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STRONG PETROCHEMICAL HOLDINGS LIMITED

海峽石油化工控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 852)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024**

The board of directors (the “Board”) of Strong Petrochemical Holdings Limited (the “Company”) presents herewith the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2024 (the “Year”), together with the comparative audited figures for the year ended 31 December 2023 as follows:

* *For identification purposes only*

EXTRACTS OF INDEPENDENT AUDITOR’S REPORT

The following is an extract from the independent auditor’s report on the consolidated financial statements of the Group for the year ended 31 December 2024.



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To the Shareholders of
Strong Petrochemical Holdings Limited
(incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Strong Petrochemical Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 106 to 192, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effect and effect of the matters described in the “Basis for Qualified Opinion” section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

(a) Scope limitation on the transactions and balances of Strong Petrochemical Limited (“Strong HK”) with certain third parties

As disclosed in Note 1.1(B) to the consolidated financial statements, a subsidiary of the Company, Strong HK, entered into a series of transactions with certain third parties related to the trading of crude oil (“Crude Oil Trading Transactions”), during the year ended 31 December 2024.

As a result of the Crude Oil Trading Transactions, as at 31 December 2024, the Group had other receivables of HK\$Nil (net of an impairment loss of HK\$13,754,000) and other payables of HK\$628,116,000 included in other payables and deposits as disclosed in Notes 20B and 25B respectively in the consolidated financial statements. The impairment loss was recognised in profit or loss for the year ended 31 December 2024.

We discussed with the Board of Directors (the “Current BoD”) of the Company and inspected the relevant supporting documents including, but not limited to, agreements entered into by Strong HK with the Customer and the Supplier, and all related documents, payment records and receipt records, as well as circularised audit confirmations to the Customer and the Supplier regarding the nature and amounts of other receivables and other payables amounting to HK\$13,754,000 and HK\$628,116,000 respectively, to understand the business rationale for entering into the Crude Oil Trading Transactions and the related commercial substance. However, as explained by the Current BoD that the Crude Oil Trading Transactions were authorised by a former director and carried out by former employees under the former director’s direction and they were neither reachable, through telephone, instant messages, electronic mails or postal mails nor willing to communicate with the Current BoD, we have neither received explanations from the Current BoD, nor obtained information from external parties, including the former director and former employees, that would satisfy us regarding the reasonableness of the business rationale and the commercial substance of the Crude Oil Trading Transactions. These explanations and information include in Note 1.1(B)(III) “Outstanding and Unfulfilled Contractual Terms of the Crude Oil Trading Transactions”.

As a result, we were unable to obtain sufficient and appropriate audit evidence to ascertain the business rationale of the Crude Oil Trading Transactions and the related commercial substance and therefore to conclude whether the Crude Oil Trading Transactions were properly accounted for and the other receivables of HK\$Nil (net of the impairment loss of HK\$13,754,000) and the other payables respectively disclosed in Note 20 and Note 25 to the consolidated financial statements were properly classified and disclosed in the consolidated financial statements, and whether the consolidated financial statements for the year ended 31 December 2024 were free from material misstatement. Consequently, we were unable to determine whether any adjustment to these amounts and disclosures was necessary.

(b) Scope limitation on certain trading transactions

As set out in Note 5 to the consolidated financial statements for the year ended 31 December 2024, the Group recorded revenue from trading business of HK\$1,514,949,000 and related cost of sales of HK\$1,598,068,000, of which approximately HK\$132,694,000 was contributed from Strong Macao Limited (“Strong Macao”), a wholly-owned subsidiary of the Group. The Group recognised the related purchase costs of approximately HK\$131,872,000 as cost of sales in the consolidated financial statements.

As further disclosed in Note 1.1(A), the Current Management was unable to gain access of Strong Macao’s office until February 2025 and discovered that the sales and purchases contracts and related supporting documents including invoices and bills of lading were lost after regaining access although the Current Management managed to recover financial information using the backups of the accounting ledger and documents such as bank statements obtained from banks, copies of cheque payments. Because of this, the underlying original supporting documents ascertaining the occurrence of the sales transactions and purchase transactions for the year ended 31 December 2024 were not available to us.

We have arranged external confirmations to the counterparties of the aforementioned sales and purchase transactions requesting the confirmation of the sales and purchases amounts during the year ended 31 December 2024, and requesting explanation and documents that would facilitate us in ascertaining the occurrence and accuracy. However, we did not receive any reply to the date of this report.

Due to the above limitation, we were unable to obtain sufficient appropriate audit evidence as to whether the receipts of approximately HK\$132,694,000 and the payments of approximately HK\$131,872,000 should have been, either in whole or in part, recognised as transactions other than sales and cost of sales respectively in the statement of profit or loss and other comprehensive income for the year ended 31 December 2024. Consequently, we were unable to determine whether any adjustment to these amounts and disclosures was necessary.

(c) Scope limitation on certain bank balances and disclosures

During our audit of the consolidated financial statements for the year ended 31 December 2024, we were unable to arrange external confirmations for two banks. The Current Board explained that it was due to the company seal used to authorise the confirmation request did not match with the bank’s record, or that the signature of a former director, that is required to authorise the confirmation request could no longer be obtained. In addition, as explained by the Current BoD, there were no bank facilities, guarantees and pledged assets attached to these bank accounts.

However, there was no alternative audit procedures that we could perform to satisfy ourselves as to the completeness and accuracy in respect of the information relating to the Group’s bank facilities, pledged assets and guarantee issued in favour of the banks, if any, as at 31 December 2024, we were unable to determine whether the above-mentioned financial statement items have been properly accounted for and/or disclosed in the consolidated financial statements for the year ended 31 December 2024. Any adjustments to the balances and disclosures relating to the above-mentioned financial statement items that might have been found necessary may have a consequential impact on the Group’s financial position as at 31 December 2024 and the Group’s financial performance for the year ended 31 December 2024 and the related disclosures in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the “Basis for Qualified Opinion” section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of oil properties

Refer to accounting policy on impairment of non-financial assets in Note 3i and critical accounting estimates in Note 4b, and as set out in Note 14, as at 31 December 2024, the carrying value of the Group’s oil properties amounted to HK\$100,095,000.

Management assessed the oil properties for impairment (or impairment reversal) whenever events or changes in circumstances indicated that the carrying amount of the assets was larger (or smaller) than the recoverable amount. When indicators of impairment (or impairment reversal) were identified, management assessed the recoverable amount of oil properties of the cash generating units (“CGU”) based on their value in use as estimated using discounted cash flow models. In performing such assessments, management adopted key assumptions, including:

- forecast crude oil prices;
- forecast production volumes;
- forecast operating costs and capital expenditure;
and
- discount rates.

Our procedures in relation to management’s impairment assessment of oil properties included:

- Obtaining an understanding of assessment process relating to the identification of the indicators of impairment, determination of cash generating units and the assessment of the recoverable amount;
- Evaluating the competence, capability and objectivity of the management’s experts, including the external reserve expert;
- Reviewing the valuation reports prepared by the management’s experts and understanding the valuation basis, methodology used and underlying assumptions applied;
- Challenging the reasonableness of management’s key assumptions adopted in valuation, including discount rate by comparing with the historical actual costs and available market data with the assistance of our internal valuation specialists;

Key audit matter

We focused on auditing the impairment review of the oil properties because the estimation of the recoverable amount is subject to a high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of the oil properties is considered significant due to significant management judgement and assumptions involved in estimating the recoverability of the carrying amount.

Given the significant balance of oil properties as at December 31, 2024, together with the considerations mentioned above, we identified this matter as a key audit matter.

Impairment assessment of Fujian Petrochemical’s manufacturing plant (“Fujian Plant”)

Refer to accounting policy on impairment of non-financial assets in Note 3i, critical accounting estimates in Note 4b and disclosure of property, plant and equipment, intangible assets and right-of-use assets in Notes 14, 18 and 27 to the consolidated financial statements, respectively.

As at 31 December 2024, the carrying values (before impairment loss provided during the year) of the Group’s construction in progress, leasehold land and pollution discharge rights relating to the Fujian Plant amounted to approximately HK\$491,051,000, approximately HK\$43,593,000, and approximately HK\$719,000 respectively (the “Manufacturing Plant Related Assets”).

How our audit addressed the key audit matter

- Testing the mathematical accuracy of the discounted cash flow projections; and
- Considering whether the judgements made in selecting the significant assumptions and data would give rise to indicators of possible management bias.

Our procedures in relation to management’s impairment assessment of Manufacturing Plant Related Assets included:

- Obtaining an understanding of assessment process relating to the identification of the indicators of impairment, determination of cash generating units and the assessment of the recoverable amount;
- Evaluating the competence, capability and objectivity of the management’s experts;
- Reviewing the valuation reports prepared by the management’s experts and understanding the valuation basis, methodology used and underlying assumptions applied;

Key audit matter

During the year, the completion of the Fujian Plant was estimated to be deferred to the end of the second quarter of 2025 due to delays in obtaining the final approval for the fire protection systems of the Fujian Plant from the local authority. Accordingly, the management of the Group considered the delay in construction is an indicator of impairment and performed an impairment assessment accordingly.

Management assessed the recoverable amount of Manufacturing Plant Related Assets of the CGU based on their value in use. In performing such assessments, management adopted key assumptions, including utilisation rates, terminal growth rate, and pre-tax discount rate.

We focused on auditing the impairment review of the Manufacturing Plant Related Assets because the estimation of the recoverable amount is subject to a high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of the Manufacturing Plant Related Assets is considered significant due to significant management judgement and assumptions involved in estimating the recoverability of the carrying amount.

Given the significant balance of Manufacturing Plant Related Assets as at December 31, 2024, together with the considerations mentioned above, we identified this matter as a key audit matter.

How our audit addressed the key audit matter

- Challenging the reasonableness of management's key assumptions adopted in valuation, including discount rate by comparing with the historical actual costs and available market data with the assistance of our internal valuation specialists;
- Testing the mathematical accuracy of the discounted cash flow projections; and
- Considering whether the judgements made in selecting the significant assumptions and data would give rise to indicators of possible management bias.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Yau Shuk Yuen Amy
Practising Certificate no. P06095

Hong Kong, 12 June 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
Revenue	5		
Goods and services		1,589,535	1,251,493
Leases		8,533	14,883
		1,598,068	1,266,376
Cost of sales		(1,573,928)	(1,224,738)
Gross profit		24,140	41,638
Other income	7	15,288	25,859
Other gains and losses	7	(11,287)	(5,065)
Impairment loss on property, plant and equipment		(158,376)	–
Impairment loss on right-of-use assets		(18,724)	–
Impairment loss on intangible assets		(89)	–
Impairment loss on interest in an associate		(44,976)	–
Impairment loss under expected credit loss model		(13,754)	–
Loss on financial assets at fair value through profit or loss, net	21	(1,457)	(102,189)
(Loss)/gain on changes in fair value of derivative financial instruments, net		(1,005)	17,636
Distribution, selling and operating expenses		–	(1,465)
Administrative expenses		(86,965)	(69,319)
Other expenses		(30,977)	–
Finance costs	8	(2,533)	(1,025)
Share of results of associates	17	4,517	4,965
Loss before taxation	10	(326,198)	(88,965)
Income tax expense	9	(4,085)	(7,274)
Loss for the year		(330,283)	(96,239)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(10,661)	(2,507)
Other comprehensive expense for the year		(10,661)	(2,507)
Total comprehensive expense for the year		(340,944)	(98,746)

	<i>NOTE</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		(327,547)	(95,407)
Non-controlling interests		(2,736)	(832)
		<u>(330,283)</u>	<u>(96,239)</u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(338,208)	(97,914)
Non-controlling interests		(2,736)	(832)
		<u>(340,944)</u>	<u>(98,746)</u>
Loss per share	<i>13</i>		
— basic (HK cents)		<u>(15.43)</u>	<u>(4.49)</u>
— diluted (HK cents)		<u>(15.43)</u>	<u>(4.49)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment	14	651,332	440,619
Investment properties	15	–	156,058
Right-of-use assets	27	40,759	61,728
Other assets	16	667	667
Other receivables and deposits	20	1,236	205
Intangible assets	18	630	–
Interests in associates	17	33,299	75,459
Financial asset at fair value through profit or loss	21	–	50,441
Deferred tax assets	30	38,242	–
		<u>766,165</u>	<u>785,177</u>
Current assets			
Inventories	19	108,520	9,391
Trade receivables	20	14,094	196,706
Other receivables, deposits and prepayments	20	38,688	21,345
Income tax recoverables		1,102	–
Derivative financial instruments	28	3,892	12,276
Financial assets at fair value through profit or loss	21	130	272
Deposits placed with brokers	22	155,448	106,239
Pledged bank deposits and restricted bank deposits	23	103,166	25
Bank balances and cash	24	878,551	456,586
		<u>1,303,591</u>	<u>802,840</u>
Current liabilities			
Trade payables	25	–	2,947
Other payables and accrued charges	25	739,471	110,752
Provision	25	19,599	–
Contract liabilities	26	9,672	1,798
Lease liabilities	27	886	1,443
Bank and other borrowings	29	13,175	–
Income tax payables		9	672
Derivative financial instruments	28	3,844	12,879
		<u>786,656</u>	<u>130,491</u>
Net current assets		<u>516,935</u>	<u>672,349</u>
Total assets less current liabilities		<u>1,283,100</u>	<u>1,457,526</u>

	<i>NOTES</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities	27	1,171	251
Bank and other borrowings	29	322,451	159,892
Provision	25	3,039	–
		<u>326,661</u>	<u>160,143</u>
Net assets		<u>956,439</u>	<u>1,297,383</u>
Capital and reserves			
Share capital	31	53,084	53,084
Reserves		907,289	1,245,497
Equity attributable to owners of the Company		960,373	1,298,581
Non-controlling interests		<u>(3,934)</u>	<u>(1,198)</u>
Total equity		<u>956,439</u>	<u>1,297,383</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company										
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i> <i>(note (i))</i>	Statutory reserve <i>HK\$'000</i> <i>(note (ii))</i>	Share- based payments reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(note (iii))</i>	Retained profits <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 year	-	-	-	-	-	-	-	(95,407)	(95,407)	(832)	(96,239)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(2,507)	-	-	(2,507)	-	(2,507)
Total comprehensive expense for the year	-	-	-	-	-	(2,507)	-	(95,407)	(97,914)	(832)	(98,746)
Reclassification of special reserve to retained profits upon disposal of a subsidiary	-	-	(78)	-	-	-	-	78	-	-	-
Appropriation to statutory reserves	-	-	-	1,658	-	-	-	(1,658)	-	-	-
	-	-	(78)	1,658	-	-	-	(1,580)	-	-	-
At 31 December 2023	<u>53,084</u>	<u>566,111</u>	<u>(2,000)</u>	<u>6,366</u>	<u>50,391</u>	<u>(29,335)</u>	<u>12,295</u>	<u>641,669</u>	<u>1,298,581</u>	<u>(1,198)</u>	<u>1,297,383</u>
Loss for the year	-	-	-	-	-	-	-	(327,547)	(327,547)	(2,736)	(330,283)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(10,661)	-	-	(10,661)	-	(10,661)
Total comprehensive expense for the year	-	-	-	-	-	(10,661)	-	(327,547)	(338,208)	(2,736)	(340,944)
Appropriation to statutory reserves	-	-	-	740	-	-	-	(740)	-	-	-
	-	-	-	740	-	-	-	(740)	-	-	-
At 31 December 2024	<u>53,084</u>	<u>566,111</u>	<u>(2,000)</u>	<u>7,106</u>	<u>50,391</u>	<u>(39,996)</u>	<u>12,295</u>	<u>313,382</u>	<u>960,373</u>	<u>(3,934)</u>	<u>956,439</u>

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 Strong Petrochemical Holdings Limited (the “Company”) issued for the acquisition at the time of the corporate reorganisation to rationalise the structure of the Company and its subsidiaries (collectively referred to as the “Group”) prior to the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “HKEx”).

During the year ended 31 December 2023, a subsidiary was disposed of and the relevant special reserve has been reclassified to retained profits.

- (ii) The People’s Republic of China (the “PRC”) laws and regulations require companies registered in the PRC to provide for certain statutory reserves, 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. All statutory reserves are 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 surplus reserves, 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 reserves 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 board of directors.
- (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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
OPERATING ACTIVITIES			
Loss before taxation		(326,198)	(88,965)
Adjustments for:			
Bank interest income	7	(7,161)	(6,953)
Interest income from trade receivables	7	–	(10,526)
Interest income from deposits placed with brokers	7	(534)	(1,547)
Finance costs	8	2,533	1,025
Depreciation of property, plant and equipment	10	37,275	6,946
Depreciation of investment properties	10	4,949	9,926
Depreciation of right-of-use assets	10	3,547	4,229
Amortisation of intangible assets	10	52	–
Amortisation of other assets	10	–	25
Gain on disposal of a subsidiary	32	–	(50)
Losses/(gains) on disposal of property, plant and equipment	7	954	(37)
Loss on financial assets at fair value through profit or loss, net		1,457	102,189
Provision for write down of inventories	10	6,018	–
Written-off of rent receivable	7	140	–
Gain on termination of a lease	7	(40)	–
Impairment loss on property, plant and equipment		158,376	–
Impairment loss on right-of-use assets		18,724	–
Impairment loss on intangible assets		89	–
Impairment loss on interest in an associate		44,976	–
Impairment loss on other receivables		13,754	–
Share of results of associates	17	(4,517)	(4,965)
Operating cash flows before movements in working capital		(45,606)	11,297
Changes in working capital:			
Inventories		(96,239)	25,426
Trade receivables		195,996	162,491
Other receivables, deposits and prepayments		(22,543)	1,412
Restricted bank deposits		(82,473)	–
Trade payables		(2,928)	(35,778)
Other payables and accrued charges		607,642	4,840
Provision		3,912	–
Contract liabilities		8,032	(251)
Derivative financial instruments		(651)	702
Cash generated from operations		565,142	170,139
Bank charges		(340)	(771)
Income tax paid, net		(6,130)	(6,771)
NET CASH GENERATED FROM OPERATING ACTIVITIES		558,672	162,597

	<i>NOTES</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
INVESTING ACTIVITIES			
(Increase)/decrease in deposits placed with brokers		(49,209)	16,981
Proceed from disposal of property, plant and equipment		49	51
Proceed from disposal of financial assets at fair value through profit or loss		49,009	–
Payments for acquisition of property, plant and equipment		(187,450)	(203,583)
Payments for acquisition of intangible assets		(791)	–
Withdrawal of pledged bank deposits		25	26,573
Placement of restricted bank deposits		(4,499)	–
Interest received		7,695	8,500
Net cash inflow from disposal of a subsidiary	32	–	1,150
Net cash outflow from acquisition of subsidiaries	33	(46,418)	–
NET CASH USED IN INVESTING ACTIVITIES		(231,589)	(150,328)
FINANCING ACTIVITIES			
Proceeds from bank and other borrowings	43	168,572	159,921
Repayments of bank and other borrowings	43	(55,775)	–
Repayments of lease liabilities	43	(2,122)	(2,861)
Interest paid	43	(12,268)	(2,558)
NET CASH GENERATED FROM FINANCING ACTIVITIES		98,407	154,502
NET INCREASE IN CASH AND CASH EQUIVALENTS		425,490	166,771
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		456,586	287,962
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(3,525)	1,853
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH		878,551	456,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. BASIS OF PREPARATION

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 1 February 2008. The shares of the Company have been listed on the main board of the Stock Exchange of Hong Kong Limited (“HKEx”) since 12 January 2009. Its parent and ultimate holding company is Forever Winner International Ltd. (“Forever Winner”), a limited company incorporated in the British Virgin Islands (the “BVI”). Mr. Wang Jian Sheng, the non-executive director of the Company who was redesignated from the position of executive director (“ED”) of the Company effective from 25 January 2025, and Mr. Yao Guoliang, a former ED being removed on 25 January 2025, each holds 50% equity interest in Forever Winner. On 8 December 2025, Forever Winner was wound up pursuant to an order granted by the Eastern Caribbean Supreme Court in the High Court of Justice in the BVI and joint liquidators were appointed to Forever Winner under the provisions of the Insolvency Act 2003 (Revised 2020). The Company’s addresses of the registered office and principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and 8/F, Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong, respectively.

The Company acts as an investment holding company. The principal activities of the Company’s subsidiaries are mainly trading of commodities, including crude oil, petroleum products, petrochemicals and coal, provision of petroleum products and petrochemicals storage services and exploration, exploitation and operation of crude oil. Details of the principal subsidiaries of the Company are set out in Note 45.

The principal operations of the Group are conducted in Hong Kong Special Administrative Region (“Hong Kong”) of the People’s Republic of China (the “PRC”), Macao Special Administrative Region of the PRC (“Macao”), the PRC (other than Hong Kong, Macao and Taiwan) and Singapore.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “HKFRS Accounting Standards”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies set out in Note 3.

The functional currency of the Company is United States dollar (“US\$”). The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), unless otherwise stated.

1.1(A) Investigation

Between 2 October 2024 and 21 February 2025, the Company made numerous announcements in relation to various incidents involving the current/former directors and/or management of the Company and its subsidiaries, including various allegations raised by (i) Mr. Yao Guoliang, the former chief executive officer and a former ED, and certain other former directors of the Company; and (ii) Mr. Wang Jian Sheng, a former ED and the Chairman of the Board and a non-executive director of the Company.

