipment.

6. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Current tax		
Enterprise Income Tax ("EIT") in the PRC (<i>note (i)</i>)	3,318	5,185
Singapore Corporate Income Tax (<i>note (ii)</i>)	168	–
Overprovision of taxation in prior year		
EIT in the PRC	(511)	–
	2,975	5,185

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

6. INCOME TAX EXPENSE – *continued*

notes:

- (i) Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Rules of the EIT Law in the PRC, the tax rate of the PRC subsidiaries is 25% for both periods. On 18 March 2022, the Ministry of Finance and the State Taxation Administration implemented preferential income tax policies for low-profit small businesses with annual taxable income that exceeds RMB1 million but does not exceed RMB3 million will be counted as 25% of the actual amount at a tax rate of 20% which would be retrospectively implemented from 1 January 2022 to 31 December 2024.

The withholding tax rates were either 5% or 10% on the remittance of dividends from the subsidiaries in the PRC. For the six-month period, due to withholding tax on dividends declared by subsidiaries in the PRC, the overpayment of RMB450,000 (equivalent to approximately HK\$483,000) in the prior year was recovered and approximately RMB1,375,000 (equivalent to approximately HK\$1,501,000) was paid (1H2023: paid RMB1,200,000 (equivalent to approximately HK\$1,302,000)).

- (ii) The Singapore Corporate Income Tax is determined by applying the Singapore tax rate of 17%. With the approval of the Group’s application for Global Trader Programme by International Enterprise Singapore, certain qualified income generated by a subsidiary operating in Singapore for 1H2022 from physical trading of energy products is taxed at a concessionary rate of 10% until the end of year 2024.
- (iii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of a qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the condensed consolidated financial statements. Accordingly, Hong Kong Profits Tax for subsidiaries operating in Hong Kong is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax has been made for both periods since tax losses are incurred for the subsidiaries operating in Hong Kong or the assessable profit is wholly absorbed by tax losses brought forward from previous years.
- (iv) No provision for Macao Profit Tax has been made for both periods since loss was incurred for the subsidiary operating in Macao.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

7. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before taxation is arrived after charging (crediting):		
Auditor's remuneration	927	939
Depreciation of property, plant and equipment	3,711	3,480
Depreciation of investment properties	4,719	4,964
Depreciation of right-of-use assets	2,092	2,122
Amortisation of other assets	–	18
Net foreign exchange losses	2,438	8,500
Impairment loss on inventories	–	479
Share of results of associates	(3,364)	(4,991)
Directors' emoluments	240	240
Other staff costs		
Salaries, bonus and other allowances	13,127	14,659
Retirement benefit schemes contributions	789	756
	14,156	15,655
Cost of inventories recognised as an expense (included in cost of sales)	877,363	463,751

8. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Six Month Period (1H2023: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purposes of calculating basic and diluted loss per share		
Loss for the period attributable to owners of the Company	<u>(8,750)</u>	<u>(10,232)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>2,123,364,090</u>	<u>2,123,364,090</u>

For the Six Month Period, no diluted loss per share has been presented as there were no potential dilutive ordinary shares outstanding.

For 1H2023, the computation of diluted 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June 2024 HK\$'000 (unaudited)	For the year ended 31 December 2023 HK\$'000 (audited)
At the beginning of the period/year	440,619	172,534
Exchange realignment	(3,039)	(2,356)
Acquired from acquisition of subsidiaries	123,512	–
Additions	38,413	277,401
Disposals	–	(14)
Depreciation charge	(3,711)	(6,946)
At the end of the period/year	595,794	440,619

11. INVESTMENT PROPERTIES

The Group's investment properties comprise of a commercial property and car park spaces with estimated useful lives of 20 years situated in Hong Kong.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Non-current asset		
— Unlisted equity investment	48,856	50,441
Current assets		
— Listed securities held for trading	202	272
	49,058	50,713
	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Loss on financial assets at FVTPL, net:		
Loss on fair value change in unlisted equity investment	(1,585)	–
Loss on fair value change in listed securities held for trading	(70)	(43)
	(1,655)	(43)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

– continued

Unlisted equity investment

On 31 August 2020, the Group subscribed for 2.5 million Class A Shares in SH Energy. SH Energy is an exempted company incorporated under the laws of the Cayman Islands with limited liability on 14 July 2020. The cost of such investment is US\$25,000,000 (equivalent to approximately HK\$195,000,000).

