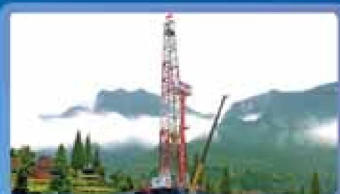
Stock Code: 933.HK

光滙石油(控股)有限公司
Brightoil Petroleum (Holdings) Limited
(Incorporated in Bermuda with limited liability)

Annual Report 2010



www.brightoil.com.hk

Contents

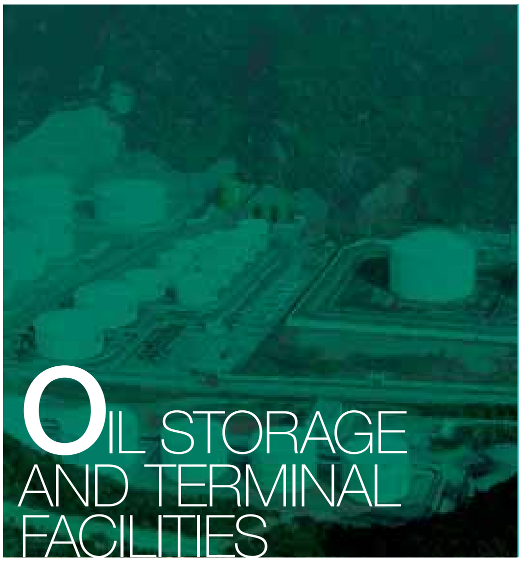
Corporate Profile

Brightoil Petroleum (Holdings) Limited (the "Company") together with its subsidiaries (the "Group") is principally engaged in global marine bunkering business, oil storage and terminal, marine transportation as well as natural gas development and production. It is one of the largest chain service providers of marine bunkering in China.

Currently, the Group is constructing a 2.2 million m^3 oil storage facility and a terminal with fifteen 1,000 to 300,000 DWT class berths on Waidiao Island, Zhoushan City in the Yangtze Delta in phase one. The Group will progressively develop the island by starting phase two of the oil storage facility and the total capacity of both phases will reach 5.5 million m^3. The Group's construction of up to 12 million m^3 oil storage facility in 2 phases and a terminal that could accommodate vessels with capacity of 1,000 to 300,000 DWT, on Changxing Island, Dalian, Bohai Bay has also been commenced. Meanwhile, the Group has purchased four ocean-going oil tankers with over 100,000 DWT each, and five new build Very Large Crude Carriers (VLCCs) with 318,000 DWT each, for supporting its marine bunkering and oil trading businesses. On the other hand, the Group has also expanded into upstream business. The Group has successfully teamed up with CNPC for the natural gas development and production in the Tuzi Block, Tarim Basin in Xinjiang. The project has a geological reserve of natural gas in place of approximately 22.1 billion m^3 and is planned to have its first production in the second half of 2011. Along with the increasing trend of the price of oil and natural gas resources in China, it is expected that the value of the Tuzi project will continue to escalate. In the future, the Group will strive to develop the upstream business by stretching its tentacles in the exploitation, production and sale of oil fields with a view to becoming one of the leading global energy conglomerates in the world.

Achievements in line with our Commitments

- For the year, Brightoil Petroleum progressively expanded its global reach from Shenzhen port to other 6 ports in Asia and Europe encompassing Shanghai, Ningbo, Zhoushan, Hong Kong, Singapore and Antwerp-Rotterdam-Amsterdam region
- Bunker sales volume surged 117% from 1.8 million tonnes to 3.9 million tonnes



- On 12 January 2010, Brightoil Petroleum entered into non-legally binding Letter of Intent with Zhoushan Municipal Government in relation to extend the scale of construction and development of oil storage facilities on Waidiao Island, Zhoushan City from 2.2 million m^3 up to 5.5 million m^3. Total capacity for both Zhoushan and Dalian oil storage and terminal facilities will reach 17.5 million m^3
- On 4 and 14 June 2010, we entered into construction contracts with China Communications Construction for the dredging and reclamation works for phase 1 of the Zhoushan and Dalian projects
- On 18 June and 6 July 2010, construction works have been started at the site of Dalian and Zhoushan respectively, and are scheduled to be completed by the end of 2010

Highlights of the Year

- During November 2009 to August 2010, Brightoil Petroleum purchased 4 ocean-going oil tankers, 2 of them weighing 107,500 DWT each have been delivered to us and are now in operation, while the other 2 weighing 115,000 DWT each have been delivered to us in October 2010
- In 30 August 2010, we purchased 5 Very Large Crude Carriers (VLCCs) each weighted 318,000 DWT, they are expected to be delivered between July 2012 to March 2013

- On 11 August 2009, the Group signed its first upstream Production Sharing Contract (PSC) with China National Petroleum Corporation (CNPC) for natural gas development and production in the Tuzi Block, situated in Xinjiang
- The PSC agreement was implemented by the Chinese Ministry of Commerce on 1 December 2009, and the evaluation period to produce an Overall Development Plan (ODP) has been commenced from that date
- We are on schedule to complete the Tuzi ODP by December 2010, and target to start production in the second half of 2011

First of all, on behalf of the board of directors, I would like to express my gratitude to our shareholders, customers, business partners and the community for their continuous support!

I am pleased to announce that Brightoil delivered excellent annual results for the year of 2010. The Group's total revenue soared 150% year-on-year to HK$13.63 billion for the year ended 30 June 2010. Profit attributable to shareholders surged 334% to HK$1.14 billion. Basic earnings per share hiked 265% to HK19 cents, while diluted earnings per share increased from HK5.2 cents recorded during the same period last year to HK15.6 cents. A final dividend of HK3 cents per share was recommended.

Over the past year, under the joint efforts of our management team and all staff, Brightoil has made significant achievements in expanding four core businesses, including marine bunkering, oil storage and terminal facilities, marine transportation, oil and gas exploration and production. We actively expanded our marine bunkering service network from China to the whole world, with our service network covering Shenzhen, Shanghai, Ningbo, Zhoushan, Hong Kong, Singapore and Antwerp-Rotterdam-Amsterdam (ARA region) in Europe, in order to drive the rapid growth of business and deliver significant returns for our shareholders. We have rapidly evolved as one of the largest marine bunkering operators in China and are striving to become one of the largest global marine bunkering operators.

We commenced the construction of large scale oil storage base in Zhoushan and Dalian. These two projects are expected to come on stream in phases and commence operation in the next two to three years and will by then become one of the largest oil storage bases in the world. This will not only enable us to extend our geographical distribution and business coverage along the coastal areas in China, thus providing strong logistics support to our marine bunkering operation, but will also generate steady and considerable revenue of oil storage to us and create greater synergies of our operations.

During the year, the Group expanded its vessel fleet by taking advantage of the substantial downturn of oil tankers prices, whereby cost efficiency of oil procurement was further enhanced and the supply chain of our marine bunkering operation was further improved. We took delivery of two 100,000 DWT ocean-going oil tankers in January and April this year respectively. In this August, we also announced our plan to acquire two other 100,000 DWT ocean-going oil tankers as well as to build five VLCCs each weighted 318,000 DWT. Once such oil tankers are delivered, we will possess 9 large ocean-going oil tankers with a total oil products carrying capacity of over 2 million tonnes and become one of the largest professional oil marine transportation companies in China. The vessel fleet will not only support our rapid growth in the global marine bunkering business and expand our oil marine transportation operation but will also enable us, as a Chinese enterprise, to contribute to the strategy of "Self-Transportation of National Oil".

Chairman's Statement

At the same time, we stepped up our efforts in venturing into upstream business. The natural gas project jointly developed by us and China National Petroleum Corporation ("CNPC") had also achieved impressing progress. The Overall Development Plan for the project is expected to be completed by the end of this year, while the production of natural gas is expected to start in the second half of next year. Given the fact that China is actively implementing the reform of natural gas pricing mechanism, it is believed that there is still great room for the domestic natural gas price to increase, and it is expected that such development will help drive our profit growth in the future.

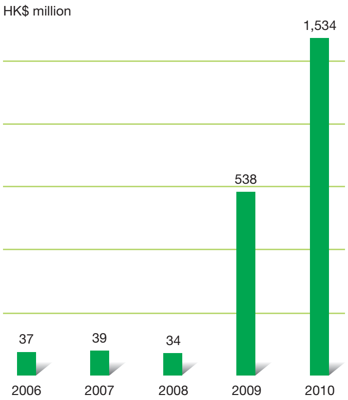
Looking forward, the Group will put more efforts in developing the existing four core business segments. According to the "New 36 Guidelines on Encouraging and Guiding the Healthy Development of Private Investment" promulgated by the State Council of the PRC in May this year, private enterprises were encouraged to participate in oil and natural gas sectors and this bring opportunities to the energy industry which has huge development potential. Brightoil will actively pursue these business opportunities, so as to differentiate us among the global oil and energy conglomerates in the near future by expanding our upstream and downstream business and further integrating the energy business chain. We will continue to dedicate our efforts in this aspect and create greater values and better returns for our shareholders and investors.

Finally, I, on behalf of the Board, hereby express my cordial gratitude to the management and all staff of the Group, and to all parties in the community including our shareholders, investors, customers and business partners for their concerns, trust and support given to Brightoil.

Sit Kwong Lam
Chairman
28 September 2010

Gross Profit

HK$ million

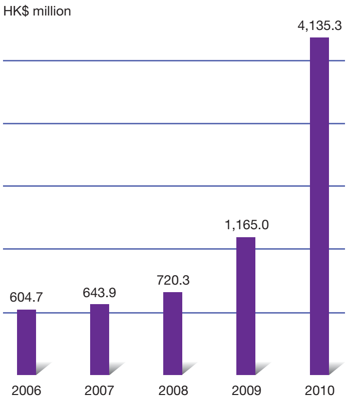


PROFIT AND LOSS HIGHLIGHTS

HK$'000	For the year ended 30 June **2010**	2009	*Change*
Revenue	**13,634,611**	5,454,979	+150%
Cost of sales	**(12,100,120)**	(4,916,859)	+146%
Gross profit	**1,534,491**	538,120	+185%
Fair value change in embedded derivative of CN	**(322,527)**	(204,586)	+58%
Profit before taxation	**1,218,064**	298,623	+308%
Profit for the year	**1,143,926**	263,352	+334%
Earnings per share – basic (HK cents)	**19.0**	5.2	+265%

Net Assets Attributable to Shareholders of the Company

HK$ million

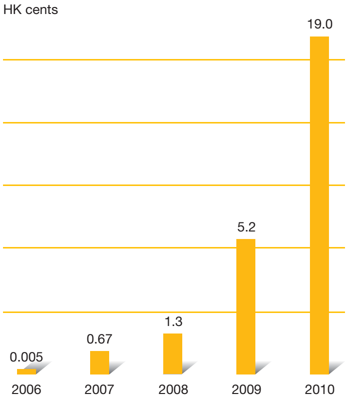


BALANCE SHEETS HIGHLIGHTS

HK$'000	As at 30 June **2010**	2009	*Change*
Current Assets	**5,580,379**	1,741,427	+220%
Current Liabilities	**1,923,553**	705,045	+173%
Net Current Assets	**3,656,826**	1,036,382	+253%
Total Assets	**7,177,165**	2,035,917	+253%
Total Liabilities	**3,041,847**	870,900	+249%
Net Asset Value Per share	**HK$0.64**	HK$0.20	+220%
Bank Balances (Including deposits placed with brokers and pledged deposits)	**2,797,886**	1,019,621	+174%
Shareholders' Equity	**4,135,318**	1,165,017	+255%

Earnings per Share

HK cents



KEY FINANCIAL INDICATORS

HK$'000	As at 30 June **2010**	2009
Gross Profit Margin	**11.3%**	9.9%
Net Profit Margin	**8.4%**	4.8%
Current Ratio	**2.9 times**	2.5 times
Creditors Turnover Days	**49.7 days**	46.0 days
Debtors Turnover Days	**48.9 days**	26.8 days
ROE	**27.7%**	22.6%
ROA	**15.9%**	12.9%

Management Discussion and Analysis

Financial Review

The Group's revenue for the year ended 30 June 2010 (the "Period") amounted to HK$13,634,611,000, representing a significant increase of 150% as compared to HK$5,454,979,000 in the previous financial year of 2009. Gross profit of the Group rose approximately 185% to HK$1,534,491,000 (2009: HK$538,120,000). Profit attributable to the shareholders was HK$1,143,926,000 (2009: HK$263,352,000), surged 334% as compared to the previous financial year.

During the Period under review, the Group reported an increase in fair value of derivative financial instruments of approximately HK$355.4 million (2009: HK$56.8 million), which was attributable to the futures contracts entered into by the Group for hedging oil price exposure. The Group has established a direct investment team, which together with the management team, monitors the physical stock level and conducts necessary hedging through futures contracts. All hedging transactions must be approved by senior management and a daily report is prepared to ensure that the Group's exposure and risks are well managed.

As reported in the 2010 Interim Report, the Group encountered a decrease in fair value change in convertible notes of approximately HK$322.5 million (2009: HK$204.6 million) during the Period under review. Upon full conversion of the remaining outstanding principal amount of HK$48,800,000 of the convertible notes issued on 22 January 2009 ("2008 Convertible Notes") into 80,000,000 new shares in the capital of the Company, there is no more outstanding principal amount of the 2008 Convertible Notes. For the convertible notes of principal amount of US$120 million issued pursuant to the subscription agreement dated 25 June 2009 and the supplemental deed signed on 2 September 2009 ("2009 Convertible Notes"), the fair value change in embedded derivative of 2009 Convertible Notes is included in the capital and reserves of the Group under "convertible notes reserve", which does not affect profit or loss. For the Period under review, imputed interest charged on the 2008 Convertible Notes and 2009 Convertible Notes of approximately HK$90.0 million (which was a non-cash item) was debited to profit or loss.

During the year, the Group recorded basic earnings per share of HK19 cents, up approximately 265% when compared to the previous financial year. Diluted earnings per share increased to HK15.6 cents from HK5.2 cents in the previous year. The Board of Directors has proposed a final dividend of HK3 cents per share in respect of the financial year ended 30 June 2010, which is subject to shareholders' approval at the forthcoming annual general meeting.

To strengthen the Company's shareholder base and to improve the liquidity of the Company's shares, the Group conducted 2 share placements in April and July 2010 and raised a total of approximately HK$2 billion. Results of both placements were very positive, thanks to the support of our shareholders. This underscores our strong growth prospects perceived by both our shareholders and investors.

On 12 April 2010, the Company made a placement of 100,000,000 existing shares of HK$0.1 each in the capital of the Company at a price of HK$10 per placing share to raise net proceeds of approximately HK$980,000,000 mainly for financing the existing businesses and for general working capital purposes.

Business Review

Marine Bunkering

Brightoil Petroleum is one of the largest marine bunkering suppliers in the PRC market, with our global reach now extending to major ports in Asia and Europe. We purchase bunker fuel from reputable suppliers including the oil majors, and provide services to our broad and diversified customer base in our servicing ports. Our customers are reputable international fleet operators.

For the year ended 30 June 2010, marine bunkering remained the core business and major revenue contributor to the Group. During the Period under review, we recorded a bunker sales volume of approximately 3.9 million tonnes, representing a remarkable increase of 117% over the previous financial year. The encouraging growth of bunkering volume during the Period was a result of our expansion plan to develop our bunkering services from Shenzhen to other ports in China and globally. It also proved the efficiency and reliability of our services, the quality of bunker fuels provided and our competitive sales prices. For the year, the Group's gross profit margin improved to 11.3% from 9.9% last year, due to more stringent cost control and our integrated supply chain management from procurement to delivering services to our customers.

During the Period, we progressively expanded our global reach from Shenzhen port to other six ports in Asia and Europe. Our bunkering service operation now encompasses 7 ports including Shenzhen, Shanghai, Ningbo, Zhoushan, Hong Kong, Singapore and Antwerp-Rotterdam-Amsterdam (ARA region). To cater for the bunkering needs of our international customers, we will keep increasing our geographical coverage, so that we can offer our customers efficient and quality services wherever they are, thereby strengthening the bonding with our customers. This expansion plan also aligns with our vision to become one of the world's largest marine bunkering service providers.

PRC operations

Operating duty-free marine bunkering business in China requires a licence issued by the Chinese Government. Currently, there are five licences awarded to bunker suppliers, of which 深圳光滙石油集團股份有限公司 (Shenzhen Brightoil Group Co., Ltd.) ("Shenzhen Brightoil"), our major business partner, is the only private enterprise approved by the Chinese government to provide duty-free marine bunkering services at all the ports in the PRC. Since our alliance with Shenzhen Brightoil in 2008, we have established a strong presence in the PRC market and serve our customers at the Chinese ports. Under our arrangement with Shenzhen Brigthoil, Shenzhen Brightoil charges us a price for every transaction at not more than 97% of the prevailing market price for similar products or services in nearby ports. The service agreement between Shenzhen Brightoil and the Group has been renewed which commenced on 1 July 2010 for another 3 years with an expiry date on 30 June 2013. With this impeccable arrangement, we will be able to expand our business at a rapid pace in the PRC. The Management believes PRC ports are currently underserviced, and expects the region to become one of the world's most important bunkering hubs in the next 5 years.

In 2009, 6 out of the world's top 10 busiest ports were in China. Starting from 2010, China is continuously gaining momentum amidst the economic recovery and booming international trade. This has been substantiated by the statistics from General Administration of Customs (GAC). During the first half of 2010, both import and export trade in China reported an increase of 52.7% and 35.2% respectively, as compared to the same period last year. China remains in an unwavering position as a leading importing and exporting country. Taking advantage of the high entry barrier and its strong foothold in the Chinese market, we consistently expand our service network in the region with a view to generating more lucrative returns. During the Period under review, our PRC operations covered ports in Shenzhen, Shanghai, Ningbo and Zhoushan, which are recognized as the busiest ports in China, contributing revenue of approximately HK$6,381 million to the Group, representing a 20% growth over the previous year.

Overseas operations
Key to our success in the Period under review was the rapid growth of bunker sales in overseas operations. The Group now provides services in the world's top bunkering ports, including Hong Kong, Singapore and Antwerp-Rotterdam-Amsterdam. The overseas ports contributed approximately HK$7,253 million of revenue with approximately 2 million tonnes of fuel oil being sold (2009: nil).

In addition to our own operations overseas where we have our own logistical support, we also contracted with third parties to deliver bunker fuels to our customers in their designated locations. The merit of this arrangement is to maintain good business relationships with our customers without investing huge capital expenditure on building up complex logistical infrastructure in those markets.

By expanding to new markets locally and globally, sales of bunker fuels is expected to keep growing, enabling us to leverage on the economy of scale to bargain for more favorable terms when purchasing bunker fuels from suppliers. As a result, our cost of sales will be reduced and hence further improve our profit margin.

Oil Storage & Terminal Facilities
Embarking on a vision to building a world class integrated energy conglomerate, the Group plans to construct oil facilities with an aggregate capacity of up to 12 million m^3, and a terminal with berths to accommodate vessels with sizes ranging from 1,000 to 300,000 DWT (VLCC) on Changxing Island in Dalian. The storage is wholly owned by the Group, while the terminal and logistics facilities will be co-developed by Dalian Changxing Island Harbour Industrial Zone Management Committee, of which the Group holds 60% interest and Dalian Changxing Island Harbour Industrial Zone Management Committee holds 40% interest.

Apart from that, the Group's oil storage facilities on Waidiao Island, Zhoushan City, Zhejiang Province is planned to have an aggregate capacity of 2.2 million m^3, and a terminal with berths to accommodate vessels with sizes ranging from 1,000 to 300,000 DWT (VLCC). In January 2010, the Group signed a non-legally binding Letter of Intent with Zhoushan Municipal Government in relation to extend the scale of construction and development of oil storage facilities from 2.2 million m^3 up to 5.5 million m^3. Similar to the Dalian project, the Group owns the storage facilities and formed a joint venture with Zhoushan Port Group Limited for the development of terminal and related logistics services in Zhoushan Port, Zhejiang Province. The Group holds 55% and Zhoushan Port Group Limited holds 45% equity interests in the joint venture.

Being the second largest oil-consuming country in the world, the current strategic oil reserve level of China is about 30 days for consumption, far below the average of 100 days of reserve in major developed countries. However, sizeable commercial storage facilities with deep-water berthing facilities cannot cope with the rapid growth in demand, and most of the facilities are apt to its full capacity. Dalian and Zhoushan are designated as 2 of the 4 strategic oil reserve bases in the country. Both locations are endowed with natural deep water ports which can accommodate up to 300,000 DWT oil tankers, implying an unparalleled competitive edge on our large-scale oil storage and terminal facilities in the said areas and hence to generate a stable recurrent revenue in the future.