Those incidents include allegations such as misappropriation of the Group's assets through unauthorised reimbursements and double-claim of expenses, and potential misconduct in the investment in fund.

At an extraordinary general meeting (the "EGM") of the Company was held on 25 January 2025, certain directors forming the then board of directors of the Company (the "Former Board") were removed. On the same date, the capacity of the remaining director was redesignated and there were appointments of new directors to the board (the "Current Board"). Details of the removal, redesignation and appointment of directors are set out in the "Directors" section of the directors' report of the Group dated 12 June 2026.

On 14 February 2025, the Company announced that following the EGM of the Company held on 25 January 2025, representatives of the Company and/or the new management (the "Current Management") entered the Company's former Hong Kong head office at 28/F, Overseas Trust Bank Building, 160 Gloucester Road, Wan Chai, Hong Kong (the "Original Office"), which had been occupied by the former management of the Company prior to the EGM. The New Management preliminarily discovered that items, including certain accounting records, computer hardware and records, company chops and bank tokens, belonging to the Group that should be in the Original Office were missing. With effect on the same date, the address of head office and principal place of business in Hong Kong of the Company has been changed to 8/F, Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

In view of the above, the Current Board of the Company established an independent board committee (the "IBC") comprising all the independent non-executive Directors to investigate the allegations during the period managed by the former management and the Former Board with the aim at finding the facts relevant to the allegations and concluding whether the allegations can be substantiated (collectively the "Investigation"). The IBC appointed an external forensic team from an independent accounting firm as the investigator (the "Forensic Investigator") and a legal adviser to assist the IBC in the Investigation.

In addition to the above, in February 2025, the Current Management attempted to access the books and records of Strong Macao Limited ("Strong Macao"), a wholly-owned subsidiary of the Company, which were located in Macao and discovered the office access was denied. The principal activities of Strong Macao are disclosed in Note 45.

The Current Board's and IBC's view on the Investigation Report and the impact arising from the inaccessibility of books and records of Strong Macao

On 13 May 2026, a report on the Investigation (the "Investigation Report") was received from the Forensic Investigator reporting the key findings of the Investigation.

During the course of the preparation of the consolidated financial statements of the Company for the year ended 31 December 2024, the Current Board has reviewed the findings of the Investigation, and has considered the relevant information and supporting evidence available. The Current Board is of the view that the Investigation has comprehensively investigated into the matters raised by the IBC and adequately addressed the concerns raised by the IBC to the extent that is practicable.

The IBC is of the view that, based on its review of the findings of the Investigation, the incidents giving rise to the allegations have no material financial and operational impact on the Company and the Group, because those allegations were either: (a) not substantiated, (b) substantiated but the transactions that were being purported were not executed, or (c) substantiated but the impact is not material either financially or operationally, and therefore there is no material impact to the consolidated financial statements of the Group for the year ended 31 December 2024.

In respect of the missing items in the Original Office, it is concluded that there is no material financial impact arisen as there is no missing cash and the cost of replacement of lost assets is relatively insignificant. The Current Management managed to recover financial information using the backups of the accounting ledger and documents such as bank statements obtained from banks, copies of cheque payments, etc.

Regarding the inaccessibility of the books and records of Strong Macao, the Current Management gained the access to Strong Macao's office subsequently in February 2025, it was discovered the sales and purchase contracts and related supporting documents such as invoices and shipping documents including bills of lading of all sales and purchase transactions were lost and the relevant sales and cost of sales recognised in profit or loss amounted to HK\$132,694,000 and HK\$131,872,000 respectively for the year ended 31 December 2024. The Current Management obtained copies of sales and purchases contracts from the supplier and the customer to verify the transactions.

1.1(B). Transactions Related to the Trading of Crude Oil Entered into by Strong Petrochemical Limited ("Strong HK") with Certain Third Parties ("Crude Oil Trading Transactions")

During the course of the preparation of the consolidated financial statements of the Company for the year ended 31 December 2024, the Current Board revisited and considered that the following Crude Oil Trading Transactions authorised by Mr. Yao Guoliang and carried out by former employees under Mr. Yao Guoliang's direction on behalf of Strong HK did not have a genuine business purpose.

I. Background and Principal Contracts and Terms of the Crude Oil Trading Transactions

In September 2024, Strong HK, an indirect wholly-owned subsidiary of the Company, entered into a number of contracts with certain third parties as summarised below:

- Strong HK entered into sales contracts and supplemental contracts (collectively "Sales Contracts") with a customer (the "Customer"), who is a PRC incorporated company, to sell and arrange shipment of crude oil at a consideration of approximately Renminbi ("RMB") 578,049,000 in US\$ which is based on a commonly adopted pricing index in the crude oil trading business. Shipment was designated by the Customer in the designated port ("Designated Port") according to the Sales Contracts.

- Strong HK entered into purchase contracts and supplemental contracts (collectively “Purchases Contracts”) with a supplier (the “Supplier”) to buy same quantities and type of crude oil, which match with those in the Sales Contracts entered into with the Customer, at a cost below the selling price. Shipment was nominated by Strong HK to the Supplier and the destination is the Designated Port.

II. *Execution of the Sales Contracts and Purchase Contracts of the Crude Oil Trading Transactions*

Between September 2024 to December 2024, the execution of the Sales Contracts and the Purchase Contracts are summarised below:

- Strong HK received approximately US\$500,000 (approximately HK\$3,900,000) from the Supplier;
- Strong HK transferred approximately US\$500,000 (approximately HK\$3,900,000) to a disponent vessel owner;
- Strong HK transferred approximately HK\$9,854,000 to the Customer for other charges;
- The Customer opened 3 irrevocable letters of credit in favour of Strong HK in the sum of approximately RMB757,953,000 (approximately HK\$818,488,000) issued by 3 banks (collectively, “L/Cs No 1-3”) for payments in respect of the goods to be delivered under Sales Contracts;
- 3 sets of bills of lading were signed and issued by the master of the disponent vessel owner to the effect crude oil were loaded onto the vessel at the Designated Port on the same date; and
- Filing of a provision invoice of approximately RMB380,188,000 and RMB198,933,000 respectively (approximately HK\$410,552,000 and HK\$214,821,000 respectively), certificate of quality, certificate of origin and copy of bill of lading to apply for two banks to discount two letters of credit by Strong HK and signed by a former director. Strong HK received a net amount of approximately RMB379,116,000 and RMB198,933,000 respectively (approximately HK\$409,395,000 and HK\$214,821,000 respectively, totally approximately HK\$624,216,000) after discounting two letters of credit.

III. Outstanding and Unfulfilled Contractual Terms of the Crude Oil Trading Transactions

Apart from the matters outlined above, there was no further execution of the contracts:

- one of the letters of credit of approximately RMB178,318,000 (approximately HK\$192,560,000) was neither negotiated nor discounted;
- Strong HK did not request for the payments under the Sales Contracts, and no payments was requested or demanded to the Customer; and
- Strong HK did not make any payment under the Purchase Contracts to the Supplier, and no payment was requested or demanded by the Supplier.

IV. Contract Refunded to the Customer in respect of the Crude Oil Trading Transactions

Between December 2024 to January 2025, certain resolutions were passed during Strong HK's board meetings in the absence of knowledge and approval of the full board of directors:

- (a) 3 loan agreements of RMB507,000,000, US\$10,000,000 and US\$4,000,000 ("Loan 1", "Loan 2" and "Loan 3" respectively and collectively "Loans") were entered with Strong Petroleum Singapore Private Limited ("Strong Singapore"), another wholly-owned subsidiary of the Group. The Loans were executed by a former director on behalf of Strong HK.
- (b) Strong HK instructed Strong Singapore to repay the Loans of RMB507,000,000, US\$10,000,000 and US\$4,000,000 (approximately HK\$656,811,000) respectively to the Customer "to offset the contract refund" of the Sales Contracts.

Between January 2025 to March 2025, Strong Singapore made a total transfer (the "Refunds") to the Customer amounted to RMB504,871,000 and US\$14,000,000, totally approximately HK\$650,624,000.

V. *Findings of the Current Management*

During the preparation of the Group's consolidated financial statements for the year ended 31 December 2024, the Current Management has the following findings:

- (a) The Current Management believes the submission of the documents to discount two letters of credit were procured by two ex-directors of Strong HK without the knowledge and approval of the two remaining board of directors of Strong HK.
- (b) In Strong HK's record, the Certificate of Quality certified that the oil was product of originated from Designated Port. However, according to international oil tanker voyage tracker public information that the vessel was not in the Designated Port on the transaction period, or the period immediately before or thereafter. Hence, in the view of the Current Management, the Certificate of Quality and Certificate of Origin were perceivably forged and/or manipulated by two ex-directors and/or their agents.
- (c) Payments of HK\$9,854,000 to the Customer for other charges approved by two ex-directors (and/or their agents) without the knowledge or approval of the board of directors of Strong HK. Such payments were also made without any valid basis, as the Current Management discovered that actual course of voyage of the Vessel was not consistent with the shipping documents of the Crude Oil Trading Transaction in the transaction period.

VI. *Financial impact of The Transactions*

Based on the findings outlined above, the Current Management is unable to verify whether the Sale and Purchase Contracts were duly executed and whether the Crude Oil Trading Transactions were actually performed. Furthermore, the Current Management believes that the receipts and payments as mentioned in Note 1.1B(II) did not represent the proceeds from crude oil transfers and related charges respectively.

As at 31 December 2024, payments of HK\$13,754,000 (including HK\$9,854,000 to the Customer and HK\$3,900,000 to the disponent vessel owner, as mentioned in Note 1.1B(II) above) were recognised as "other receivables" in Note 20B in the Group's consolidated financial statements as at year ended 31 December 2024. Although the Company has continuously contact with the Customer and the disponent vessel owner, the Company has not received any information from the Customer and the disponent vessel owner up to date of authorisation for issue of these consolidated financial statements. After taking into account that it is unable to substantiate the Transaction is carried out, a corresponding "impairment loss on other receivables" has been made for the year ended 31 December 2024.

As at 31 December 2024, receipts of HK\$628,116,000 (including HK\$624,216,000 from the Customer and HK\$3,900,000 from the Supplier, as mentioned in Note 1.1B(II) above) were recognised as "other payables" in Note 25B in the Group's consolidated financial statements as at year ended 31 December 2024 as the Current Management cannot substantiate the nature of the receipts.

As mentioned in Note 1.1(B)(IV) above, HK\$650,624,000 refunded to the Customer made in 2025 were offsetted against the "other payables" in 2025 with a net receivable balances of HK\$22,508,000 from the Customer as of the date of this announcement in "other receivables" and a corresponding "expected credit loss" has been charged to the profit and loss for the year ended 31 December 2025.

2. ADOPTION OF HKFRS ACCOUNTING STANDARDS

(a) Adoption of new or amended HKFRS Accounting Standards

The Hong Kong Institute of Certified Public Accountants (the “HKICPA”) has issued a number of amended HKFRS Accounting Standards that are first effective for the current accounting period of the Group:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
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
Amendments to Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKFRS Accounting Standards	Disclosures about Uncertainties in the Financial Statements

The amended standards listed above did not have material impact on the Group’s consolidated financial statements. The Group has not early applied any new or amended standards that are not yet effective for the current accounting period.

(b) New or amended HKFRS Accounting Standards that have been issued but are not yet effective

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

Amendments to HKFRS 7 and HKFRS 9	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to HKFRS 7 and HKFRS 9	Contracts Referencing Nature-dependent Electricity ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability ¹
Amendments to Hong Kong Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
HKFRS 18	Presentation and Disclosure in Financial Statements ³
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency ³
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11 ²

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of all new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future, except as discussed below.

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which was issued by the HKICPA in July 2024 supersedes HKAS 1 *Presentation of Financial Statements* and will result in major consequential amendments to HKFRS Accounting Standards including HKAS 8 *Basis of Preparation of Financial Statements* (renamed from *Accounting Policies, Changes in Accounting Estimates and Errors*). Even though HKFRS 18 will not have any effect on the recognition and measurement of items in the consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

3. MATERIAL ACCOUNTING POLICIES

(a) Property, plant and equipment

Property, plant and equipment, including oil properties, are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

The cost of oil properties is amortised at the field level based on the unit of production method. Unit of production rates are based on oil proved and probable developed producing reserves estimated to be recoverable from existing facilities based on the current terms of the respective production agreements. The Group's reserves estimates represent crude oil which the management of the Group believes can be reasonably produced within the current terms of the production agreements.

Other property, plant and equipment are depreciated so as to write off their cost, net of expected residual value, over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives of property, plant and equipment are set out in Note 14.

Construction in progress is stated at cost less impairment losses, if any. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate classes of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

(b) Investment properties

Investment properties are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated to write-off the cost of investment properties, less their residual values, if any, using straight-line method over their estimated useful lives of 20 years. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

(c) Leases

The Group as a lessee

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than twelve months and do not contain a purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise:

- (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease terms.

The Group presents the right-of-use assets as a separate line item on the consolidated statement of financial position.

(d) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated to write-off the cost of intangible assets, less their residual values, if any, using straight-line method over their estimated useful lives. The pollution discharge rights have an useful life of five years. The useful lives, residual value and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

(e) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. Trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item in the consolidated statement of profit or loss and other comprehensive income.

(ii) *Impairment loss on financial assets*

The Group recognises loss allowances for expected credit losses (“ECLs”) on trade receivables and financial assets measured at amortised cost. ECLs are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the twelve months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group measured loss allowances for trade receivables using HKFRS 9 Financial Instruments simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition and debt investment securities that are determined to have low credit risk at the reporting date, in which case the allowance will be based on the 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when there is:

- a significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- probability that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading (i.e. derivatives which are not designated as effective hedging instruments) and financial liabilities designated upon initial recognition as at FVTPL. Gains or losses on liabilities are recognised in profit or loss.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, and other payables and accrued charges, lease liabilities and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Borrowing costs are capitalised, net of interest received on cash drawn down yet to be expended when they are directly attributable to the acquisition, contribution or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised immediately in profit or loss.

(f) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value-added taxes or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

(g) Joint arrangements

The Group applies HKFRS 11 *Joint Arrangements* to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint operations.

(a) Joint operations

The Group's development and production activities in the PRC are conducted, through a subsidiary, jointly with others through production sharing contracts (the "PSC"). These PSC establish joint control over the development and production activities. The assets are not owned by a separate legal entity but are controlled by individual participants in the PSC. Each participant is entitled to a predetermined share of the related output and bears an agreed share of the costs.

The consolidated financial statements reflect:

- the Group's share of any assets used in the joint operations;
- any liabilities that the Group incurred;
- the Group's share of any liabilities incurred jointly with the other PSC partner in relation to the joint production;
- any income from the sale or use of the Group's share of the output of the production, together with its share of any expenses incurred in the production; and
- any expense that the Group has incurred in respect of its interests in the production.

(h) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries and associates where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(i) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investment properties under cost model;
- interests in associates;
- intangible assets;
- right-of-use assets; and
- other assets.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(j) Provisions

Provisions are recognised, when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Asset retirement obligations (including future decommissioning and restoration) which meet the criteria of provisions are recognised as provisions and the amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements, while a corresponding addition to the related oil properties of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the costs of the oil properties. Interest expense from the asset retirement obligations for each period is recognised with the effective interest method during the useful lives of the related oil properties.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgement in applying accounting policies

Principal versus agent consideration (principal)

The Group engages in trading of commodities, mainly crude oil, petroleum products, petrochemicals and coal. The directors of the Company concluded that the Group acts as the principal for such transactions as the Group controls the specified goods before the goods are transferred to customers after taking into consideration of indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods, the Group has certain level of inventory risk before transferring the goods to customers and the Group has discretion in establishing the prices for the goods in the form of a premium over the market price of the goods. Before transferring the goods to customers, the Group has ability to direct the use of, and obtain substantially all of the remaining benefits from, the goods by determining the customers and the timing to which the goods will be sold. When the Group satisfies the performance obligation, the Group recognises revenue from trading of commodities in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

For the year ended 31 December 2024, the Group recognised revenue from trading of commodities amounting to approximately HK\$1,514,949,000 (2023: approximately HK\$1,211,601,000).

(b) Key sources of estimation uncertainty

ECLs impairment

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement. In particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk in overdue trade receivables and long outstanding other receivables. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Details of the impairment assessment on trade and other receivables are set out in Note 39.

Fair value measurement

A number of assets and liabilities included in the Group's consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible.

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.

The Group measures a number of items at fair value:

- Financial assets at FVTPL — unlisted equity investment (Note 21);
- Derivative financial instruments (Note 28); and
- Financial assets at FVTPL — listed securities held for trading (Note 21).

For more detailed information in relation to the fair value measurement of the items above, please refer to the respective notes.

Oil reserves

Estimates of oil reserves are important in the Group's investment decision-making process. They are key elements in determining the depreciation and testing for impairment of oil properties. Proved and probable developed producing reserves estimates are subject to revision, either upward or downward, based on new information from development of drilling and production activities or from changes in economic factors, including oil prices, production volume, contract terms, development plans, etc.

The Group's oil properties are depreciated on a unit-of-production basis using the estimated reserves (Note (d) below). A reduction in the estimated reserves will increase depreciation charges of oil properties. Oil reserves are also used in assessing oil properties for impairment (Note (e) below). Proved and probable developed producing reserves are used to estimate future production volumes in the cash flow model for the purpose of assessing the recoverable amounts. A significant reduction in the estimated reserves would be considered as a possible impairment indicator, which may further require an impairment assessment.

Depreciation of property, plant and equipment

In addition to the depreciation of oil properties using the unit of production method based on the estimated reserves as disclosed in Note 3(a), the management of the Group determines the estimated useful lives and related depreciation charges for other property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The management of the Group will adjust the estimated useful lives where useful lives vary from previously estimated useful lives.

Impairment of property, plant and equipment

Property, plant and equipment, including oil properties, are reviewed for possible impairments when events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of a cash generating unit is determined based on the higher of value-in-use and fair value less cost of disposal, calculations of both require the use of significant assumptions. Determination as to whether and how much an asset is impaired involve management estimates and judgements such as forecasted crude oil prices, forecasted production volumes, forecasted operating costs and capital expenditures and discount rates. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions of forecasted crude oil prices, forecasted production volumes, forecasted operating costs and capital expenditures and discount rates. As at December 31, 2024, the carrying amounts of oil properties are approximately HK\$100,095,000.

Asset retirement obligations

Provision is recognised for the future decommissioning and restoration of oil properties. The amounts of the provision recognised are the present values of the estimated future expenditures. The ultimate cost of environmental disturbances, asset retirement and similar obligation are uncertain. The management of the Group uses its judgement and experience to provide for these costs over the life of operations. Cost estimates vary in response to many factors including changes to the relevant legal requirements, the Group's related policies, the emergence of new restoration techniques and the effects of inflation.

Cost estimates are updated throughout the life of the operation. The expected timing of expenditure included in cost estimates can also change, for example, in response to changes in reserves, or production volumes or economic conditions. Expenditure may occur before and after closure and can continue for an extended period of time depending on the specific site requirements. Cash flows must be discounted if this has a material effect. The selection of appropriate sources on which to base calculation of the risk-free discount rate used for this purpose also requires judgement. As a result of all of the above factors, there could be significant adjustments to the provision for close down, restoration and clean-up costs which would affect future financial results.

The Group currently operates exploration, exploitation and operation of crude oil business mainly in the PRC. The outcome of environmental and other similar obligations under proposed or future environmental legislation cannot reasonably be estimated at present, which could be material. Under existing legislation, however, the directors of the Company are in their opinion that there are no probable liabilities that are in addition to amounts which have already been reflected in the consolidated financial statements that will have a material adverse effect on the financial position of the Group. As at December 31 2024, the carrying amount of provision for asset retirement obligations is approximately HK\$22,638,000.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2024			
	Trading business <i>HK\$'000</i>	Storage business <i>HK\$'000</i>	Exploration, exploitation and operation of crude oil business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Types of goods or services in respect of contracts with customers				
Trading of commodities				
Crude oil	174,636	–	–	174,636
Petroleum products	163,071	–	–	163,071
Petrochemicals	1,177,242	–	–	1,177,242
	<u>1,514,949</u>	<u>–</u>	<u>–</u>	<u>1,514,949</u>
Storage and other ancillary services for petroleum products and petrochemicals				
General storage services	–	1,795	–	1,795
Other ancillary services	–	3,453	–	3,453
	<u>–</u>	<u>5,248</u>	<u>–</u>	<u>5,248</u>
Exploration, exploitation and operation of crude oil				
Sales of crude oil	–	–	69,338	69,338
	<u>–</u>	<u>–</u>	<u>69,338</u>	<u>69,338</u>
Total	<u>1,514,949</u>	<u>5,248</u>	<u>69,338</u>	<u>1,589,535</u>
Geographical markets				
The PRC	1,382,255	5,248	69,338	1,456,841
Other regions	132,694	–	–	132,694
Total	<u>1,514,949</u>	<u>5,248</u>	<u>69,338</u>	<u>1,589,535</u>
Timing of revenue recognition				
A point in time	1,514,949	–	69,338	1,584,287
Over time	–	5,248	–	5,248
Total	<u>1,514,949</u>	<u>5,248</u>	<u>69,338</u>	<u>1,589,535</u>

Segments	For the year ended 31 December 2023		
	Trading business HK\$'000	Storage business HK\$'000	Total HK\$'000
Types of goods or services in respect of contracts with customers			
Trading of commodities			
Petroleum products	47,430	–	47,430
Petrochemicals	723,542	–	723,542
Coal	440,629	–	440,629
	<u>1,211,601</u>	<u>–</u>	<u>1,211,601</u>
Storage and other ancillary services for petroleum products and petrochemicals			
General storage services	–	26,373	26,373
Other ancillary services	–	13,519	13,519
	<u>–</u>	<u>39,892</u>	<u>39,892</u>
Total	<u>1,211,601</u>	<u>39,892</u>	<u>1,251,493</u>
Geographical markets			
The PRC	971,908	39,892	1,011,800
Other regions	239,693	–	239,693
Total	<u>1,211,601</u>	<u>39,892</u>	<u>1,251,493</u>
Timing of revenue recognition			
A point in time	1,211,601	–	1,211,601
Over time	–	39,892	39,892
Total	<u>1,211,601</u>	<u>39,892</u>	<u>1,251,493</u>

(ii) Performance obligations for contracts with customers

Trading of commodities

The Group recognises revenue from the sale of crude oil, petroleum products, petrochemicals and coal in the period that the performance obligations are satisfied which refers to delivery of the goods to the destination specified by the customers. The destination may be the vessel on which the goods is shipped, destination port or the customer's premises. The quantity of crude oil, petroleum products, petrochemicals and coal as specified in each sales contract is separately identifiable and represents a distinct performance obligation to which the transaction price is allocated. Performance obligations are satisfied at a point in time once control of the goods has been transferred to the customers. The customers have obtained control of the goods through their ability to direct the use of and obtain substantially all the benefits from the goods.

