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

Annual Report 2012

www.brightoil.com.hk
Stock Code: 933.HK

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CORPORATE PROFILE

Brightoil Petroleum (Holdings) Limited (the "Company") together with its subsidiaries (the "Group") is principally engaged in the International Trading and Bunkering business (formerly known as International Supply and Bunkering), Marine Transportation, Upstream Business as well as Oil Storage and Terminal Facilities.

The Group is one of the largest marine bunkering service providers in China and Singapore and has expanded services to international ports in the USA, Europe and Asia. Currently, the Group had its first and second VLCCs delivered in July and September 2012, respectively, with a capacity of 318,000 DWT each. The remaining three VLCCs will be delivered over the coming 12 months, with a total capacity of 1.59 million DWT. The Group currently operates four Aframax oil tankers weighing from 107,000 DWT to 115,000 DWT with a total capacity of approximately 450,000 DWT. With a total of nine oil tankers, the Group's marine transportation capacity will exceed 2 million tonnes. The Group has been very active in upstream business development and has cooperated with China National Petroleum Corporation (CNPC) in two natural gas field projects: Tuzi Gas Field and Dina 1 Gas Field. Dina 1 Gas Field has a natural gas reserve in place of $93.15 \times 10^8 m^3$, condensate $61 \times 10^4 t$. The field is now in steady production. Tuzi Gas Field has a gas reserve in place of approximately 22.1 billion m^3. Along with the increasing trend of natural gas price in China, the value of both gas fields will continue to escalate. The Group will continue to develop its upstream business by stretching its tentacles in the exploitation, production and sale of oil fields. Meanwhile, the Group is constructing a 3.2 million m^3 oil storage and terminal facility with thirteen 1,000 DWT to 300,000 DWT class berths on Waidiao Island, Zhoushan City in the Yangtze Delta. The Group is also constructing a 7.7 million m^3 oil storage facility and terminal that could accommodate vessels with capacities of 1,000 DWT to 300,000 DWT on Changxing Island, Dalian, Bohai Bay. The Group is devoted to become one of the leading global energy conglomerates in the world, that comprises of a fully integrated mid to downstream marine bunkering as well as investment in long term strategic high value upstream business.

ACHIEVEMENTS IN LINE WITH OUR COMMITMENTS

INTERNATIONAL TRADING & BUNKERING

MARINE TRANSPORTATION

UPSTREAM BUSINESS

OIL STORAGE & TERMINAL FACILITIES

- Major driver of the Group's revenue, with a focus on trading and bunker supply activities.
- Quantity of fuel oil and gas oil supplied up by 46% to approximately 13 million MT in FY 2012.

- Four Aframax oil tankers and one bunker barge currently in full operation. All four Aframax oil tankers have received a fresh coat of antifouling paint resulting in significant fuel savings and better speed performance.
- The Group held a naming ceremony for its first Very Large Crude Carrier (VLCC) "Brightoil Glory" at Gunsan, South Korea in June 2012, with delivery in July 2012.

- On 10 November 2011, the Group announced the acquisition of Win Business Petroleum Group (Dina) Ltd (formerly known as Win Business Petroleum Group Ltd) which holds the rights to develope and produce natural gas at the Dina 1 Gas Field, located adjacent to the Tuzi Field in the Xinjiang Tarim Basin. The Dina I Gas Field covers 74.766 square kilometers with proven and probable gas and condensate reserves of 127.9 Bscf and 1.8 MMstb, respectively. The Dina I Gas Field has commenced commercial production at the end of 2011.
- Progress was made in pushing forward approval of the Overall Development Plan ("ODP") Ltd. for the Tuzi Gas Field in Xinjiang Autonomous Region. The final approval process by the National Development and Reform Commission (NDRC) is expected to be completed during the second half of 2012.

- Oil storage and terminal facilities at Zhoushan Waidiao Island are under steady progression. Tank foundations are being laid and construction of part of the jetty infrastructure has begun. Large jetties construction is due to commence by the end of 2012 upon approval from the central government. Phase I of the project will reach a total capacity of 1.9 million m^3, and will start commercial operations around mid-2014.
- Oil storage and terminal facilities at Dalian Changxing Island is methodically proceeding through the formal government approval process. Phase I of the project has a capacity up to 3.9 million m^3. Land preparations have been completed, and construction will start once approval from the various government authorities is received. Commercial operations will commence in early 2015.