Adding to that, the State Council of the PRC has promulgated the "New 36 Guidelines on Encouraging and Guiding the Healthy Development of Private Investment", which encourages private capital to take part in the national energy sector, such as building oil storage facilities to lease to the government. The Group believes that we can further solidify our unique position as a non-SOE energy conglomerate riding on the favourable conditions in China, and most importantly, our well-defined business strategy.

On 4 and 14 June 2010, the Group entered into construction contracts with China Communications Construction for the dredging and reclamation works for phase 1 of the Zhoushan and Dalian projects respectively. Construction works have been started at the site of Zhoushan and Dalian and on 6 July 2010 and 18 June 2010 respectively, and are scheduled to be completed by the end of 2010. Construction of the main facilities will be commenced by phases simultaneously. The two oil storage and terminal projects located in Zhoushan and Dalian are aimed to taking advantage of their strategic locations with deepwater terminals, supporting our marine bunkering business in major ports along the coastal areas of China, further fortifying our leading position as one of the largest marine bunkering suppliers in the PRC market, as well as becoming a global leader of oil storage and terminal operation.

Marine Transportation

To complement our expanding marine bunkering operations worldwide, we are establishing a fleet of ocean-going oil tankers to complete our supply chain from procurement to service delivery. From November 2009 to August 2010, the Group purchased 9 ocean-going oil tankers with sizes ranging from 107,500 DWT to 318,000 DWT. Two oil tankers weighing 107,500 DWT each have been delivered to us and are now in operation, while the other two oil tankers with capacity of 115,000 DWT each have been delivered to us in October 2010. On 30 August 2010, the Group entered into 5 shipbuilding contracts with Hyundai Heavy Industries Co. Ltd. to purchase 5 Very Large Crude Carriers (VLCCs) each weighted 318,000 DWT. The 5 VLCCs are expected to be delivered to us between July 2012 and March 2013.

The prices of the vessels were significantly lower than previous years; however, slight improvement in the global shipping market in the second quarter indicated the vessel prices have bottomed out. Taking advantage of the good timing, the Group purchased these vessels for both in-house fuel oil procurement, and for chartering out spared capacity to generate extra freight revenue. The acquisition will greatly increase the Group's oil carrying capacity and aligns with our strategy to build a fleet of ocean-going oil tankers to support the expansion plan for our marine bunkering business globally.

Upstream Business

This year has been an important year for the upstream business of Brightoil Petroleum. We contracted our first upstream asset, Tuzi, and have made significant progress in the evaluation and development plans of the project. In addition, we continue to search for new upstream opportunities, both in China and globally.

In August 2009, we signed our first upstream Production Sharing Contract (PSC) with China National Petroleum Corporation (CNPC) for the Tuzi Block, situated in Xinjiang, People's Republic of China. This agreement was implemented by the Chinese Ministry of Commerce on 1 December 2009. From that date, Brightoil Petroleum has a 21 month evaluation period to produce an Overall Development Plan and seek approval to develop the field in accordance with those plans. The Tuzi field was discovered by CNPC in 1999. The PSC covers an area of 158 km^2, and is situated immediately north of the Dina-1 gas and condensate field, which Shenzhen Brightoil is currently developing and putting into production. A reserve of 22.1 billion cubic metres (780 billion cubic feet) of gas in place was certified by the Chinese Government.

Technical studies for the Overall Development Plan are now well advanced. Since initiating the work in January 2010, we have:

1. reprocessed the existing 2D seismic and improved the quality and interpretability;

2. remapped the Tuzi structure and calculated an In Place reserve of 22.9 billion cubic metres (809 billion cubic feet), which is consistent with previous estimates;

3. built a detailed subsurface reservoir model which has identified potential development drilling locations, preliminary production forecasts and recovery efficiencies; and

4. reviewed civil engineering options for road and pipeline access to the Tuzi 1 and Tuzi 3 locations, and are now considering innovative and cost effective solutions to access the field.

Our next steps are to optimize our development plan, finalize capital costs and economic analysis, and complete Environmental, Safety, Water and Soil Conservation, Occupational Health and HAZOP Reports, all of which are standard when compiling an Overall Development Plan.

We anticipate completing the Tuzi Overall Development Plan in December 2010, well ahead of our commitments. In addition, we are also exploring ways of accelerating the implementation of the development plan, with a view to bringing production forward to the second half of 2011.

Management Discussion and Analysis

In line with management expectations, in 2010, China's National Development and Reform Commission announced an increase in the wholesale price of natural gas by 25%, up RMB230 to RMB1,155 per thousand m^3. With the commencement of production of Tuzi gas project in late 2011, the Group will benefit from stronger pricing, and we anticipate the upstream business will soon develop into an important driving force of our company.

Business and Market Outlook

2010 was a significant year for Brightoil Petroleum, delivering record results for our shareholders and further strengthening the Group's competitive advantages for future development. We will continue to harness our unrivalled position as one of the largest marine bunker suppliers in China and to pursue further exposure around the world, in order to strengthen our global brand recognition and also secure long-term earnings potential.

Marine Bunkering

For the marine bunkering business, the Group is committed to further invigorate its operations in the existing markets and to extend its influence to new markets both in China and overseas simultaneously. In July 2010, we started our operation in Tanjung Pelepas of Malaysia. In the near term, we will start our operations in the northern part of China, including ports in Dalian, Qingdao, Tianjin and Rizhao, which are the major destinations not only for container ship liners but also for dry bulk carriers and oil tankers for commodities transportation. With substantial growth in consumption of consumer goods as well as raw materials for industrial production in recent years, we perceive that demand for seaborne dry bulk trade will continue to surge. By entering into these ports, we not only complete our service network along the eastern coastline of China, but also start developing a new cluster of customers of drybulk carriers and oil tankers to broaden our customer base. For our overseas market, we will expand our network to more strategic ports in order to cover global cargo transportation routes and their extensions.

In reaching out for the global market, we have to comply with certain environmental regulations imposed by the corresponding port authorities. We adopt a diversified product range from the most commonly used intermediate fuel oil 500cSt, 380cSt (low sulphur products in certain ports) to marine gas oil (MGO) to cater for the need of our customers and at the same time fulfill the requirement of maritime regulations on specified fuel quality. Moreover, the Group makes a commitment to excel in its quality control management and provide unparalleled services to our customers.

By establishing a comprehensive global network, the Group is able to build up extensive sales volume and capture a larger market share. Since the cost of fuel oil contributes a large proportion of our operating cost, leveraging on the scale of purchases can effectively reduce the cost of operation and eventually improve the profit margin. In complementing the expansion plan, the Group will continue to seek for high-calibre talent from the market to strengthen our operations and ensure the bunkering business development is consistent with the Group's commitment to customers as well as shareholders.

Seaborne trading is always a preferred way of international trading, regardless of the economic cycle, due to its relatively more cost-effective nature for bulk cargo transportation. With the revitalization of global shipping industry, we are confident the gradual recovery in the global economy will bring us many opportunities and prosperous market prospects.

Oil Storage & Terminal Facilities

The access to oil storage and terminal operation marks a critical step forward for the Group to build its global oil conglomerate empire. The facilities will serve as our essential logistical support for loading and unloading of procured oil products, for further processing and storing before discharging to our bunker vessels and delivering to end users. The process is strictly monitored and controlled by our experienced operational teams. Apart from the 2 oil storage and terminal facilities which are situated in Zhoushan and Dalian with a total capacity of up to 17.5 million m^3, the Group strives to secure the availability of relevant facilities in new markets by contracting with reliable third parties who have resources on site to support the expansion of our bunkering service. To capture the robust growth of the global marine bunkering business, we relentlessly seek storage and terminal support either through leasing from local operators, strategic partnerships with storage owners or constructing our own facilities, to fortify the Group's global bunkering expansion plan and also ensure its operations are well supported by a sophisticated logistical infrastructure.

Marine Transportation

The Group has committed to its objective of building a fleet of ocean-going oil tankers to support its fuel oil procurement process, thereby, integrating its marine bunkering operations into a seamless supply chain from sourcing to delivering services to global customers. During the Period, the management decisively seized the opportunity to purchase oil tankers before the shipping market shows any signs of recovery, and successfully purchased a total of 9 high quality oil tankers at reasonable prices. Amongst the newly-acquired vessels, 5 VLCCs are new builds and are scheduled to be delivered by the second half of 2012 and for the latest by the first half of 2013. By then, the construction of the first phase of both Zhoushan and Dalian projects will be completed and operational.

As the Group's global expansion plan is in the pipeline, large tonnage vessels for carrying oil products internationally are essential to consolidate its supply chain, enabling us to source directly from oil-producing countries like Russia or Venezuela in bulk, thereby reducing our operational cost in terms of cost of fuel oil and freight charge substantially, and provide flexibility to offer more competitive pricing to our customers. With the 300,000 tonnage terminal facilities at both locations, we can maximize the utilization of the 5 VLCCs to strengthen the logistical support from Europe and South America to China, then distribute from the storage facilities in Dalian and Zhoushan to other ports along the Chinese coastal areas with our 4 oil tankers of over 100,000 DWT each, and further solidify our bunkering operations in the PRC and worldwide.

Leveraging on our strong relationship with financial institutions and sound financial position, we will further expand the vessel fleet to cope with our rapid business development.

Upstream Business

Apart from dedicating our efforts to constructing a strong fundamental and solid revenue stream through downstream businesses, for the long-term development and greater upside potential of the Group, we will continue to pursue opportunistic projects to broaden the appeal of our upstream operations, including the exploitation and development of oil and gas or refinery and production of petroleum products.

Striding into the future, Brightoil Petroleum endures its commitment to integrate its value chain in the energy sector, from the expansion of global marine bunkering operations, formation of marine transportation fleet, establishing oil storage and terminal operations, to seeking upstream exploration and production opportunities, we believe all these will bring enormous benefit to the Group, so that we can create greater value to our shareholders. With the Group's vision to be one of the leading global energy conglomerates in the world, our management team will continue to devote significant effort on the establishment of a solid foundation by integrating both upstream and downstream businesses, and deliver favourable return to our shareholders.

Liquidity and Financial Resources

As of 30 June 2010, the Group had deposit placed with brokers, pledged bank deposits and bank and cash balances of approximately HK$705.8 million, HK$54.7 million and HK$2,037.4 million respectively.

The Group's exposure to fluctuation in exchange rates was limited and the Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital Structure

As of 30 June 2010, the Company had 6,463,481,600 Shares in issue with total share capital of approximately HK$161,587,000.

Employees and Remuneration Policies

As of 30 June 2010, the Group employed approximately 180 full time employees. The Group remunerates its Directors and employees by reference to their performance, experience and prevailing industry practice. Employee benefits provided by the Group include provident fund scheme, medical scheme, discretionary performance-related bonus and a share option scheme. For the year ended 30 June 2010, total employees' remuneration, including directors' remuneration, was approximately HK$47,021,000 (2009: HK$27,513,000).

Borrowings and Charges on Group Assets

As at 30 June 2010, the Group had borrowings and charges on its assets of approximately HK$1,108.1 million and HK$2,147.8 million respectively.

Contingent Liabilities

As at 30 June 2010, the Group did not have any significant contingent liabilities.

Biographical Details of Directors and Senior Management

Executive Directors

Dr. Sit Kwong Lam ("Dr. Sit"), aged 43, has been an executive Director, chairman and chief executive officer of the Company, Ph.D. since 20 June 2008. Dr. Sit is also a member of the Remuneration Committee of the Company. He obtained a doctorate degree in philosophy in 2005. He is a member of the Chinese People's Political Consultative Conference, vice chairman of China's Chamber of Commerce for Petroleum Industry (全國工商聯石油業商會副會長) and chairman of the board of directors of Shenzhen Brightoil Group Co., Ltd. (深圳光滙石油集團股份有限公司) and its subsidiaries ("Shenzhen Brightoil Group"). He also serves as director of all subsidiaries of the Group.

Dr. Sit is the founder of Shenzhen Brightoil Group. He has been specialising in the oil energy field and is dedicated to developing energy businesses. Shenzhen Brightoil Group was established in 1993, which is wholly and beneficially controlled by Dr. Sit. The scope of business of Shenzhen Brightoil Group includes oil storage and international trading of petroleum products, marine transportation, gas stations, marine bunkering and also engages in oil and gas exploration and exploitation.

Dr. Sit is also the director of Energy Empire Investments Limited and Canada Foundation Limited, the substantial shareholders of the Company. The interests of Energy Empire Investments Limited and Canada Foundation Limited held in the Company is disclosed in the Directors' Report from page 18 to 29.

Mr. Gregory John Channon ("Mr. Channon"), aged 47, an executive Director, is also a director of Win Business Energy (Aust) Ltd. and is responsible for the development of the upstream business. Mr. Channon holds an Honours Degree in Science from the University of Adelaide, South Australia, and is a Member of the Australian Institute of Company Directors. He joined the Company in February 2009 and was appointed to be an executive Director in May 2009. Mr. Channon has over 25 years of upstream experience and is skilled in global exploration and production to mergers and acquisition. Before joining in the Company, he served as General Manager of Salinas Energy and founding CEO of Alto Energy Limited. He has worked in different oil and gas corporations and was mainly responsible for managing the production and exploration of oil and gas. He is also a non-executive director of Statesman Resources Limited (TSX:SRR).

Mr. Tang Bo ("Mr. Tang"), aged 42, has been an executive Director in June 2008 and is mainly responsible for investment and business development. He graduated from the business school of Nanjing University in 1992 with a master degree in economics.

Mr. Tang had in the past held various positions in Shenzhen Brightoil Group. He was responsible for external investment and business development and has over 12 years of experience in the oil industry, during the time when he was the vice president of Shenzhen Brightoil Group. He also serves as a director of certain subsidiaries of the Group.

Mr. Tan Yih Lin ("Mr. Tan"), aged 38, has been an executive Director and chief financial officer of the Company since June 2008 and is mainly responsible for the financial management. Mr. Tan graduated from Singapore Polytechnic in 1993. In 1998, he passed the ICPAS/ACCA certified accountant examination with first runner-up honour in Singapore. He obtained a master degree in computing from De Monfort University, the United Kingdom in 2000.

Before joining the Group, Mr. Tan had been responsible for managing the financial matters of the Shenzhen Brightoil Group and its subsidiaries. In 2001, Mr. Tan was appointed by Stamford Tyres International Ltd as the Accountant and Department Manager of one of its American companies. Mr. Tan served as the chief financial officer and vice president of BCW Electric Motor (Dalian) Co. Ltd. during 2002 to 2007 and assisted the president for the management of sales, production and financial affairs, as well as human resources matters. Mr. Tan also serves as director of certain subsidiaries of the Group.

Mr. Chia Teck Lim ("Mr. Chia"), aged 43, has been an executive Director in June 2008 and is mainly responsible for the management of shipping and marine bunkering business. Mr. Chia graduated from the Oklahoma State University (USA) in 1988.

Mr. Chia was the general manager of Shenzhen Brightway Petrochemicals Co. Ltd. (光滙石油化工股份有限公司), which is a subsidiary of Shenzhen Brightoil Group, and was responsible for the daily operation. He has over 15 years of experience in the field of shipping and international oil trading businesses. He also serves as director of certain subsidiaries of the Group.

Mr. Cheung Sum, Sam ("Mr. Cheung"), aged 46, was appointed as an executive Director, chief financial officer, company secretary of the Company from 10 November 2009. Mr. Cheung is mainly responsible for the external financial management of the corporate projects, mergers and acquisitions, and strategic and equity investments and also act as the Company Secretary of the Group. Mr. Cheung graduated from London School of Economics and Political Science, University of London with a BSc (Econ) degree in Accounting and Finance. He is also a fellow member of the Association of Chartered Certified Accountants in the UK and the Hong Kong Institute of Certified Public Accountants. He has over 23 years of experience in financial management, corporate finance and investment banking.

Before joining the Group, Mr. Cheung was an executive Director of Lai Sun Development Company Limited and Lai Fung Holdings Limited from June 2007 to October 2009, the issued shares of which are listed on The Stock Exchange of Hong Kong Limited. From March 2002 to February 2006, he was an executive Director and chief financial officer of a listed company in Hong Kong, which was later privatised in August 2007. Before that, he worked for a number of international investment banks and other listed companies in Hong Kong.

Non-executive Directors

Mr. He Zixin ("Mr. He"), aged 66, a non-executive Director, is a Professor-Senior Engineer and petroleum exploration and development specialist. Due to his significant contribution to China's engineering technology development, he was recognised by the State Council as an expert, entitling with obtaining the government's special subsidies. Mr He joined the Group in June 2008.

Mr. He graduated from the department of geology of the Beijing Institute of Geology (北京地質學院) in 1970. He has since worked in Changqing oil field and served as deputy head of Changqing Oil Field Research Institute (長慶油田研究院). In 1997, he was promoted as the chief geologist of the Changqing Petroleum Exploration Bureau. Having had outstanding achievements in oil and gas exploration in the Ordos Basin, he was awarded the 8th Li Siguang Award for Geosciences (第八屆李四光地質科學獎) as well as the 2003 National May First Labour Medal (2003年全國「五一勞動獎章」). In 2003, Mr. He was awarded the First Honour Award for State Scientific Technology Advancement (國家科學技術進步一等獎) by the State Council with the achievement of "Sulige large-scale gas field locating and comprehensive exploration techniques" (蘇里格大型氣田發現及綜合勘探技術).

He has led various major scientific research and technical projects and contributed significantly to the oil gas exploration and exploitation theory building and oilfield exploration technology. He has been awarded by national and provincial (ministry) institutions and authorities.

Biographical Details of Directors and Senior Management

Mr. Ran Longhui ("Mr. Ran"), aged 68, a non-executive Director, is a Professor-Senior Engineer and petroleum exploration and development specialist. Due to his significant contribution to China's engineering technology development, he was recognised by the State Council as an expert, entitling with obtaining the government's special subsidies. Mr. Ran obtained a postgraduate degree in oilfield geology from Petroleum Institute of Beijing (北京石油學院) (currently known as the China University of Petroleum (中國石油大學)) in 1968. Mr. Ran joined the Group in June 2008.

From 2000 to 2002, he served as the deputy general manager in the Southwest Oil and Gas Field Branch Company (西南油氣田分公司) of China Natural Gas Petroleum Corporation (中國石油天然氣集團公司). He served as the chief geologist of Institute of Sichuan Petroleum Administration (四川石油管理局) promoted from the deputy chief geologist during from 1991 to 1997. From 1983 to 1990, he served as deputy head and head of the Geological Exploration and Development Research Institute (地質勘探開發研究院) of Institute of Sichuan Petroleum Administration.

He has received the First Honour Award for Technological Advancement (科技進步一等獎) from the Ministry of Oil Industry (石油工業部) for Sichuan Basin Oil and Gas Resource Evaluation (四川盆地油氣資源評價), First Honour Award of Technology Innovation (技術創新一等獎) from China Natural Petroleum Corporation (中國石油天然氣集團公司) for achieving the evaluation of gas reserves and exploration for Changxing section — Feixianguan section of northwestern part of Sichuan Basin and the research and application of Sichuan gas reserve under balance welldrilling technology (四川盆地東北部長興組－飛仙關組氣藏成藏條件及勘探目標評價、四川氣藏欠平衡鑽井技術研究與應用), the Second Honour Award of Scientific Technology (科學技術二等獎) from the People's Government of Sichuan Province (四川省人民政府) for pattern of natural gas reserve and exploration target of Chuanxi Qianlu Basin (川西前陸盆地天然氣富集規律與勘探目標評選), the First Honour Award of Technology Innovation and Scientific Technology (科技創新和科學技術一等獎) from the southwestern branch of China Oil and Gas Corporation (中國石油西南油氣田分公司) and Institute of Sichuan Petroleum Administration for the feasibility of the construction of facilities and surface system for eastward transportation of natural gas from Chuanyu (川渝天然氣東輸產能建設部署及地面系統可行性論證) and the evaluation of the potential for natural gas of the eastern region of Sichuan Basin (試評四川盆地東部地區石炭系天然氣資源潛力). He has published numerous academic essays regarding the energy exploration technology.

Mr. Sun Zhenchun ("Mr. Sun"), aged 75, a non-executive Director, is a Professor-Senior Engineer and a renowned PRC expert in oil drilling engineering and rescue and fire fighting operations relating to oil disasters. He is the member of the 4th China Petroleum Committee and the member of Society of Petroleum Engineers. He is a part-time professor of the Petroleum University and the Southwest Petroleum University and an executive of the China Classification Society (中國船級社). He is also a specialist of the national 863-820 expert team (1999-2000) and the standing executive of the 2nd Standing Committee of the China Mining Association (中國礦業協會). Mr Sun joined the Group in June 2008.