The sales price is determined on a provisional basis at the date of sale as the final sales price is subject to final assay after the goods discharged and movements of prevailing spot prices subsequent to the transfer of control of the goods.

The Group has no particular policy on the amounts received prior to the delivery of goods and it is negotiated with customers on contract by contract basis. The advance payments received from customers are recognised as liabilities throughout the period before the control on the goods is transferred to customers.

Storage and other ancillary services for petroleum products and petrochemicals

The Group provides general storage and other ancillary services in respect of petroleum products and petrochemicals to customers. Other ancillary services include truck and cargo loading and unloading, port and tunnel usage and cleaning services, etc. The Group charges service fees based on a pre-agreed fixed amount per unit of goods or per month from customers. The revenue is recognised over time as the customers simultaneously receive and consume the benefits in relation to services provided by the Group.

Exploration, exploitation and operation of crude oil

The Group recognises revenue arising from the participation in and operation of crude oil production activities under the PSC in accordance with the transfer of control of crude oil to customers. Revenue is recognised at a point in time when the crude oil produced is delivered to the designated collection point or pipeline, and the customer has obtained control of the product through its ability to direct the use of and obtain substantially all of the benefits from the crude oil.

Production volumes are measured and verified at the delivery point, and each unit of crude oil delivered under the PSC represents a distinct performance obligation. The transaction price is determined on a monthly basis in accordance with the contractual terms, with reference to prevailing market prices or agreed formulae.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group has elected to apply the practical expedient under HKFRS 15 *Revenue from Contracts with Customers* for not to disclose the information of remaining performance obligations which are part of a contract that has an original expected duration of one year or less; or from satisfaction of which the Group recognises revenue in the amount, which the Group has the right to invoice, that corresponds directly with the value to the customers of the Group's performance completed to date.

(iv) Leases

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
For operating leases:		
Lease income that is fixed or depends on a rate	<u>8,533</u>	<u>14,883</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trading business	1,514,949	1,211,601
Storage business	5,248	39,892
Exploration, exploitation and operation of crude oil business	<u>69,338</u>	<u>–</u>
Revenue from contracts with customers	1,589,535	1,251,493
Leases	<u>8,533</u>	<u>14,883</u>
Total revenue	<u>1,598,068</u>	<u>1,266,376</u>

6. SEGMENT INFORMATION

Operating segments and the amounts of each segment item reported in the 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 income tax recoverables are managed on a group basis. Segment liabilities excluding income tax payables 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 (note), petroleum products, petrochemicals and coal);
- (ii) Storage business (provision of general storage and other ancillary services in respect of petroleum products and petrochemicals); and
- (iii) Exploration, exploitation and operation of crude oil business (participation in and operation of crude oil production activities under the PSC).

note: The Group did not conduct trades for crude oil for the years ended 31 December 2023 as it adopted a conservative approach on the trading of crude oil commodities in response to the current market condition.

Segment revenue and results

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

For the year ended 31 December 2024

	Trading business HK\$'000	Storage business HK\$'000	Exploration, exploitation and operation of crude oil business HK\$'000	Eliminations HK\$'000	Total HK\$'000
Revenue from contracts with customers	1,514,949	5,248	69,338	-	1,589,535
Leases	-	8,533	-	-	8,533
Intra-segment sales (<i>note (i)</i>)	66,648	-	-	(66,648)	-
Inter-segment other ancillary services (<i>note (ii)</i>)	-	35	-	(35)	-
Inter-segment lease (<i>note (ii)</i>)	-	91	-	(91)	-
Total revenue	<u>1,581,597</u>	<u>13,907</u>	<u>69,338</u>	<u>(66,774)</u>	<u>1,598,068</u>
Segment results	<u>(48,866)</u>	<u>(63,507)</u>	<u>9,741</u>		(102,632)
Share of results of associates					4,517
Impairment loss on property, plant and equipment					(113,806)
Impairment loss on right-of-use assets					(5,392)
Impairment loss on intangible assets					(89)
Impairment loss on interest in an associate					(44,976)
Impairment loss under expected credit loss model					(13,754)
Loss on financial assets at FVTPL, net					(1,457)
Unallocated finance costs					(1,272)
Unallocated income and gains					9,729
Unallocated expenses and losses (<i>note (iii)</i>)					<u>(57,066)</u>
Loss before taxation					<u>(326,198)</u>

For the year ended 31 December 2023

	Trading business <i>HK\$'000</i>	Storage business <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers	1,211,601	39,892	–	1,251,493
Leases	–	14,883	–	14,883
Inter-segment lease (<i>note (ii)</i>)	–	172	(172)	–
	<u>1,211,601</u>	<u>54,947</u>	<u>(172)</u>	<u>1,266,376</u>
Total revenue				
	<u>6,765</u>	<u>30,756</u>		37,521
Segment results				
Share of results of associates				4,965
Gain on disposal of a subsidiary				50
Loss on financial assets at FVTPL, net				(102,189)
Unallocated finance costs				(270)
Unallocated income and gains				10,365
Unallocated expenses and losses (<i>note (iii)</i>)				<u>(39,407)</u>
Loss before taxation				<u>(88,965)</u>

notes:

- (i) Intra-segment sales are agreed terms set out in the sales contracts entered into between group companies.
- (ii) Inter-segment other ancillary services and inter-segment lease were charged at agreed terms set out in the service contracts and the lease contracts entered into between group companies.
- (iii) Unallocated expenses and losses mainly comprised of depreciation of investment properties and administrative costs of the headquarter (2023: exchange loss on capital reduction of a subsidiary in the PRC, depreciation of investment properties and administrative costs of the headquarter).

Other segment information

Other segment information included in the consolidated statement of profit or loss are as follows:

Amounts included in the measure of segment profit or loss:

For the year ended 31 December 2024

	Trading business HK\$'000	Storage business HK\$'000	Exploration, exploitation and operation of crude oil business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Interest income (included in other income)	1,184	41	116	6,354	7,695
Depreciation of property, plant and equipment	(310)	(5,323)	(25,749)	(5,893)	(37,275)
Depreciation of investment properties	-	-	-	(4,949)	(4,949)
Depreciation of right-of-use assets	(896)	(424)	-	(2,227)	(3,547)
Amortisation of intangible assets	-	-	-	(52)	(52)
Loss on changes in fair value of derivative financial instruments, net	(1,005)	-	-	-	(1,005)
Finance costs	(355)	(3)	(903)	(1,272)	(2,533)
Impairment loss on property, plant and equipment	-	(44,570)	-	(113,806)	(158,376)
Impairment loss on right-of-use assets	-	(13,332)	-	(5,392)	(18,724)
Impairment loss on intangible assets	-	-	-	(89)	(89)
Impairment loss on interest in an associate	-	-	-	(44,976)	(44,976)

For the year ended 31 December 2023

	Trading business HK\$'000	Storage business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Interest income (included in other income)	13,169	24	5,833	19,026
Depreciation of property, plant and equipment	(404)	(5,266)	(1,276)	(6,946)
Depreciation of investment properties	-	-	(9,926)	(9,926)
Depreciation of right-of-use assets	(885)	(429)	(2,915)	(4,229)
Gain on changes in fair value of derivative financial instruments, net	17,636	-	-	17,636
Finance costs	(752)	(3)	(270)	(1,025)

Other segment information included in the consolidated statement of financial position are as follows:

Amounts included in the measure of segment assets:

For the year ended 31 December 2024

	Trading business <i>HK\$'000</i>	Storage business <i>HK\$'000</i>	Exploration, exploitation and operation of crude oil business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	<u>1,797</u>	<u>3,064</u>	<u>126,320</u>	<u>140,536</u>	<u>271,717</u>

For the year ended 31 December 2023

	Trading business <i>HK\$'000</i>	Storage business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	<u>16</u>	<u>1,337</u>	<u>276,048</u>	<u>277,401</u>

Geographical information

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

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

	Revenue from		Non-current assets (<i>note</i>)	
	external customers			
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	–	–	18,286	7,977
The PRC	1,465,374	1,026,683	139,080	141,508
Singapore	66,046	–	2,015	1,136
Malaysia	66,648	–	–	–
Indonesia	–	185,403	–	–
Philippines	–	54,290	–	–
	<u>1,598,068</u>	<u>1,266,376</u>	<u>159,381</u>	<u>150,621</u>

note: The non-current assets for the purpose of geographical information excluded deferred tax assets, other assets, rental deposit, intangible assets certain right-of-use assets and property, plant and equipment which mainly consisted of the construction in progress of the petrochemicals manufacturing plant located in Quanzhou City, Fujian Province, the PRC (the “Fujian Plant”) (2023: excluded financial assets at FVTPL, investment properties, other assets, rental deposit, certain right-of-use assets and property, plant and equipment which mainly consisted of the construction in progress of the Fujian Plant).

Information about major customers

Revenue from customers of the corresponding year which contributed over 10% of the total revenue of the Group are as follows:

	2024	2023
	HK\$'000	HK\$'000
Customer A	293,499	237,112
Customer B	–	150,320
Customer C	239,032	–
Customer D	174,636	–
	<u>707,167</u>	<u>387,432</u>

7. OTHER INCOME AND OTHER GAINS AND LOSSES

A. Other income

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	7,161	6,953
Interest income from deposits placed with brokers	534	1,547
Interest income from trade receivables (<i>Note 20</i>)	–	10,526
Rental income	1,557	1,997
Government grants	1,222	2,535
Service income (<i>note (i)</i>)	3,011	1,708
Others (<i>note (ii)</i>)	1,803	593
	<u>15,288</u>	<u>25,859</u>

notes:

- (i) The Group entered into agency agreements (the “Agreements”) as an agent with various independent third parties (the “Principal”). Based on the Agreements, the Group performed coal transactions with the Principal’s counterparties on behalf of the Principal and earned service income.
- (ii) During the year ended 31 December 2024, others mainly comprised crude oil royalty income of approximately HK\$405,000, management fee income of approximately HK\$426,000 and recovered written-off insurance claims of approximately HK\$747,000.

B. Other gains and losses

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Losses)/gains on disposal of property, plant and equipment	(954)	37
Written-off of rent receivable	(140)	–
Net foreign exchange losses	(11,497)	(6,089)
Gain on disposal of a subsidiary	–	50
Gain on termination of a lease	40	–
Others	1,264	937
	<u>(11,287)</u>	<u>(5,065)</u>

8. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bank charges on letter of credit facilities	340	771
Interest on bank and other borrowings	12,491	2,673
Interest on lease liabilities	175	85
Less: capitalised finance costs (<i>note</i>)	<u>(10,473)</u>	<u>(2,504)</u>
	<u><u>2,533</u></u>	<u><u>1,025</u></u>

note: Specific borrowing costs of approximately HK\$10,473,000 (2023: approximately HK\$2,504,000) that were directly attributable to the construction of the Fujian Plant, which was regarded as the qualifying asset, were capitalised.

9. INCOME TAX EXPENSE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax		
Enterprise Income Tax (“EIT”) in the PRC (<i>note (i)</i>)	1,004	6,939
Singapore Corporate Income Tax (<i>note (ii)</i>)	<u>–</u>	<u>39</u>
	<u>1,004</u>	<u>6,978</u>
Deferred tax		
Origination of temporary differences (<i>Note 30</i>)	<u>1,495</u>	<u>–</u>
Under-provision of taxation in prior year		
EIT in the PRC (<i>note (i)</i>)	1,522	–
Singapore Corporate Income Tax (<i>note (ii)</i>)	<u>64</u>	<u>296</u>
	<u>1,586</u>	<u>296</u>
	<u><u>4,085</u></u>	<u><u>7,274</u></u>

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 years. 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 Renminbi (“RMB”) 1 million but does not exceeds 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.
- (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 during the year 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 of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the 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 years. No provision for Hong Kong Profits Tax has been made for both years 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 year.
- (iv) No provision for Macao Profits Tax has been made for both years since loss was incurred for the subsidiary operating in Macao.

The income tax expense for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024			2023		
	Singapore <i>HK\$'000</i>	The PRC (including Hong Kong and Macao) <i>HK\$'000</i>	Total <i>HK\$'000</i>	Singapore <i>HK\$'000</i>	The PRC (including Hong Kong and Macao) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Loss before taxation	<u>(35,084)</u>	<u>(291,114)</u>	<u>(326,198)</u>	<u>(293)</u>	<u>(88,672)</u>	<u>(88,965)</u>
Taxation at the domestic rate applicable to profits in the country concerned	(5,964)	(47,605)	(53,569)	(50)	(13,881)	(13,931)
Tax effect of income not taxable for tax purpose	–	(2,208)	(2,208)	–	(6,813)	(6,813)
Tax effect of expenses not deductible for tax purpose	5,360	49,144	54,504	153	24,487	24,640
Tax effect of share of results of associates	–	(745)	(745)	–	(1,241)	(1,241)
Utilisation of tax losses previously not recognised	–	(386)	(386)	–	(313)	(313)
Tax effect of tax losses not recognised	–	4,440	4,440	–	3,398	3,398
Effect of income tax on a concessionary rate in Singapore and the PRC and tax exemption	–	(839)	(839)	(46)	–	(46)
Withholding tax paid in respect of dividend declared by subsidiaries in the PRC (<i>note</i>)	–	1,023	1,023	–	1,302	1,302
Under-provision in prior year	64	1,522	1,586	296	–	296
Others	<u>605</u>	<u>(326)</u>	<u>279</u>	<u>(18)</u>	<u>–</u>	<u>(18)</u>
Income tax expense for the year	<u>65</u>	<u>4,020</u>	<u>4,085</u>	<u>335</u>	<u>6,939</u>	<u>7,274</u>

note: The withholding tax rate was 10% on the remittance of dividends from the subsidiaries in the PRC during the years ended 31 December 2024 and 31 December 2023.

10. LOSS BEFORE TAXATION

Loss before taxation is arrived after charging:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Auditor's remuneration		
Audit services	6,310	1,979
Non-audit services	230	150
	6,540	2,129
Depreciation of property, plant and equipment	37,275	6,946
Depreciation of investment properties	4,949	9,926
Depreciation of right-of-use assets	3,547	4,229
Amortisation of intangible assets	52	–
Amortisation of other assets	–	25
Net foreign exchange losses	11,497	6,089
Directors' emoluments (<i>Note 11</i>)	2,420	480
Other staff costs		
Salaries, bonus and other allowances	32,987	33,216
Retirement benefit schemes contributions	2,510	1,468
	37,917	35,164
Cost of inventories recognised as an expense (included in cost of sales)	1,500,607	1,208,251
Provision for write down of inventories	6,018	–

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the nine (2023: five) directors of the Company, including the chief executive, are as follows:

	Executive directors				Independent non-executive directors					Total HK\$'000
	Wang Jian Sheng	Yao Guoliang	Ma Yi	Tan Xiao	Chan Yee Kwong	Deng Heng	Cheung Siu Wan	Jiao Jie	Lai Wai Chi	
	HK\$'000 (note i)	HK\$'000 (note ii)	HK\$'000 (note iii)	HK\$'000 (note iv)	HK\$'000 (note v)	HK\$'000 (note vi)	HK\$'000 (note vii)	HK\$'000 (note viii)	HK\$'000 (note ix)	
Fees	-	-	-	-	123	150	148	33	33	487
Other emoluments:	-	-	1,257	406	-	90	-	90	90	1,933
Salaries and other benefits	-	-	377	302	-	-	-	-	-	679
Share-based payments	-	-	-	-	-	-	-	-	-	-
Sign-on bonus	-	-	750	-	-	-	-	-	-	750
Discretionary bonus	-	-	125	100	-	90	-	90	90	495
Contributions to retirement benefits schemes	-	-	5	4	-	-	-	-	-	9
Total emoluments for the year ended 31 December 2024	-	-	1,257	406	123	240	148	123	123	2,420
Fees	-	-	-	-	150	150	180	-	-	480
Other emoluments:	-	-	-	-	-	-	-	-	-	-
Salaries and other benefits	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-
Discretionary bonus	-	-	-	-	-	-	-	-	-	-
Contributions to retirement benefits schemes	-	-	-	-	-	-	-	-	-	-
Total emoluments for the year ended 31 December 2023	-	-	-	-	150	150	180	-	-	480

notes:

- (i) Mr. Wang Jian Sheng was redesignated to the position of non-executive director of the Company on 25 January 2025.
- (ii) Mr. Yao Guoliang was also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive. Mr. Yao Guoliang was removed from the position of executive director and chief executive officer of the Company on 25 January 2025 and 10 February 2025 respectively.
- (iii) Dr. Ma Yi was appointed as executive director and chief operating officer of the Company on 2 October 2024 and removed from the position of executive director of the Company on 25 January 2025, and he resigned as chief operating officer of the Company on 6 February 2025.
- (iv) Dr. Tan Xiao was appointed as executive director and co-chief executive officer of the Company on 14 October 2024 and removed from the positions of executive director and co-chief executive officer of the Company on 25 January 2025 and 10 February 2025 respectively.
- (v) Prof. Chan Yee Kwong resigned as independent non-executive director of the Company on 25 October 2024.

- (vi) Mr. Deng Heng was removed from the position of independent non-executive director of the Company on 25 January 2025.
- (vii) Ms. Cheung Siu Wan resigned as independent non-executive director of the Company on 25 October 2024.
- (viii) Ms. Jiao Jie was appointed as independent non-executive director of the Company on 25 October 2024 and removed from the position of independent non-executive director of the Company on 25 January 2025.
- (ix) Mr. Lai Wai Chi was appointed as independent non-executive director of the Company on 25 October 2024 and removed from the position of independent non-executive director of the Company on 25 January 2025.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were paid for their services as directors of the Company.

During the years ended 31 December 2024, emoluments of HK\$750,000 have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group (2023: Nil). No emoluments have been paid by the Group to the directors of the Company as compensation for loss of office. None of the directors of the Company has waived or agreed to waive any emoluments during both years.

Employees' emoluments

For the year ended 31 December 2024, of the five individuals with the highest emoluments in the Group, one (2023: none) of them is the director of the Company. The emoluments of these five (2023: five) individuals are as follows:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	8,842	10,390
Sign-on bonus	750	–
Discretionary bonus	1,695	6,259
Long service payment	185	–
Contributions to retirement benefits schemes	160	233
	<u>11,632</u>	<u>16,882</u>

Their emoluments were within the following bands:

	2024	2023
	Number of employees	Number of employees
HK\$1,000,001 to HK\$1,500,000	3	1
HK\$1,500,001 to HK\$2,000,000	–	2
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$5,000,001 to HK\$5,500,000	1	–
HK\$10,000,001 to HK\$10,500,000	–	1
	<u> </u>	<u> </u>

During the year ended 31 December 2024, emoluments of HK\$750,000 have been paid to one of the five employees with the highest emoluments as an inducement to join or upon joining the Group (2023: Nil). Emoluments of approximately HK\$282,000 have been paid by the Group to one of the five employees with the highest emoluments as compensation for loss of office (2023: Nil).

12. DIVIDENDS

The dividends for the year represented the interim dividend of approximately HK\$169.9 million (2023: Nil) declared by the Company to the shareholders of the Company, equivalent to HK\$0.08 per share (2023: Nil).

No dividend was paid or proposed during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period.