CHAIRMAN'S STATEMENT

The global economy in 2012 continued to suffer from the aftermath of the sovereign debt crisis and maritime industry in particular remained mired in recession. The unstable world politics and economy as well as volatile oil market casted unfavorable effects on the Group, making a dent in the overall profitability. However, with the concerted effort of all staff over the past year, the development of our four core business segments gained continually steadfast progress, and the overall operation revenue remained strong with growth. On behalf of the Board of directors, I would like to take this opportunity to thank every member of staff and the company's management for their contributions over the last year. I would also like to thank all parties in the community, including our shareholders and business partners, for their contributions, trust and support over the past year.

The global shipping industry went through a particularly challenging period, with an oversupply of ships leading to weak demand for bunker, shrinking tonnages, depressed freight rates and diminished margins for bunker and shipping as a result of the ongoing recession. The sharp rise in oil prices was also a contributing factor that led ship-owners to scale back on consumption of bunker fuels. Despite every effort has been made to expand the business so as to further boost the sales for the year, the Group's overall profitability declined due to the escalating costs. To this end, the Group has recently completed a global cost review and will implement some initiatives to further reduce costs in the second half of 2012. Proposals include the consolidation of our regional sales offices to generate economies of scale and to achieve costs savings, and the optimisation of storage facilities in the US and possibly in Singapore. At the same time, on the basis of optimizing our global fuel oil and gas oil trading, as well as our bunker portfolio, a team for crude oil trading will be formed so as to develop the crude oil business, expand our business scope and enhance the overall profitability, firmly securing our advantaged position in oil and product supply and the provision of storage services with an aim to provide services to meet the growing energy demands in China and even Asia.

Although the shipping industry went through another tough year, our first Very Large Crude Carrier (VLCC), "Brightoil Glory", was delivered in July 2012, and the second crude carrier, "Brightoil Gravity", was delivered in September 2012. Construction of the remaining three VLCCs is progressing according to schedule, and will be delivered and operated respectively in the first half of 2013, the Group will therefore boast a sizable marine fleet with a total capacity that exceeds 2.0 million DWT. We are constantly on the lookout for fuel efficient and well maintained vessels within the VLCC, Aframax, MR and LNG segments built by reputable ship-yards.

While many industries have been affected by the economic uncertainty, the oil and gas industry remains resilient and is poised to grow. The year 2012 marks a momentous milestone for our upstream business. The Dina 1 Gas Field, which was acquired and commenced production in January 2012, recorded satisfactory natural gas and condensate output at the Dina 1-2 well in July 2012. This accumulated amount establishes a solid foundation for our oil and gas development and production business while efforts had been made in pushing forward approval of the Overall Development Plan ("ODP") for the Tuzi Gas Field. Looking ahead, we will maintain our growth strategy by remaining proactive in exploring upstream business projects and various investment opportunities around the world. Securing new endeavours in this arena allows us to further broaden our operations.

In the area of Oil Storage and Terminal Facilities, the Zhoushan and Dalian projects are under construction and are expected to start operations in phases. Commercialisation of the assets has already commenced and the response from the international supply and trading community has been positive. We believe that the continued development and reform of China's oil market will make these assets primary centres for oil trading within the next three to five years. We will continue to look for overseas projects, with a primary focus on the major trading and marine bunker regions where investments offer reasonable returns and meet the Group's strategic objectives.

In light of the necessary action to remain profitable amid a prolonged period of slower growth, the Group's focus going forward will take the right approach to risk management. We will continue to put more effort into developing the existing four core business segments and target to become a world-renowned energy enterprise that comprises a fully integrated mid to downstream marine bunkering and oil trading businesses, and continue to intensify the investment in the high value upstream business so as to continue providing greater value and higher returns to our shareholders and investors.

Sit Kwong Lam
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue for the year ended 30 June 2012 (the "FY 2012") amounted to HK$69,949,215,000, representing a significant increase of 76.85% as compared to HK$39,553,108,000 in prior year.