Mr. Sun has extensive experience in oil drilling engineering technology and oil well fire fighting engineering. Mr. Sun was appointed by the PRC government as the chief director of the fire fighting team to Kuwait and chief leader of the PRC Fire Fighting Taskforce in 1991. He possesses solid theoretical foundation and extensive experience relating to the field of drilling operations and has made contributions to China's petroleum industry. He pioneered the application of underbalanced drilling technology and made significant contributions to the development of drilling technology. In 2001, Mr. Sun was awarded the First Honour Award for State Scientific Technology Advancement (國家科學技術進步一等獎) by the State Council for the "Dagang oil field land mature exploration area kilometer bridge buried hill large scale geochronology of condensate accumulation system and exploitation techniques" (大港油田陸上高成熟探區千米橋潛山大型凝析氣藏成藏系統與勘探技術).

Mr. Sun studied at the oil drilling department of Beijing Petroleum Institute from 1953 to 1957, majoring in oil drilling and obtained a bachelor degree. He has been engaging in oil drilling engineering technology and oil well fire fighting engineering. He was the chief engineer of Oil Drilling Bureau of China National Petroleum Corporation since 1996. He was awarded as an excellent science and technology worker (全國優秀科技工作者) and a medal for May First Labor 五一勞動獎 by All China Federation of Trade Unions (中華全國總工會)) in 1992. In 2001, he was awarded an Advanced Individual Award (先進個人稱號) by the PRC Ministry of Science and Technology. In 2004, he was awarded an honored title for Advanced Individual in the national work of Gas-Transporting From West to East (國家西氣東輸工程建設先進個人). Mr. Sun was awarded the Come Out of Your Shell Award (新思維成就獎) on the Drilling and Completing in Hostile Formations (複雜地層的鑽井與挖井) of the 2000 Forum Series in Asia Pacific held by the Society of Petroleum Engineers (石油工程師學會).

Mr. Dai Zhujiang ("Mr. Dai"), aged 58, a non-executive Director, Mr. Dai studied in Beijing Language Institute (北京外國語學院) in 1971 to 1975 and graduated with a bachelor degree. In 1990, he served as a senior management of China Resources Textile Materials Co. Ltd. (華潤紡織原料有限公司). He has been the financial adviser and senior business manager of two large insurance companies (AIA and Prudential) in Hong Kong since 2001. Mr. Dai registered as a professional planner in 2006. Mr. Dai joined the Group since June 2008.

Independent Non-executive Directors

Mr. Lau Hon Chuen ("Mr. Lau"), aged 63, an independent non-executive Director and member of the Remuneration and Audit Committee of the Company, is a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Lau is the senior partner of Messrs. Chu & Lau Solicitors & Notaries. He was awarded the Gold Bauhinia Star and Justice of the Peace. Mr. Lau is a solicitor of the High Court of Hong Kong, a solicitor of the Supreme Court of England and Wales, a China-appointed attesting officer and a notary public. Mr. Lau is currently the independent non-executive director of various listed companies, including Franshion Properties (China) Limited, Glorious Sun Enterprises Limited, Yuexiu Property Company Limited, GZI Transport Limited, Qin Jia Yuan Media Services Company Limited, The Hong Kong Parkview Group Limited and Wing Hang Bank Ltd. He is also a director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank Limited, Wing Hang Bank (China) Limited, Chu & Lau Nominees Limited, Sun Hon Investment and Finance Limited, Wydoff Limited and Wytex Limited. Mr. Lau was also the president of the Law Society of Hong Kong, a board member of the Urban Renewal Authority, a board member of the Hong Kong Mortgage Corporation Limited and a member of the Commission on Strategic Development of the Hong Kong Government, and served as member of the Hong Kong Legislative Council from 1995 to 2004 (being the member of the Provisional Legislative Council from 1997 to 1998). Mr. Lau joined the Group in June 2008.

Professor Chang Hsin Kang ("Professor Chang"), aged 70, an independent non-executive Director, member of Audit Committee and chairman of Remuneration Committee of the Company, is an internationally renowned scholar. He is Foreign Member of the Royal Academy of Engineering of the United Kingdom and Member of International Eurasian Academy of Science. A member of the National Committee of the Chinese People's Political Consultative Conference, he is also a recipient of the Gold Bauhinia Star as well as a Justice of Peace in Hong Kong SAR.

Professor Chang obtained a bachelor degree in civil engineering from National Taiwan University in 1962, a master's degree in structural engineering from Stanford University in 1964, and a Ph.D. in biomedical engineering from Northwestern University in 1969 in the United States. He taught at State University of New York at Buffalo, McGill University in Canada and University of Southern California from 1969 to 1990. Having served as Founding Dean of the School of Engineering of the Hong Kong University of Science and Technology, 1990-1994, and Dean of the School of Engineering of the University of Pittsburgh, 1994 to 1996, Professor Chang was President and University Professor of City University of Hong Kong from 1996 to 2007. He joined the Group in June 2008.

Professor Chang was Chairman of the Hong Kong Cultural and Heritage Commission from 2000 to 2003, a member of the Council of Advisors on Innovation and Technology from 2000 to 2004 and a member of Judicial Officers Recommendation Commission from 1999 to 2005. Professor Chang was decorated as Chevalier dans l'Ordre National de la Légion d'Honneur of France in 2000 and appointed Commandeur dans l'Ordre des Palmes Académiques of France in 2009. He is also an independent non-executive director of Hon Kwok Land Investment Company, Limited, PCCW Limited and Nanyang Commercial Bank, Ltd.

Mr. Kwong Chan Lam ("Mr. Kwong"), aged 62, an independent non-executive Director, member of Remuneration Committee and chairman of the Audit Committee of the Company. He is a fellow certified public accountant in Hong Kong and a former partner of Deloitte Touche Tohmatsu. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Mr. Kwong has 35 years of experience in auditing, financial accounting and taxation in relation to various companies (for 22 years of which, he held the position of partner). He obtained a bachelor degree in business and administration from the Chinese University of Hong Kong in 1972. Mr. Kwong joined the Group in June 2008.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, called the "Group") for the year ended 30 June 2010.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in marine bunkering business (including the trading of related petroleum products), with plans to expand globally, construction of oil storage and terminal facilities, marine transportation, natural gas development and production, proprietary trading in securities and derivatives, property holding and investment holding.

Results and Appropriations

The results of the Group for the year ended 30 June 2010 are set out in the consolidated statement of comprehensive income on page 38.

Final Dividends

The Board recommended the payment of a final dividend of HK 3 cents (2009: Nil) per share for the year ended 30 June 2010. Subject to the shareholders' approval at the annual general meeting of the Company to be held on Thursday, 25 November 2010, approximately HK$202,904,000 will be payable on or before 6 December 2010 to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 25 November 2010.

Book Closure

The register of members of the Company will be closed from Monday 22 November, 2010 to Thursday 25 November, 2010, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend for the year ended 30 June 2010, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 19 November 2010.

Share Capital

Details of the movement in share capital of the Company are set out in note 32 to the consolidated financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Reserves and Distributable Reserves

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the Directors, as at 30 June 2010, the Company's reserves available for distribution to shareholders consisted of contributed surplus of approximately HK$15,012,000 and retained profit of approximately HK$355,945,000.

The contributed surplus of the Company represents the excess of separable net assets acquired from the acquisition of shares in First Sign Investments Limited by the Company pursuant to the group reorganisation in 1995 over the nominal amount of the Company's shares issued as the consideration for such acquisition, less dividends distributed from pre-reorganisation reserves of this subsidiary.

Property, Plant and Equipment and Investment Properties

During the year ended 30 June 2010, total additions to property, plant and equipment were approximately HK$855,385,000, which mainly include additions to construction in progress and vessels of approximately HK$34,863,000 and HK$812,006,000 respectively. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

The Group's investment properties were revalued at 30 June 2010. The net increase in fair value of investment properties which has been credited to the consolidated statement of comprehensive income amounted to HK$20,520,000. Details of these and other movements in the investment properties of the Group during the year are set out in note 21 to the consolidated financial statements.

Major Customers and Suppliers

The five largest customers of the Group together accounted for approximately 38% of the Group's revenue for the year ended 30 June 2010, with the largest customer accounted for approximately 9%. The five largest suppliers of the Group together accounted for approximately 100% of the Group's total purchases for the year ended 30 June 2010, with the largest supplier accounted for approximately 60%.

On 12 July 2008 , the Group entered into a fuel oil purchase and delivery agreement (the "Oil Purchase Agreement") with 深圳光滙石油集團股份有限公司 (Shenzhen Brightoil Group Co., Ltd.) ("Shenzhen Brightoil") and its subsidiaries (collectively, called "Shenzhen Brightoil Group"), of which Dr. Sit Kwong Lam, an executive Director of the Company, has controlling interest. Shenzhen Brightoil Group has become the Group's principal supplier. On 25 May 2010, a new oil purchase agreement was entered into between Shenzhen Brightoil and the Company (the "New Oil Purchase Agreement"). Pursuant to the New Oil Purchase Agreement, Shenzhen Brightoil Group will provide fuel oil, gas oil and the related petroleum products (the "Oil") for the Marine Bunkering Business (including trading of related petroleum products) and delivery services to the Group or the Group's customers globally at the direction of the Group. Save as disclosed above, none of the Directors or any of the associate of a Director or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has an interest in the share capital of any of the Group's five largest customers or suppliers.

Directors' Report

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Dr. Sit Kwong Lam
(Chairman and Chief Executive Officer)
Mr. Tang Bo
Mr. Chia Teck Lim
Mr. Tan Yih Lin
Mr. Gregory John Channon
Mr. Cheung Sum, Sam (appointed on 10 November 2009)
Mr. Fu Dewu (resigned on 1 November 2009)

Non-Executive Directors:

Mr. He Zixin
Mr. Ran Longhui
Mr. Sun Zhenchun
Mr. Dai Zhujiang

Independent Non-Executive Directors:

Mr. Lau Hon Chuen
Professor Chang Hsin Kang
Mr. Kwong Chan Lam

In accordance with the provisions of the Company's bye-laws, Mr Cheung Sum, Sam, Mr He Zixin, Mr Ran Longhui, Mr Sun Zhenchun and Mr Dai Zhujiang will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

At the date of this annual report, each of Dr. Sit Kwong Lam, Mr. Tang Bo, Mr. Chia Teck Lim and Mr. Tan Yih Lin (all being executive Directors) has entered into service contract with the Company with a term of three years commencing from 20 June 2008. Mr. Gregory John Channon (an executive Director) has also entered into a service contract with the Company with a term of three years commencing from 18 May 2009. Mr. Cheung Sum, Sam (an executive Director) has entered into a service contract with the Company with a term of three years commencing from 10 November 2009. Each of the above Directors is entitled to a basic salary, which is determined on the basis of his/her qualification, experience, involvement in and contribution to the Company and by reference to the market rate, and a discretionary management bonus of an amount to be determined by the Board upon completion of a 12 months of service. The Company has not entered into any service contracts with the non-executive Directors and independent non-executive Directors. Each of the non-executive Directors and independent non-executive Directors is appointed for a fixed term of three years subject to retirement by rotation in accordance with the bye-laws of the Company.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2010, the interests and short positions of the Directors, chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Long positions in the shares of the Company

Name of Director	Name of Company	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Dr. Sit Kwong Lam ("Dr. Sit")	The Company	Interest of controlled corporation	7,007,419,333 (Note)	108.42%

Note: These 7,007,419,333 Shares of HK$0.025 each in the share capital of the Company (the "Share") refer to (a) 2,918,088,960 Shares held by Energy Empire Investments Limited, which is wholly and beneficially owned by Dr. Sit; (b) 1,409,351,040 Shares held by Canada Foundation Limited ("Canada Foundation"), which is wholly and beneficially owned by Dr. Sit; (c) 200,000,000 Shares held by Brightoil Welfare Ltd. which is wholly and beneficially owned by Dr. Sit; and (d) 2,479,979,333 Shares to be allotted and issued to Canada Foundation upon exercise in full of the conversion rights attaching to the convertible notes issued by the Company on 27 October 2009 pursuant to the subscription agreement dated 25 June 2009 (the "2009 Subscription Agreement") and the Supplemental Deed dated 2 September 2009 (the "Supplemental Deed").

Long position in the Underlying Shares of Equity Derivatives of the Company

Details are set out in the section headed "Share Options".

Save as disclosed above, as at 30 June 2010, none of the Directors nor chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be recorded pursuant to Section 352 of the SFO, or as otherwise, notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Options

Particulars of the Company's share option scheme (the "Option Scheme") are set out in note 37 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy) (Note)	Exercise price HK$	Number of options granted during the year and at 30.6.2010
Executive Directors				
Mr. Tang Bo	22.4.2010	22.4.2011 – 21.4.2015	3.40	4,000,000
Mr. Chia Teck Lim	22.4.2010	22.4.2011 – 21.4.2015	3.40	4,000,000
Mr. Tan Yih Lin	22.4.2010	22.4.2011 – 21.4.2015	3.40	4,000,000
Mr. Gregory John Channon	22.4.2010	22.4.2011 – 21.4.2015	3.40	4,000,000
Mr. Cheung Sum, Sam	22.4.2010	22.4.2011 – 21.4.2015	3.40	4,000,000
Total of Executive Directors				20,000,000
Non-executive Directors				
Mr. He Zixin	22.4.2010	22.4.2011 – 21.4.2015	3.40	2,000,000
Mr. Ran Longhui	22.4.2010	22.4.2011 – 21.4.2015	3.40	2,000,000
Mr. Sun Zhenchun	22.4.2010	22.4.2011 – 21.4.2015	3.40	2,000,000
Mr. Dai Zhujiang	22.4.2010	22.4.2011 – 21.4.2015	3.40	2,000,000
Total of Non-executive Directors				8,000,000
Independent Non-executive Directors				
Mr. Lau Hon Chuen	22.4.2010	22.4.2011 – 21.4.2015	3.40	2,000,000
Professor Chang Hsin Kang	22.4.2010	22.4.2011 – 21.4.2015	3.40	2,000,000
Mr. Kwong Chan Lam	22.4.2010	22.4.2011 – 21.4.2015	3.40	2,000,000
Total of Independent Non-executive Directors				6,000,000

	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy)	Number of options granted during the year	lapsed during the year	outstanding at 30.6.2010
Other Employees	22.4.2010	22.4.2011 – 21.4.2015	11,520,000	(400,000)	11,120,000
Total					45,120,000

As at 30 June 2010, the total number of Shares available for grant of option under the above Option Scheme was 441,316,160.

Note:

(1) These shares options represent personal interest held by the relevant participants as the beneficial owners.

(2) The eligible participants shall exercise the share options during the following periods:

(i) 25% of the share options from 22 April 2011;

(ii) another 25% of the share options from 22 April 2012;

(iii) additional 25% of the share options from 22 April 2013;

(iv) the remaining 25% of the share options from 22 April 2014; and in each case, not later than 21 April 2015.

Arrangements to Acquire Shares or Debentures

Save for any entitlements under the Option Scheme and those as disclosed under the Section "Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", the convertible notes issued by the Company to Canada Foundation on 27 October 2009, at no time during the year was the Company, any of its holding companies or their respective subsidiaries a party to any arrangements to enable the Directors or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors nor chief executive of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Directors' Interest in Competing Business

During the year, Dr. Sit Kwong Lam, the ultimate controlling shareholder, through his controlled companies (other than the Group), held 100% interest in Shenzhen Brightoil Group which principally engaged in, among others, the supply of duty-free marine bunkering services in the PRC. Shenzhen Brightoil Group entered into the Oil Purchase Agreement with the Group on 12 July 2008 and the New Oil Purchase Agreement was entered into between the Company and Shenzhen Brightoil on 25 May 2010 for the provision of Oil and delivery services to the Group and the Group's customers globally at the direction of the Group .

Shenzhen Brightoil, for itself and on behalf of its subsidiaries, has undertaken not to engage in any direct competition with the Group in respect of the marine bunkering business of the Group in PRC during the term of the Oil Purchase Agreement and the New Oil Purchase Agreement.

Save as disclosed above, none of the Directors or any of their respective associates (as defined in the Listing Rules) had any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business during the year.

Controlling Shareholders'/Directors' Interests in Contracts of Significance

Other than the Oil Purchase Agreement and the New Oil Purchase Agreement, the Fuel Oil Storage Service Agreement and the New Oil Storage Agreement, the 2009 Subscription Agreement, the Supplemental Deed, the Shares Subscription Agreement and the Lease (as defined in paragraph headed "Connected Transactions" below), in which a director of the Company or controlling shareholder has a controlling interest, as disclosed in note 39 to the consolidated financial statements, no other contracts of significance to which the Company, any of its holding companies or subsidiaries was a party and in which a director of the Company or controlling shareholder had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Compliance with Chapter 13 of the Listing Rules

The following information is disclosed pursuant to Rules 13.18 and 13.21 of Chapter 13 of the Listing Rules.

On 26 April 2010, Brightoil Lion Tanker Ltd., an indirect wholly-owned subsidiary of the Company, as borrower (the "Borrower"), Credit Suisse AG, as lender (the "Lender"), and the Company, as guarantor, entered into an 8-year term loan facility agreement (the "Facility Agreement"). Pursuant to the Facility Agreement, the Lender makes available to the Borrower a loan (the "Facility") in the lowest of (i) US$31,500,000; (ii) 60% of the market value of the ship MT "Brightoil Lion" owned by the Borrower; or (iii) 60% of the price payable by the Borrower under the memorandum of agreement in relation to the sale and purchase of the above vessel. The Facility is interest bearing, and is repayable in instalments on repayment dates specified in the Facility Agreement. Any outstanding amounts shall be repaid in full on the date falling 8 years after the date of making of the loan.

Pursuant to the Facility Agreement, the Company represented and warranted, among other things, that Dr. Sit Kwong Lam, an executive Director and the controlling shareholder of the Company, shall remain the majority shareholder of the Company (the "Specific Performance Obligation").

A breach of the Specific Performance Obligation would constitute a default under the Facility Agreement. Such default would permit the Lender to: (i) cancel the Facility; and/or (ii) declare that all or part of the loan made under the Facility Agreement, together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable; and/or (iii) declare that all or part of the loan made under the Facility Agreement be payable on demand.

Related Party Transactions

Details of the significant related party transactions undertaken during the year under review are disclosed in note 39 to the consolidated financial statements. Save as disclosed in "Connected Transactions" below, these related party transactions fall under the definition of connected transaction, but are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Connected Transactions

Certain related party transactions as disclosed in note 39 to the consolidated financial statements also constituted connected transactions or as the case may be, continuing connected transactions under the Listing Rules and are subject to the reporting requirements in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected persons (as defined in the Listing Rules) and the Group have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

Details of those transactions which also constituted connected transactions and were required to be disclosed under Chapter 14A of the Listing Rules are as follows:

(1) Continuing connected transaction for the rental income from Brightoil Petroleum Int'l Pte Ltd ("Brightoil Petroleum Int'l")

On 11 September 2009, a lease agreement (the "Lease") was entered into between the Group and Brightoil Petroleum Int'l , a company incorporated in Singapore and controlled by Dr. Sit, whereby the Group agreed to lease the premises situated at 8 Temasek Boulevard #35-02/02A/02B, Suntec Tower Three, Singapore 038988 to Brightoil Petroleum Int'l for a term of 3 years commencing on 1 July 2009. The monthly rent (inclusive of goods and service tax) payable by Brightoil Petroleum Int'l under the Lease is S$67,000. The annual maximum amount of rental to be received by the Group under the Lease for each of the three financial years ending 30 June 2010, 30 June 2011 and 30 June 2012 shall not exceed S$804,000 (equivalent to approximately HK$4.34 million).

The aggregate rental income from the Lease during the year ended 30 June 2010 was S$804,000.

(2) Continuing connected transaction for the fuel oil purchase and delivery

On 12 July 2008, the Group entered into Oil Purchase Agreement with the Shenzhen Brightoil Group, which is wholly and beneficially controlled by Dr. Sit (being an executive Director, Chairman and chief executive officer at the Company). On 7 April 2009, the annual cap regarding the Oil Purchase Agreement had been revised and approved by the shareholders of the Company such that the total volume of fuel oil sourced by the Group from Shenzhen Brightoil Group and related total transaction amount in respect of the Group's marine bunkering business as a percentage of the total purchases of petroleum products made by the Group for its petroleum product related business be not higher than 65% for the year ended 30 June 2010. On 25 May 2010, the New Oil Purchase Agreement was entered into between Shenzhen Brightoil and the Company for the term of 3 years starting from 1 July 2010. The annual cap has been approved by the shareholders of the Company such that the maximum aggregate fee payable by the Group under the New Oil Purchase Agreement for each of the financial years ending 30 June 2011, 30 June 2012 and 30 June 2013 are US$3,150 million, US$4,200 million and US$4,970 million respectively.