13. 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:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss		
Loss for the purposes of calculating basic and diluted loss per share		
Loss for the year attributable to owners of the Company	<u>(327,547)</u>	<u>(95,407)</u>
	2024	2023
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 years ended 31 December 2024 and 31 December 2023, diluted loss per share was the same as the basic loss per share as potential ordinary shares arising from share options were not treated as dilutive as the conversion to ordinary shares would not increase the loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Oil properties HK\$'000	Properties HK\$'000	Storage tanks HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST										
At 1 January 2023	-	1,698	86,758	1,142	28,566	1,292	2,195	4,551	113,043	239,245
Additions	-	-	175	685	530	17	717	287	274,990	277,401
Disposals	-	-	-	-	-	-	(20)	(274)	-	(294)
Disposal of a subsidiary (Note 32)	-	-	-	-	-	-	-	(839)	-	(839)
Transfer from construction in progress	-	-	-	-	4,993	-	-	-	(4,993)	-
Exchange realignment	-	-	(1,240)	-	(384)	(9)	(17)	(20)	(1,586)	(3,256)
At 31 December 2023 and 1 January 2024	-	1,698	85,693	1,827	33,705	1,300	2,875	3,705	381,454	512,257
Additions	-	-	-	25	3,092	144	176	184	138,268	141,889
Disposals	-	-	-	(1,050)	(1,117)	(67)	(36)	-	-	(2,270)
Acquired from acquisition of subsidiaries (Note 33)	122,710	-	-	-	458	-	88	-	256	123,512
Transfer from construction in progress	3,058	-	-	-	12,885	-	-	-	(15,943)	-
Transfer from investment properties (Note 15)	-	214,526	-	-	-	-	-	-	-	214,526
Exchange realignment	-	-	(1,834)	-	(577)	(10)	(41)	(30)	(8,126)	(10,618)
At 31 December 2024	125,768	216,224	83,859	802	48,446	1,367	3,062	3,859	495,909	979,296
ACCUMULATED DEPRECIATION										
At 1 January 2023	-	1,549	39,982	286	18,824	621	1,641	3,808	-	66,711
Provided for the year	-	85	4,088	412	1,675	128	237	321	-	6,946
Eliminated on disposals	-	-	-	-	-	-	(19)	(261)	-	(280)
Disposal of a subsidiary (Note 32)	-	-	-	-	-	-	-	(839)	-	(839)
Exchange realignment	-	-	(596)	-	(277)	(2)	(13)	(12)	-	(900)
At 31 December 2023 and 1 January 2024	-	1,634	43,474	698	20,222	747	1,846	3,017	-	71,638
Provided for the year	25,673	3,979	4,044	417	2,405	157	345	255	-	37,275
Eliminated on disposals	-	-	-	(688)	(513)	(36)	(30)	-	-	(1,267)
Transfer from investment properties (Note 15)	-	38,507	-	-	-	-	-	-	-	38,507
Exchange realignment	-	-	(991)	-	(435)	(5)	(24)	(20)	-	(1,475)
At 31 December 2024	25,673	44,120	46,527	427	21,679	863	2,137	3,252	-	144,678
ACCUMULATED IMPAIRMENT										
At 1 January 2023, 31 December 2023 and 1 January 2024	-	-	-	-	-	-	-	-	-	-
Impairment loss recognised	-	49,344	35,855	-	11,617	-	-	-	61,560	158,376
Transfer from investment properties (Note 15)	-	24,910	-	-	-	-	-	-	-	24,910
At 31 December 2024	-	74,254	35,855	-	11,617	-	-	-	61,560	183,286
CARRYING AMOUNT										
At 31 December 2024	100,095	97,850	1,477	375	15,150	504	925	607	434,349	651,332
At 31 December 2023	-	64	42,219	1,129	13,483	553	1,029	688	381,454	440,619

Other than oil properties being amortised based on the unit of production method, the above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum/over the following years:

Properties	Over the shorter of the term of the lease, or 20 years
Storage tanks	Over the shorter of the term of the lease, or 20 years
Leasehold improvements	Over the shorter of the term of the lease, or 3–4 years
Plant and machinery	5%–33 $\frac{1}{3}$ %
Furniture and fixtures	20%–33 $\frac{1}{3}$ %
Office equipment	19%–33 $\frac{1}{3}$ %
Motor vehicles	9 $\frac{1}{2}$ %–30%

In accordance with the Group’s accounting policies, the Group reviews the carrying amount of its property, plant and equipment to determine whether there is any indication of that these assets have suffered an impairment loss. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made at the reporting period.

During the year, there were transfers of investment properties to property, plant and equipment because the Group had changed the actual use of the commercial property and car park spaces. As at 31 December 2024, the properties had become owner-occupied.

Except the below items, there were no impairment indicators for the property, plant and equipment held by the Group as at 31 December 2024 (2023: Nil).

Impairment assessment of Fujian Plant

During the year, the completion of the Fujian Plant was estimated to be deferred to the end of the second quarter of 2025 due to delays in obtaining the final approval for the fire protection systems of the Fujian Plant from the local authority. Accordingly, the management of the Group considered the delay in construction is an indicator of impairment and performed an impairment assessment accordingly. As at 31 December 2024, construction in progress, leasehold land and pollution discharge right relating to the Fujian Plant of approximately HK\$491,051,000 (2023: approximately HK\$379,636,000), approximately HK\$43,593,000 (2023: approximately HK\$45,517,000) and approximately HK\$719,000 (2023: Nil) were respectively recorded in property, plant and equipment, right-of-use assets and intangible assets (the “Manufacturing Plant Related Assets”).

The recoverable amount of the Manufacturing Plant Related Assets has been determined by value-in-use approach adopted by an independent qualified professional valuer engaged by the Group, using cash flow projections based on financial budgets covering a five-year period approved by the management of the Group. Key inputs used in the calculation include pre-tax discount rate of 14.8%, terminal growth rate of 2.0%, which does not exceed the long-term average growth rate for the petrochemical manufacturing industry, and utilisation rate of the Fujian Plant ranging from 46.8% to 90.0%.

The values assigned to the above key assumption on market development of petrochemicals manufacturing plants and the discount rates are consistent with external information sources.

Based on the impairment assessment, as at 31 December 2024, the recoverable amount of the Manufacturing Plant Related Assets is less than its carrying amount. Accordingly, impairment loss of approximately HK\$66,219,000 on the Manufacturing Plant Related Assets was recognised for the year ended 31 December 2024 (2023: Nil).

Impairment assessment of oil properties

With the approaching of the expiration date of the PSC in 2027, the management of the Group noticed that there might be a decrease in the recoverable amount of its oil properties, which is under exploration, exploitation and operation of crude oil segment, and hence considered that there was an indicator of impairment and performed an impairment assessment accordingly.

The recoverable amount of the oil properties has been determined by value-in-use approach adopted by an independent qualified professional valuer engaged by the Group, using cash flow projections based on financial budgets covering until the expiration date of the PSC in 2027 approved by the management of the Group.

In performing the impairment assessment, the key assumptions and input data adopted by the management include forecasted crude oil prices, forecasted production volumes, forecasted operating costs and capital expenditures and discount rates. Management adopted (a) the forecasted crude oil prices based on the approved financial budgets and also bench-marked against a range of price forecasts published by various banks and industry organisations; (b) the forecasted production volumes based on management's production plan for the remaining contract periods, which is below the estimated reserve volume as set out in the reserve report; (c) the forecast operating costs and capital expenditures based on the Group's financial budget and business plan; and (d) the pre-tax discount rate reflected specific risks relating to the relevant business.

The key assumptions used in determining the recoverable amount are as follows:

	Assessment performed on 31 December 2024
Period of projection	2025–2027
Crude oil prices (US\$/bbl)	72.81 to 75.80
Production volumes for the remaining contract period (Mbbbl)	1,135,804
Inflation rate (p.a.)	2.0%
Pre-tax discount rate (p.a.)	20.4%

For the year ended 31 December 2024, the recoverable amount of the oil properties is HK\$107,789,000. Based on the assessment, the Group does not recognise impairment loss on oil properties for the year ended 31 December 2024 (2023: Nil).

If the forecasted crude oil prices had been 5% lower than management's estimates, the Group would have had to recognise an impairment loss against oil properties of HK\$4,706,000.

If the forecasted production volume had been 5% lower than management's estimates, the Group would have had to recognise an impairment loss against oil properties of HK\$4,706,000.

If the pre-tax discount rate had been 7% higher than management's estimates, the Group would have had to recognise an impairment loss against oil properties of HK\$185,000.

Impairment assessment of storage tanks

For the year ended 31 December 2024, in view of the unsatisfactory results of its storage business, the management of the Group carried out an impairment assessment on the carrying amount of its storage tanks by comparing its recoverable amount with its carrying amount with the assistance of an independent qualified professional valuer engaged by the Group. As at 31 December 2024, plant and machinery and storage tanks approximately HK\$9,074,000 (2023: approximately HK\$7,179,000) and approximately HK\$37,332,000 (2023: approximately HK\$42,219,000) were recorded in property, plant and equipment, and leasehold land of approximately HK\$13,881,000 (2023: approximately HK\$14,611,000) was recorded in right-of-use assets, respectively (the “Storage Business Related Assets”), which is under storage business segment.

The recoverable amount of the Storage Business Related Assets is determined using value-in-use calculation using cash flow forecast for the operation of the storage business covering a five-year period approved by the management of the Group. Key inputs used in the calculation include pre-tax discount rate of 10.4% and terminal growth rate of 2.0%, which does not exceed the long-term average growth rate for the storage industry.

Based on the result of the impairment assessment, the recoverable amount of the Storage Business Related Assets is estimated to be lower than its carrying amount as at 31 December 2024 and, accordingly, an impairment loss on the storage tanks of approximately HK\$57,902,000 was recognised for the year ended 31 December 2024 (2023: Nil).

Impairment assessment of solar energy system

For the year ended 31 December 2024, in view of the unsatisfactory results of its solar energy business, the management of the Group carried out an impairment assessment on the carrying amount of its solar energy system by comparing its recoverable amount with its carrying amount with the assistance of an independent qualified professional valuer engaged by the Group. As at 31 December 2024, construction in progress and plant and machinery of approximately HK\$4,858,000 (2023: approximately HK\$1,818,000) and approximately HK\$17,142,000 (2023: approximately HK\$6,130,000) were recorded in property, plant and equipment.

The recoverable amount of the solar energy system is determined using value-in-use calculation using cash flow forecast for the operation of the solar energy business covering a five-year period approved by the management of the Group. Key inputs used in the calculation include pre-tax discount rate of 10.2% and terminal growth rate of 2.0%, which does not exceed the long-term average growth rate for the solar energy industry.

Based on the result of the impairment assessment, the recoverable amount of the solar energy system is estimated to be lower than its carrying amount as at 31 December 2024 and, accordingly, an impairment loss on the solar energy system of approximately HK\$3,724,000 was recognised for the year ended 31 December 2024 (2023: Nil).

Impairment assessment of commercial property and car park spaces

The Group assessed impairment loss for the commercial property and car park spaces by considering its recoverable amount, having regard to the change in market conditions in Hong Kong. The recoverable amount of the property and car park spaces is estimated based on the fair value less costs of disposal of the commercial property and car park spaces, which is estimated reference to comparable sales transactions as available in the relevant market with adjustments to reflect the condition and location of the related properties. In assessing the fair value, the Group adopted a direct comparison method. The key unobservable inputs for the commercial property and car park spaces are the premium or discount for quality of properties (e.g. view, level and building age of the commercial property and car park spaces) ranging from -18.8% to 10.7%. Impairment loss of HK\$49,344,000 on the commercial property and car park spaces was recognised for the year ended 31 December 2024 (2023: Nil).

As at 31 December 2024, fair value of the commercial property and car park spaces amounted to HK\$97,850,000. The fair value measurement of the commercial property and car park spaces is classified as Level 3 of the fair value hierarchy. Relationships of unobservable inputs to fair value are as follows:

- The higher the premium applied to the commercial property and car park spaces, the higher the fair value;
- The higher the discount applied to the commercial property and car park spaces, the lower the fair value.

15. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
COST	
At 1 January 2023, 31 December 2023 and 1 January 2024	214,526
Transfer to property, plant and equipment (<i>Note 14</i>)	<u>(214,526)</u>
At 31 December 2024	<u>–</u>
ACCUMULATED DEPRECIATION	
At 1 January 2023	23,632
Provided for the year	<u>9,926</u>
At 31 December 2023 and 1 January 2024	<u>33,558</u>
Provided for the year	4,949
Transfer to property, plant and equipment (<i>Note 14</i>)	<u>(38,507)</u>
At 31 December 2024	<u>–</u>
ACCUMULATED IMPAIRMENT	
At 1 January 2023, 31 December 2023 and 1 January 2024	24,910
Transfer to property, plant and equipment (<i>Note 14</i>)	<u>(24,910)</u>
At 31 December 2024	<u>–</u>
CARRYING AMOUNT	
At 31 December 2024	<u><u>–</u></u>
At 31 December 2023	<u><u>156,058</u></u>

The Group's investment properties comprised of a commercial property and car park spaces situated in Hong Kong. These properties were acquired in 2020 with estimated useful lives of 20 years. As at 31 December 2023, the Group assessed impairment loss for the investment properties by considering its recoverable amount, having regard to the change in market conditions in Hong Kong. The recoverable amount of the investment properties was estimated based on the fair value less costs of disposal of the investment properties, which was estimated reference to comparable sales transactions as available in the relevant market with adjustments to reflect the condition and location of the related properties. In assessing the fair value, the Group adopted a direct comparison method. The key unobservable inputs for the commercial property and car park spaces were the premium or discount for quality of properties (e.g. view, level and building age of the commercial property and car park spaces) ranging from -10.4% to 10.0%. No impairment loss on investment properties was recognised for the year ended 31 December 2023.

As at 31 December 2023, fair value of the investment properties amounted to HK\$156,360,000. The fair value measurement of the investment properties was classified as Level 3 of the fair value hierarchy. Relationships of unobservable inputs to fair value are as follows:

- The higher the premium applied to the commercial property and car park spaces, the higher the fair value;
- The higher the discount applied to the commercial property and car park spaces, the lower the fair value.

As at 31 December 2023, the management of the Group assessed whether an impairment loss recognised in prior periods might no longer exist or might have decreased and considered that there had been no major change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised and there had been no major change in the estimated service potential of the asset.

During the year, there are transfers of investment properties to property, plant and equipment because the Group has changed the actual use of the commercial property and car park spaces. As at 31 December 2024, the properties have become owner-occupied.

During the year, approximately HK\$1,557,000 (2023: approximately HK\$1,997,000) was recognised in the consolidated statement of profit or loss and other comprehensive income in relation to rental income from the investment properties. During the year, there was no direct operating expenses, including repairs and maintenance, arising from investment properties that generated rental income (2023: Nil). During the year, there were no direct operating expenses, including repairs and maintenance, arising from investment properties that did not generate rental income (2023: Nil).

16. OTHER ASSETS

The amounts represent an art work (2023: an art work) that is carried at cost.

17. INTERESTS IN ASSOCIATES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cost of interests in associates, unlisted	129,751	129,751
Share of post-acquisition results, net of dividend	(48,453)	(52,970)
Less: Impairment loss recognised	(49,385)	(4,409)
Exchange realignment	1,386	3,087
	<u>33,299</u>	<u>75,459</u>

As at 31 December 2024 and 2023, the Group has interests in the following associates:

Name of the entity	Form of business structure	Place of establishment and principal place of business	Paid up registered capital		Equity interest attributable to the Group		Principal activity
			2024	2023	2024	2023	
					%	%	
中化天津港石化倉儲有限公司 Sinochem Tianjin Port Petrochemical Terminal Co., Ltd. ("Sinochem Port")	Sino-foreign owned enterprise	PRC	RMB628,060,000	RMB628,060,000	15 (note)	15 (note)	Provision of crude oil and petrochemicals storage services
天津港中化石化碼頭有限公司 Tianjin Port Sinochem Petrochemical Dock Co., Ltd. ("Tianjin Port")	Sino-foreign owned enterprise	PRC	RMB139,388,000	RMB139,388,000	15 (note)	15 (note)	Development and operation of dock and related ancillary facilities

note: The Group is able to exercise significant influence over Sinochem Port and Tianjin Port because it has the power to appoint one out of the five directors of these entities under the provisions stated in the articles of association of these entities.

Impairment assessment on the material associate

Sinochem Port

For the year ended 31 December 2024, in view of losing of two major customers of Sinochem Port, the management of the Group carried out an impairment assessment on the carrying amount of its interest in Sinochem Port by comparing its recoverable amount with its carrying amount with the assistance of an independent qualified professional valuer engaged by the Group. The recoverable amount is determined using value-in-use calculation. In determining the value in use of Sinochem Port, the management of the Group estimated the proceeds on ultimate disposal of Sinochem Port based on the estimation of the present value of the future cash flows expected to arise from the operation of Sinochem Port. Key inputs used in the calculation include earnings before interest, taxes, depreciation, and amortisation ("EBITDA") margin ranging from 45.7% to 54.3%, pre-tax discount rate of 11.7% and terminal growth rate of 2.0%, which does not exceed the long-term average growth rate for the storage industry. Based on the result of the assessment, the recoverable amount of Sinochem Port is estimated to be lower than its carrying amount as at 31 December 2024 and, accordingly, an impairment loss on interest in an associate of approximately HK\$44,976,000 was recognised in profit or loss for the year ended 31 December 2024.

For the year ended 31 December 2023, the Directors are in opinion that there are no impairment indicators in respect of Sinochem Port.

Summarised financial information of the material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRS Accounting Standards.

Sinochem Port

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current assets	<u>838,212</u>	<u>857,117</u>
Current assets	<u>40,890</u>	<u>27,400</u>
Current liabilities	<u>(130,208)</u>	<u>(50,043)</u>
Non-current liabilities	<u>(227,061)</u>	<u>(331,415)</u>
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue	<u>219,313</u>	<u>224,642</u>
Profit and total comprehensive income for the year	<u>30,112</u>	<u>33,098</u>

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Sinochem Port recognised in the consolidated financial statements is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Net assets of Sinochem Port	521,833	503,059
Proportion of the Group's ownership interest in Sinochem Port	<u>15%</u>	<u>15%</u>
The Group's share of net assets in Sinochem Port	78,275	75,459
Less: Impairment loss recognised	<u>(44,976)</u>	<u>–</u>
Carrying amount of the Group's interest in Sinochem Port	<u>33,299</u>	<u>75,459</u>
The Group's share of results of Sinochem Port for the year	<u>4,517</u>	<u>4,965</u>

Aggregate information of associate that is not individually material

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
The Group's share of results of this associate for the year	<u>–</u>	<u>–</u>
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Aggregate carrying amount of the Group's interest in this associate	<u>–</u>	<u>–</u>

All of the above associates are accounted for using the equity method in the consolidated financial statements.

18. INTANGIBLE ASSETS

The amounts represent the pollution discharge rights related to the Fujian Plant, measured at amortised cost. For the year ended 31 December 2024, gross amount, accumulated amortisation amount, accumulated impairment and carrying amount of intangible assets are approximately HK\$771,000 (2023: Nil), approximately HK\$52,000 (2023: Nil), approximately HK\$89,000 (2023: Nil) and approximately HK\$630,000 (2023: Nil), respectively.

Details of the impairment assessment on pollution discharge rights related to the Fujian Plant are further disclosed in Note 14.

19. INVENTORIES

The amounts mainly related to petroleum products and petrochemicals held for resale purposes, spare parts and hardware accessories for the upkeep of production equipment and structures, and consumables essential to the manufacturing process.

20. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

A. Trade Receivables

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables		
— contracts with customers	14,016	193,959
— lease receivables	78	2,747
	<u>14,094</u>	<u>196,706</u>

At 31 December 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, 5 to 30 days to its customers from the storage business and 30 days to its customer from the exploration, exploitation and operation of crude oil business.

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 30 days	14,094	12,965
Over 365 days	—	183,741
	<u>14,094</u>	<u>196,706</u>

During the year ended 31 December 2020, the Group initiated legal proceedings to recover its outstanding debts from one of its customers. On 21 December 2020, Dongying Intermediate People's Court of Shandong Province of the People's Republic of China (中華人民共和國山東省東營市中級人民法院) considered the overdue sum as a breach of contract and that the customer has to bear the payment responsibility and compensate the economic loss to the Group.

On 8 December 2021, the customer and the Group entered into a debt renegotiation plan, which stipulated, amongst others, a monthly repayment schedule, the outstanding interest amount up to the latest practicable date of approximately HK\$6,753,000, which is expected to be paid at the end of 2024, and a 3.85% per annum interest charge on the total outstanding amount henceforth. In accordance with the repayment schedule, monthly repayments will be made from 2022 to 2024.

On 29 December 2022, the Group entered into a supplemental modification agreement with the customer to agree a revised repayment schedule, as detailed in the below, with no changes in other key terms. In accordance with the revised repayment schedule, repayments of principal amount shall be partially made in 2023 and the remaining principal amount 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 year ended 31 December 2023, interest income from trade receivables accrued under the effective interest method of approximately HK\$10,526,000 was recognised in other income.

During the year ended 31 December 2024, the customer has fully settled the remaining principal amount and the accrued interest in accordance with the supplemental modification agreement.

Details of impairment assessment and loss allowance account in respect of trade receivables at amortised cost are set out in Note 39.