Fair value measurement of the Group's investment in SH Energy is classified as Level 3 of the fair value hierarchy (Note 20). For the year ended 31 December 2023, the management of the Group assessed the fair value of its investment in SH Energy with the assistance of an independent qualified professional valuer engaged by the Group. The fair value was determined using income approach calculation. In determining the fair value of its investment in SH Energy, the management of the Group estimated the proceeds on ultimate disposal of SH Energy based on the estimation of the present value of the future cash flows expected to arise from the dividends to be recovered from SH Energy. Based on the fair value assessment, the fair value of the investment amounted to approximately US\$6,467,000 (equivalent to approximately HK\$50,441,000) as at 31 December 2023. During the Six Month Period, Saint Ocean acquired the entire share capital of Success Plus from SH Energy. Details of the acquisition were set out in the announcement of the Company dated 26 June 2024. As at 30 June 2024, there were only liquid assets and certain debts on SH Energy's book, the management of the Group determined that the net asset value of SH Energy of approximately US\$6,264,000 (equivalent to approximately HK\$48,856,000) could fairly reflect SH Energy's value. Fair value loss on investment in SH Energy of approximately US\$203,000 (equivalent to approximately HK\$1,585,000) was recognised during the Six Month Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

– continued

Listed securities held for trading

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Listed securities held for trading:		
— Equity securities listed in Hong Kong	139	217
— Equity securities listed outside Hong Kong	63	55
	202	272

Fair value measurement of the Group's investment in listed securities is classified as Level 1 of the fair value hierarchy (Note 20), as the fair value is based on quoted bid prices in active markets. For the Six Month Period, a fair value loss of approximately HK\$70,000 (1H2023: approximately HK\$43,000) was recognised.

13. TRADE RECEIVABLES

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Trade receivables		
— contracts with customers (<i>note</i>)	103,378	193,959
— lease receivables	163	2,747
	103,541	196,706

note: At 30 June 2024 and 31 December 2023, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

13. TRADE RECEIVABLES – *continued*

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:

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
0 to 30 days	22,662	12,965
31 to 60 days	163	–
Over 365 days	80,716	183,741
	103,541	196,706

Included in the trade receivables as at 30 June 2024, an amount of approximately HK\$80,716,000 from one customer was past due for over 365 days. However, the customer and the Group entered into a debt renegotiation plan and a supplemental modification agreement on 8 December 2021 and 29 December 2022 respectively. In accordance with the repayment schedule stipulated in the debt renegotiation plan, repayments would be made from 2022 to 2024. In accordance with the supplemental modification agreement, the remaining principal shall be fully repaid by the end of June 2024; repayment of accumulated interest shall be made by the end of December 2024. During the Six Month Period, the customer made repayments in accordance with the supplemental modification agreement. Considering the value of the securities held by the Group in respect of these trade receivables exceeds their carrying amounts, the Directors are in the view that no expected credit loss provision is required on these trade receivables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

14. TRADE AND BILLS PAYABLES

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Trade payables at amortised cost	6,805	2,947
Bills payables	7,301	–
	14,106	2,947

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:

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
0 to 30 days	14,106	2,947

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. BANK AND OTHER BORROWINGS

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Bank borrowings — secured	242,691	159,892
Other borrowing — secured	68,951	—
Other borrowing — unsecured	20,000	—
	331,642	159,892
The carrying amount of the above borrowings are repayable (<i>note</i>):		
Amount shown under current liabilities:		
Within one year	55,817	—
Amount shown under non-current liabilities:		
Within a period of more than one year but not exceeding two years	19,463	—
Within a period of more than two years but not exceeding five years	163,555	93,270
More than five years	92,807	66,622
Total	331,642	159,892

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

As at 30 June 2024, the bank borrowings carried interest at floating rate of ranging from 4.15% to 4.40% (Loan Prime Rate announced by the National Interbank Funding Centre of the PRC plus 0.2%) and were secured by certain right-of-use assets and property, plant and equipment. The other borrowing carried interest at a fixed rate of 8.5% per annum and are secured by certain trade receivables and deposits. The unsecured other borrowing carried interest at a fixed rate of 7.5% per annum.