Under the Oil Purchase Agreement, the amount of aggregate fuel oil purchase and delivery fee paid and payable during the year ended 30 June 2010 was approximately HK$7,333,657,000.

(3) Continuing connected transaction for the fuel oil storage

On 12 July 2008, the Group entered into fuel oil storage service agreement (the "Fuel Oil Storage Service Agreement") with the Shenzhen Brightoil Group, which is wholly and beneficially controlled by Dr. Sit (being an executive Director, Chairman and Chief executive officer at the Company). On 21 June 2010, a new oil storage agreement (the "New Oil Storage Agreement") was entered into between Shenzhen Brightoil and the Company for the term of 3 years starting from 1 July 2010. The annual maximum aggregate storage service fee payable by the Group under the New Oil Storage Service Agreement has been revised such that the aggregate service fee shall not exceed RMB59.4million for each of the three subsequent financial years ending 30 June 2011, 30 June 2012 and 30 June 2013 . The New Oil Storage Agreement is exempt from the shareholders' approval under the Listing Rules because the percentage ratios in respect of the revised annual cap are less than 5%.

Under the Fuel Oil Storage Service Agreement, the amount of aggregate fuel oil storage fee paid and payable during the year ended 30 June 2010 was approximately HK$13,366,000.

(4) Entering into the Agreement for the purchase of the office and car parking spaces in Zhoushan city

On 21 January 2010, 光滙石油儲運（舟山）有限公司 Brightoil Petroleum Storage (Zhoushan) Co., Ltd. ("Brightoil Storage"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with 舟山港務集團置業有限公司 Zhoushan Port & Property Group Limited ("Zhoushan Port & Property"), a joint venture partner of a joint venture company of the Group (the "Agreement"). Pursuant to the Agreement, Brightoil Storage as the Purchaser agreed to purchase a one-floor office with gross floor area of approximately 1,985 sq.m. (the "Office") and eight car parking spaces (the "Car Parking Spaces") in a commercial complex comprising two blocks of building and an ancillary complex to be developed on a plot of land in Zhoushan Lincheng New District CBD Phase 2 Centre by Zhoushan Port & Property as the developer. The consideration for the purchase of the Office and the Car Parking Spaces is preliminarily estimated to be approximately RMB 15.1 million (equivalent to approximately HK$17.2 million) subject to adjustment. Pursuant to the Supplemental Agreement dated 1 February 2010 entered into between Brightoil Storage and Zhoushan Port & Property, the final consideration after adjustment will not exceed RMB 30 million (equivalent to approximately HK$34.2 million).

(5) Subscription of new Shares

Pursuant to the share subscription agreement dated 12 April 2010 entered into between the Company and Canada Foundation as part of a top-up placing of shares of the Company, the Company allotted and issued a total of 100,000,000 new shares to Canada Foundation at the aggregate subscription price of HK$1,000,000,000 (equivalent to HK$10 per share).

(6) Convertible notes issued in November 2008 and convertible notes issued in June 2009

Pursuant to the 2008 Subscription Agreement dated 28 November 2008 entered into between the Company and Canada Foundation, the Company issued convertible notes (the "2008 Convertible Notes") in an aggregate principal amount of HK$115,900,000 with conversion price of HK$0.61 per share to Canada Foundation on 22 January 2009 (the "2008 Issue Date").

As at 30 June 2009, the outstanding principal amount of the 2008 Convertible Notes was HK$48,800,000.

On 27 October 2009, outstanding principal amounts HK$48,800,000 of the 2008 Convertible Notes were converted into 80,000,000 Conversion Shares at the conversion price of HK$0.61 per share. The 2008 Convertible Notes were fully converted and no outstanding principal amount existed as at 30 June 2010.

Pursuant to the 2009 Subscription Agreement and the Supplemental Deed entered into between the Company and Canada Foundation, the Company issued convertible notes (the "2009 Convertible Notes") in an aggregate principal amount of US$120,000,000 with conversion price of US$0.19355 per share to Canada Foundation on 27 October 2009 (the "2009 Issue Date"). Upon the exercise in full of the conversion rights attaching to the 2009 Convertible Notes, 619,994,833 shares would be allotted and issued to Canada Foundation.

The 2009 Convertible Notes are denominated in United States dollars ("US$") and non-interest bearing. The holder of the 2009 Convertible Notes is entitled to convert the 2009 Convertible Notes into 619,994,833 ordinary shares (the "2009 Conversion Shares") at initial price of US$0.19355 per share at any time from the 2009 Issue Date to the fifth business day prior to the maturity date falling on the third anniversary from the 2009 Issue Date (i.e. 27 October 2012 (the "2009 Maturity Date")), subject to the adjustment due to change in capital structure of the Company (including share consolidation, share subdivision and capitalisation issue and other events which have dilutive effects on the issued share capital of the Company set out in the terms and conditions of the 2009 Convertible Notes). The Conversion Shares shall rank pari passu in all aspects with all other existing Shares outstanding at the date of conversion.

An ordinary resolution was passed on 27 May 2010 for approving share subdivision, whereby the issued and unissued Shares in the share capital of the Company was subdivided into 4 subdivided shares becoming effective on 28 May 2010. On the same date, the outstanding principal amount of the 2009 Convertible Notes was US$120,000,000. According to the terms and conditions of the 2009 Convertible Notes, the number of 2009 Conversion Shares and the conversion price were adjusted to 2,479,979,333 Shares and approximately US$0.04839 per Share.

As at 30 June 2010, the outstanding principal amount of the 2009 Convertible Notes was US$120,000,000. The outstanding amount of the 2009 Convertible Notes is repayable on the 2009 Maturity Date if the 2009 Convertible Notes have not been converted on or before the fifth business day prior to 2009 Maturity Date.

The Independent Non-executive Directors have reviewed and confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain factual finding procedures on the above continuing connected transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported their factual findings on the selected samples based on the agreed procedures to the Board that the continuing connected transactions stated in items (1), (2) and (3) above: (a) have received the approval of the Board; (b) are based on specified percentages of the related shipment/purchase value or specified fixed monthly rental, as appropriate; (c) have been entered into in accordance with the provisions of the relevant agreements governing the transactions; and (d) have not exceeded the caps disclosed in the previous announcements of the Company.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the transactions stated in items (1), (2), (3), (4), (5) and (6) above.

Substantial Shareholders and Persons Having 5% or More Interests

As at 30 June 2010, the interests and short positions of every person, other than a Director or chief executive of the Company, in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions

Name of substantial shareholder	Number of ordinary shares	Approximate Percentage of shareholdings
Energy Empire Investments Limited	2,918,088,960 (Note 1)	45.15%
Canada Foundation	3,889,330,373 (Note 2)	60.17%

Notes:

1. As Dr. Sit is the sole shareholder of both Energy Empire Investments Limited and Canada Foundation, Dr. Sit was deemed to be interested in the Shares held by or deemed to be interested by these two companies under the SFO.

2. These 3,889,330,373 Shares refer to (a) 1,409,351,040 Shares held by Canada Foundation; and (b) 2,479,979,333 Shares to be allotted and issued to Canada Foundation upon exercise in full of the conversion rights attaching to the convertible notes issued by the Company on 27 October 2009 pursuant to the Subscription Agreement and the Supplemental Deed.

Save as disclosed above, as at 30 June 2010, the Company has not been notified of any person (other than a Director or chief executive of the Company) or entity had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received from each of Mr. Lau Hon Chuen, Professor Chang Hsin Kang and Mr. Kwong Chan Lam an annual confirmation of his independence pursuant to the Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and the Company considers all independent non-executive Directors are independent.

Corporate Governance

Save as disclosed in the Corporate Governance Report on pages 30 to 36 of this Annual Report, the Company has complied throughout the year with the code provisions as disclosed in the Corporate Governance Report on Corporate Governance Practices as set out in the Listing Rules.

Sufficiency of Public Float

To the best knowledge of the Directors and based on information publicly available to the Company, the Company has maintained a sufficient public float as required under the Listing Rules throughout the year ended 30 June 2010.

Auditor

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

SIT KWONG LAM
CHAIRMAN

Hong Kong, 28 September 2010

Corporate Governance Report

Corporate Governance Report

The Board is committed to maintaining good corporate governance practices and the Board is accountable to the Shareholders. The Company had applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules for the year ended 30 June 2010, except for the following deviations:

Code Provision A.2.1

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between chairman and CEO should be clearly established and set out in writing.

The positions of both chairman and CEO have been held by Dr. Sit Kwong Lam since 20 June 2008 upon his appointment as an executive Director. Given the Group's current stage of development, the Board considers that vesting the roles of both chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation.

Code of Conduct for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 30 June 2010. The Model Code also applies to other specified senior management of the Group.

Board of Directors

The Board is responsible for providing high level guideline and effective oversight of the overall management of the Company's business while day-to-day management of the Group is delegated to the Executive Directors and senior management team. The functions and work tasks delegated to the management are periodically reviewed by the Board. Generally speaking, the Board is responsible for the followings:

- Formulating the Group's long term strategy and monitoring the implementation thereof
- Recommending interim and year-end dividend
- Reviewing and approving the interim and annual reports
- Ensuring good corporate governance and compliance
- Monitoring internal control and risk management systems
- Monitoring the performance of the management
- Reviewing and approving any material acquisition and assets disposal

Summary of Work Done

The Board meets regularly at least four times a year and additional meetings or telephone conferences are convened as and when the Board considers necessary. Draft agendas and board papers for regular Board meetings are provided to the Board for comments and the Directors are invited to include any matters which they thought appropriate in the agenda for regular Board meetings.

Attendance Records

During the year ended 30 June 2010, the following Board and relevant committee meetings were held. Details of the Directors' attendance in the year are as follows:

	Board of Directors	Audit Committee	Remuneration Committee	Independent Board Committee
Executive Directors				
Dr. Sit Kwong Lam	10/13	N/A	1/1	N/A
Mr. Gregory John Channon	13/13	N/A	N/A	N/A
Mr. Tang Bo	13/13	N/A	N/A	N/A
Mr. Tan Yih Lin	10/13	N/A	0/1	N/A
Mr. Chia Teck Lim	10/13	N/A	N/A	N/A
Mr. Fu Dewu (Note 1)	2/13	N/A	N/A	N/A
Mr. Cheung Sum, Sam (Note 2)	10/13	N/A	N/A	N/A
Non-executive Directors				
Mr. He Zixin	5/13	N/A	N/A	N/A
Mr. Ran Longhui	4/13	N/A	N/A	N/A
Mr. Sun Zhenchun	4/13	N/A	N/A	N/A
Mr. Dai Zhujiang	12/13	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Lau Hon Chuen	9/13	2/2	1/1	5/5
Professor Chang Hsin Kang	13/13	2/2	1/1	5/5
Mr. Kwong Chan Lam	13/13	2/2	1/1	5/5

Note 1: Mr. Fu Dewu resigned as an Executive Director on 1 November 2009

Note 2: Mr. Cheung Sum, Sam was appointed as an Executive Director on 10 November 2009

The Directors have access to the advice and services of the Company Secretary who is responsible for ensuring the compliance of the Board procedures, and all applicable rules and regulations .

All minutes of the Board meetings (including minutes of all Board Committees meetings) and written resolutions passed by the Board are kept in the office of the Company Secretary and are accessible to all Directors.

The Directors are permitted to seek independent professional advice, if necessary, at the Company's expense.

Where the substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, a Board meeting was held instead of by way of circulation in accordance with applicable rules and regulations.

There is in place a Directors' and Officers' Liabilities Insurance coverage in respect of the legal actions against the Directors and senior management arising out of corporate activities. Board committees, including the Audit and Remuneration follow the applicable practices and procedures used in Board meetings for committee meetings.

Corporate Governance Report

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of chairman and CEO should be separate and should not be performed by the same individual.

The positions of both chairman and CEO have been held by Dr. Sit Kwong Lam since 20 June 2008 upon his appointment as an executive Director. Given the Group's current stage of development, the Board believes that vesting the roles of both chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation. In addition, through the supervision of the Board which comprised of three Independent non-executive Directors and four Non-executive Directors, representing more than half of the Board, the interests of the Shareholders are adequately and fairly represented.

With the support of the senior management, the chairman seeks to ensure that all Directors have been properly briefed on issues arising at Board meetings and have received adequate and reliable information on a timely basis. Board papers including supporting analysis and related background information are normally sent to the Directors before Board meetings.

Board Composition

The Board is currently composed of six Executive Directors, four Non-executive Directors and three Independent non-executive Directors, whose biographical details are set out in "Profile of Directors and Senior Management" of this annual report. The independent non-executive Directors are identified in all corporate communications.

The Board complies with Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three Independent non-executive Directors and one of the Independent non-executive Directors has appropriate professional qualifications on accounting or related financial management expertise. Each of the Independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent.

Appointment and Re-Election of Directors

All Non-executive Directors and Independent non-executive Directors have been appointed for a specific term of three years.

In accordance with the provisions of the bye-laws of the Company, any Director is subject to retirement by rotation once every three years and shall be eligible for re-election in the annual general meeting of the Company.

In accordance with the provisions of the bye-laws of the Company, any Director appointed by the Board during the year shall retire and submit themselves for re-election at the next following annual general meeting immediately following his/her appointment. Further, at each annual general meeting, one-third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to but not less than one-third, shall retire from office. The Directors to be retired by rotation shall be those who have been longest in office since their last re-election or appointment.

Code provision A.4.2 stipulates that all Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after their appointment, and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company complied with this Code provision during the year.

Nomination Committee

The Company has not established any nomination committee. The Board will identify individuals who are suitably qualified to become Board members when necessary. The Board will give due consideration to the suitability of a candidate for directorship after taking into account his experience, qualification and other relevant factors. All candidates must also meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an Independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

Responsibilities of Directors

Newly appointed Director would receive an induction package covering the Group's business and the statutory and regulatory obligations of a director. The Company Secretary is responsible for keeping all Directors updated on the Listing Rules and other statutory requirements.

The Independent non-executive Directors exercise their independent judgement and advise on the strategy, financial performance and resources of the Group. The Independent non-executive Directors are also members of the Audit and Remuneration Committees of the Company.

Supply of and Access to Information

Agenda and accompanying board papers were sent to all Directors at least 3 days before the regular Board meeting unless it was on urgent basis. The management works closely with the Board to clarify their queries raised in the meetings and supplement any information required.

Delegation by the Board

There is a clear division of duties and responsibilities between the Board and the management as internal guidelines of the Company. The Board, led by the Chairman, is responsible for the Group's future development directions; overall strategies and policies and approval of matters that are of material or substantial nature. The management, including the Executive Directors, is responsible for reviewing and monitoring the business and operation performance of the Group.

The Board has established the Remuneration Committee and Audit Committee with specific terms for reference. The committees report to the Board of their decisions and recommendations at the Board meetings.

Remuneration of Directors and Senior Management

The Company has established the remuneration committee of the Company (the "Remuneration Committee") in January 2006 with terms of reference substantially the same as those contained in Code provision B.1.3.

A majority of the members of the Remuneration Committee are Independent non-executive Directors. The current members are Professor Chang Hsin Kang (Chairman), Mr. Kwong Chan Lam, Mr. Lau Hon Chuen, Mr. Tan Yih Lin and Dr. Sit Kwong Lam.

On behalf of the Board, the Remuneration Committee pays close attention to remuneration policies applied within the Company, including the remuneration of Non-executive and Executive Directors and of senior management. The objective is to ensure that the Company applies properly structured and fair remuneration which aligns the interests of Directors and senior management with those of the Company and its Shareholders. Also, remuneration should reflect performance and responsibility with a view to attracting, motivating and retaining high performing individuals and promoting the enhancement of the values to the Shareholders.

Responsibilities

The Remuneration Committee is primarily responsible for the following duties:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration;

2. to have the delegated responsibilities to determine the specific remuneration packages of all Executive Directors and senior management;

3. to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

4. to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

5. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

6. to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The overriding objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company. The terms of reference of the Remuneration Committee was available on request and information of the Remuneration Committee was available on the website of the Company (www.brightoil.com.hk).

Summary of Work Done

The Remuneration Committee would consult the Chairman the proposals relating to the remuneration of other Executive Directors, if any. The Remuneration Committee may have access to external professional advice if considered necessary at the Company's expenses.

The Remuneration Committee will meet at least once each year. During the relevant year under review, the Remuneration Committee held one meeting to consider the increment of emoluments of two Executive Directors. The service agreement and remuneration package of a newly appointed Executive Director was passed by way of written resolutions of the Remuneration Committee. Attendance record of each Director at the Remuneration Committee meetings are set out in the section headed "Attendance Records" of this report.

Financial Reporting

Management are required to provide detailed report and explanation to enable the Board to make an informed assessment of the financial and other information put before approval.

The Directors acknowledge their responsibility for (i) overseeing the preparation of the financial statements of the Group with a view to ensuring such financial statements are in accordance with statutory requirements and applicable accounting standards and (ii) selecting suitable accounting policies and applying them consistently with the support of reasonable and prudent judgments and estimates. The report of the auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out on pages 38 to 96 of this annual report.

The Board aims to present a balanced, clear and understandable assessment of the Company's position to its shareholders and the public in all its reports and public announcements.

Audit Committee

The audit committee of the Company (the "Audit Committee") comprises all Independent non-executive Directors who are not involved in the day-to-day management of the Company. The Audit Committee has adopted the same terms of reference, which describes the authority and duties of the Audit Committee, as set out in Code provision C.3.3. The chairman of the Audit Committee, Mr. Kwong Chan Lam, has appropriate professional qualifications and experience in financial matters and wide experience in business. Except for Kwong Chan Lam who was a partner of Deloitte Touche Tohmatsu from 1 April 1997 to 31 May 2007, none of the members of the Audit Committee are former partners of the Company's existing auditing firm. Minutes of the Audit Committee meeting are circulated to members of the Audit Committee within reasonable time after each meeting. The primary responsibilities of the Audit Committee are

- to consider the financial reporting matters;
- to assess changes in accounting policies and practices;
- to discuss major judgmental area and compliance with applicable legal and accounting requirements and standards; and
- to discuss with the auditor of the Company on internal control and annual results.

The terms of reference of the Audit Committee are available on request and information of the Audit Committee is available on the website of the Company (www.brightoil.com.hk).

Summary of Work Done

The Audit Committee has discharged its responsibilities in its review of the half-yearly and annual results and system of internal control at its two meetings held during the year. Attendance record of each Director at the Audit Committee meetings are set out in the section headed "Attendance Records" of this report.

Internal Control

A sound and effective internal control system is important to safeguard the Shareholders' investment and the Group assets. During the year, the Board reviewed and is satisfied with the effectiveness of the internal control system of the Group including, financial, operational, compliance control and risk management functions. The Audit Committee had made suggestions to the Board for internal control measures which the Board had considered to uplift internal control effectiveness.

Communication With Shareholders

Effective Communication

At 2009 AGM, a separate resolution of each substantially separate issue was proposed, including election of individual Directors. Separate resolutions are also proposed on other general meetings on each separate issue.

The Chairman of the Board attended the annual general meeting of the Company to answer questions raised by the shareholders. Moreover, chairman of the independent board committee attended the special general meetings of the Company held to approve the connected transactions.

The Company gave at least 20 clear business days notice to shareholders in case of an annual general meeting and at least 10 clear business days in the case of all other general meetings.

All resolutions put to vote at the Company's general meetings were taken by poll. Poll results were published on the websites of the Company and the Stock Exchange.