B. Other receivables, deposits and prepayments

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Prepayments to suppliers for purchases of petroleum products and petrochemicals	856	8,438
Receivable from crude oil royalty income	2,556	–
Production operation expenses recoverable from PSC partner (Note 34)	4,789	–
Dividend receivable from listed securities held for trading	117	–
Value-added tax recoverables	27,121	6,822
Other receivables (note)	15,396	4,513
Other deposits	785	566
Other prepayments	2,058	1,211
	<u>53,678</u>	<u>21,550</u>
Less: Impairment loss under expected credit loss model	<u>(13,754)</u>	<u>–</u>
	<u>39,924</u>	<u>21,550</u>
Classified as:		
Non-current assets	1,236	205
Current assets	38,688	21,345
	<u>39,924</u>	<u>21,550</u>

note: Other receivables mainly comprised of: a) certain payments in relation to transactions entered into by Strong HK with certain third parties. For details of the transactions, please refer to Note 1.1(B); and b) the deposit used as collateral for other borrowings (Note 29) (2023: rent receivable and demurrage charge receivable).

Details of the impairment assessment of receivable from crude oil royalty income, production operation expenses recoverable from PSC partner, dividend receivable from listed securities held for trading, other receivables and refundable deposits are set out in Note 39.

21. FINANCIAL ASSETS AT FVTPL

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current asset		
— Unlisted equity investment	—	50,441
Current assets		
— Listed securities held for trading	130	272
	<u>130</u>	<u>50,713</u>
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss on financial assets at FVTPL, net:		
Dividend income from listed securities held for trading	117	—
Loss on fair value change in unlisted equity investment	—	(102,123)
Loss on fair value change in listed securities held for trading	(142)	(66)
Loss on disposal of unlisted equity investment	(1,432)	—
	<u>(1,457)</u>	<u>(102,189)</u>

Unlisted equity investment

On 31 August 2020, the Group subscribed for 2.5 million Class A Shares in SH Energy Fund 1 (“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). As at 31 December 2021, unpaid amount of US\$3,500,000 (equivalent to approximately HK\$27,300,000) was included in other payable. During the year ended 31 December 2022, the amount was settled through the declaration of dividend by SH Energy of the same amount which was one of the major non-cash transactions of the Group for the year ended 31 December 2022.

Fair value measurement of the Group’s investment in SH Energy is classified as Level 3 of the fair value hierarchy. 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. Details of the key unobservable inputs are disclosed on Note 38. Based on the fair value assessment, a fair value loss of approximately US\$13,093,000 (equivalent to approximately HK\$102,123,000) was recognised for the year ended 31 December 2023. The Tianjin oil fields project of SH Energy had not yet obtained the approval to extend the production period as at 31 December 2023, resulting a reduction of forecast volume of oil produced in the remaining forecast periods. Together with the drop in crude oil price as comparing with 31 December 2022, these resulted in significant fair value loss on the investment in SH Energy for the year ended 31 December 2023.

During the year ended 31 December 2024, the Group acquired the principle assets of SH Energy. Subsequently, the directors of SH Energy had 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. In July 2024, the directors of SH Energy decided to compulsorily redeem all participating shares. Approximately US\$6.2 million (equivalent to approximately HK\$48.1 million) and approximately US\$0.1 million (equivalent to approximately HK\$0.9 million) were received from SH Energy as redemption proceeds on 26 July 2024 and 9 August 2024 respectively.

Listed securities held for trading

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Listed securities held for trading:		
— Equity securities listed in Hong Kong	76	217
— Equity securities listed outside Hong Kong	54	55
	<u>130</u>	<u>272</u>

Fair value measurement of the Group's investment in listed securities is classified as Level 1 of the fair value hierarchy, as the fair value is based on quoted bid prices in active markets. For the year ended 31 December 2024, a fair value loss of approximately HK\$142,000 (2023: approximately HK\$66,000) was recognised for the year.

22. DEPOSITS PLACED WITH BROKERS

The amounts represent margin deposits placed with brokers for trading derivative financial instruments. The amounts carry interest at variable interest rate of from 0.001% to 2.5% (2023: from 0.001% to 3.5%) per annum.

23. PLEDGED BANK DEPOSITS AND RESTRICTED BANK DEPOSITS

Pledged bank deposits

As at 31 December 2023, bank deposit of approximately HK\$25,000 was pledged for certain letter of credit facility provided by a bank. The effective interest rate on pledged bank deposits was 0.001% per annum. The mature date is 2 January 2024.

As at 31 December 2024, no bank deposit was pledged.

Restricted bank deposits

As at 31 December 2024, bank accounts with balances of approximately HK\$69,080,000 were frozen due to the winding-up petition filed by Mr. Yao Guoliang, a former ED, at the Grand Court of the Cayman Islands as set out in the announcement of the Company dated 4 December 2024. In addition, certain bank accounts with balances of approximately HK\$13,393,000 were also frozen by the bank.

The remaining restricted bank deposits represented deposits the Group is required to make into a specific bank account at pre-determined monthly amounts as negotiated with CNPC. The balance is set aside for settlement of asset retirement obligations (Note 25). The usage of the balance in that bank account requires mutual consent of the Group and CNPC.

24. BANK BALANCES AND CASH

Bank balances and cash comprise cash on hand, balances in savings and current accounts, and short-term bank deposits with an original maturity of three months or less. As at 31 December 2024, the bank balances and cash of approximately HK\$236,282,000 (2023: approximately HK\$246,442,000) are denominated in RMB which is not freely convertible into other currencies.

Balances in savings account and short-term bank deposits carried effective interest at prevailing market rates ranging from 0.001% to 3.96% (2023: 0.001% to 5.12%) per annum.

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

A. Trade payables

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables at amortised cost	–	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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 30 days	–	2,947

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

B. Other payables and accrued charges

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Accrued demurrage charges	3,534	6,708
Payables for purchases and construction of property, plant and equipment	21,469	78,015
Payable for production costs and expenses related to exploration, exploitation and operation of crude oil business (<i>Note 34</i>)	35,012	–
Accrued customer claims arising from arbitration (<i>note (c)</i>)	30,977	–
Other accrued charges (<i>note (a)</i>)	15,553	12,760
Accrued interest for bank borrowings (<i>Note 29</i>)	698	216
Other payables and deposits received (<i>note (b)</i>)	632,228	13,053
	<u>739,471</u>	<u>110,752</u>

note (a): Other accrued charges mainly comprised of salaries and bonus and legal and professional fee.

note (b): Other payables and deposits received mainly comprised of certain receipts in relation to transactions entered into by Strong HK with certain third parties. For details of the transactions, please refer to Note 1.1(B).

note (c): Accrued customer claims arising from arbitration represented the legal compensations in relation to a breach of contract term in trade transactions entered into by Strong Petroleum Singapore Private Ltd. with a customer as the company could not load agreed quantity of coal on the vessel within the given time.

C. Provision

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Asset retirement obligations	22,638	–
Classified as:		
Non-current liabilities	3,039	–
Current liabilities	19,599	–
	<u>22,638</u>	<u>–</u>

The movement on provision during the year is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
As at 1 January	–	–
Acquired from acquisition of subsidiaries (<i>Note 33</i>)	18,726	–
Provision for the year	3,912	–
	<u>22,638</u>	<u>–</u>

26. CONTRACT LIABILITIES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trading of commodities	9,117	1,660
Storage related ancillary services for petroleum products and petrochemicals	555	138
	<u>9,672</u>	<u>1,798</u>

Contract liabilities represent prepayments received from the customers prior to delivery of goods and provision of services. The Group has no particular policy on the amounts to be received prior to the delivery of goods and provision of services and it is negotiated with customers on contract by contract basis. The contract liabilities recognised at the end of each reporting period are normally recognised as revenue in the following financial reporting period.

27. LEASES

The Group as a lessee

Right-of-use assets

	Leasehold land HK\$'000	Leased properties HK\$'000	Total HK\$'000
At 1 January 2023	62,416	4,424	66,840
Depreciation provided	(1,406)	(2,823)	(4,229)
Exchange realignment	(882)	(1)	(883)
	<u>60,128</u>	<u>1,600</u>	<u>61,728</u>
At 31 December 2023 and 1 January 2024			
Additions and lease modifications	—	5,525	5,525
Termination of lease	—	(2,957)	(2,957)
Depreciation provided	(1,388)	(2,159)	(3,547)
Impairment loss recognised	(18,724)	—	(18,724)
Exchange realignment	(1,266)	—	(1,266)
	<u>38,750</u>	<u>2,009</u>	<u>40,759</u>
		2024	2023
		HK\$'000	HK\$'000
Expenses relating to short term leases		2,033	458
Total cash outflow for leases		<u>4,330</u>	<u>3,404</u>

The Group owns several buildings, where its storage facilities are primarily located, and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

In addition, the Group leased various offices for its operations. Lease contracts are entered into for a fixed term of 1 year to 2 years. The Group may extend the lease beyond the initial agreed period but it is subject to mutual agreement between the Group and the property owner. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Details of the impairment assessment on leasehold land related to the Fujian Plant and the impairment assessment on leasehold land related to the storage tanks are further disclosed in Note 14.

There were no impairment indicators for the remaining right-of-use assets held by the Group as at 31 December 2024 and 31 December 2023.

Lease liabilities

Future lease payments are due as follows:

	Future lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
As at 31 December 2024			
Within one year	969	83	886
After one year but within two years	966	35	931
After two years but within five years	241	1	240
	<u>2,176</u>	<u>119</u>	<u>2,057</u>
As at 31 December 2023			
Within one year	1,480	37	1,443
After one year but within two years	252	1	251
	<u>1,732</u>	<u>38</u>	<u>1,694</u>

The present value of future lease payments are analysed as:

	2024 HK\$'000	2023 HK\$'000
Current	886	1,443
Non-current	<u>1,171</u>	<u>251</u>
	<u>2,057</u>	<u>1,694</u>

Reconciliation of lease liabilities is set out in Note 43.

The Group as a lessor

Minimum lease payments receivable on leases are as follows:

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	–	1,582
In the second year	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>1,582</u>

No (2023: approximately HK\$1,298,000) minimum lease payments receivable includes rental income from investment properties (2023: for the period from 1 January 2024 to 27 June 2024).

28. DERIVATIVE FINANCIAL INSTRUMENTS

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
The carrying amount of derivative financial instruments is presented as:		
Current assets	3,892	12,276
Current liabilities	3,844	12,879
	<u>3,892</u>	<u>12,276</u>
	<u>3,844</u>	<u>12,879</u>

The Group has the following outstanding net-settled futures and swaps contracts.

The major terms of these contracts are as follows:

At 31 December 2024

Notional amount	Maturity date	Strike prices
Aluminium futures contracts — Long position: US\$2,497,650	19 February 2025 to 19 March 2025	US\$2,594.50 to US\$2,645.00 per metric tonne
Aluminium futures contracts — Short position: US\$4,841,463	19 February 2025 to 19 March 2025	US\$2,590.00 to US\$2,659,000 per metric tonne
Nickel futures contracts — Long position: US\$3,024,690	19 February 2025 to 19 March 2025	US\$15,480.00 to US\$15,940.00 per metric tonne
Nickel futures contracts — Short position: US\$3,024,210	19 February 2025 to 19 March 2025	US\$15,525.00 to US\$16,015.00 per metric tonne
Henry Hub Natural Gas futures contracts — Long position: US\$2,216,300	28 February 2025	US\$2.76 to US\$2.78 per million British thermal unit
Henry Hub Natural Gas futures contracts — Short position: US\$2,234,900	31 March 2025	US\$2.78 to US\$2.80 per million British thermal unit
Propane ARGUS swaps contracts — Long position: US\$614,000	31 January 2025	US\$614.00 per metric tonne
Propane ARGUS swaps contracts — Short position: US\$620,000	31 January 2025	US\$620.00 per metric tonne
Naphtha C&F Japan (Platts) futures contracts — Long position: US\$3,984,000	31 December 2024*	US\$664.00 per metric tonne
Naphtha C&F Japan (Platts) futures contracts — Short position: US\$3,947,000	31 December 2024*	US\$606.50 to US\$686.00 per metric tonne

* The settlement date of these contracts was 2 January 2025.

At 31 December 2023

Notional amount	Maturity date	Strike prices
Brent futures contracts — Long position: US\$7,987,010	31 January 2024 to 30 April 2024	US\$78.10 to US\$80.40 per barrel
Brent futures contracts — Short position: US\$5,162,250	31 October 2024	US\$76.49 to US\$77.40 per barrel
Dubai Crude Oil futures contracts — Long position: US\$31,582,430	29 February 2024 to 31 March 2024	US\$77.97 to US\$80.33 per barrel
Dubai Crude Oil futures contracts — Short position: US\$31,520,130	31 March 2024 to 30 April 2024	US\$77.73 to US\$80.07 per barrel
Henry Hub Natural Gas futures contracts — Long position: US\$3,387,480	27 February 2024 to 26 June 2024	US\$2.13 to US\$2.69 per million British thermal unit
Propane ARGUS futures contracts — Long position: US\$5,200,360	29 December 2023 [#] to 31 January 2024	US\$621.49 to US\$680.00 per metric tonne
Propane ARGUS futures contracts — Short position: US\$5,037,230	29 December 2023 [#] to 31 January 2024	US\$618.70 to US\$682.75 per metric tonne
Naphtha C&F Japan Cargo swaps contracts — Long position: US\$1,758,000	29 December 2023 [#]	US\$586.00 to US\$586.00 per metric tonne
Naphtha C&F Japan (Platts) futures contracts — Short position: US\$1,897,000	29 December 2023 [#]	US\$612.00 to US\$643.00 per metric tonne

[#] The settlement date of these contracts was 2 January 2024.

The fair values of the derivative financial instruments are estimated based on the difference between the contracted strike prices and prevailing futures and swaps prices or published indexes at the end of the reporting period. Such prevailing futures and swaps prices or published indexes are derived from the relevant futures exchanges or prices publication as specified in the contracts.

Changes in fair value of derivative financial instruments for the years ended 31 December 2024 and 31 December 2023 recognised in the consolidated statement of profit or loss and other comprehensive income mainly represent the changes in fair value of all settled and unsettled trading futures contracts in relation to metal, crude oil and petroleum products, and swap contracts in relation to petroleum products.

29. BANK AND OTHER BORROWINGS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bank borrowings — secured	297,605	159,892
Other borrowing — secured	13,021	—
Other borrowings — unsecured	25,000	—
	<u>335,626</u>	<u>159,892</u>
Total	<u>335,626</u>	<u>159,892</u>
The carrying amount of the above borrowings are repayable (<i>note</i>):		
Within one year	13,175	—
Within a period of more than one year but not exceeding two years	44,486	—
Within a period of more than two years but not exceeding five years	198,404	93,270
More than five years	79,561	66,622
	<u>335,626</u>	<u>159,892</u>
Less: Amounts shown under current liabilities	<u>(13,175)</u>	—
Amount shown under non-current liabilities	<u>322,451</u>	<u>159,892</u>

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

As at 31 December 2024, the bank borrowings carried interest at floating rate of ranging from 3.8% to 4.2% (2023: from 4.4% to 4.5%) (Loan Prime Rate announced by the National Interbank Funding Center of the PRC plus 0.2%) and were secured by certain right-of-use assets and property, plant and equipment.

The secured 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 borrowings carried interest at a fixed rate of 7% and 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.

The unsecured other borrowings were denominated in HK\$, which was functional currency of the relevant group entity. The unsecured other borrowings were borrowed from an individual, who became the director of the relevant group entity after the reporting period.

30. DEFERRED TAX

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Deferred tax assets	<u>38,242</u>	<u>–</u>

The movement on deferred tax assets during the year is as follows:

	Depreciation on oil assets <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2023, 31 December 2023 and 1 January 2024	–	–	–
Acquired from acquisition of subsidiaries (<i>Note 33</i>)	39,600	137	39,737
Charged to profit or loss (<i>Note 9</i>)	<u>(1,432)</u>	<u>(63)</u>	<u>(1,495)</u>
At 31 December 2024	<u>38,168</u>	<u>74</u>	<u>38,242</u>

At the end of the reporting period, the Group has estimated tax losses of approximately HK\$123,332,000 (2023: approximately HK\$102,111,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams of respective entities of the Group. Included in the unrecognised tax losses are losses of approximately HK\$8,047,000 (2023: approximately HK\$2,633,000) that will expire by 2029 (2023: 2028). Other losses may be carried forward indefinitely.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately HK\$14,479,000 (2023: approximately HK\$31,153,000) has not been provided for in the consolidated financial statements as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

Except for the above, the Group had no material unrecognised deferred tax liabilities or assets to 31 December 2024 and 31 December 2023.

31. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.025 each		
Authorised:		
At 1 January 2023, 31 December 2023 and 31 December 2024	<u>4,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2023, 31 December 2023 and 31 December 2024	<u>2,123,364,090</u>	<u>53,084</u>

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

The new shares rank pari passu with the existing shares in all respects.

32. DISPOSAL OF A SUBSIDIARY IN PRIOR YEAR

Disposal of Takada Trading Limited

On 12 September 2023, the Group disposed of its entire equity interest (i.e. 100%) in Takada Trading Limited ("Takada").

The net assets of Takada at the date of disposal were as follows:

	At 12 September 2023 <i>HK\$'000</i>
Club membership	<u>1,100</u>
Net assets disposed of	1,100
Gain on disposal	<u>50</u>
Total consideration	<u>1,150</u>
Net cash inflow arising on disposal:	
Cash consideration	<u>1,150</u>
	<u>1,150</u>

33. ACQUISITION OF SUBSIDIARIES

On 28 June 2024, the Group acquired the entire issued share capital of Success Plus Global Limited (“Success Plus”) for consideration of US\$9,000,000 (equivalent to approximately HK\$70,200,000) from SH Energy, on that date, control in Success Plus was passed to the Group. This acquisition has been accounted for using the acquisition method. The major asset of Success Plus is the entire participating interest entitled by Pan-China Resources Ltd., a wholly-owned subsidiary of Success Plus under the PSC 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 exploration, exploitation and operation of crude oil business.

Consideration transferred:

	<i>HK\$’000</i>
Cash consideration	<u>70,200</u>

The fair value of identifiable assets acquired and liabilities of Success Plus and its subsidiary recognised at the date of acquisition are as follows:

	<i>HK\$’000</i>
Property, plant and equipment (<i>Note 14</i>)	123,512
Deferred tax assets (<i>Note 30</i>)	39,737
Inventories	10,470
Trade receivables	13,616
Other receivables, deposits and prepayments	9,907
Restricted bank deposits	16,194
Bank balances and cash	23,782
Other payables and accrued charges	(77,493)
Provision	(18,726)
Other borrowings	(68,951)
Income tax payable	<u>(1,848)</u>
	<u>70,200</u>

Net cash outflow on acquisition of Success Plus and its subsidiary during the year ended 31 December 2024:

	<i>HK\$’000</i>
Cash and cash equivalents paid	70,200
Less: Cash and cash equivalents balance acquired	<u>(23,782)</u>
	<u>46,418</u>

Since the acquisition date, Success Plus has contributed approximately HK\$69,338,000 and approximately HK\$8,414,000 to the Group's revenue and profit for the year of 2024. If the acquisition had occurred on 1 January 2024, the Group's revenue and loss would have been approximately HK\$1,678,785,000 and approximately HK\$314,307,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2024, nor is it intended to be a projection of future performance.

The Group has incurred the acquisition-related costs of approximately HK\$1,007,000 for valuation and due diligence services. The amount has been recognised in the administrative expenses.

34. JOINT ARRANGEMENTS

Joint operations

During the year ended 31 December 2024, the Group obtained a PSC interest as a result of the acquisition of Success Plus (Note 33), which is accounted for joint operation in accordance with HKFRS 11. This PSC establishes joint control over the development and production activities of underlying oilfield. The assets are not owned by a separate legal entity but are controlled by individual participants in the PSC. Each participant of the PSC is entitled to a pre-determined share of the related output and bears an agreed share of the costs in accordance with PSC contract terms. The Group acts as the foreign contractor in the PSC, which is responsible for the development and production activities in accordance with the approved production plans.

(a) *Kongnan PSC*

The Group holds 100% foreign contractor's interest in the Kongnan PSC, with CNPC as the Chinese PSC party. The Kongnan oilfield has commenced commercial production in 2009, and the commercial production period will expire in 2027 upon the expiration of the PSC.

Pursuant to the respective PSC with CNPC, the annual gross production of the crude oil shall, after payment for value added tax, be firstly deemed as the cost recovery oil and shall be used for cost recovery in the following sequence:

- (i) Payment in kind for the operating costs incurred by the foreign contractor and CNPC.
- (ii) The remainder of the cost recovery oil shall, after payment for the operating costs, be deemed as investment recovery oil. Such investment recovery oil shall be used for the simultaneous recovery of the pilot test costs and the development costs incurred by the foreign contractor and pre-development costs spent by CNPC in proportion of 18% by CNPC and 82% by the foreign contractor. The unrecovered costs of the parties shall be carried forward to and recovered from the investment recovery oil in succeeding calendar years until being fully recovered.
- (iii) After all pilot test costs and development costs incurred up to that time have been recovered, the remainder of the gross production of crude oil for that period is referred to as profit oil and shall be allocated in proportion of 51% to 49% between CNPC and the foreign contractor.
- (iv) The operating costs incurred after the commencement of commercial production shall be paid by CNPC (Note 20) and the foreign contractor (Note 25) in accordance with the proportion of oil allocated to each party, respectively.

35. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (“MPF Scheme”) under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees’ salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years at the end of the reporting period.

The Group’s subsidiary operating in Macao, in compliance with the applicable regulations of Macao, participated in a defined contribution pension scheme operated by the local government. The subsidiary is required to contribute a fixed amount for each employee. The only obligation of the Group with respect to the pension scheme is to make the specified contributions.

The Group’s subsidiaries operating in the PRC, in compliance with the applicable regulations of the PRC, participated in central pension schemes operated by the relevant local government authorities. The contribution is borne by the Group on a fixed percentage of the employees’ salaries.

The Group’s subsidiary operating in Singapore, in compliance with the applicable regulations of Singapore, participated in a defined contribution scheme operated by the local government. The subsidiary is required to contribute an amount based on the employees’ salaries.

During the year, the total amount contributed by the Group to these schemes and cost charged represents contribution paid or payable to these schemes by the Group at rates or amount specified in the rules of these schemes. The amount of contributions made by the Group in respect of retirement benefit schemes during the years ended 31 December 2024 and 31 December 2023 is disclosed in Note 10.

The Group has no significant obligation apart from the contribution as above at the end of the reporting period.

36. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option schemes

The share option scheme was adopted by an ordinary resolution of the shareholders at annual general meeting of the Company on 15 May 2014 (the “Share Option Scheme”). The Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules and will remain in force for 10 years from 15 May 2014. All outstanding share options granted under the Share Option Scheme were lapsed during the year ended 31 December 2024.

Share Option Scheme

Under the Share Option Scheme, the Board of Directors might, in its absolute discretion, offer to grant options to any employee, executive and officer of the Group, any director (including non-executive director and independent non-executive director) and any supplier, agent, customer, distributor, business associate or partner, professional, adviser, consultant or contractor, and any shareholder of any member of the Group whom the Board of Directors considered had contributed or would contribute to the Group.

The maximum number of shares in respect of which the options might be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue at the date of approval of the Share Option Scheme. The number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Share Option Scheme should not exceed 30% of the shares in issue of the Company from time to time.

The total number of shares issued and which fell to be issued upon the exercise of the options granted under the Share Option Scheme (including both exercised and outstanding options) to any individual in any 12-month period up to the date of offer to grant should not exceed 1% of the shares of the Company in issue as at the date of offer to grant. Any further grant of options in excess of this 1% limit should be subject to issuance of a circular by the Company and approval by the Company’s shareholders in accordance with the Share Option Scheme. Options granted to connected persons in excess of 0.1% of the Company’s share capital or with a value in excess of HK\$5 million must be approved in advance by the Company’s shareholders.

Subject to the rules of the Share Option Scheme, options might be exercised, in whole or in part, at any time during the period from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and the tenth anniversary of the Share Option Scheme. Options granted must be accepted by the prescribed acceptance date. Upon acceptance of the option, the grantee should pay HK\$1 to the Company by way of consideration for the grant.

The exercise price was determined by the directors of the Company, and would not be less than the higher of the nominal value of the share, the closing price of the Company’s shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

On 5 September 2014, a total of 138,000,000 share options were granted to certain independent advisers under the Share Option Scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK\$0.78. The share options granted on 5 September 2014 were fully vested upon the date of grant and are exercisable during the period from 6 September 2014 to 14 May 2024. The estimated fair values of the share options and each share option at the date of grant were HK\$41,372,000 and HK\$0.2998, respectively.

As the fair value of advisory services provided by the advisers could not be measured reliably, the fair value of the share options was determined using the Black-Scholes pricing model. Where relevant, the expected life used in the model had been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the share option), and behavioural considerations. Expected volatility was based on the historical share price volatility over the past six years upon the listing of the Company's shares on the HKEx. The risk-free interest rate was based on 9.69 years yield of Hong Kong Sovereign Curve at the date of grant.

The variables and assumptions used in computing the fair value of the share options were based on the best estimate of the directors of the Company. The value of an option varied with different variables of certain subjective assumptions.

The following table discloses movements of the Company's share options held by other eligible participants during the years ended 31 December 2023 and 31 December 2024:

Share Option Scheme

Eligible participants	Outstanding at 1 January 2023, 31 December 2023 and 1 January 2024	Lapsed during the year	Outstanding at 31 December 2024
Others (<i>note</i>)	<u>138,000,000</u>	<u>(138,000,000)</u>	<u>–</u>

note: Others represented advisers who had provided advisory services (mainly for business opportunity for trading of crude oil) to the Group.

As at 31 December 2023, all share options under the Share Option Scheme were exercisable. No share options under the Share Option Scheme were exercised during the year ended 31 December 2023. All outstanding share options under the Share Option Scheme were lapsed upon expiry on 14 May 2024.

As at 31 December 2023, the number of shares of the Company in respect of which share options had been granted and remained outstanding under the Share Option Scheme was 138,000,000, representing 6.5% of the shares of the Company in issue at that date.

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of bank and other borrowings disclosed in Note 29, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, share premium, retained profits and other reserves as disclosed in the consolidated statement of changes in equity. The directors of the Company review the capital structure on a continuous basis.

The net debt to equity ratios at the end of the reporting period are as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bank and other borrowings	335,626	159,892
Cash and cash equivalents	<u>(878,551)</u>	<u>(456,586)</u>
Net debt	<u><u>(542,925)</u></u>	<u><u>(296,694)</u></u>
Equity attributable to owners of the Company	<u><u>960,373</u></u>	<u><u>1,298,581</u></u>
Net debt to equity ratio	<u><u>N/A</u></u>	<u><u>N/A</u></u>

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

		31 December 2024	
	<i>Notes</i>	Financial assets at FVTPL <i>HK\$'000</i>	Financial assets at amortised cost <i>HK\$'000</i>
Financial assets			
Trade receivables	20		
Contracts with customers		–	14,016
Lease receivables		–	78
Other receivables and deposits	20	–	9,889
Deposits placed with brokers	22	–	155,448
Restricted bank deposits	23	–	103,166
Bank balances and cash	24	–	878,551
Financial assets at FVTPL	21		
Listed securities held for trading		130	–
Derivative financial instruments	28	<u>3,892</u>	<u>–</u>
		<u><u>4,022</u></u>	<u><u>1,161,148</u></u>

		31 December 2024	
		Financial liabilities at FVTPL	Financial liabilities at amortised cost
		HK\$'000	HK\$'000
	<i>Notes</i>		
Financial liabilities			
Other payables	25	–	688,709
Lease liabilities	27	–	2,057
Bank and other borrowings	29	–	335,626
Derivative financial instruments	28	3,844	–
		<u>3,844</u>	<u>–</u>
		<u>3,844</u>	<u>1,026,392</u>
		31 December 2023	
		Financial assets at FVTPL	Financial assets at amortised cost
		HK\$'000	HK\$'000
	<i>Notes</i>		
Financial assets			
Trade receivables	20		
Contracts with customers		–	193,959
Lease receivables		–	2,747
Other receivables and deposits	20	–	5,079
Deposits placed with brokers	22	–	106,239
Pledged bank deposit	23	–	25
Bank balances and cash	24	–	456,586
Financial assets at FVTPL	21		
Unlisted equity investment		50,441	–
Listed securities held for trading		272	–
Derivative financial instruments	28	12,276	–
		<u>62,989</u>	<u>764,635</u>
		<u>62,989</u>	<u>764,635</u>

	Notes	31 December 2023	
		Financial liabilities at FVTPL HK\$'000	Financial liabilities at amortised cost HK\$'000
Financial liabilities			
Trade payables	25	–	2,947
Other payables	25	–	91,068
Lease liabilities	27	–	1,694
Bank and other borrowings	29	–	159,892
Derivative financial instruments	28	12,879	–
		<u>12,879</u>	<u>255,601</u>

Fair value measurements of financial instruments

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

(a) *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).

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

	Financial assets at FVTPL HK\$'000
Unlisted equity investment	
At 1 January 2023	152,564
Change in fair value of financial assets at FVTPL	<u>(102,123)</u>
At 31 December 2023 and 1 January 2024	50,441
Compulsory redemption of financial assets at FVTPL	<u>(50,441)</u>
At 31 December 2024	<u>–</u>

Fair value hierarchy at 31 December 2024 and 31 December 2023

	At 31 December 2024			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				
Derivative financial instruments (note (ii))	–	3,892	–	3,892
Listed securities held for trading	130	–	–	130
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments (note (ii))	–	3,844	–	3,844
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

notes:

- (i) Quoted bid prices in active markets.
- (ii) Difference between the contracted strike prices and prevailing futures and swap prices or published indexes at the end of each reporting period. Such prevailing futures and swap prices or published indexes are derived from the relevant futures exchanges or prices publication as specified in the contracts.
- (iii) The underlying investment in SH Energy was an oil reserve in the PRC. During the year ended 31 December 2023, the fair value valuation had adopted certain key assumptions provided by 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%.

There were no transfers among Level 1, 2 and 3 during the years ended 31 December 2024 and 31 December 2023.

(b) *Fair values 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 cost in the consolidated financial statements approximate their fair values.

Financial assets and financial liabilities subject to offsetting enforceable master netting arrangements and similar agreements

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

The amounts recognised for the derivative financial assets, derivative financial liabilities and deposits placed with brokers in relation to futures and swap contracts do not meet the criteria for offsetting in the Group's consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable upon an event of default.

	Gross amounts of recognised financial assets (liabilities)	Gross amounts of recognised financial assets (liabilities) set-off in the consolidated statement of financial position	Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
	Financial instruments HK\$'000	Cash collateral HK\$'000	Net amount HK\$'000			
At 31 December 2024						
Financial assets						
Deposits placed with brokers	155,448	-	155,448	(3,844)	-	151,604
Derivative financial instruments						
— futures contracts	3,799	-	3,799	-	-	3,799
— swap contracts	93	-	93	-	-	93
Total	<u>159,340</u>	<u>-</u>	<u>159,340</u>	<u>(3,844)</u>	<u>-</u>	<u>155,496</u>
Financial liabilities						
Derivative financial instruments						
— futures contracts	(3,798)	-	(3,798)	3,798	-	-
— swap contracts	(46)	-	(46)	46	-	-
Total	<u>(3,844)</u>	<u>-</u>	<u>(3,844)</u>	<u>3,844</u>	<u>-</u>	<u>-</u>
At 31 December 2023						
Financial assets						
Deposits placed with brokers	106,239	-	106,239	(12,879)	-	93,360
Derivative financial instruments						
— futures contracts	10,412	-	10,412	-	-	10,412
— swap contracts	1,864	-	1,864	-	-	1,864
Total	<u>118,515</u>	<u>-</u>	<u>118,515</u>	<u>(12,879)</u>	<u>-</u>	<u>105,636</u>
Financial liabilities						
Derivative financial instruments						
— futures contracts	(12,879)	-	(12,879)	12,879	-	-
Total	<u>(12,879)</u>	<u>-</u>	<u>(12,879)</u>	<u>12,879</u>	<u>-</u>	<u>-</u>

39. FINANCIAL RISK MANAGEMENT

Exposure to market risks, liquidity risk and credit risk arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Market risks

Interest rate risk

The Group's cash flow interest rate risk primarily relates to its variable-rate deposits placed with brokers, pledged bank deposits, restricted bank deposits and bank balances, as set out in Notes 22, 23 and 24 respectively. The Group manages the interest rate exposure based on the interest rate level as well as potential impact on the Group's results arising from volatility of the interest rate. The management of the Group monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances, restricted bank deposits, pledged bank deposits and deposits placed with brokers and at the end of the reporting period. The analysis is prepared assuming the amount of bank balances, restricted bank deposits, pledged bank deposits and deposits placed with brokers outstanding at the end of the reporting period are outstanding for the whole year. A 10 (2023: 10) basis points increase or decrease is used for bank balances, restricted bank deposits, pledged bank deposits and deposits placed with brokers which represents assessment of reasonably possible changes in interest rates by the management of the Group.

For bank balances, restricted bank deposits, pledged bank deposits and deposits placed with brokers, if the interest rate increases/decreases by 10 (2023: 10) basis points and all other variables are held constant, the Group's loss for the year would decrease/increase by approximately HK\$1,137,000 (2023: approximately HK\$563,000).

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent interest rate risk as exposure at the end of the reporting period does not reflect the exposure during the year.

Currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Functional currency as				
US\$ against				
RMB	606,293	65,984	624,216	–
Other currencies	1,464	6,291	2,057	6,159

The majority of the Group's sales and purchases are denominated in the functional currency of the Group. Occasionally, some purchases are denominated in foreign currencies.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

For entities with US\$ as functional currency holding monetary assets denominated in HK\$ or vice versa, the directors of the Company consider that, as HK\$ is pegged to US\$, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of HK\$ against US\$ and vice versa.

Other price risks

(i) Commodity price risk

The Group's derivative financial instruments are measured at fair value provided by financial institutions with reference to the quoted commodity futures prices, commodity indexes or commodity prices publication as specified in the contract.

Therefore, the Group is primarily exposed to commodity price risk and the management of the Group monitors the price movements and takes appropriate actions when it is required.

Sensitivity analysis

In relation to derivative financial instruments, if the referenced commodity prices/indexes have been 10% higher/lower and all other variables are held constant, the Group's loss for the year would decrease/increase by approximately HK\$17,000 (2023: approximately HK\$4,853,000). The sensitivity rate of 10% represents assessment of the reasonably possible change in the referenced commodity prices/indexes by the management of the Group.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent risk of the commodity prices/indexes as the year end exposure does not reflect the exposure during the year.

(ii) *Equity price risk*

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL. As at 31 December 2024, the Group's equity price risk is mainly concentrated on equity investments in listed entities operating in oil industry and other industries. The shares of listed entities are quoted in the HKEx and New York Stock Exchange (2023: the HKEx and New York Stock Exchange).

The Group's objective is to earn relatively competitive returns by investing in a diverse portfolio of high quality and liquid securities.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to equity price risk at the end of the reporting period. If the market prices of the equity securities have been 10% higher/lower and all other variables are held constant, the Group's loss for the year would decrease/increase by approximately HK\$13,000 (2023: approximately HK\$27,000).

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent risk of the equity price as the year end exposure does not reflect the exposure during the year.

(b) Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at 31 December 2024, the Group had available unutilised short-term and long-term bank loan facilities of US\$115,000,000 (equivalent to approximately HK\$897,000,000) and RMB34,406,000 (equivalent to approximately HK\$37,154,000). As at 31 December 2023, the Group had available unutilised short-term bank loan facilities of US\$188,000,000 (equivalent to approximately HK\$1,466,400,000) and RMB172,103,000 (equivalent to approximately HK\$189,913,000).

The following table details the Group's remaining contractual maturities for its financial liabilities based on the agreed repayment dates. For non-derivative liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. For derivative financial instruments settled on a net basis, undiscounted contractual net cash outflow are presented. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management of the Group considers that the contracted maturities are essential for an understanding of the timing of the cash flows of derivative financial instruments.

To the extent that interests are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 December 2024							
Non-derivative financial liabilities							
Trade payables	N/A	-	-	-	-	-	-
Other payables	N/A	688,709	-	-	-	688,709	688,709
		<u>688,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>688,709</u>	<u>688,709</u>
Lease liabilities	5.3	969	966	241	-	2,176	2,057
Bank and other borrowings	4.6	27,965	57,930	222,149	88,833	396,877	335,626
Derivative financial instruments							
Futures contracts	N/A	3,798	-	-	-	3,798	3,798
Swap contracts	N/A	46	-	-	-	46	46
		<u>46</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46</u>	<u>46</u>
At 31 December 2023							
Non-derivative financial liabilities							
Trade payables	N/A	2,947	-	-	-	2,947	2,947
Other payables	N/A	91,068	-	-	-	91,068	91,068
		<u>94,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,015</u>	<u>94,015</u>
Lease liabilities	4.5	1,480	252	-	-	1,732	1,694
Bank and other borrowings	4.4	7,423	12,417	103,192	68,988	192,020	159,892
Derivative financial instruments							
Futures contracts	N/A	12,879	-	-	-	12,879	12,879
		<u>12,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,879</u>	<u>12,879</u>

(c) Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade and other receivables. The management of the Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. To measure ECLs of trade receivables at amortised cost, the Group applies internal credit rating for its customers and they are assessed individually by reference to past default experience, current past due exposure of the debtors and an analysis of the debtors' current financial position.

The Group has concentration of credit risk on the trade receivables. As at 31 December 2024, approximately 98% of the Group's outstanding trade receivables arise from a customer, with good credit rating and no historical loss record. The management of the Group considered the credit risk of such customer is low. As at 31 December 2023, approximately 93% of the Group's outstanding trade receivables arise from a customer, which the Group had instituted legal proceedings against. For details, please refer to Note 20. The five largest customers are large and established trading companies, which purchased crude oil, petroleum products and petrochemicals from the Group during the year. These companies are reputable with good financial backgrounds. The management of the Group closely monitors the subsequent settlement by the customers. At the same time, the management of the Group endeavoured to diversify and expand the customer base in order to mitigate the concentration of credit risk through establishing new business relationships with non state-owned licensed import agents and overseas oil trading companies.

As at 31 December 2024, no significant trade receivables were past due. As at 31 December 2023, significant trade receivables were past due and the management of the Group had performed assessment on the recoverability of the overdue debtor balances as follows:

Past due trade receivable balance

In November 2020, the Group instituted legal proceedings against a debtor in the PRC to claim for the outstanding balances of approximately US\$83,000,000 (equivalent to approximately HK\$647,647,000) (the "Outstanding Sum") and applied for taking possession of the Debtor's certain physical assets as collateral (the "Collateral"). The Group's claim on the Outstanding Sum and its application for the Collateral were confirmed by Dongying Intermediate People's Court of Shandong Province of the People's Republic of China on 16 November 2020. Based on the decision of Dongying Intermediate People's Court of Shandong Province of the People's Republic of China, the Collateral held by the Group over the Outstanding Sum is deemed to have a market value not less than approximately RMB681,000,000 (equivalent to approximately HK\$808,000,000, with interests on the Outstanding Sum included). In addition to the Collateral, the Outstanding Sum is secured by certain equity interest in the Debtor.

As detailed in Note 20, the Debtor and the Group entered into a debt repayment plan and supplemental modification agreement in 2021 and 2022, respectively. In addition to continuous repayments in accordance with the debt repayment plan, as at 31 December 2024, the Group has received full settlements of principal amount and the accrued interest.

Taking into account of the above-mentioned points, the management of the Group considers that the remaining outstanding balance is not credit-impaired at the end of the reporting period.

Other financial assets at amortised cost

For other receivables (excluding prepayments), the management of the Group makes periodic individual assessments on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. As at 31 December 2024, management of the Group considered that certain payments in relation to transactions entered into by Strong HK with certain third parties were credit-impaired. For details of the transactions, please refer to Note 1.1(B). As at 31 December 2023, management of the Group considered that no material other receivables were credit-impaired.

The bank balances, restricted bank deposits, pledged bank deposits and deposits placed with brokers are placed in various authorised financial institutions either with high credit ratings or good financial background and the management of the Group considered the credit risk of such authorised financial institutions is low.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and lease receivables	Other financial assets at amortised cost
Low risk	The counter party has a low risk of default. The balance has not past-due or has past-due but frequently repays after due dates and always settles in full.	Lifetime ECLs (not credit-impaired)	12m ECLs
Watch list	The counterparty does not frequently repay after due dates but usually settle in full.	Lifetime ECLs (not credit-impaired)	12m ECLs
Doubtful	There has been significant increase in credit risk since initial recognition through information developed internally or external sources.	Lifetime ECLs (not credit-impaired)	Lifetime ECLs (not credit-impaired)
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECLs (credit-impaired)	Lifetime ECLs (credit-impaired)
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the company has no realistic prospect of recovery.	Amount is written off	Amount is written off

The following table shows the credit risk exposures of the Group's financial asset at amortised cost and lease receivables which are subject to ECLs assessment:

					2024	2023
	<i>Notes</i>	External credit rating	Internal credit rating	12m or lifetime ECLs	Gross carrying amounts <i>HK\$'000</i>	Gross carrying amounts <i>HK\$'000</i>
Financial assets at amortised cost						
Trade receivables	20	N/A	Low risk	Lifetime ECLs (not credit-impaired)	14,094	196,706
Other receivables and deposits	20	N/A	Low risk	12m ECLs	9,889	3,831
	20	N/A	Loss	Lifetime ECLs (credit-impaired)	13,754	–
Deposits placed with brokers	22	Aa1–Ba3	N/A	12m ECLs	155,448	106,239
Pledged bank deposits	23	Aa1–Baa2	N/A	12m ECLs	–	25
Restricted bank deposits	23	A1	N/A	12m ECLs	103,166	–
Bank balances	24	Aa1–Baa2	N/A	12m ECLs	878,530	456,578
Other items						
Rent receivable	20	N/A	Low risk	Lifetime ECLs (not-credit impaired)	–	1,248

For the year ended 31 December 2024, expected credit losses had been made on other receivables and deposits. For the year ended 31 December 2023, the Group had no material expected credit losses on its financial assets.