The bank borrowings and the secured other borrowing were denominated in RMB, which was functional currency of the relevant group entities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.025 each		
Authorised:		
At 31 December 2023 (audited) and 30 June 2024 (unaudited)	<u>4,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31 December 2023 (audited) and 30 June 2024 (unaudited)	<u>2,123,364,090</u>	<u>53,084</u>

17. CAPITAL COMMITMENTS

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the construction of the Fujian Plant	<u>92,142</u>	<u>119,501</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

18. RELATED PARTY TRANSACTION

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group has the following transaction with its related party during the period:

Name of related party	Nature of transaction	Six months ended 30 June	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (audited)
Strong Property Limited (<i>note</i>)	Rental expenses	994	994

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

19. ACQUISITION OF SUBSIDIARIES

On 28 June 2024, the Group acquired the entire issued share capital of Success Plus for consideration of US\$9,000,000 (equivalent to approximately HK\$70,200,000) from an independent third party, on that date, control in Success Plus was passed to the Group. This acquisition has been accounted for using the purchase method. The major asset of Success Plus is the entire participating interest in Pan-China's entitlement under the Petroleum Contract and the overriding royalty interest in Zhou 13 Block of Daqing Zhaozhou Oilfield of the PRC. Success Plus was acquired to facilitate and resume the development of the Group's oil business.

Consideration transferred:

	HK\$'000
Bank balances	70,200

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

19. ACQUISITION OF SUBSIDIARIES – *continued*

Assets acquired and liabilities of Success Plus and its subsidiary recognised at the date of acquisition are as follows:

	HK\$'000
Property, plant and equipment	123,512
Deferred tax assets	40,360
Inventories	10,470
Trade receivables	13,616
Other receivables, deposits and prepayments	9,907
Bank balances and cash	39,976
Other payables and accrued charges	(96,219)
Other borrowing	(68,951)
Income tax payable	(1,848)
Deferred tax liabilities	(623)
	<u>70,200</u>

Net cash outflow on acquisition of Success Plus and its subsidiary during the Six Month Period:

	HK\$'000
Cash and cash equivalents paid	70,200
Less: Cash and cash equivalents balance acquired	<u>(39,976)</u>
	<u>30,224</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and key input(s) used).

Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) is as follows:

Unlisted equity investment	Financial asset at FVTPL HK\$'000
At 31 December 2023 (audited) and 1 January 2024 (audited)	50,441
Change in fair value of financial assets at FVTPL	(1,585)
At 30 June 2024 (unaudited)	48,856

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

– continued

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis – continued

Fair value hierarchy at 30 June 2024 and 31 December 2023

	At 30 June 2024			Total HK\$'000
	Level 1 HK\$'000 <i>(note (i))</i>	Level 2 HK\$'000	Level 3 HK\$'000 <i>(note (iii))</i>	
Financial assets				
Financial assets at FVTPL				
Unlisted equity investment	–	–	48,856	48,856
Derivative financial instruments <i>(note (ii))</i>	–	18,160	–	18,160
Listed securities held for trading	202	–	–	202
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments <i>(note (ii))</i>	–	23,106	–	23,106

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

– continued

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis – continued

Fair value hierarchy at 30 June 2024 and 31 December 2023 – continued

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

Financial liabilities

Financial liabilities at FVTPL

Derivative financial instruments (note (ii))	–	12,879	–	12,879
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notes:

- (i) Quoted bid prices in active markets.
- (ii) Difference between the contracted strike prices and prevailing futures and swaps or published indexes. Such prevailing futures and swaps or published indexes are derived from the relevant futures exchanges or prices publication as specified in the contracts.
- (iii) As at 31 December 2023, the underlying investment in SH Energy was an oil reserve in the PRC. As at 31 December 2023, the fair value valuation has adopted certain key assumptions provided by the management of the Group, including, but not limited to, the validity of the cash flow projection. Other key inputs used in the valuation include average EBITDA margin of 56.3%, post-tax discount rate of 9.8%, discount for lack of marketability of 20.5% and discount for lack of control of 13.3%. During the Six Month Period, the underlying investment in SH Energy was disposed. As at 30 June 2024, there were only liquid assets and certain debts on SH Energy's book, the management of the Group determined that the net asset value of SH Energy could fairly reflect its value.

There were no transfers among Level 1, 2 and 3 during the Six Month Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

– *continued*

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considered that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the condensed consolidated financial statements approximate their fair values.

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

In July 2024, the directors of SH Energy decided to compulsorily redeem all participating shares. Approximately US\$6,163,000 (equivalent to approximately HK\$48,068,000) and approximately US\$121,000 (equivalent to approximately HK\$942,000) were received from SH Energy as redemption proceeds on 26 July 2024 and 9 August 2024 respectively.

Saved as disclosed above, the Directors are not aware of any significant event which had material effect on the Group subsequent to 30 June 2024 and up to the date of this report.