Auditor's Remuneration

For the year ended 30 June 2010, the auditor of the Group, Messrs. Deloitte Touche Tohmatsu, received HK$1,320,000 for audit services and HK$250,000 for non-audit services as follows:

Non-audit services

	HK$
Tax consultancy	120,000
Review services	130,000
	250,000

On behalf of the Board
SIT KWONG LAM
Chairman

Hong Kong, 28 September 2010

TO THE MEMBERS OF BRIGHTOIL PETROLEUM (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Brightoil Petroleum (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 96, which comprise the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 September 2010

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	8	**13,634,611**	5,454,979
Cost of sales		**(12,100,120)**	(4,916,859)
Gross profit		**1,534,491**	538,120
Other income, gains and losses	10	**(21,236)**	(1,265)
Fair value change of derivative financial instruments	31	**355,445**	56,779
Fair value change in conversion option of convertible notes	34	**(322,527)**	(204,586)
Other expenses		**(52,296)**	–
Distribution and selling expenses		**(61,886)**	(17,887)
Administrative expenses		**(118,283)**	(46,010)
Impairment loss on property, plant and equipment and prepaid lease payments		**–**	(17,830)
Loss on initial recognition of convertible notes		**–**	(1,816)
Finance costs	11	**(94,205)**	(6,880)
Share of losses of jointly controlled entities		**(1,439)**	(2)
Profit before taxation	12	**1,218,064**	298,623
Taxation charge	15	**(74,138)**	(35,271)
Profit for the year attributable to the owners of the Company		**1,143,926**	263,352
Other comprehensive income (expense) for the year			
Exchange differences arising on translation of foreign operations and to presentation currency		**4,824**	(9,301)
Total comprehensive income for the year attributable to the owners of the Company		**1,148,750**	254,051
Earnings per share			(restated)
– Basic	17	**HK19.0 cents**	HK5.2 cents
– Diluted	17	**HK15.6 cents**	HK5.2 cents

Consolidated Statement of Financial Position

At 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	18	**956,321**	128,704
Prepaid lease payments for land	19	**125,172**	42,415
Prepaid lease payments for coast	20	**11,603**	–
Investment properties	21	**100,265**	86,200
Exploration and evaluation assets	22	**4,755**	–
Deposits paid for property, plant and equipment		**1,000**	1,369
Deposits paid for prepaid lease payments for land	40	**43,047**	–
Interest in jointly controlled entities	23	**350,918**	35,802
Rental deposits		**3,705**	–
		1,596,786	294,490
CURRENT ASSETS			
Inventories	24	**685,818**	314,642
Trade debtors	25	**1,827,744**	400,151
Other debtors, prepayments and deposits		**11,314**	2,360
Rental receivable from a related company	39	**–**	2,090
Amount due from a jointly controlled entity	39	**3,715**	–
Prepaid lease payments for land	19	**1,741**	48
Prepaid lease payments for coast	20	**237**	–
Financial assets held for trading	26	**251,924**	2,515
Deposits placed with brokers	27	**705,766**	–
Pledged bank deposits	28	**54,697**	309,322
Bank balances and cash	28	**2,037,423**	710,299
		5,580,379	1,741,427
CURRENT LIABILITIES			
Trade creditors	29	**972,712**	224,013
Trade payable to a related company	39	**725,432**	435,091
Amount due to a jointly controlled entity	39	**231**	–
Other creditors and accrued charges		**23,122**	10,670
Bank borrowings	30	**41,850**	–
Derivative financial instruments	31	**62,258**	–
Tax liabilities		**97,948**	35,271
		1,923,553	705,045
NET CURRENT ASSETS		**3,656,826**	1,036,382
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,253,612**	1,330,872

Consolidated Statement of Financial Position

At 30 June 2010

	Notes	2010 HK$'000	2009 HK$'000 (restated)
NON-CURRENT LIABILITIES			
Convertible notes	34	**614,627**	28,302
Convertible notes derivatives	34	**–**	137,553
Bank borrowings	30	**451,631**	–
Deferred tax liability	33	**52,036**	–
		1,118,294	165,855
		4,135,318	1,165,017
CAPITAL AND RESERVES			
Share capital	32	**161,587**	143,587
Reserves		**3,973,731**	1,021,430
Equity attributable to owners of the Company		**4,135,318**	1,165,017

The consolidated financial statements on pages 38 to 96 were approved and authorised for issue by the Board of Directors on 28 September 2010 and are signed on its behalf by:

Sit Kwong Lam
Director

Tan Yih Lin
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Special reserve HK$'000 (Note a)	Shareholder's contribution HK$'000 (Note b)	Translation reserve HK$'000	Convertible notes reserve HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 July 2008	121,587	239,520	3,489	1,000	33,679	2,370	–	–	318,670	720,315
Profit for the year	–	–	–	–	–	–	–	–	263,352	263,352
Other comprehensive expense: Exchange differences arising in translation of foreign operations and to presentation currency	–	–	–	–	–	(9,301)	–	–	–	(9,301)
Total comprehensive (expense) income for the year	–	–	–	–	–	(9,301)	–	–	263,352	254,051
Issue of new shares	11,000	56,100	–	–	–	–	–	–	–	67,100
Issue of new shares upon conversion of convertible notes	11,000	152,327	–	–	–	–	–	–	–	163,327
Dividend paid (note 16)	–	–	–	–	–	–	–	–	(39,776)	(39,776)
At 30 June 2009	143,587	447,947	3,489	1,000	33,679	(6,931)	–	–	542,246	1,165,017
Profit for the year	–	–	–	–	–	–	–	–	1,143,926	1,143,926
Other comprehensive income: Exchange differences arising in translation of foreign operations and to presentation currency	–	–	–	–	–	4,824	–	–	–	4,824
Total comprehensive income for the year	–	–	–	–	–	4,824	–	–	1,143,926	1,148,750
Issue of new shares	10,000	990,000	–	–	–	–	–	–	–	1,000,000
Transaction costs attributable to issue of shares	–	(16,090)	–	–	–	–	–	–	–	(16,090)
Issue of new shares upon conversion of convertible notes	8,000	500,880	–	–	–	–	–	–	–	508,880
Recognition of equity component of convertible notes	–	–	–	–	–	–	384,879	–	–	384,879
Deferred liability on recognition of equity components of convertible notes	–	–	–	–	–	–	(63,506)	–	–	(63,506)
Recognition of equity-settled share based payments (note 37)	–	–	–	–	–	–	–	7,388	–	7,388
At 30 June 2010	161,587	1,922,737	3,489	1,000	33,679	(2,107)	321,373	7,388	1,686,172	4,135,318

Notes:

a. The special reserve of the Group represents the difference between the nominal amount of the share capital issued by First Sign Investments Limited in exchange for the nominal amount of the share capital of its subsidiaries pursuant to the group reorganisation in 1995.

b. During the year ended 30 June 2008, the Group disposed of two subsidiaries to the former major controlling shareholder of the Company, with total consideration of approximately HK$263,374,000. The gain on disposal of the subsidiaries of approximately HK$33,679,000 was deemed as a shareholder's contribution to the Group and was credited to the equity as a reserve.

Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	2010 HK$'000	2009 HK$'000 (restated)
OPERATING ACTIVITIES		
Profit before taxation	**1,218,064**	298,623
Adjustments for:		
Interest expense	**4,201**	–
Interest income on bank deposits	**(2,696)**	(4,238)
Dividends from equity investments	**(3,630)**	–
Share of loss of a jointly controlled entity	**1,439**	2
Amortisation of prepaid lease payments for land and coast	**267**	819
Depreciation of property, plant and equipment	**23,687**	3,603
Fair value change of derivative finance instruments	**62,258**	–
Fair value change in conversion option of convertible notes	**322,527**	204,586
Loss on initial recognition of convertible notes	**–**	1,816
Imputed interest expenses on convertible notes	**90,004**	6,880
(Increase) decrease in fair value of investment properties, net	**(20,520)**	6,160
Fair value change of financial assets held for trading	**39,124**	(460)
Share-based payment expenses	**7,388**	–
Loss on disposal of property, plant and equipment	**147**	–
Loss on disposal of investment properties	**183**	–
Write down of inventories	**14,457**	519
Impairment loss on property, plant and equipment and prepaid lease payments	**–**	17,830
Operating cash flows before movements in working capital	**1,756,900**	536,140
Increase in inventories	**(385,633)**	(312,705)
Increase in trade debtors	**(1,427,593)**	(400,151)
Increase in other debtors, prepayments and deposits	**(8,956)**	(1,473)
Decrease (increase) in rental receivable from a related party	**2,090**	(2,090)
Increase in financial assets held for trading	**(288,533)**	(2,055)
Increase in rental deposits	**(3,705)**	–
Increase in trade creditors	**748,699**	223,945
Increase in trade payable to a related party	**290,340**	435,091
Increase in other creditors and accrued charges	**12,449**	2,458
Cash generated from operations	**696,058**	479,160
Income tax paid	**(22,932)**	–
Dividends received	**3,630**	–
NET CASH FROM OPERATING ACTIVITIES	**676,756**	479,160

Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	2010 HK$'000	2009 HK$'000 (restated)
INVESTING ACTIVITIES		
Interest received from bank deposits	**2,696**	4,238
Proceeds on disposal of property, plant and equipment	**4,182**	–
Proceeds on disposal of investment properties	**8,417**	–
Prepaid lease payments paid for land	**(84,044)**	(42,467)
Prepaid lease payments paid for coast	**(11,837)**	–
Purchases of property, plant and equipment	**(855,015)**	(123,476)
Advance to a jointly controlled entity	**(3,715)**	–
Addition to exploration and evaluation assets	**(4,755)**	–
Deposits paid for acquisition of property, plant and equipment	**–**	(1,369)
Deposits paid for acquisition of lease for land	**(43,047)**	–
Addition to pledged bank deposits	**(1,144,938)**	(309,322)
Refund of pledged bank deposits	**1,399,563**	–
Addition to deposits placed with brokers	**(1,480,104)**	–
Refund of deposits placed with brokers	**774,338**	–
Capital injection in a newly set up jointly controlled entity	**(316,201)**	(35,804)
NET CASH USED IN INVESTING ACTIVITIES	**(1,754,460)**	(508,200)
FINANCING ACTIVITIES		
Proceeds from issue of shares	**1,000,000**	67,100
Proceeds from issue of convertible notes	**930,000**	115,900
Bank loans raised	**499,875**	–
Expenses on issue of shares	**(16,090)**	–
Repayment of borrowings	**(6,394)**	–
Advance from a jointly controlled entity	**231**	–
Dividend paid	**–**	(39,776)
Interest expense	**(4,201)**	–
NET CASH FROM FINANCING ACTIVITIES	**2,403,421**	143,224
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,325,717**	114,184
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**710,299**	599,460
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,407**	(3,345)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR Represented by bank balances and cash	**2,037,423**	710,299

1. GENERAL

The Company is a public limited company incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company's immediate and ultimate holding company is Energy Empire Investments Limited, a limited company incorporated in the British Virgin Islands.

The Company is an investment holding company. Its subsidiaries are principally engaged in the marine bunkering business (including the trading of related petroleum products), with plan to expand globally, construction of oil storage and terminal facilities, design, manufacture and trading of garments, proprietary trading in securities and derivatives, property holding and investment holding. In the current year, the subsidiaries have also commenced the marine transportation business.

In July 2008, the directors of the Company determined that the functional currency of the Company has changed from Renminbi to United States dollars ("US$") as its subsidiaries have commenced and expanded rapidly in the marine bunkering operations, which are transacted in US$. At the same time, its subsidiaries have substantially reduced their design, manufacture and trading of garments business in the People's Republic of China (the "PRC").

2. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The presentation currency of the consolidated financial statements is Hong Kong dollars ("HK$"). For the convenience of the financial statements users, the results and financial position of the Group are presented in HK$ as the Company's shares are listed on the Stock Exchange.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 27 (Revised 2008)	Consolidated and separate financial statements
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 3 (Revised)	Business combinations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendments to HKFRS 2, HKAS 38, paragraph 80 of HKAS 39, HK(IFRIC) – INT 9 and HK(IFRIC) – INT 16

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

HKFRS 3 (Revised) Business combinations and HKAS 27 (Revised) Consolidated and separate financial statements

The Group applies HKFRS 3 (Revised) Business combinations prospectively to business combinations for which the acquisition date is on or after 1 July 2009. The requirements in HKAS 27 (Revised) Consolidated and separate financial statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 July 2009.

As there was no transaction during the year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

In addition, HKAS 1 (Revised 2007) requires the presentation of a third consolidated statement of financial position as at 1 July 2008 when the Group reclassifies items in its consolidated financial statements (see below).

A third consolidated statement of financial position as at 1 July 2008 is not presented since the convertible notes were issued during the year ended 30 June 2009. The reclassification does not affect the consolidated statement of financial position as at 1 July 2008.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's operating segments nor change in the basis of measurement of segment profit or loss as compared with the primary segments determined in accordance with HKAS 14 (see note 9).

HKAS 23 (Revised 2007) Borrowing costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the qualifying assets. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 July 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). The revised accounting policy has been applied prospectively from 1 July 2009 and does not have any effect on the reported results and financial position of the Group for the current or prior accounting periods.

Improving disclosures about financial instruments (amendments to HKFRS 7 Financial instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

Amendments to HKAS 1 Presentation of financial statements

During the current year, the Group applied amendments to HKAS 1 "Presentation of financial statements" (as part of Improvements to HKFRSs 2008), which clarify whether derivatives that are classified as held for trading in accordance with HKAS 39 "Financial instruments: Recognition and measurement" should be presented as current or non-current. The amendment requires derivatives that are not held for trading purposes to be classified as current or non-current on the basis of their settlement date.

The Group has also early adopted amendments to HKAS 1 (as part of Improvements to HKFRSs 2009) regarding classification of a liability as current or non-current. The amendment requires the Group to classify a liability as current when it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. However, terms of liability that could result in its settlement by the issue of the Group's equity instruments at the option of the counterparty do not affect its classification. These amendments have had no impact on the Group's results for the reported periods. The amendments have resulted in derivatives financial instruments in connection with the embedded conversion options with carrying amounts of approximately HK$137,553,000 as at 30 June 2009 being classified from current to non-current.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5 and HKFRS 8 as part of improvements to HKFRSs 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs May 2010[2]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[3]
HKFRS 9	Financial instruments[7]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[5]

[1] Amendments that are effective for accounting periods beginning on or after 1 January 2010.
[2] Effective for accounting periods beginning on or after 1 July 2010 and 1 January 2011.
[3] Effective for accounting periods beginning on or after 1 January 2010.
[4] Effective for accounting periods beginning on or after 1 February 2010.
[5] Effective for accounting periods beginning on or after 1 July 2010.
[6] Effective for accounting periods beginning on or after 1 January 2011.
[7] Effective for accounting periods beginning on or after 1 January 2013.

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from accounting periods beginning on or after 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The application of the amendments to HKAS 17 might affect the classification of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. 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 and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the consolidated statement of financial position of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the consolidated statement of comprehensive income when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the amount received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has passed. Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's rights to receive payment has been established.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost or deemed cost less subsequent accumulated depreciation and accumulated impairment losses.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any excess of the carrying amount over the fair value of that item at the date of transfer is charged to profit or loss.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year in which the item is derecognised.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of cost of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Costs of exploratory wells (pipelines, drilling cost and others) are capitalised pending a determination of whether sufficient quantities of potentially economic oil and gas reserves have been discovered.

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for natural resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

When the technical feasibility and commercial viability of extracting natural resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as either intangible or tangible assets. These assets are assessed for impairment before reclassification.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually. When one of the following events or changes in circumstances, which is not exhaustive, indicate that the carrying amount may not be recoverable has occurred, impairment test is performed in accordance with HKAS 36 "Impairment of assets".

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of natural resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of natural resources in the specific area have not led to the discovery of commercially viable quantities of natural resources and the Group has decided to discontinue such activities in the specific area.
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. The Group will study a specific area based on all available technical data. Several drilling locations will be proposed and discussed amongst project partners before final drilling location(s) is/are confirmed. The well costs will be expensed if it is determined that such economic viability is not attained within the specific area after performing further feasibility studies that is usually finished within one year of completion of drilling. If the Group determines not to further explore a specific area previously studied, any outstanding drilling cost and other exploration and evaluation assets in that specific area will be impaired immediately.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any direct attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the year in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (translation reserve). Such exchange differences are recognised in other comprehensive income and accumulated in equity (the translation reserve). Exchange difference arising from foreign operation will be reclassified to profit or loss in the period in which the foreign operation is disposed of.

Change in functional currency

Functional currency of a group entity is changed only if there is a change to the underlying transactions, events and conditions relevant to the entity. The entity applied the translation procedures applicable to the new functional currency prospectively. At the date of change, the entity translates all items into the new functional currency using the exchange rate prevailing at that date and the resulting translated amounts for non-monetary items are treated as the historical cost.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and jointly controlled entities, except 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 assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax asset is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale (for which the commencement date for capitalisation is on or after 1 July 2009), are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provision of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Effective interest method (continued)

Financial assets at FVTPL

Financial assets at FVTPL of the Group are financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned in the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade debtors, other debtors and deposits, rental receivable from a related company, amount due from a jointly controlled entity, deposits placed with brokers, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of loans and receivables, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of trade and other debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other debtors are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of loans and receivables *(continued)*

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all if its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

Financial liabilities at FVTPL represents financial liabilities held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Other financial liabilities

Other financial liabilities including trade creditors, other creditors and accrued charges, trade payable to a related company, amount due to a jointly controlled entity and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

<u>Convertible notes contain liability and equity components</u>

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible notes reserve).

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Effective interest method (continued)

Convertible notes contain liability and equity components *(continued)*

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the embedded option is exercised (in which case the balance stated in convertible notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to the accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Convertible loan notes contain liability component and conversion option derivative

Convertible loan notes issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and conversion option components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives of the Group do not qualify for hedge accounting thus they are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount 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, such 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 year. A reversal of an impairment loss is recognised as income immediately.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that 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 capital structure of the Group consists of debt, which includes the bank borrowings and convertible notes disclosed in notes 30 and 34 respectively and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share repurchase as well as the issue of new debt or the redemption of existing debt.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair value of derivative financial instruments

The management of the Group uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For convertible notes with embedded derivatives, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

Depreciation

The Group depreciates its property, plant and equipment over the estimated useful life, commencing from the date the property, plant and equipment are ready for their intended use after taking into account of their estimated residual value. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment while the estimated residual value reflects the directors' estimate of the value that the Group expects to receive upon disposal at the time the property, plant and equipment is no longer in use. The depreciation will be changed when the useful life or residual value are expected to be different from estimates and would affect the profit or loss for the period in which such change of estimate takes place. During the year ended 30 June 2010, the depreciation charged to the profit or loss was approximately HK$23,687,000 (2009: HK$3,603,000).

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2010 **HK$'000**	2009 HK$'000
Financial assets		
Financial assets held for trading	**251,924**	2,515
Loans and receivables (including cash and cash equivalents)	**4,635,289**	1,423,887
Financial liabilities		
Financial liabilities held for trading	**62,258**	137,553
Amortised cost	**2,828,858**	696,660

Financial risk management objectives and policies

The Group's major financial instruments include financial assets held for trading, trade debtors, other debtors and deposits, rental receivable from a related company, deposits placed with brokers, pledged bank deposits, bank balances and cash, trade creditors, other creditors and accrued charges, derivative financial instruments, trade payable to a related company and convertible notes. Details of these financial instruments are disclosed in the respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Currency risk

Certain bank balances, other debtors, other creditors and the 2008 Convertible Notes (see note 34) of the Group are denominated in foreign currencies other than the functional currency of the relevant group companies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	Assets		Liabilities	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollars ("US$")	**585,323**	4,013	**–**	–
HK$	**591,313**	20,260	**1,381**	170,336
Renminbi ("RMB")	**347**	213	**1,304**	–
Singaporean Dollars ("SGD")	**23,002**	702	**325**	229

Sensitivity analysis

For certain group entities whose functional currency is either denominated in HK$ or US$, the change in exchange rate of its functional currency against US$ or HK$ respectively has not been considered in the following sensitivity analysis as HK$ is pegged to US$. In the opinion of the directors, the Group does not expect any significant movements between the exchange rate of HK$ against US$.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency of each group entities against the relevant foreign currencies and all other variables were held constant, translating to the presentation currency, HK$, at the closing rate at the end of reporting period. 5% is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items which are denominated in relevant foreign currencies and adjusts its translation at the year end for a 5% change in the relevant foreign currencies exchange rates. A positive number below indicates an increase in profit for the year where the relevant foreign currencies strengthens 5% against the functional currency of each group entities. For a 5% weakening of the relevant foreign currencies against the relevant foreign currencies there would be an equal and opposite impact on the profit for the year.

	2010	2009
	HK$'000	HK$'000
Increase in post-tax profit for the year		
US$ impact	**22,323**	201
SGD impact	**1,063**	–

In directors' opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk in relation to US$ impact as the year end exposure does not reflect the exposure during the year.

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank deposits and pledged bank deposits. The Group has not used any derivatives to hedge against the risk as the directors consider that the Group's exposure to fair value interest rate risk is not significant.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank deposits and bank borrowings (see note 30 for details) carried at prevailing market interest rate. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of London InterBank Offered Rates ("LIBOR") arising from the Group's bank borrowings.