As at 31 December 2024 and 2023, the loss allowance provision for other receivables and deposits reconciles to the opening loss allowance for that provision as follows:

	Other receivables and deposits <i>HK\$'000</i>
At 1 January 2023, 31 December 2023 and 1 January 2024	–
Provision for loss allowance recognised in profit or loss	<u>13,754</u>
At 31 December 2024	<u><u>13,754</u></u>

40. RELATED PARTY TRANSACTIONS

(a) Transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following transactions with its related parties during the year:

Name of related party	Nature of transaction	2024 HK\$'000	2023 HK\$'000
Strong Property Limited (<i>note (i)</i>)	Rental expenses	1,325	1,988
Beijing Wanhua Real Estate Co., Ltd. (<i>note (ii)</i>)	Rental expenses	803	–

notes:

- (i) Strong Property Limited is owned and controlled by Mr. Yao Guoliang, a former ED.
- (ii) Mr. Wang Jian Sheng, a former ED and a current non-executive director of the Company, is a minority shareholder of Beijing Wanhua Real Estate Co., Ltd.

(b) Compensation of key management personnel

The remuneration of directors of the Company and the other members of key management of the Group during the year are set out in Note 11.

The remuneration of key management personnel is determined by the directors of the Company having regard to the performance of individuals and market trends.

41. CAPITAL COMMITMENTS

	2024 HK\$'000	2023 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	<u>38,794</u>	<u>119,501</u>

42. PLEDGE OF ASSETS

The carrying amounts of assets that have been pledged as collaterals to secure certain financial institution facilities are as follows:

	2024 HK\$'000	2023 HK\$'000
Pledged bank deposit	–	25
Right-of-use assets	38,750	60,128
Property, plant and equipment	430,314	37,805
Trade receivables	13,755	–
Other receivables	<u>1,031</u>	<u>–</u>

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Bank and other borrowings	Accrued interest	Lease liabilities	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 29)</i>	<i>(note)</i>	<i>(Note 27)</i>	
At 1 January 2024	159,892	216	1,694	161,802
Acquired from acquisition of subsidiaries	68,951	239	–	69,190
Changes from financing cash flows:				
Proceed from bank and other borrowings	168,572	–	–	168,572
Repayment of bank and other borrowings	(55,775)	–	–	(55,775)
Repayments of lease liabilities	–	–	(2,122)	(2,122)
Interest paid	–	(12,093)	(175)	(12,268)
Total changes from financing cash flows	112,797	(12,093)	(2,297)	98,407
Other changes:				
Finance costs (before capitalisation)	–	12,491	175	12,666
New leases entered and lease modifications during the year	–	–	5,525	5,525
Termination of a lease	–	–	(2,997)	(2,997)
Foreign exchange translation	(6,014)	(155)	(43)	(6,212)
Total other changes	(6,014)	12,336	2,660	8,982
At 31 December 2024	335,626	698	2,057	338,381

	Bank and other borrowings <i>HK\$'000</i> <i>(Note 29)</i>	Accrued interest <i>HK\$'000</i> <i>(note)</i>	Lease liabilities <i>HK\$'000</i> <i>(Note 27)</i>	Total <i>HK\$'000</i>
At 1 January 2023	–	–	4,514	4,514
Changes from financing cash flows:				
Proceed from bank and other borrowings	159,921	–	–	159,921
Repayments of lease liabilities	–	–	(2,861)	(2,861)
Interest paid	–	(2,473)	(85)	(2,558)
Total changes from financing cash flows	<u>159,921</u>	<u>(2,473)</u>	<u>(2,946)</u>	<u>154,502</u>
Other changes:				
Finance costs (before capitalisation)	–	2,673	85	2,758
Foreign exchange translation	(29)	16	41	28
Total other changes	<u>(29)</u>	<u>2,689</u>	<u>126</u>	<u>2,786</u>
At 31 December 2023	<u><u>159,892</u></u>	<u><u>216</u></u>	<u><u>1,694</u></u>	<u><u>161,802</u></u>

note: Accrued interest is included in other payables.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of the financial position of the Company at the end of the reporting period is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current assets		
Interests in subsidiaries	166,962	166,962
Loan to a subsidiary	3,600	11,950
Amounts due from subsidiaries	<u>1,280,209</u>	<u>1,091,029</u>
	<u>1,450,771</u>	<u>1,269,941</u>
Current assets		
Other receivables, deposits and prepayments	75	87
Restricted bank deposits	8,692	–
Bank balances	<u>313</u>	<u>188,351</u>
	<u>9,080</u>	<u>188,438</u>
Current liabilities		
Other payables and accrued charges	6,074	1,913
Amounts due to subsidiaries	<u>408,686</u>	<u>397,984</u>
	<u>414,760</u>	<u>399,897</u>
Net current liabilities	<u>(405,680)</u>	<u>(211,459)</u>
Net assets	<u>1,045,091</u>	<u>1,058,482</u>
Capital and reserves		
Share capital	53,084	53,084
Reserves	<u>992,007</u>	<u>1,005,398</u>
Total equity	<u>1,045,091</u>	<u>1,058,482</u>

Movement in the Company's reserves:

	Share premium <i>HK\$'000</i>	Share-based payments reserve <i>HK\$'000</i>	Contribution surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2023	<u>566,111</u>	<u>50,391</u>	<u>118,111</u>	<u>271,680</u>	<u>1,006,293</u>
Loss and total comprehensive expense for the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>(895)</u>	<u>(895)</u>
At 31 December 2023 and 1 January 2024	<u>566,111</u>	<u>50,391</u>	<u>118,111</u>	<u>270,785</u>	<u>1,005,398</u>
Loss and total comprehensive expense for the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>(13,391)</u>	<u>(13,391)</u>
At 31 December 2024	<u>566,111</u>	<u>50,391</u>	<u>118,111</u>	<u>257,394</u>	<u>992,007</u>

45. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name of entity	Place of incorporation/ establishment	Principal place of business	Equity interest and voting rights attributable to the Company		Issued and fully paid share capital/ registered capital	Principal activity
			2024 %	2023 %		
Wide Sea International Limited ("Wide Sea")	The BVI	Hong Kong	100	100	US\$2	Investment holding
Saint Ocean Investment Limited ("Saint Ocean")	The BVI	Hong Kong	100	100	US\$2	Investment holding
Strong HK	Hong Kong	Hong Kong	100	100	HK\$150,000,000	Trading of crude oil, petroleum products and petrochemicals
南通潤德石油化工有限公司* Strong Petrochemical (Nantong) Logistics Co., Limited*	The PRC	The PRC	100	100	US\$12,500,000	Provision of petroleum products and petrochemicals storage services
Strong Singapore	Singapore	Singapore	100	100	Singapore Dollar 14,700,000	Trading of crude oil, petroleum products and coal
南通海峽國際貿易有限公司* Nantong Strong International Trading Company Limited*	The PRC	The PRC	100	100	US\$5,000,000	Trading of petroleum products and petrochemicals
海南海峽匯能石油化工有限公司* Hainan Strong Huineng Petrochemical Limited*	The PRC	The PRC	100	100	RMB2,000,000	Trading of petrochemicals
Copower Properties Investments Company Limited	Hong Kong	Hong Kong	100	100	HK\$10,000	Property investment
Strong New Energy Limited	Hong Kong	Hong Kong	60	60	HK\$200,000	Installation and maintenance service of solar energy systems
Pan-China Resources Ltd.	The BVI	The PRC	100	–	US\$334,502.29	Exploration, exploitation and operation of crude oil
Strong Macao	Macao	Macao	100	100	MOP100,000	Trading of crude oil, petroleum products and petrochemicals

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors of the Company, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

All of the subsidiaries are owned indirectly by the Company except for Wide Sea and Saint Ocean which are owned directly by the Company.

* The English names of these entities established in the PRC are for identification purpose only.

Wholly foreign owned enterprise registered in the PRC.

None of the subsidiaries had any debt securities subsisting at the end of the reporting period or at any time during the years ended 31 December 2024 and 31 December 2023.

The PRC subsidiaries maintained RMB denominated bank balances. The remittance of these funds out of the PRC is subject to exchange restriction imposed by the PRC government.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are either investment holding or inactive.

As at 31 December 2024 and 31 December 2023, the Group had no non-wholly owned subsidiary that had material non-controlling interest.

46. EVENT AFTER THE END OF THE REPORTING PERIOD

Save as disclosed elsewhere in these consolidated financial statements, the Group has no material event after the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue for the year ended 31 December 2024 (the “Year”) was approximately HK\$1,598.1 million (2023: approximately HK\$1,266.4 million). Loss attributable to owners of the Company for the Year was approximately HK\$327.5 million (2023: approximately HK\$95.4 million).

BUSINESS REVIEW

Trading of Commodities

During 2024, international oil price driven by stronger demand from the PRC, heightened geopolitical tensions in the Middle East, and cautious supply growth from the United States’ shale producers. Global inventories remained relatively balanced, but market sentiment was influenced by supply-demand uncertainties and geopolitical risks. In response to these market conditions, the Group adopted a more proactive approach to commodities trading while maintaining prudent risk management practices. We continued to focus on back-to-back trade arrangements and inventories at a low level of inventories to minimise exposure to price volatility. At the same time, we worked to strengthen relationships with our key customers and actively pursued new business opportunities. During the Year, the Group resumed crude oil trading, capitalising on favourable market conditions, while trading volume of coal decreased. Trading volumes of petroleum products and petrochemicals remained stable, supported by demand recovery in the PRC market.

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

Strong Petrochemical (Nantong) Logistics Company Ltd. (“Strong Nantong”), our indirect wholly-owned subsidiary, provides storage services with 21 storage tanks and a capacity of 139,000 cubic metres. Strong Nantong is principally engaged in providing storage services for gas oil and diesel fuel. The total throughput decreased from approximately 2,291,000 metric tonnes (“MT”) in 2023 to approximately 1,008,000 MT in 2024. During the Year, both revenue and profit before taxation declined, primary due to the termination of a significant customer contract. Despite this development, Strong Nantong continued to maintain stable operations and provide reliable storage services to its customer base.

Exploration, Exploitation and Operation of Crude Oil

During 2024, the Group strengthened its upstream energy portfolio through the acquisition of Pan-China Resources Ltd. (“Pan-China”), which operates three blocks within the Kongnan Block of Dagang Oilfield in Hebei Province, the PRC. Under a petroleum contract with CNPC, Pan-China holds full participating interest and is entitled to 49% of production revenue after cost recovery. Throughout the second half of the Year, Pan-China focused on optimising field operations and enhancing production efficiency, enabling crude oil output to remain stable despite global market fluctuations. The Group also advanced discussions with CNPC on extending the petroleum contract beyond its 2027 expiry, laying the groundwork for continuity of operations. This strategic investment reinforces the Group’s commitment to long term energy development and provides a solid foundation for sustainable growth in the oil and gas sector.

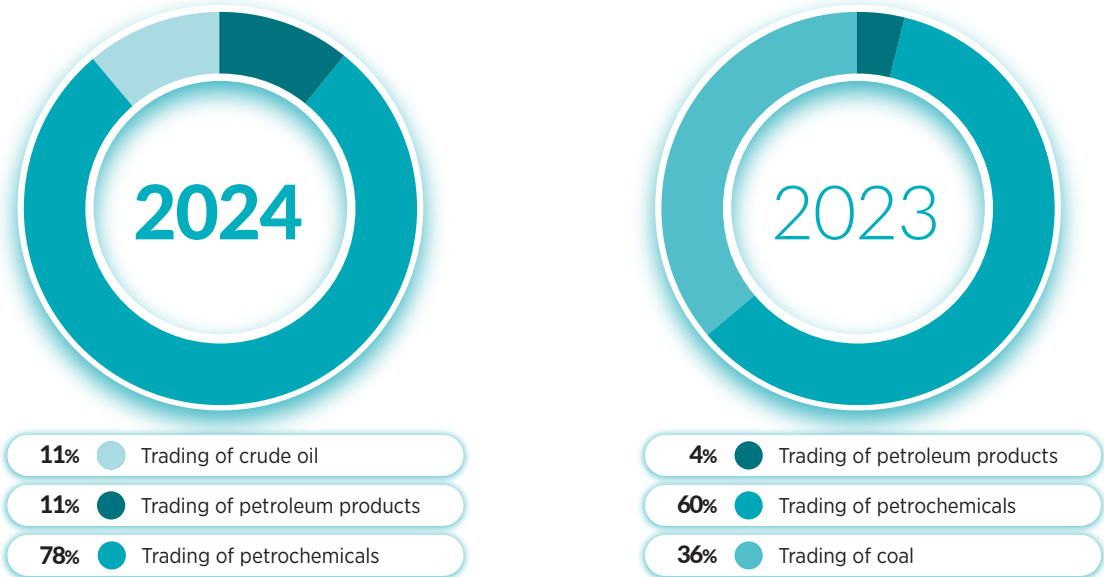
FINANCIAL REVIEW

Revenue

Trading of commodities

The Group is principally engaged in the trading of commodities. The revenue from trading business of the Group was approximately HK\$1,514.9 million (2023: approximately HK\$1,211.6 million) for the Year. Approximately 11% (2023: Nil) of the Group’s revenue from trading business was generated from trading of crude oil for the Year. Approximately 78% (2023: 60%) of the Group’s revenue from trading business was generated from trading of petrochemicals for the Year, while the revenue generated from trading of petroleum products for the Year was approximately 11% (2023: 4%). No revenue was generated from trading of coal for the Year (2023: 36%).

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



During the Year, the trading volume of petroleum products increased from 5,906 MT last year to 28,372 MT for the Year, primarily due to incremental business opportunities identified and pursued during the Year. The trading volume of petrochemicals increased from 131,138 MT last year to 192,963 MT for the Year, supported by stronger demand recovery in the PRC market. The trading volume of coal was 660,724 MT last year, with no coal trading recorded during the Year, as the Group adjusted its trading approach in response to evolving market dynamics and focused resources on other energy products with stronger growth potential. Meanwhile, crude oil trading resumed, achieving a volume of approximately 298,842 barrels for the Year (2023: Nil).

Products	Unit	Year ended 31 December					
		2024			2023		
		Number of contracts	Sales quantity	Revenue HK\$'000	Number of contracts	Sales quantity	Revenue HK\$'000
Trading of commodities							
Crude oil	barrel	1	298,842	174,636	–	–	–
Petroleum products	MT	7	28,372	163,071	4	5,906	47,430
Petrochemicals	MT	176	192,963	1,177,242	184	131,138	723,542
Coal	MT	–	–	–	18	660,724	440,629
Total		<u>184</u>	<u>–</u>	<u>1,514,949</u>	<u>206</u>	<u>–</u>	<u>1,211,601</u>

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

Revenue generated from the provision of general storage and other ancillary services for petroleum products and petrochemicals was approximately HK\$5.2 million for the Year (2023: approximately HK\$39.9 million). Approximately 34% (2023: 66%) of the Group's revenue from storage business for the Year was generated from general storage services. Other ancillary services, such as pipeline transmission, waste treatment and vehicle loading, accounted for approximately 66% (2023: 34%) of the Group's revenue from storage business.

Revenue generated from leases was approximately HK\$8.5 million (2023: approximately HK\$14.9 million) for the Year.

Exploration, Exploitation and Operation of Crude Oil

Revenue generated from exploration, exploitation and operation of crude oil was approximately HK\$69.3 million while this business was commenced in late June 2024.

Fair Value Changes on Derivative Financial Instruments

The Group has established trading teams to manage the overall physical cargo price exposure and controls it through offsetting oil derivative contracts according to the Group's risk management policies. As part of our stringent control process, a daily reporting system is adopted for all physical and derivative contracts. Such risk control system enables effective and timely management of the Group's market risk exposure.

During the Year, the Group reported a loss on fair value changes on derivative financial instruments of approximately HK\$1.0 million (2023: gain of approximately HK\$17.6 million).

Gross Profit

The overall gross profit of the Group for the Year decreased to approximately HK\$24.1 million (2023: approximately HK\$41.6 million).

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company for the Year was approximately HK\$327.5 million (2023: approximately HK\$95.4 million).

Properties Held for Investment Reclassified to Property, Plant and Equipment

As at 31 December 2024, the Group held properties in Hong Kong with address at Penthouse and Car Parking Space Nos. 13 & 14 on 2/F, Overseas Trust Bank Building, 160 Gloucester Road, Hong Kong. The properties had been classified as investment properties and had been leased on a term of three years commencing in June 2021, generating operating lease income of approximately HK\$1.3 million for the Group during the Year (2023: approximately HK\$2.0 million). On 1 August 2024, the Group commenced use of the properties as its head office. Accordingly, the properties has been reclassified from investment properties to property, plant and equipment.

Liquidity and Financial Resources

The Group generally finances its daily operations from internally generated cash flows (the "Internal Funds") and banking facilities. As at 31 December 2024, the Group had deposits placed with brokers, pledged bank deposits and restricted bank balance, and bank balances and cash of approximately HK\$155.4 million (2023: approximately HK\$106.2 million), approximately HK\$103.2 million (2023: approximately HK\$25,000) and approximately HK\$878.6 million (2023: approximately HK\$456.6 million) respectively. The total of deposits placed with brokers, pledged bank deposits and restricted bank balance, and bank balances and cash (collectively, the "Liquidity Resources") were approximately HK\$1,137.2 million (2023: approximately HK\$562.8 million). Most of the Liquidity Resources were denominated in RMB.

The equity attributable to owners of the Company decreased by approximately HK\$338.2 million to approximately HK\$960.4 million as at 31 December 2024 (2023: approximately HK\$1,298.6 million).

As at 31 December 2024, the Group had bank and other borrowings, represented by short-term loans and long-term loans, of approximately HK\$13.2 million (2023: Nil) and approximately HK\$322.5 million (2023: approximately HK\$159.9 million) respectively). As at 31 December 2024, the Group's gearing ratio was approximately 16% (2023: approximately 10%). The gearing ratio is calculated as the Group's total borrowings divided by total assets. The increase in gearing ratio is mainly because the Group has raised bank borrowings to support the construction of the Fujian Plant and the Group has acquired Success Plus during the Year.

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

As at 31 December 2024, the Group has banking facilities of US\$115.0 million and RMB10.0 million (equivalent to approximately HK\$907.8 million in total) from several banks. Save as disclosed in note 42 to the consolidated financial statements, the Group did not have any other charges on asset as at 31 December 2024.

The Group considers its foreign currency exposure mainly arising from the exposure of exchange between US\$ and HK\$ with limited exposure to Singapore Dollar and RMB. Since the exchange rate of US\$ against HK\$ is relatively stable during the Year, the exposure on foreign exchange is insignificant.

Pledge of Group Assets

As at 31 December 2024, property, plant and equipment of approximately HK\$430.3 million (2023: approximately HK\$37.8 million), right-of-use assets of approximately HK\$38.8 million (2023: approximately HK\$60.1 million) trade receivables of approximately HK\$13.8 million (2023: Nil), deposit of approximately HK\$1.0 million (2023: Nil) and zero pledged bank deposits (2023: approximately HK\$25,000) had been pledged to secure certain banking facility, bank and other borrowings granted to the Group.

Contingent Liabilities

Save as disclosed in the section headed "Ongoing Legal Proceedings" in this announcement, as at 31 December 2024, the Group did not have any significant contingent liabilities.

Litigation

Litigation against Shandong Shengxing Chemical Co., Ltd. for unpaid trade debts

Reference is made to the announcement of the Company dated 11 December 2020, Strong Petrochemical Limited (Macao Commercial Offshore) (“Strong MCO”), the Company’s indirect wholly-owned subsidiary which was closed in 2021, has instituted legal proceedings against Shandong Shengxing Chemical Co., Ltd. (山東勝星化工有限公司) (“Shandong Shengxing”) in Dongying Intermediate People’s Court of Shandong Province of the People’s Republic of China (中華人民共和國山東省東營市中級人民法院) (the “Dongying Court”) in relation to unpaid trade debts which were due and payable to Strong MCO (the “Shandong Shengxing Legal Proceedings”).

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

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

Pursuant to a ruling made by the Dongying Court on 21 December 2020 (the “Dongying Court Ruling”), the Shandong Shengxing Default constituted a breach of contract. It was adjudged that Shandong Shengxing should bear the payment responsibility and compensate the economic loss of Strong MCO resulting from the Shandong Shengxing Default. Shandong Shengxing was therefore liable for the payment of Shandong Shengxing Unsettled Outstanding Sum. During the year ended 31 December 2021, the Group received partial payments from Shandong Shengxing of approximately US\$17.4 million (equivalent to approximately HK\$135.7 million). In December 2021, a debt renegotiation plan has been reached by the Group with Shandong Shengxing in which Shandong Shengxing agreed to repay the Shandong Shengxing Unsettled Outstanding Sum in full by instalments with accrued interest before December 2024 (the “Shandong Shengxing Agreement”). In December 2022, the Group and Shandong Shengxing has reached another agreement on the repayment schedule that Shandong Shengxing has to repay the Shandong Shengxing Unsettled Outstanding Sum in full by instalments before 30 June 2024 and the accrued interest before 31 December 2024 (the “Shandong

Shengxing Supplemental Agreement”). During the Year, Shandong Shengxing paid approximately US\$23.1 million (equivalent to approximately HK\$180.4 million in total) as final settlement of the Shandong Shengxing Unsettled Outstanding Sum and the accrued interest in accordance with the Shandong Shengxing Supplemental Agreement.