The directors consider the Group's exposure to future cash flow interest rate risk on variable-rate bank balances and bank borrowings as insignificant as the directors does not expect material fluctuation on market interest rate. Accordingly, no sensitivity analysis on interest rate risk is presented.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should need arises.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts and deposits placed with brokers. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group closely monitors the subsequent settlement of the customers and does not grant long credit period to customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's bank balances are deposited with banks of high credit rating and the Group has limited exposure to any single financial institution.

As at 30 June 2010, the Group has concentration of credit risk on deposits placed with brokers and trade debtors. As the brokers are with high credit ratings assigned by international credit-rating agencies, the directors of Company consider the Group's credit risk on deposits placed with brokers is minimal. The top five largest customers and the largest customer of the Group accounted for 25% and 1% (2009: 74% and 29%) of the total trade receivables as at 30 June 2010, respectively. In addition, there is 1 customer (2009: nil) of the Group accounted for 25% of the total trade receivables at 30 June 2010. In the opinion of the directors, these customers are mainly large oil or marine transportation companies with good financial backgrounds. The Group has maintained good relationships with those customers who have a strong financial background with continuous subsequent settlements and there have been no historical default of payments by the respective customers and therefore the Group considered the exposure to concentration of credit risk is limited. Other than that, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Price risk

Price risk on equity securities

The Group is exposed to listed equity securities price risk through its financial assets held for trading. The management would manage this exposure by closely monitoring the performance of the investments and market conditions. The management would consider diversifying the portfolio of investments as they consider appropriate.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.

If the quoted prices of the respective equity instruments had been 5% higher/lower and all other variables were held constant, the potential effect on profit for the year is as follows:

	2010 **HK$'000**	2009 HK$'000
Increase/decrease in post-tax profit for the year as a result of the changes in fair value of financial assets held-for-trading	**10,518**	126

Price risk on embedded conversion option

During the year ended 30 June 2009, the Group was required to estimate the fair value of the conversion option embedded in the 2008 Convertible Notes (see note 34) at the end of the reporting period with changes in fair value to be recognised in the profit or loss as long as the convertible notes were outstanding. The fair value adjustment would be affected either positively or negatively, amongst others, by the changes in market interest rate, the Company's share market price and share price volatility.

There is no embedded conversion option derivative during the year ended 30 June 2010.

Sensitivity analysis

The sensitivity analyses below had been determined based on the exposure to the Company's share price risk at the reporting date only. If the Company's share price had been 10% higher/lower and all other variables were held constant, the Group's post-tax profit for the year (as a result of changes in fair value of conversion option component of convertible bonds) would decrease/increase by approximately HK$18,293,000 during the year ended 30 June 2009.

In directors' opinion, the sensitivity analyses are unrepresentative of the inherent price risk as the pricing model used in the fair value valuation of the conversion option component of 2008 Convertible Notes involves multiple variables. The variables used to estimate the fair value of the embedded conversion option held by the holder are interdependent.

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Price risk *(continued)*

Oil price risk

The Group is exposed to oil price risk through its marine bunkering business of which their prices fluctuates directly with the oil price. The oil price is affected by a wide range of global and domestic factors which are beyond the control of the Group. The fluctuation in oil prices may have favourable or unfavourable impacts to the Group.

The Group has carried out hedging activities to reduce the price risk exposure during the course of business. In order to evaluate and monitor the hedging activities, the Group has formulated a risk management policy documenting, amongst other things, the scope of risk management, roles and responsibility and risk tolerance. The scope of risk management policy focuses on price risks arising from the business and the trading of derivative financial instruments, representing futures traded in Singapore exchange for hedging purposes. The hedging strategies are applied upon the conclusion of either the buy-side or sell-side agreements. Derivative transactions entered into for hedging purposes will be monitored for suitability in terms of size, direction, and strategy with reference to the corresponding shipment involved. Under the risk management policy, all the transactions have to be approved by the senior management and the Chairman of the Group, upon execution of derivative financial instruments.

The Group's derivative financial instruments are measured at fair value provided by financial institutions with reference to the quoted fuel oil futures prices. Therefore, the Group is exposed to oil price risk and the management monitors the price movements and takes appropriate actions when it is required.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to the Group's oil price risk of the outstanding oil futures contracts at the reporting date. If the quoted oil futures prices had been 5% higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by approximately HK$51,947,000 (2009: nil). The sensitivity rate of 5% represents management's assessment of the reasonably possible change in the quoted oil futures prices.

In directors' opinion, the sensitivity analyses are unrepresentative of the inherent price risk as the year end exposure does not reflect the exposure during the year.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The bank balances have maturity less than three months. The Group has sufficient funds to finance its ongoing working capital requirements.

The Group relies on bank borrowings as a significant source of liquidity. As at 30 June 2010, the Group has available unutilised short-term bank loan facilities of approximately HK$3,311,456,000 (2009: nil). Details of the Group's bank borrowings outstanding at 30 June 2010 are set out in note 30.

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. 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 cashflows. For derivative 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 considers that the contracted maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'000	3 months to 1 year HK$'000	1 year to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2010							
Non-derivative financial liabilities							
Trade creditors	–	967,969	4,743	–	–	972,712	972,712
Trade payable to a related company	–	725,432	–	–	–	725,432	725,432
Amount due to a jointly controlled entity	–	231	–	–	–	231	231
Other creditors	–	22,375	–	–	–	22,375	22,375
Bank borrowings	3.1	11,738	35,048	182,670	288,587	518,043	493,481
Convertible notes	19.49	–	–	930,000	–	930,000	614,627
		1,727,745	39,791	1,112,670	288,587	3,168,793	2,828,858
Derivatives – net settlement Futures contracts		62,258	–	–	–	62,258	62,258
		1,790,003	39,791	1,112,670	288,587	3,231,051	2,891,116
2009							
Non-derivative financial liabilities							
Trade creditors	–	224,013	–	–	–	224,013	224,013
Trade payable to a related company	–	435,091	–	–	–	435,091	435,091
Other creditors	–	9,254	–	–	–	9,254	9,254
Convertible notes	23.67	–	–	48,800	–	48,800	165,855
		668,358	–	48,800	–	717,158	834,213

Note: The undiscounted cash flows of convertible notes represent the redemption amount upon maturity of convertible notes on the assumption that there is no conversion prior to maturity. The carrying amount of convertible notes represents the total carrying amount of the liability and derivative components as at the end of the reporting period.

7. FINANCIAL INSTRUMENTS *(continued)*

Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30 June 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Non-derivative financial assets held for trading	251,924	–	–	251,924
Financial liabilities at FVTPL				
Derivative financial instruments	62,258	–	–	62,258

There were no transfer between Level 1 and 2 during current year.

8. REVENUE

	2010 HK$'000	2009 HK$'000
Provision of duty-free marine bunkering services to international vessels	**13,595,329**	5,445,076
Marine transportation income	**28,598**	–
Sales of garments	**1,458**	5,162
Dividend income	**3,630**	–
Rental income from investment properties	**5,596**	4,741
	13,634,611	5,454,979

9. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" for the Group's financial year on 1 July 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), represented by the Group's Chief Executive Officer, for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard, HKAS 14 "Segment Reporting", required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor changed the basis of measurement of segment profit or loss.

The Group's operating segments under HKFRS 8 are therefore as follows:

Marine bunkering operation	–	provision of duty-free marine bunkering services to international vessels
Garment operation	–	sourcing, manufacturing, processing, wholesaling, marketing and sales of garments
Direct investments	–	investments in listed and unlisted equity, debt securities and derivative instruments
Properties investments	–	investments in properties

No segment assets or liabilities is presented as the CODM does not review segment assets and liabilities.

9. SEGMENT INFORMATION *(continued)*

Segment revenues and results

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

For the year ended 30 June 2010

	Marine bunkering operation HK$'000	Garment operation HK$'000	Direct investments HK$'000	Properties investments HK$'000	Segment total HK$'000	Unallocated revenue HK$'000 (Note)	Consolidated HK$'000
SEGMENT REVENUE							
External sales	13,595,329	1,458	3,630	5,596	13,606,013	28,598	13,634,611
SEGMENT RESULTS	1,713,497	(5,114)	2,757	25,638	1,736,778		1,736,778
Other income, gains and losses							(2,334)
Fair value change in conversion option of convertible notes							(322,527)
Unallocated corporate expenses							(98,209)
Finance costs							(94,205)
Share of losses of jointly controlled entities							(1,439)
Profit before taxation							1,218,064

Note: Unallocated revenue represents revenue from marine transportation operation not reviewed by the CODM.

For the year ended 30 June 2009

	Marine bunkering operation HK$'000	Garment operation HK$'000	Direct investments HK$'000	Properties investments HK$'000	Consolidated HK$'000
REVENUE					
External sales	5,445,076	5,162	–	4,741	5,454,979
RESULT					
Segment results	482,889	(1,528)	57,240	(1,419)	537,182
Other income, gains and losses					4,435
Fair value change in conversion option of convertible notes					(204,586)
Loss on initial recognition of convertible notes					(1,816)
Unallocated corporate expenses					(29,710)
Finance costs					(6,880)
Share of loss of a jointly controlled entity					(2)
Profit before taxation					298,623

9. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies as described in note 4. Segment profit represents the profit earned by each segment without allocation of other income, gains and losses, central administration costs, directors' emoluments, fair value change in embedded derivative of convertible notes, loss on initial recognition of convertible notes, share of losses of jointly controlled entities, finance costs and income tax. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Other segment information

For the year ended 30 June 2010

	Marine bunkering operation HK$'000	Garment operation HK$'000	Direct investments HK$'000	Properties investments HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss							
Amortisation of prepaid lease payments	43	–	–	–	43	224	267
Depreciation of property, plant and equipment	5,773	522	–	–	6,295	17,392	23,687
Fair value change of derivative financial instruments	(355,445)	–	–	–	(355,445)	–	(355,445)
Increase in fair value of investment properties, net	–	–	–	(20,520)	(20,520)	–	(20,520)
Loss on disposal of investment properties	–	–	–	183	183	–	183
Loss on disposal of property, plant and equipment	–	116	–	–	116	31	147
Write down of inventories	12,960	1,497	–	–	14,457	–	14,457

For the year ended 30 June 2009

	Marine bunkering operation HK$'000	Garment operation HK$'000	Direct investments HK$'000	Properties investments HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss							
Amortisation of prepaid lease payments	737	–	–	–	737	82	819
Decrease in fair value of investment properties, net	–	–	–	6,160	6,160	–	6,160
Depreciation of property, plant and equipment	2,610	290	–	–	2,900	703	3,603
Fair value change of derivative financial instruments	(56,779)	–	–	–	(56,779)	–	(56,779)
Impairment loss on property, plant and equipment and prepaid lease payment	16,047	–	–	–	16,047	1,783	17,830
Write down of inventories	–	519	–	–	519	–	519

9. SEGMENT INFORMATION *(continued)*

Geographical information

The Group's operations are located in China Mainland (country of domicile), Hong Kong, Singapore and Holland.

The Group's revenue is analysed by location of delivery of duty-free marine bunkering services since the customers are international fleet without principal place of operation. The Group's other revenue is analysed by location of customers for trading of garment and location at where listed securities are traded for direct investments.

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
China Mainland	**6,381,358**	5,326,182	**979,020**	652
Hong Kong	**343,592**	52,872	**111,526**	205,236
Singapore	**6,788,195**	4,362	**155,322**	52,800
Holland	**121,466**	–	**–**	–
Taiwan	**–**	71,563	**–**	–
	13,634,611	5,454,979	**1,245,868**	258,688

Note: Non-current assets excluded investments in jointly controlled entities.

Information about major customers

There is no single customer contributing over 10% of total revenue of the Group for the year ended 30 June 2010.

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2009 HK$'000
Customer A[1]	1,014,220
Customer B[1]	654,905
Customer C[1]	621,782
Customer D[1]	618,681

[1] Revenue from marine bunkering operation

10. OTHER INCOME, GAINS AND LOSSES

	2010 HK$'000	2009 HK$'000
Interest income on bank deposits	2,696	4,238
Net (loss) gain on foreign exchange	(5,461)	193
Fair value (loss) gain of financial assets held for trading	(39,124)	460
Increase (decrease) in fair value of investment properties, net	20,520	(6,160)
Loss on disposal of property, plant and equipment	(147)	–
Loss on disposal of investment properties	(183)	–
Sundry income	463	4
	(21,236)	(1,265)

11. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Imputed interest expense on convertible notes	90,004	6,880
Interest expense on bank borrowings	4,201	–
	94,205	6,880

12. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2010 HK$'000	2009 HK$'000
Auditor's remuneration	1,320	1,000
Amortisation of prepaid lease payments for land and coast	267	819
Depreciation of property, plant and equipment		
Vessel (Note 1)	17,069	2,033
Others	6,618	1,570
Operating lease rentals paid in respect of rented premises (Note 2)	32,926	6,912
Cost of inventories recognised as expense	12,071,124	4,916,859
Write down of inventories (included in cost of inventories recognised as expense)	14,457	519
Staff costs (including directors' remuneration, note 13)		
Wages, salaries and other benefits	47,021	27,513
Share-based payments (note 37)	7,388	–
Retirement benefits scheme contributions	1,220	705
	55,629	28,218

12. PROFIT BEFORE TAXATION *(continued)*

Notes:

(1) As some of the vessels were leased out for rental income, the respective depreciation of vessels amounting to approximately HK$10,970,000 (2009: nil) was included in other expenses. The remaining amount of approximately HK$6,099,000 (2009: 2,033,000), together with the attributable operating costs of the vessels, was included in distribution and selling expenses.

(2) Rentals amounting to HK$600,000 (2009: nil) in respect of accommodation provided to one of the directors is included under staff costs.

13. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the fourteen (2009: nineteen) directors were as follows:

		Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Share based payments HK$'000	Total HK$'000
Year ended 30 June 2010					
Executive Directors					
SIT Kwong Lam	–	2,080	12	–	2,092
TANG Bo	–	1,040	12	663	1,715
CHIA Teck Lim	–	1,950	12	663	2,625
TAN Yih Lin	–	1,300	12	663	1,975
Gregory John CHANNON (note b)	–	2,992	–	663	3,655
CHEUNG Sum, Sam (note d)	–	1,991	8	663	2,662
FU Dewu (note c)	–	320	4	–	324
Non-Executive Directors					
HE Zixin	325	–	–	332	657
RAN Longhui	325	–	–	332	657
SUN Zhenchun	325	–	–	332	657
DAI Zhujiang	325	–	–	332	657
Independent Non-Executive Directors					
LAU Hon Chuen	325	–	–	332	657
CHANG Hsin Kang	325	–	–	332	657
KWONG Chan Lam	325	–	–	332	657
Total	2,275	11,673	60	5,639	19,647

13. DIRECTORS' REMUNERATION *(continued)*

	Fees HK$'000	Other emoluments: Salaries and other benefits HK$'000	Other emoluments: Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 30 June 2009				
Executive Directors				
SIT Kwong Lam	–	2,005	12	2,017
TANG Bo	–	1,003	12	1,015
CHIA Teck Lim	–	1,880	12	1,892
TAN Yih Lin	–	1,253	12	1,265
FU Dewu	–	1,003	12	1,015
Gregory John CHANNON	–	313	–	313
LAU Tung Hoi (note a)	–	137	1	138
YAN Miu King (note a)	–	28	1	29
Non-Executive Directors				
HE Zixin	313	–	–	313
RAN Longhui	313	–	–	313
SUN Zhenchun	313	–	–	313
DAI Zhujiang	313	–	–	313
WU Wing Kit (note a)	4	–	–	4
Independent Non-Executive Directors				
LAU Hon Chuen	313	–	–	313
CHANG Hsin Kang	313	–	–	313
KWONG Chan Lam	313	–	–	313
HO Yau Ming (note a)	4	–	–	4
MAN Mo Leung (note a)	4	–	–	4
HUNG Kwok Keung, Keith (note a)	4	–	–	4
Total	2,207	7,622	62	9,891

Notes:

(a) On 11 July 2008, Mr. Lau Tung Hoi, Ms. Yan Miu King, Mr. Wu Wing Kit, Mr. Ho Yau Ming, Mr. Man Mo Leung and Mr. Hung Kwok Keung, Keith resigned as directors of the Company.

(b) On 18 May 2009, Mr. Gregory John Channon was appointed as director of the Company.

(c) On 1 November 2009, Mr. Fu Dewu resigned as director of the Company.

(d) On 10 November 2009, Mr. Cheung Sum, Sam was appointed as director of the Company.

During both years, no emolument was paid by the Group to the directors as discretionary bonus or an inducement to join, or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive any remuneration.

14. EMPLOYEES' EMOLUMENTS

All the five individuals with the highest emoluments in the Group (2009: four) were directors of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining one highest paid individual for the year ended 30 June 2009 were as follows:

	2009 HK$'000
Salaries and other benefits	1,573

The emolument was within the following bands:

	2009 No. of individuals
HK$1,500,001 to HK$2,000,000	1

There was no emolument paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office in the both years.

15. TAXATION CHARGE

	2010 **HK$'000**	2009 HK$'000
Current tax charge for the year:		
Hong Kong Profits Tax	**–**	11,951
Singapore Income Tax	**85,608**	23,320
	85,608	35,271
Deferred taxation (Note 33)		
Current year	**(11,470)**	–
	74,138	35,271

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. No provision for PRC Enterprise Income Tax and the Hong Kong Profits Tax was provided for the Group's PRC and Hong Kong subsidiaries as those subsidiaries have no assessable profit or suffered from tax losses for the year (2009: no provision for PRC Enterprise Income Tax was provided for the Group's PRC subsidiaries as those subsidiaries suffered from tax losses).

A deferred tax asset has not been recognised in the consolidated financial statements in respect of estimated tax losses due to the uncertainty of future profit streams.

15. TAXATION CHARGE *(continued)*

With the Global Trader Program incentive awarded by the Inland Revenue Authority of Singapore to the Group for the five years ending 30 June 2013, certain qualified income (e.g. income from marine bunkering operation) of the Group generated during the year has been charged at a tax concessionary rate of 5%.

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2010 HK$'000	2009 HK$'000
Profit before taxation	1,218,064	298,623
Taxation at income tax rate of 5% (2009: 16.5%)	60,903	49,273
Tax effect of expenses not deductible for tax purpose	21,460	42,328
Tax effect of income not taxable for tax purpose	(4,104)	(3,071)
Effect of share of losses of jointly controlled entities	72	–
Tax effect of tax losses not recognised	3,827	363
Utilisation of tax losses previously not recognised	(59)	–
Effect of concessionary tax rate granted to a Singapore subsidiary	–	(53,636)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(7,961)	14
Taxation charge for the year	74,138	35,271

The domestic tax rate applied for the presentation of the tax reconciliation has been changed from Hong Kong Profits Tax rate to the Singapore Income Tax rate in the current year as a result of the Group's continuing expansion of operation in Singapore.

Details of deferred taxation not recognised in the consolidated financial statements are set out in note 33.

16. DIVIDENDS

	2010 HK$'000	2009 HK$'000
2009 interim dividend in respect of year 2009, paid – HK3 cents per share (before share subdivision on 28 May 2010)	–	39,776

A current year final dividend of HK3 cents per share amounting to approximately HK$202,904,000 (2009: nil) to shareholders has been proposed by the directors of the Company and is subject to approval by the shareholder in the forthcoming annual general meeting.

17. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	2010 HK$'000	2009 HK$'000
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	1,143,926	263,352
Effect of dilutive potential ordinary shares: Interest on 2009 Convertible Notes (note 34) (net of tax)	58,036	
Earnings for the purpose of diluted earnings per share	1,201,962	

Number of shares

	2010	2009 (restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	6,035,645,984	5,109,399,408
Effect of dilutive potential ordinary shares: 2009 Convertible Notes (note 34)	1,678,246,575	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	7,713,892,559	

For the year ended 30 June 2010, the computation of diluted earnings per share does not assume the conversion of 2008 Convertible Notes (defined in note 34) and the share options granted since the exercise of 2008 Convertible Notes would result in increase in earnings per share while the exercise price of the share options outstanding was higher than average market price for shares during the year ended 30 June 2010.

The weighted average number of ordinary shares for the purpose of basic earning per share has been adjusted for the shares issued upon the conversion of convertible notes, placing of shares and shares subdivision with details as disclosed in note 32.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 30 June 2009 has been adjusted for the share subdivision which took effect on 28 May 2010 as disclosed in note 32.

The computation of diluted earnings per share for the year ended 30 June 2009 has not assumed the exercise of the conversion right of the Company's outstanding 2008 Convertible Notes as it would result in an increase in earnings per share.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Construction in progress HK$'000	Total HK$'000
COST										
At 1 July 2008	6,732	4,374	16,714	204	43	692	2,560	–	–	31,319
Exchange realignment	–	110	519	4	–	12	24	–	–	669
Additions	17,008	5,970	41	838	8,384	2,443	–	91,484	–	126,168
Transfer to investment properties	(2,283)	–	–	–	–	–	–	–	–	(2,283)
At 30 June 2009	21,457	10,454	17,274	1,046	8,427	3,147	2,584	91,484	–	155,873
Exchange realignment	–	29	122	1	–	4	6	–	245	407
Additions	–	48	–	4,686	649	3,133	–	812,006	34,863	855,385
Disposals	(4,450)	(420)	–	(72)	(43)	(158)	–	–	–	(5,143)
At 30 June 2010	17,007	10,111	17,396	5,661	9,033	6,126	2,590	903,490	35,108	1,006,522
ACCUMULATED DEPRECIATION AND IMPAIRMENT										
At 1 July 2008	143	3,960	16,541	172	31	599	1,528	–	–	22,974
Exchange realignment	–	106	514	4	–	10	20	–	–	654
Provided for the year	203	220	20	54	456	142	475	2,033	–	3,603
Impairment loss recognised in profit or loss	321	–	–	–	–	–	–	–	–	321
Eliminated on transfer	(383)	–	–	–	–	–	–	–	–	(383)
At 30 June 2009	284	4,286	17,075	230	487	751	2,023	2,033	–	27,169
Exchange realignment	–	28	120	1	–	4	5	–	–	158
Provided for the year	444	1,485	40	1,186	1,953	1,128	382	17,069	–	23,687
Eliminated on disposals	(267)	(326)	–	(52)	(26)	(142)	–	–	–	(813)
At 30 June 2010	461	5,473	17,235	1,365	2,414	1,741	2,410	19,102	–	50,201
CARRYING VALUES										
At 30 June 2010	16,546	4,638	161	4,296	6,619	4,385	180	884,388	35,108	956,321
At 30 June 2009	21,173	6,168	199	816	7,940	2,396	561	89,451	–	128,704

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and building	Over the shorter of the term of the lease, or 40 years
Leasehold improvements	20% to 33$^1/_3$%
Plant and machinery	20%
Office equipment	20%
Furniture and fixtures	20%
Computer equipment	30%
Motor vehicles	33$^1/_3$%
Vessels	4% to 6$^2/_3$%

The leasehold land and building of the Group is located in Hong Kong of approximately HK$16,546,000 under medium-term lease (2009: HK$21,173,000 under medium-term lease).

At 30 June 2010, vessels of the Group with carrying values of approximately HK$801,036,000 (2009: nil) are pledged to secure bank borrowings of the Group.

19. PREPAID LEASE PAYMENTS FOR LAND

	2010 HK$'000	2009 HK$'000
The Group's prepaid lease payments for land comprise:		
Leasehold land in Hong Kong with long lease	**42,415**	42,463
Leasehold land in the PRC with medium lease	**84,498**	–
	126,913	42,463
Analysed for reporting purpose as:		
Current asset	**1,741**	48
Non-current asset	**125,172**	42,415
	126,913	42,463

On 1 June 2009, a property of the Group (classified as prepaid lease payments and leasehold building) has become an investment property as evidenced by the end of owner occupation. An impairment loss, represented by the difference between the carrying value and the fair value of the leasehold land at the date of transfer, of HK$17,509,000 was charged to profit or loss for the year ended 30 June 2009 due to the significant decline in the fair value of the leasehold land. The written down value of the prepaid lease payment on the leasehold land, where the property is situated, was transferred to investment properties. The fair value at the transfer date of the leasehold land has been arrived at on the basis of a valuation carried out on that date by Greater China Appraisal Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

20. PREPAID LEASE PAYMENTS FOR COAST

	2010 **HK$'000**	2009 HK$'000
The Group's prepaid lease payments for coast comprise:		
Coast in the PRC with medium lease	**11,840**	–
Analysed for reporting purpose as:		
Current asset	**237**	–
Non-current asset	**11,603**	–
	11,840	–

The prepaid lease payments for coast represent the rights to use coast in Zhoushan for 50 years, starting from 26 February 2010.

21. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 July 2008	73,530
Exchange realignment	(5,970)
Transfer from property, plant and equipment and prepaid lease payments	24,800
Decrease in fair value recognised in profit or loss	(6,160)
At 30 June 2009	86,200
Exchange realignment	2,145
Disposals	(8,600)
Increase in fair value recognised in profit or loss	20,520
At 30 June 2010	100,265

The fair value of the Group's investment properties at 30 June 2010 and 2009 have been arrived at on the basis of a valuation carried out on that date by Greater China Appraisal Limited, independent qualified professional valuers not connected with the Group. Greater China Appraisal Limited is member of the Institute of Valuers. The valuations were arrived at by reference to market evidence of transaction prices for similar properties and capitalisation of net rental income generated from the investment properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

21. INVESTMENT PROPERTIES *(continued)*

The carrying value of investment properties shown above comprises properties situated on:

	2010 HK$'000	2009 HK$'000
Land in Hong Kong:		
– Long lease	32,000	24,800
– Medium-term lease	–	8,600
Land outside Hong Kong with long lease	68,265	52,800
	100,265	86,200

22. EXPLORATION AND EVALUATION ASSETS

	HK$'000
COST AND CARRYING VALUES	
Additions and at 30 June 2010	4,755

Note: Amount represents the costs incurred in relation to the Natural Gas Project in Xingjiang Uygur Autonomous Region ("Tuzi field") in the PRC jointly operated with a PRC joint venture partner with a 30-year period for exploration and extraction. Details are set out in note 23.

23. INTERESTS IN JOINT VENTURES

(a) Jointly controlled entities

As at 30 June 2010 and 2009, the Group had interests in the following jointly controlled entities:

Name of entity	Form of business structure	Place of establishment	Principal place of operation	Class of share held	Proportion of nominal value of registered capital held by the Group 2010	2009	Principal activity
Zhoushan Brightoil Terminal Co., Ltd. ("Zhoushan Brightoil") (Note 1)	Foreign owned enterprise	PRC	PRC	Registered capital	55%	55%	Operation of wharf and related ancillary facilities (not yet commence operation)
Dalian Changxing Island Brightoil Terminal Co., Ltd. ("Dailin Changxing Island Brightoil") (Note 2)	Foreign owned enterprise	PRC	PRC	Registered capital	60%	–	Operation of wharf and related ancillary facilities (not yet commence operation)

23. INTERESTS IN JOINT VENTURES *(continued)*

(a) Jointly controlled entities *(continued)*

Notes:

1. The Group has the power to appoint four out of seven directors in the board of Zhoushan Brightoil. However, as per the joint venture agreement signed with another shareholder of Zhoushan Brightoil, all board resolutions require approval from 75% of the board members, as a result Zhoushan Brightoil is classified as a jointly controlled entity of the Group.

2. During the year ended 30 June 2010, the Group invested in a new jointly controlled entity, Dalian Changxing Island Brightoil, with capital injection of approximately HK$63,240,000. The Group has the power to appoint three out of five directors in the board of Dalian Changxing Island Brightoil. However, as per the joint venture agreement signed with another shareholder of Dalian Changxing Island Brightoil, all board resolutions require approval from 80 to 100% of the board members, as a result Dalian Changxing Island Brightoil is classified as a jointly controlled entity of the Group.

	2010 **HK$'000**	2009 HK$'000
Cost of unlisted investments in jointly controlled entities	**352,005**	35,804
Share of post-acquisition loss	**(1,441)**	(2)
Exchange realignment	**354**	–
	350,918	35,802

The summarised financial information in respect of the Group's share of interests in the jointly controlled entities which are accounted for using the equity method is set out below:

	2010 **HK$'000**	2009 HK$'000
Non-current assets	**7,337**	516
Current assets	**345,978**	35,541
Current liabilities	**(2,397)**	(255)
Income	**597**	5
Expenses	**2,036**	(7)

As at 30 June 2010, the Group's share of capital expenditure contracted for but not provided for in the financial statements of the jointly controlled entities in respect of acquisition of property, plant and equipment is approximately HK$17,780,000 (2009: nil).

23. INTERESTS IN JOINT VENTURES *(continued)*

(b) Jointly controlled operation

Win Business Petroleum (Grand Desert) Limited ("Win Business"), a subsidiary of the Group, entered into a contract for natural gas development and production (the "Contract") with a state-owned enterprise in the PRC, China National Petroleum Corporation ("CNPC"), in August 2009 to jointly operate a natural gas development and production project ("Natural Gas Project") in the Tuzi field owned by CNPC. Win Business and CNPC have the participating interest in the jointly controlled operation of 49% and 51% respectively.

Pursuant to the Contract, the Natural Gas Project is segregated into four stages, namely the preliminary stage, the evaluation period, the development period and the production period, with a term of 30 years. CNPC has performed the preliminary stage to study the Natural Gas Project and the cost incurred during the preliminary period was borne by CNPC. Win Business will bear the costs incurred for the evaluation and development stages. Accordingly, the Natural Gas Project is jointly operated by the Group and CNPC.

The natural gas produced will be shared by CNPC and Win Business based on the costs incurred by them proportionally to recover the costs incurred. After recovery of costs, the revenue and cost for gas production will be shared by Win Business of 49%.

The Natural Gas Project was under the evaluation period as at 30 June 2010, which was expected to be completed within 21 months from 1 December 2009.

A summary of assets included in the consolidated financial statements in relation to the Group's interest in the jointly controlled operation is as follows:

	2010 HK$'000
Assets	**4,755**

There were no results recognised in the consolidated financial statements for the current year since the Natural Gas Project is still under evaluation period.

24. INVENTORIES

	2010 HK$'000	2009 HK$'000
Fuel oil	**682,847**	312,043
Raw materials – garment materials	**2,971**	2,599
	685,818	314,642

25. TRADE DEBTORS

	2010 HK$'000	2009 HK$'000
Trade debtors	**1,827,744**	400,151

The Group allows an average credit period of 30 to 45 days to its marine bunkering customers and 90 days to its garment trade customers.

The following is an aged analysis of trade debtors presented based on the invoice date at the reporting date:

	2010 HK$'000	2009 HK$'000
0 – 30 days	**1,747,999**	317,361
31 – 60 days	**79,548**	82,790
> 90 days	**197**	–
	1,827,744	400,151

Before accepting any new customer, the Group performs a credit review to assess the potential customer's credit quality and defines credit limits by customer. Limits and credit rating to customers are reviewed on a regular basis. Over 99% (2009: 100%) of the trade debtors are neither past due nor impaired. These customers have no default of payment in the past and have good credit rating attributable under the credit review procedures adopted by the Group.

Included in the Group's trade debtors balance are debtors with aggregate carrying amount of approximately HK$25,200,000 (2009: nil) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 60 days (2009: nil).

Aging of trade receivables which are past due but not impaired

	2010 HK$'000	2009 HK$'000
31 – 60 days	**23,399**	–
61 – 90 days	**1,604**	–
91 – 120 days	**197**	–
	25,200	–

At 30 June 2010, the carrying amount of trade receivables, which has been pledged as security for short-term credit facilities granted to the Group is approximately HK$1,292,064,000 (2009: nil).

26. FINANCIAL ASSETS HELD FOR TRADING

	2010 HK$'000	2009 HK$'000
Equity securities listed in Hong Kong	**251,924**	2,515

27. DEPOSITS PLACED WITH BROKERS

Amount represents margin deposits placed with brokers for securities and derivatives trading with carried interest rates at prevailing market interest rates ranging from 0.001% to 0.01% per annum (2009: nil).

28. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

As at 30 June 2010, pledged bank deposits represent the Group's deposits pledged to a bank to secure short-term credit facilities granted to the Group and bears fixed interest with rates ranging from 0.13% to 0.23% (2009: 0.13% to 0.18%) per annum.

As at 30 June 2010, the Group's short-term bank deposits carried at market interest rates from 0.01% to 1.71% (2009: 0.01% to 3.75%) per annum with an original maturity of three months or less.

The bank balances and cash that are denominated in currencies other than functional currency of the relevant group entities as set out below:

	2010 HK$'000	2009 HK$'000
US$	**585,323**	4,013
HK$	**591,313**	19,868
RMB	**347**	–
SGD	**19,023**	–

29. TRADE CREDITORS

The following is an aged analysis of trade creditors presented based on the invoice date at the end of the reporting period:

	2010 HK$'000	2009 HK$'000
0 – 30 days	967,969	223,930
31 – 60 days	4,016	4
61 – 90 days	727	79
	972,712	224,013

The average credit periods for purchase of fuel oil and garment materials are 30 days and 90 days respectively. The Group has financial risk management policies in place to ensure all payables within the credit timeframe.

Apart from the balance disclosed above, the balance of approximately HK$725,432,000 (2009: HK$435,091,000) classified as trade payable to a related party is trade payable in nature. The amount is aged within 45 days at 30 June 2010 with credit terms of 45 days granted to the Group.

30. BANK BORROWINGS

	2010 HK$'000	2009 HK$'000
Bank borrowings comprise:		
– secured, at rate of LIBOR +2.25% (Note 1)	244,125	–
– secured, at rate of LIBOR +3.25% (Note 2)	249,356	–
	493,481	–
Represented by,		
Within one year	41,850	–
More than one year, but not exceeding two years	41,850	–
More than two years, but not more than five years	125,550	–
More than five years	284,231	–
	493,481	–
Less: Amounts due within one year shown under current liabilities	41,850	–
	451,631	–

Notes:

(1) Repayable in 31 equal quarterly installments of approximately HK$4,069,000 each commencing on 28 July 2010 to 28 January 2018 and last instalment of approximately HK$117,994,000 on 28 April 2018. The interest rate is from 2.57% to 2.74% per annum.

(2) Repayable in 23 equal quarterly installments of approximately HK$6,394,000 each commencing on 14 June 2010 to 14 December 2015 and last instalment of approximately HK$108,694,000 on 14 March 2016. The interest rate ranges from 3.86% to 4.30% per annum.

The borrowings were used to finance the acquisition of vessels in the property, plant and equipment.

31. DERIVATIVE FINANCIAL INSTRUMENTS

At the end of the reporting period, the Group has the following outstanding futures contracts in order to manage the Group's price risk exposure in relation to the fluctuation of oil price for the transactions not yet completed or inventories on hand.

The major terms of these contracts at 30 June 2010 are as follows:

Fuel oil futures contracts – long position:

Notional amount	Expiry date	Strike price
USD149,146,500	02.07.2010 to 15.07.2010	USD448.25 to USD491.00 per tonne

The fair values of the derivative financial instruments are provided by financial institutions which are determined based on the futures prices available from the relevant futures exchange as at the end of the reporting period. All the above futures contracts outstanding at 30 June 2010 were settled net in July 2010. Upon settlement, loss of approximately HK$43,457,000 was subsequently recognised and charged to the profit or loss.

Fair value changes on derivative financial instruments for the year presented in the consolidated statement of comprehensive income represent the fair value changes on all settled and unsettled trading futures in relation to oil products. All of the future contracts are settled net in cash. Amounts of such changes of approximately HK$355,445,000 (2009: HK$56,779,000) were credited to profit or loss.

32. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.025 each (2009: HK$0.10 each)		
Authorised		
At 1 July 2008 and 30 June 2009	2,000,000,000	200,000
Increase on 7 August 2009 (Note a)	8,000,000,000	800,000
Increase by way of share subdivision (Note f)	30,000,000,000	–
At 30 June 2010	40,000,000,000	1,000,000
Issued and fully paid		
At 1 July 2008	1,215,870,400	121,587
Issue of subscription shares (Note b)	110,000,000	11,000
Shares issued upon conversion of convertible notes (Note c)	110,000,000	11,000
At 30 June 2009	1,435,870,400	143,587
Shares issued upon conversion of convertible notes (Note d)	80,000,000	8,000
Placing of shares (Note e)	100,000,000	10,000
Increase by way of share subdivision (Note f)	4,847,611,200	–
At 30 June 2010	6,463,481,600	161,587

32. SHARE CAPITAL *(continued)*

Notes:

(a) On 7 August 2009, the authorised share capital of the Company was increased from HK$200,000,000 divided into 2,000,000,000 shares of HK$0.10 each to HK$1,000,000,000 divided into 10,000,000,000 shares by creation of an additional 8,000,000,000 shares.

(b) On 22 January 2009, 110,000,000 new ordinary shares of the Company of HK$0.10 each were issued by subscription pursuant to the subscription agreement dated 28 November 2008 entered into between the Company and Canada Foundation Limited ("Canada Foundation"), a substantial shareholder of the Company and a company wholly and beneficially owned by Dr. Sit Kwong Lam ("Dr. Sit"), an executive director of the Company (the "Subscription Agreement"), at a price of HK$0.61 per share.

(c) On 18 May 2009, 110,000,000 new ordinary shares of the Company of HK$0.10 each were issued upon the partial conversion of the 2008 Convertible Notes (as defined in note 34) issued pursuant to the Subscription Agreement. Convertible notes with aggregate principal amount of HK$67,100,000 were converted into 110,000,000 ordinary shares of the Company at a conversion price of HK$0.61 per share.

(d) On 27 October 2009, 80,000,000 new ordinary shares of the Company of HK$0.10 each were issued upon the partial conversion of the 2008 Convertible Notes (as defined in note 34) issued pursuant to the Subscription Agreement. Convertible notes with aggregate principal amount of HK$48,800,000 were converted into 80,000,000 ordinary shares of the Company at a conversion price of HK$0.61 per share.

(e) On 12 April 2010, Canada Foundation, a placing agent and the Company entered into a placing agreement pursuant to which Canada Foundation agreed to place, through the placing agent, an aggregate 100,000,000 existing ordinary shares to independent private investors at a placing price of HK$10 per share representing a discount of approximately 10.39% to the closing price of the Company's share of HK$11.16 per share on the same date. The placing was completed on 15 April 2010.

Pursuant to a subscription agreement on the same date, Canada Foundation subscribed for 100,000,000 new ordinary shares of HK$0.1 each in the Company at a subscription price of HK$10 per share. The subscription was completed on 23 April 2010.

(f) Pursuant to the ordinary resolution passed on 27 May 2010, each of the Company's issued and unissued shares of par value HK$0.1 each were subdivided into four subdivided shares of par value HK$0.025 each ("Share Subdivision"). Immediately upon the Share Subdivision becoming effective on 28 May 2010, the authorised share capital of the Company was divided into 40,000,000,000 shares of HK$0.025 each, of which 6,463,481,600 shares of HK$0.025 each were in issue and fully paid.

All the shares issued during the year ended 30 June 2010 rank pari passu with the existing shares of the Company in all respect.

33. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Convertible notes HK$'000	Revaluation of properties and accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 July 2008	–	(1,029)	1,029	–
(Charge) credit to profit or loss	–	(186)	186	–
At 30 June 2009	–	(1,215)	1,215	–
Charge to equity for the year	(63,506)	–	–	(63,506)
Credit (charge) to profit or loss	11,470	1,215	(1,215)	11,470
At 30 June 2010	(52,036)	–	–	(52,036)

33. DEFERRED TAXATION *(continued)*

At 30 June 2010, the Group has estimated unused tax losses of HK$232,675,000 (2009: HK$164,671,000), available for offset against future profits. No deferred tax asset has been recognised of such losses (2009: deferred tax asset of approximately HK$7,364,000 was recognised). No deferred tax asset has been recognised in respect of the tax losses of HK$232,675,000 (2009: HK$157,307,000) due to the unpredictability of future profit streams. At 30 June 2010, included in unrecognised tax losses are losses of HK$6,581,000 (2009: HK$901,000) that will expire within 5 years from 31 December 2009 (2009: 31 December 2008). Other estimated tax losses may be carried forward indefinitely.

Under the Law of the PRC on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries and jointly controlled entities from 1 January 2008 onwards. As the PRC subsidiaries and jointly controlled entities incurred losses since 1 January 2008, no deferred taxation has been provided accordingly.

34. CONVERTIBLE NOTES

Pursuant to the Subscription Agreement, convertible notes (namely "2008 Convertible Notes") with aggregate principal amount of HK$115,900,000 were issued at par with conversion price of HK$0.61 per share to Canada Foundation on 22 January 2009 (the "Issue Date 1").