Winding Up Petition against the Company in Cayman Islands

On 3 December 2024, Mr. Yao Guoliang filed a winding up petition (the “Cayman Petition”) in the Grand Court of the Cayman Islands in respect of the Company between Mr. Yao Guoliang as petitioner and Speed Success Group Limited (“Speed Success”), a company wholly owned by Mr. Wang Jian Sheng, as respondent. The petition sought relief on “just and equitable” grounds, including regulation of the Company’s affairs, compulsory purchase of shares, or winding up with appointment of joint liquidators. The winding-up petition is still ongoing. Details are disclosed in the announcements of the Company dated 4 December 2024, 10 December 2024 and 5 February 2025.

Capital Commitments

As at 31 December 2024, the Group had contracted for capital expenditure of approximately RMB35.9 million (equivalent to approximately HK\$38.8 million) (2023: approximately RMB108.3 million (equivalent to approximately HK\$119.5 million)) in respect of the construction of the Fujian Plant.

Investment

The Group held an investment in SH Energy as at 31 December 2023. Set below are the brief description of the business, performance and prospect of SH Energy.

As announced on 7 August 2020 and 14 August 2020, Strong New Energy Global Limited (“Strong New Energy”), an indirect wholly-owned subsidiary of the Company, has agreed to make a capital commitment to subscribe for up to 2.5 million participating shares in SH Energy, the cost of such investment is US\$25.0 million (equivalent to approximately HK\$195.0 million), approximately 99% shares held in the investment. SH Energy is managed by a fund manager and seeks to achieve its investment objective by investing in privately held oil and gas assets and companies in the explorative and/or production stage, as well as assets and companies involved in the upstream and/or downstream oil and gas production processes. By investing in SH Energy, it is expected that the Group can benefit from diversifying its revenue stream through investments in oil and gas assets and companies which demonstrate a strong performance record, which will in turn broaden the Groups revenue base. The Group acquired the principle assets of SH Energy (the “Acquisition”) during the first half of the Year. 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. In July 2024, the directors of SH Energy decided to compulsorily redeem all participating shares. Approximately US\$6.2 million (equivalent to approximately HK\$48.1 million) and approximately US\$0.1 million (equivalent to approximately HK\$0.9 million) were received from SH Energy as redemption proceeds on 26 July 2024 and 9 August 2024 respectively.

Significant Investments

There were no significant investments held by the Group as at 31 December 2024, which represented over 5% of the Group's total assets.

Material Acquisitions and Disposals, and Future Plans for Material Investments

The realisation of the expected synergies, cost control, and growth opportunities and potentials upon integration of the acquired businesses are important to the Group's success. The Group focuses on its core business and cautiously expands the scale and geographical spread of its business through organic growth and investment in selective acquisitions with great potential. Failure to operate the acquired businesses successfully and thereby not achieving the expected financial benefits, may adversely affect the Group's financial position and results.

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 has set up the Fujian Plant in Quanzhou City, Fujian Province of the PRC and started its trial operations in mid-March 2025.

Save as disclosed above and in notes 17 and 45 to the consolidated financial statements, there were no other plans for material investments or capital assets, nor other material acquisitions and disposals of subsidiaries during the Year as at the date of this announcement.

RESPONSE TO THE QUALIFIED OPINION OF THE INDEPENDENT AUDITOR

The independent auditor has issued a qualified opinion in the independent auditor's report in respect of the consolidated financial statements of the Group for the Year. As described in the independent auditor's report and in Notes 1.1(A) and 1.1(B) to the consolidated financial statements, the qualified opinion relates to three scope limitations:

- (a) **Crude Oil Trading Transactions entered into by Strong HK** — the auditor was unable to obtain sufficient appropriate audit evidence regarding the business rationale and commercial substance of certain crude oil trading transactions entered into by Strong HK with certain third parties during the year ended 31 December 2024.
- (b) **Strong Macao Limited (“Strong Macao”)’s sales and purchase transactions** — due to the loss of books and records of Strong Macao, the auditor was unable to obtain sufficient appropriate audit evidence to verify the occurrence and accuracy of certain sales and purchase transactions recorded by Strong Macao.
- (c) **Two bank balances and disclosures** — the auditor was unable to obtain external confirmations for two bank accounts of certain wholly-owned subsidiaries, due to the company seal not matching bank records or the inability to obtain the signature of a former director who remained as an authorised signatory.

1. The views of the management of the Group (the “Management”)

Regarding Strong HK's crude oil trading transactions

The management acknowledges that the crude oil trading transactions were authorised by a former director, Mr. Yao Guoliang, and carried out by former employees under his direction, without the knowledge or approval of the then board. The Management notes the auditor's observation that these former personnel were neither reachable nor willing to communicate with the Current Board. Notwithstanding that, despite the Management's efforts, we have not been able to obtain explanations or information from them that would satisfy the auditor regarding the business rationale and commercial substance of these transactions. Based on the findings set out in Note 1.1(B) to the consolidated financial statements, the Management has identified that:

- the vessel was not in the designated port during the transaction period according to international oil tanker voyage tracker public information;
- the Certificates of Quality and Origin were forged and/or manipulated by the former directors and/or their agents;

- payments of HK\$9,854,000 to the Customer for other charges were made without valid basis;
- one letter of credit of approximately RMB178,318,000 was neither negotiated nor discounted;
- Strong HK did not request payment under the Sales Contracts, nor did it make any payment under the Purchase Contracts.

In light of these findings, the Management concluded that the transactions lacked commercial substance and should not give rise to any revenue recognition. The receipts of approximately HK\$628,116,000 (comprising HK\$624,216,000 from discounting letters of credit and HK\$3,900,000 from the Supplier) were recorded as other payables because their nature could not be reliably substantiated. The corresponding payments of HK\$13,754,000 were recorded as other receivables and fully impaired. The Management considers this treatment to be the most prudent under the circumstances. The Company has since commenced legal proceedings against the former directors to recover the net loss suffered as disclosed in the announcement of the Company dated 17 October 2025.

Regarding Strong Macao's sales and purchase transactions

The Management acknowledges that the books and records of Strong Macao were inaccessible until March 2025, and upon gaining access, it was discovered that the sales and purchase contracts and related supporting documents (including invoices and bills of lading) for all sales and purchase transactions were lost. The auditor has arranged external confirmations to the counterparties, but no replies were received up to the date of this announcement. Despite this, the Management was able to retrieve alternative evidence, including the electronic copy of the contract (retrieved from the Group's email backup systems), bill of lading (obtained from the terminal operator), commercial invoice, relevant email correspondence and bank statements (obtained directly from the bank). Based on these documents, which were mutually consistent, the Management concluded that the transactions were genuine and occurred in the ordinary course of business. Accordingly, the Management recognised the receipts of approximately HK\$132,694,000 as revenue and the payments of approximately HK\$131,872,000 as cost of sales for the reporting period. The Management acknowledges the auditor's concern regarding the absence of original supporting documents but believes that the alternative evidence obtained is sufficient to support the accounting treatment.

Regarding two bank balances and disclosures

The Management has been unable to obtain bank confirmations for two bank accounts because the company seal used for the confirmation request did not match the bank's records, or because the signature of a former director (who remained as an authorised signatory) could no longer be obtained. As confirmed by the Current Board and noted by the auditor, there were no bank facilities, guarantees or pledged assets attached to these accounts. The Management has reviewed the bank statements for these accounts for the Year and up to the date of this announcement. The balances have remained consistently low (HK\$7,430 and HK\$1,677 as at 31 December 2024), and no unusual deposits, withdrawals or third-party transfers were observed, apart from the accumulation of interest income and one transfer to another Group's bank account in connection with the Strong HK transaction (as disclosed in the announcement of the Company dated of the Company 17 October 2025). Based on this review, the Management considers it unlikely that there were any material unauthorised transactions, guarantees or financial arrangements in relation to these two accounts.

2. The views of the audit committee of the Company (the "Audit Committee")

The Audit Committee has continuously followed up on the matters giving rise to the qualified opinion. The Audit Committee acknowledges and respects the qualified opinion issued by the auditor based on its professional and independent assessment. The Audit Committee notes that the qualified opinion arises from scope limitations caused by the actions of former directors and the loss of certain books and records, and not from any disagreement with the Management's accounting policies or judgments.

The Audit Committee has discussed with the Management on the methodology to verify the relevant matters and basis of the relevant accounting treatment adopted by the Management and inspected important documents thereof, and is satisfied that all necessary and possible work has been done in order to form the Management's treatment and the Management has implemented appropriate remedial actions.

Regarding Strong HK's crude oil trading transactions

The Audit Committee agrees with the Management's assessment that these transactions lacked commercial substance and should not be recognised as revenue. The Audit Committee notes that the Company has taken appropriate legal action against the former directors to recover the losses, and that the related receipts have been refunded to the customer in 2025 (as set out in Note 1.1(B)(IV)). The Audit Committee is satisfied that the Management's accounting treatment is prudent and reasonable under the circumstances.

Regarding Strong Macao's sales and purchase transactions

The Audit Committee has reviewed the bank statements and the confirmations obtained from the counterparties. While acknowledging that the absence of original contracts and supporting documents is a documentation deficiency arising from the loss of books and records, the Audit Committee concurs with the Management that the available alternative evidence sufficiently supports the occurrence of the transactions and agrees with the Management's accounting treatment.

Regarding two bank balances and disclosures

The Audit Committee has reviewed the bank statements for the two accounts and notes that the balances are immaterial and have remained stable. The Audit Committee agrees with the Management's assessment that there were no bank facilities, guarantees or pledged assets attached to these accounts, and that there is no evidence of material unauthorised transactions or encumbrances. The Audit Committee has urged the Management to expedite the process of changing the authorised signatories to ensure that full control over these accounts can be regained.

(III) The Group's actions and plans

Regarding the Strong HK's crude oil trading transactions

As disclosed in the announcement of the Company dated 17 October 2025, Strong HK has filed a writ of summons with the High Court of the Hong Kong against the relevant former director/employee to recover the losses of an approximate sum of RMB37 million. The related receipts have been refunded to the customer in 2025, and the other receivables have been fully impaired in the financial statements for the year ended 31 December 2024. These transactions were one-off in nature and will not recur in subsequent periods.

Regarding Strong Macao's sales and purchase transactions

The loss of books and records of Strong Macao's sales and purchase transactions was discovered following the change of management and is believed to be attributable to actions of the former management as disclosed in the announcement of the Company dated 14 February 2025. This matter relates only to historical financial records and has no impact on the Group's current or future operations. These transactions were one-off in nature and will not affect the financial statements for subsequent periods.

Regarding two bank balances and disclosures

Funds in the two bank accounts cannot be used until any further updates of the Cayman Petition or replacement of the account signatories, respectively. The Company has been engaging with the relevant banks to resolve freezing orders and update the management changes to seek replacement of the signatories and/or close the relevant bank accounts, expectedly within 2026, subject to the uncertainty in the timing of the Cayman Petition and the procedures of the relevant banks. Even if the change of signatories is not completed, the balances of these two accounts are immaterial (HK\$7,430 and HK\$1,677 as at 31 December 2024), and the Management does not expect any material impact on the Group's financial position or operations arising from these accounts.

The Group will continue to take appropriate actions to ensure that all outstanding audit issues are addressed in the subsequent financial reporting periods. The Audit Committee will monitor the progress of the remedial plans and report to the Board on a regular basis.

OTHER SIGNIFICANT EVENTS

(1) Suspension of Trading on the HKEx

Trading in the Company's shares (the "Shares") on the HKEx has been suspended with effect from 9:00 a.m. on Tuesday, 31 December 2024 and will remain suspended pending the fulfilment of the guidance for the resumption of trading in the Shares as specified by the HKEx (the "Resumption Guidance").

The suspension of trading arose from the various incidents involving the directors and former management of the Company (the "Matters") as disclosed in the announcements of the Company from 26 December 2024 to the date of this announcement.

(2) Resumption Guidance

As stated in the announcement of the Company dated 11 March 2025, the HKEx has set out the following Resumption Guidance for the Company: (a) conduct an independent forensic investigation into the Matters, assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions; (b) demonstrate that there is no reasonable regulatory concern about the integrity, competence and/or character of the Group's management and/or any person with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence; (c) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to comply with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"); (d) publish all outstanding financial results required under the Listing Rules and address any audit modifications; (e) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and (f) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position.

Under Rule 6.01A(1) of the Listing Rules, the HKEx may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months (the "18-month Period"). In the case of the Company, the 18-month Period expires on 30 June 2026. If the Company fails to remedy the issues causing its trading suspension, fulfil the Resumption Guidance and fully comply with the Listing Rules to the HKEx's satisfaction and resume trading in its Shares by 30 June 2026, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the HKEx also has the right to impose a shorter specific remedial period or to cancel the listing of the Company immediately, where appropriate.

(3) Progress of Fulfilment of the Resumption Guidance

Details of the progress of the Company in fulfilment of the Resumption Guidance, please refer to the announcement of the Company published on 28 March 2025, 27 June 2025, 30 September 2025, 31 December 2025, 31 March 2026 and 12 June 2026 in accordance with Rule 13.24A of the Listing Rules. The Company will continue to set out the progress in the quarterly update announcements in due course.

SUBSEQUENT EVENTS

Appointment of the New Board of Directors and Management Team

As stated in the announcement of the Company dated 25 January 2025, a new board of directors and management was established following the EGM held on 25 January 2025. Faced with the loss of key documents at the Company's former Hong Kong head office occupied by the former management prior to the EGM, the new leadership took immediate steps to retrieve and recover the stolen items to the extent possible. To address the Group's operational uncertainties and regulatory obstacles affected by the prolonged shareholders' disputes, the new management established an independent board committee to investigate into the Matters, engaged internal control adviser to conduct independent internal control review of the Group and actively discussed with the auditor of the Company to reinstate audit process. As stated in the announcements of the Company dated 17 October 2025 and 2 March 2026, the Company has also initiated legal proceedings against the former management with respect to their possible misconduct and damage caused to the Group.

As of the date of this announcement, the Company has resumed normal operations and the new management is committed to upholding the highest standards of integrity and efficiency to ensure long-term resilience and sustainable development of the Group.

Appointment of Joint Liquidators of Controlling Shareholder

As stated in the announcements of the Company dated 23 December 2024, 17 January 2025 and 18 December 2025, on 8 December 2025, upon application by Jin Yao Holdings Ltd. ("Jin Yao"), a company wholly owned by Mr. Yao Guoliang, a ED, Forever Winner is wound up pursuant to an order granted by the Eastern Caribbean Supreme Court in the High Court of Justice in the British Virgin Islands and joint liquidators (the "Liquidators") were appointed to Forever Winner under the provisions of the Insolvency Act 2003 (Revised 2020). As of the date of this announcement, to the knowledge of the Company, Forever Winner is the controlling shareholder of the Company and holds 1,041,746,000 ordinary Shares, accounting for approximately 49.06% of the total issued share capital of the Company. Forever Winner is owned as to 50% by Jin Yao and 50% by Sino Century Holdings Limited ("Sino Century") which is wholly owned by Mr. Wang Jian Sheng who currently serves as a non-executive director of the Company.

Commencement of the Offer Period

As stated in the announcement of the Company dated 25 February 2026, the Company was informed by the Liquidators that the Liquidators have sent out an invitation for expression of interest looking for potential purchasers of the 1,041,746,000 ordinary Shares held by Forever Winner on 16 February 2026. If the above disposal of the shares by Forever Winner (the “Potential Transaction”) materialises, it may trigger a mandatory general offer under Rule 26.1 of the Code on Takeovers and Mergers (the “Takeovers Code”). For the purpose of Practice Note 24 of the Takeovers Code and based on the fact that the Liquidators were actively looking a potential purchaser for the controlling stake of the Company as informed by the Liquidators, the offer period commenced on 25 February 2026.

As stated in the announcement of the Company dated 27 March 2026, the Company was informed by the Liquidators that six parties expressed interest in the Potential Transaction and each of them was selected by the Liquidators to enter into the bidding process of the Potential Transaction.

As stated in the announcement of the Company dated 24 April 2026, the Company was informed by the Liquidators that the Liquidators have received five non-binding indicative offers in respect of the Potential Transaction, but have not entered into any agreement with the bidders.

As stated in the announcement of the Company dated 2 June 2026, the Company was informed by the Liquidators that on 29 May 2026, the Liquidators have entered into a sale and purchase agreement relating to disposal of 1,041,746,000 ordinary Shares with a bidder (namely Speed Success). Speed Success is wholly owned by Mr. Wang Jian Sheng.

In compliance with Rule 3.7 of the Takeovers Code, monthly announcement(s) setting out the progress of the Potential Transaction will be made until an announcement of a firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with an offer is made. Further announcement(s) will be made by the Company and/or the Liquidators as and when appropriate or required in accordance with the Listing Rules or the Takeovers Code (as the case may be).

Ongoing Legal Proceedings

As stated in the announcement of the Company dated 17 October 2025, Strong HK, an indirect wholly-owned subsidiary of the Company, filed a writ of summons with the High Court of Hong Kong against two former directors of Strong HK, Mr. Yao Guoliang and Dr. Tan Xiao. The claim relates to losses of approximately RMB37.0 million arising from a purported crude oil transaction in late 2024. Strong HK alleged that Mr. Yao Guoliang and Dr. Tan Xiao breached their fiduciary, common law and/or statutory duties owed to Strong HK.

As stated in the announcement of the Company dated 2 March 2026, the Company and Strong HK filed a writ of summons with the High Court of Hong Kong against Mr. Yao Guoliang and Dr. Tan Xiao, both former ED and former directors of Strong HK, and several external entities. The claim relates to a series of unauthorised payments of approximately HK\$8.8 million made from a bank account of Strong HK between December 2024 and January 2025. The Company and Strong HK alleged that Mr. Yao Guoliang and Dr. Tan Xiao breached their fiduciary duties owed to the Company and Strong HK.

As stated in the announcement of the Company dated 27 March 2026, Strong Singapore, an indirect wholly-owned subsidiary of the Company, received an arbitration award and a statutory demand served by a creditor in the total amount of approximately US\$4.0 million (equivalent to approximately HK\$31.0 million) plus interest, together with costs of approximately 0.28 million Singapore Dollar (equivalent to approximately HK\$1.6 million). The Company has already discussed with the other party the repayment schedule and reached agreement on the repayment arrangement.

As stated in the announcement of the Company dated 1 April 2026, the Company received a writ of summons issued by the High Court of Hong Kong. The writ of summons was initiated by EuroAmerican International Energy L.L.C. (“EuroAmerican”) against the Company, three directors and/or management of the Company and two wholly-owned subsidiaries of the Company (collectively, the “Defendants”), seeking recovery of approximately US\$34.2 million (equivalent to approximately HK\$266.6 million) plus interest and costs under an arbitral award dated 24 March 2022 against Strong MCO which was liquidated in 2021. To the best knowledge of the Company, the claims against the Company and the other defendants are based on the alleged conspiracy, and are not claims arising from any contractual relationship between EuroAmerican and the Defendants. The Company denies the allegations and has engaged legal advisers to defend the claims. The Board will take all necessary steps to protect the Company’s position.

Save and except for the matters disclosed above and those the section headed “Other Significant Events” in this announcement, there have been no other material subsequent events following the end of the Year up to the date of this announcement.

Employees

The number of employees of the Group increased to 268 as at 31 December 2024 (2023: 145) because of the acquisition of Success Plus and its subsidiary in June 2024. The Group’s remuneration packages are maintained at competitive level and are determined on the basis of performance, qualification and experience of individual employee.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the Year.

DIVIDENDS

The Board does not recommend the payment of final dividends for the Year (2023: Nil). For details of the interim dividends for the Year, please refer to Note 12 to the consolidated financial statements and the announcement of the Company dated 12 June 2026.

CORPORATE GOVERNANCE REPORT

The Company has fully complied with the Corporate Governance Code and met the code provisions set out in Part 2 of Appendix C1 to the Listing Rules during the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as its code of conduct regarding the directors' securities transactions. Having made specific enquiries by the Company, Mr. Wang Jian Sheng has confirmed that he had complied with the required standards set out in the Model Code during the Year. Due to the inability to contact the then directors (except for Mr. Wang Jian Sheng), the Company has not been able to obtain their confirmations of compliance with the required standards set out in the Model Code during the Year.

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

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this announcement have been agreed by the Company's auditor, Messrs. BDO Limited, with the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements

issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. BDO Limited on this announcement.

AUDIT COMMITTEE

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

The Audit Committee has undertaken a review of all the non-audit services provided by the Company’s auditor, Messrs. BDO Limited, during the Year, and is satisfied that such services would not affect the independence of Messrs. BDO Limited as the Company’s auditor.

The Audit Committee has reviewed the Group’s audited consolidated financial statements for the Year, including the accounting principles and practices adopted by the Group, and recommended them to the Board for approval.

By order of the Board
STRONG PETROCHEMICAL HOLDINGS LIMITED
Wang Qihong
Chairman

Hong Kong, 12 June 2026

As at the date of this announcement, the Board comprises two executive directors, one non-executive director and three independent non-executive directors. The executive directors of the Company are Dr. Wang Pang Paul and Mr. Cao Xinzhong. The non-executive director of the Company is Mr. Wang Jian Sheng. The independent non-executive directors of the Company are Mr. Wang Qihong, Dr. Lu Guoyang and Ms. Tam Yuk Yu.