The 2008 Convertible Notes are denominated in Hong Kong dollars and non-interest bearing. The holder of the 2008 Convertible Notes is entitled to convert the notes into 190,000,000 ordinary shares of the Company ("Conversion Shares") at initial conversion price of HK$0.61 (before Share Subdivision) at any time from the date of issue to the maturity date falling on the third anniversary from the Issue Date 1, subject to the adjustment due to change in capital structure of the Company (including share consolidation, share subdivision and capitalisation issue and other events which have dilutive effects on the issued share capital of the Company as set out in the subscription agreement). The Conversion Shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion.

On 18 May 2009 (the "Conversion Date 1"), aggregate principal amount of HK$67,100,000 of the 2008 Convertible Notes, was converted into 110,000,000 shares of the Company at the conversion price of HK$0.61 per share.

On 27 October 2009 (the "Conversion Date 2"), aggregate principal amount of HK$48,800,000 of the convertible notes issued on 22 January 2009 ("2008 Convertible Notes") was converted into 80,000,000 shares of the Company at the conversion price of HK$0.61 per share (before Share Subdivision). There was no outstanding principal amount of the 2008 Convertible Notes at 30 June 2010.

All the detailed terms and conditions, including the above, are set out, inter alia, in the circular dated 28 November 2008 issued by the Company.

The net proceeds received from the issue of 2008 Convertible Notes contain the following components that are required to be separately accounted for in accordance with HKAS 39 "Financial instruments: Recognition and Measurement":

(a) Liability component of the 2008 Convertible Notes represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion and redemption option. The effective interest rate of the liability component is 23.67% per annum.

(b) Embedded derivatives comprising embedded conversion option of the 2008 Convertible Notes represents the option to convert the liability into equity of the Company but the conversion will be settled other than by the exchange of a fixed number of the Company's own equity.

34. CONVERTIBLE NOTES *(continued)*

The movement of different components of the 2008 Convertible Notes for the year is set out below:

	Liability HK$'000	Embedded conversion option HK$'000	Total HK$'000
At 1 July 2008	–	–	–
Issued during the year, net of issued cost	61,276	56,440	117,716
Interest charged	6,880	–	6,880
Loss arising on change in fair value	–	204,586	204,586
Converted during the year	(39,854)	(123,473)	(163,327)
At 30 June 2009	28,302	137,553	165,855
Interest charged	20,498	–	20,498
Loss arising on change in fair value	–	322,527	322,527
Converted during the year	(48,800)	(460,080)	(508,880)
At 30 June 2010	–	–	–

The fair value of the embedded conversion option is calculated using the binominal model. The inputs into the model were as follows:

	Issue Date 1	Conversion Date 1	30 June 2009	Conversion Date 2
Conversion price	HK$0.61	HK$0.61	HK$0.61	HK$0.61
Expected volatility (note a)	35.88%	38.13%	39.82%	61.35%
Expected life (note b)	3 years	2.68 years	2.56 years	N/A
Risk free rate (note c)	0.89% per annum	0.675% per annum	0.98% per annum	0.59% per annum

Notes:

(a) Expected volatility for embedded conversion option was determined by calculating the historical weekly share price volatility of the Company and comparable companies engaged in similar businesses as the Group's various business segments.

(b) Expected life was the expected remaining life of the embedded conversion option.

(c) The risk free rate is determined by reference to the Hong Kong Exchange Fund Bill and Note.

Pursuant to the Subscription Agreement dated on 25 June 2009 and the supplemental deed signed on 2 September 2009, convertible notes (namely "2009 Convertible Notes") with aggregate principal amount of US$120,000,000 were issued at par with conversion price of US$0.19355 per share to Canada Foundation on 27 October 2009 (the "Issue Date 2"). Subsequent to the Share Subdivision, conversion price of the 2009 Convertible Notes is adjusted to US$0.04839.

34. CONVERTIBLE NOTES *(continued)*

The 2009 Convertible Notes are denominated in United States dollars and non-interest bearing. The holder of the 2009 Convertible Notes is entitled to convert the notes into 619,994,833 (2,479,979,333 after Share Subdivision) ordinary shares of the Company ("Conversion Shares") at initial conversion price of US$0.19355 at any time from the date of issue (US$0.04839 after Share Subdivision) to the maturity date falling on the third anniversary from the Issue Date 2, subject to the anti-dilutive adjustment due to change in capital structure of the Company (including share consolidation, share subdivision and capitalisation issue and other events which have dilutive effects on the issued share capital of the Company as set out in the Subscription Agreement). The Conversion Shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion.

As at 30 June 2010, no 2009 Convertible Notes was converted into shares of the Company. The amount is repayable on 27 October 2012 (the "2009 Maturity Date"). If the 2009 Convertible Notes have not been converted up to the 2009 Maturity Date, the holder can request the Company to redeem the outstanding convertible notes at principal amount.

The 2009 Convertible Notes contain two components, liability and equity elements. The equity element is presented in equity heading "convertible notes reserve". The effective interest rate of the liability component is 19.49% per annum. On 27 October 2009, fair value of the liability component of 2009 Convertible Notes of approximately HK$545,121,000 was recognised.

The fair value of the liability element of the 2009 Convertible Notes at the Issue Date 2 is calculated using the binominal model. The inputs into the model were as follows:

	Issue Date 2
Conversion price	US$0.04839
Expected volatility	52.1%
Expected life	3 years
Risk free rate	0.9% per annum

The movement of the liability component of the 2009 Convertible Notes for the year is set out below:

	HK$'000
On 27 October 2009	545,121
Interest charge	69,506
Carrying amount at 30 June 2010	614,627

35. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010 HK$'000	2009 HK$'000
Within one year	10,774	881
In the second to fifth year inclusive	50,295	348
More than five years	71,771	–
	132,840	1,229

Leases for US office and Singapore office are negotiated for lease term of ten years (2009: nil). For other leases, they are negotiated for lease term of three years (2009: two years). Rentals are fixed over the leased period.

The Group as lessor

Leases are negotiated and rentals are fixed for average of two to three years (2009: two years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments, which fall due as follows:

	2010 HK$'000	2009 HK$'000
Within one year	5,555	1,520
In the second year to fifth year inclusive	4,462	1,003
	10,017	2,523

36. CAPITAL COMMITMENTS

	2010 HK$'000	2009 HK$'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of:		
– prepaid lease payments on leasehold land in the PRC	89,202	238,457
– capital injection into a jointly controlled entity	83,545	83,545
– acquisition of property, plant and equipment	611,456	672
– addition to evaluation and exploration assets	2,447	–
	786,650	322,674

37. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company on 20 October 2004, the Company operates share option scheme (the "Scheme") for the purpose of retaining high calibre executives and employers and providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Under the Scheme, all directors and employees of the Group and consultants, advisors, agents, customers, service providers, contractors, business partners of any members of the Group or any company or other entity in which the Group or any member thereof has a shareholding interest, in the sole discretion of the board of directors (the "Board"), has contributed to the Group or any member thereof are eligible to participate in the Scheme.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the total number of shares of the Company in issue as at the date of adoption of the Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or Independent Non-Executive Directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1.00 per option granted. Options may be exercised at any time from the date of grant of the share option to a period to be notified by the Board of the Company to each grantee at the time of making such offer, which shall not expire later than 10 years from the date of grant. The exercise price is determined by the Board of the Company at its absolute discretion and will not be less than the higher of (a) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company on the date of grant.

Subject to the rules of the Share Option Scheme, options may be exercised, in whole or in part, at any time during the exercise period. Options granted must be accepted by the prescribed acceptance date. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

The exercise price is determined by the directors of the Company, and will 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 22 April 2010, a total of 11,380,000 share options (45,520,000 share options after Share Subdivision) were granted to certain directors and employees of the Group entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK$13.60 (HK$3.40 after Share Subdivision).

Options granted are exercisable during the year starting from 22 April 2011 to 21 April 2015. The options granted under the Scheme are subject to vesting period in four tranches of 25% each of its options granted from the grant date to 21 April 2011, 21 April 2012, 21 April 2013 and 21 April 2014 respectively.

37. SHARE OPTION SCHEME *(continued)*

The following table discloses movements of the Company's share options held by the directors and employees of the Group during the year:

Eligible participants	At 1 July 2009	Granted during the year	Adjustment upon the Share Subdivision	Lapsed during the year	Outstanding at 30 June 2010
Directors	–	8,500,000	25,500,000	–	34,000,000
Employees	–	2,880,000	8,640,000	(400,000)	11,120,000
	–	11,380,000	34,140,000	(400,000)	45,120,000

Note: The number and the exercise price of options have been adjusted due to the Share Subdivision of the Company with effect from 28 May 2010. Each share option was subdivided into 4 new shares options with exercise price of one fourth of the original exercise price.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$3.40.

There are no share options exercisable at 30 June 2010.

The estimated fair value of the options granted on 22 April 2010 was approximately HK$75,553,000. This fair value was calculated using the binominal model. The inputs into the model were as follows:

	Date of grant 22 April 2010
Spot price (closing price at grant date, after adjusting for the Share Subdivision)	HK$3.40
Exercise price	HK$3.40
Expected volatility	58.645%
Exercise multiple	1.8 to 2.8
Option life	5 years
Risk-free rate	1.994%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company and comparable listed companies' share prices of which those listed companies engaged in similar businesses as the Group's various business segments over the previous five years.

The binominal model has been used to estimate the fair value of the options. The variables and assumptions used in estimating the fair value of the share options are based on the director's best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised the total expense of approximately HK$7,388,000 for the year ended 30 June 2010 (2009: nil) in relation to share options granted by the Company.

38. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualified employees, including the directors, in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. Except for voluntary contribution, no forfeited contribution under this scheme is available to reduce the contribution payable in future years.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of comprehensive income represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participate in social insurance schemes operated by the relevant local government authorities. The insurance premium is borne by the Group on a specified proportion of the employees' salaries laid down under the relevant PRC laws.

The employees of the Group's subsidiaries in Singapore and Holland participated in the national pension scheme. The relevant subsidiaries in Singapore and Holland are required to contribute certain percentages of the monthly salaries of their current employees to the Central Provident Fund and the Algemene Ouderdoms Wet respectively. The only obligation of the Group with respect to the respective national pension schemes is to make the required contributions under the schemes.

During the year ended 30 June 2010, the total costs charged to profit or loss in the sum of approximately HK$1,220,000 (2009: HK$705,000) represents contributions payable to these schemes by the Group.

39. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties which are also defined as continuing connected transactions under the Listing Rules:

	Year ended 30 June	
	2010	2009
	HK$'000	HK$'000
Purchase of fuel oil from a related company	**7,333,657**	4,720,891
Rental income received or receivable from a related company	**4,322**	4,362
Fuel oil storage fee paid to a related company	**13,366**	5,717

Note: Dr. Sit, an executive director of the Company controlled the above related companies.

The Group during the year has also entered into an agreement with a wholly owned subsidiary of the joint venture partner of the Group in relation to purchase of offices and car parking spaces in Zhoushan. This transaction is defined as a connected transaction under the Listing Rules.

On 23 April 2010, Canada Foundation subscribed for 100,000,000 new ordinary shares of HK$0.1 each in the Company at a subscription price of HK$10 per share.

At 30 June 2009, rental receivable from a related company was unsecured, non-interest bearing and is fully repaid in current year.

Trade payable to a related company as set out in note 29 is unsecured and non-interest bearing. The credit term granted to the Group is 45 days and the whole balance aged within 45 days at 30 June 2010 and 2009.

Amount due from a jointly controlled entity is unsecured, non-interest bearing and is expected to realise within the next 12 months from the end of the reporting period. Amount due to a jointly controlled entity is unsecured, non-interest bearing and repayable on demand.

On 27 October 2009, the Group issued 2009 Convertible Notes to Canada Foundation with aggregate principal amount of US$120,000,000 (approximately HK$930,000,000). On 22 January 2009, the Group issued 2008 Convertible Notes to Canada Foundation with aggregate principal amount of HK$115,900,000. Dr. Sit is the ultimate and beneficial owner of Canada Foundation (see note 34 for details).

Compensation of key management personnel

The remuneration of members of key management of the Group during the year is as follows:

	2010	2009
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**10,313**	7,144
Retirement benefits costs	**44**	60
Share-based payments	**2,652**	–
	13,009	7,204

The remuneration of the directors and key executives is determined by the remuneration committee having regard to the performance of the individuals and market trend.

40. DEPOSITS PAID FOR PREPAID LEASE PAYMENTS FOR LAND

At 30 June 2010, amount represents deposit paid for acquisition of land in the PRC with medium-term lease.

41. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 June 2010, part of the issued convertible notes with principal amount of HK$48,800,000 has been converted into 80,000,000 ordinary shares of the Company. In addition, the Group utilised approximately HK$370,000 of deposits paid for acquisition of property, plant and equipment.

During the year ended 30 June 2009, part of the issued convertible notes amounted to HK$67,100,000 has been converted into 110,000,000 ordinary shares of the Company.

42. EVENTS AFTER THE REPORTING PERIOD

(a) Placing of existing shares and subscription of new shares

Pursuant to the announcement dated 29 July 2010, the substantial shareholder of the Company, Canada Foundation, has entered into a top-up placing agreement with a placing agent to place 300,000,000 existing shares of the Company (the "placing shares") together with an option to place a further 100,000,000 existing shares of the Company (the "option shares") at a placing price range from HK$3.41 to HK$3.56 (the "placing price"). Upon successful placing, Canada Foundation agreed to subscribe for new shares of the Company equivalent to the number of placing shares and the option shares (if any) at the subscription price which is equivalent to the placing price. The placing has completed in August 2010.

(b) Acquisition of oil tankers

Pursuant to the announcement dated 2 August 2010, the Group entered into two memorandum of agreements with two independent third parties to acquire two oil tankers at the aggregate consideration of approximately HK$897,000,000.

(c) Entering into shipbuilding contracts regarding construction and delivery of 5 vessels

Brightoil Shipping Group Limited, a wholly-owned subsidiary of the Company, entered into shipbuilding contracts dated 30 August 2010 with an independent vendor for acquisition of 5 vessels. The vendor will construct and deliver the 5 vessels at the Vendor's shipyard in Korea. The total consideration is US$537,500,000 (equivalent to approximately HK$4,192,500,000), being US$107,500,000 (equivalent to approximately HK$838,500,000) per vessel. The expected delivery dates of the 5 vessels are 10 July 2012, 10 September 2012, 26 November 2012, 28 December 2012 and 18 March 2013 respectively.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

All the following subsidiaries are operating principally in Hong Kong except otherwise indicated. Details of the Company's principal subsidiaries at 30 June 2010 and 2009 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid ordinary/ registered share capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2010	2009	Principal activities
First Sign International Garments Limited*	Hong Kong	HK$2	100%	100%	Property holding
First Sign Investments Limited#	British Virgin Islands	US$48	100%	100%	Investment holding
Brightoil Property (HK) Ltd.*	British Virgin Islands	US$1	100%	100%	Property holding
Brightoil Property (S'pore) Ltd.*	British Virgin Islands	US$1	100%	100%	Property holding
Guangzhou Supreme Sign Knitting & Dyeing Company Limited*	PRC (Note 3)	US$8,000,000 (Note 1)	100%	100%	Garments manufacturing and trading
Sunvest Overseas Limited*	British Virgin Islands	US$1	100%	100%	Investment holding
Brightoil Marine Bunkering Group Ltd.# (Note 2)	British Virgin Islands	US$1	100%	100%	Investment holding
Brightoil Petroleum (Greater China) Ltd.* (Note 2)	British Virgin Islands	US$1	100%	100%	Service company
Brightoil Petroleum (S'pore) Pte. Ltd.* (Note 2)	Singapore (Note 4)	US$5,000,000	100%	100%	Trading of fuel and oil and provision of marine bunkering services
Brightoil Petroleum Group Limited* (Note 2)	Hong Kong	HK$2	100%	100%	Investment holding
Brightoil Shipping Group Ltd.# (Note 2)	British Virgin Islands	US$1	100%	100%	Investment holding
Brightoil 668 Oil Tanker Limited* (Note 2)	British Virgin Islands	US$10	100%	100%	Provision of marine bunkering and transportation services

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid ordinary/ registered share capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2010	2009	Principal activities
Brightoil Property Group Ltd.# (Note 2)	British Virgin Islands	US$1	100%	100%	Investment holding
Brightoil Property Ltd.* (Note 2)	British Virgin Islands	US$1	100%	100%	Property holding
Win Capital Investments Group Limited# (Note 2)	British Virgin Islands	US$1	100%	100%	Investment holding
Win Capital Investments Limited* (Note 2)	British Virgin Islands	US$1	100%	100%	Proprietary trading in securities
Win Business Petroleum Group (Grand Desert) Limited# (Note 2)	British Virgin Islands	US$1	100%	100%	Investment holding
Win Business Petroleum (Grand Desert) Limited* (Note 2)	Hong Kong	HK$1	100%	100%	Natural gas development and production
Brightoil Petroleum Storage (Zhoushan) Co. Ltd.* (Note 2)	PRC (Note 3)	US$27,469,990	100%	100%	Provision of fuel oil storage services
Brightoil Petroleum (Holland) BV.* (note 6)	Holland (Note 5)	Euro18,000	100%	–	Provision of marine bunkering services
Win Business Energy Foundation Ltd.* (note 6)	Cayman Islands	US$1	100%	–	Investment holding
Brightoil Petroleum Storage (Dalian) Co. Ltd.* (note 6)	PRC (note 3)	US$54,000,000	100%	–	Provision of fuel oil storage services
Brightoil Legend Tanker Ltd.* (note 6)	British Virgin Islands	US$1	100%	–	Marine transportation
Brightoil Lion Tanker Ltd.*(note 6)	British Virgin Islands	US$1	100%	–	Marine transportation
Brightoil Shipping Ltd.* (note 6)	Hong Kong	HK$1	100%	–	Marine transportation

Subsidiaries directly held by the Company

* Subsidiaries indirectly held by the Company

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Notes:

(1) During the year ended 30 June 2009, the registered share capital of the subsidiary increased from US$7,500,000 to US$8,000,000.

(2) These subsidiaries were set up during the year ended 30 June 2009.

(3) These subsidiaries were established in the PRC as wholly foreign owned enterprises. The English names of these subsidiaries were for identification purpose only.

(4) The subsidiary is operating in Singapore.

(5) The subsidiary is operating in Holland

(6) These subsidiaries were set up during the year ended 30 June 2010.

To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities outstanding during the year or at 30 June 2010 and 2009.

RESULTS

	Year ended 30 June				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010 HK$'000**
Revenue	47,388	48,088	41,161	5,454,979	**13,634,611**
Profit before taxation and allowance for advance to an associate	252	35,228	45,662	298,623	**1,218,064**
Allowance for advance to an associate	—	(2,501)	—	—	**—**
Profit before taxation	252	32,727	45,662	298,623	**1,218,064**
Taxation credit/(charge)	—	—	17,614	(35,271)	**(74,138)**
Profit for the year	252	32,727	63,276	263,352	**1,143,926**

ASSETS AND LIABILITIES

	At 30 June				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010 HK$'000**
Total assets	626,568	671,036	725,903	2,035,917	**7,177,165**
Total liabilities	(21,837)	(27,132)	(5,588)	(870,900)	**(3,041,847)**
Equity attributable to equity holders	604,731	643,904	720,315	1,165,017	**4,135,318**

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Dr. Sit Kwong Lam (Chairman and CEO)
Mr. Gregory John Channon
Mr. Tang Bo
Mr. Chia Teck Lim
Mr. Tan Yih Lin
Mr. Cheung Sum, Sam

Non-executive Directors
Mr. He Zixin
Mr. Ran Longhui
Mr. Sun Zhenchun
Mr. Dai Zhujiang

Independent Non-executive Directors
Mr. Lau Hon Chuen
Professor Chang Hsin Kang
Mr. Kwong Chan Lam

AUDIT COMMITTEE

Mr. Kwong Chan Lam
Mr. Lau Hon Chuen
Professor Chang Hsin Kang

REMUNERATION COMMITTEE

Professor Chang Hsin Kang
Mr. Lau Hon Chuen
Mr. Kwong Chan Lam
Dr. Sit Kwong Lam
Mr. Tan Yih Lin

COMPANY SECRETARY

Mr. Cheung Sum, Sam

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS IN HONG KONG

K&L Gates

LEGAL ADVISERS ON BERMUDA LAW

Conyers Dill & Pearman

REGISTERED OFFICE

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Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

The Stock Exchange of Hong Kong Limited
Ordinary Share (Stock Code: 0933)

WEBSITE

www.brightoil.com.hk