The Group's gross profit was derived mainly from International Trading and Bunkering (formerly known as International Supply and Bunkering) business which has dropped by approximately 63.83% to HK$886,165,000 (2011: HK$2,450,136,000) and gross profit margin (including physical mark to market value of fuel oil) reduces significantly to 1.27% (2011: 6.19%).

As International Trading and Bunkering business is subject to risk of fuel oil price fluctuation, the Group performs financial hedging for its physical exposure of fuel oil through derivative financial instruments ("DFIs"). The realized and unrealized gain or loss on fair value change of DFIs will be added to the gross profit to derive the adjusted gross profit (i.e. gross profit plus fair value change of DFIs) (the "Adjusted Gross Profit") for performance review.

During the FY 2012, the Group recorded the Adjusted Gross Profit of HK$1,968,239,000 (2011: HK$2,277,368,000) and Adjusted Gross Profit margin reduced to 2.81% (2011: 5.76%) and overall operating cost increased to HK$1,651,630,000 (2011: HK$922,242,000), representing an increase of 79.09% due to higher trading volume and expansion into international markets, as well as growth in marine transportation and upstream division.

During the FY 2012, the Group continued the investment of the facility of storage, terminal and Tuzi upstream, no profit was recorded and the related costs were capitalised. Profit attributable to shareholders was HK$305,716,000 (2011: HK$1,270,398,000), representing a decrease of 75.94% as compared to prior year.

During the review of unaudited management accounts for the nine months ended 31 March 2012, the management realized a decrease in net profit for the Group, in particular a much lower gross profit margin of 3.43% (nine months ended 31 March 2011: 6.73%) and Adjusted Gross Profit margin of 3.25% (nine months ended 31 March 2011: 5.97%). The gain in physical mark to market value of fuel oil did not cover the loss on fair value change of DFIs and the increased operating costs of the Group.

On 30 April 2012, the Group published a profit warning announcement informing the public that the Group's net profit for the year ending 30 June 2012 was expected to decrease significantly as compared to prior year for reasons including:

(a) Decrease in overall gross margin in relation to the business segment of International Trading and Bunkering;
(b) Loss on fair value change of DFIs; and
(c) Increase in overall operating costs.

Monthly average fuel oil price was rising from US$709 per metric tonnes ("MT") in January 2012 to US$736 per MT in March 2012 which resulted in higher physical value of fuel oil as we performed mark to market accounting but at the same time DFIs suffered a loss on fair value change when they were used to hedge the physical exposure of fuel oil. However, fuel oil price collapsed severely in the fourth quarter of FY 2012 and averaged US$584 per MT in June 2012, resulting in a loss on physical mark to market value of fuel oil and gain on fair value change of DFIs.

As the magnitude of fuel oil price movement varied from January 2012 to June 2012, we ended the financial year with gross profit (excluding physical mark to market value of fuel oil) of HK$1,250,429,000 (2011: HK$2,353,588,000) with a corresponding significantly lower gross profit margin at 1.79% (2011: 5.95%). The physical mark to market value of fuel oil recorded a loss of HK$364,264,000 (2011: a gain of physical mark to market value of fuel oil of HK$96,548,000). After including a gain on fair value change of DFIs for HK$1,082,074,000 (2011: a loss on fair value change of DFIs of HK$172,768,000) due to fuel oil price collapsed in the fourth quarter of FY 2012, the Adjusted Gross Profit margin of the Group consequently was reduced to 2.81% (2011: 5.76%), reflecting the difficult trading environment for the year under review.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2012, the Group had receivables from brokers, pledged bank deposits and bank balances and cash of approximately HK$3,305,211,000, HK$413,556,000 and HK$1,635,013,000 respectively.

The Group considers its foreign currency exposure is mainly arising from the exposure of exchange between Hong Kong dollars, Singapore dollars, Renminbi and United States dollars. The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments and ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time.

As at 30 June 2012, the Group had bank borrowings and charges on its assets of approximately HK$8,214,836,000 and HK$13,766,234,000 respectively.

As at 30 June 2012, the Group's gearing ratio was approximately 41.9% (2011: 41.6%), calculated as the Group's net borrowing divided by shareholders' equity. Net borrowing of HK$3,144,134,000 (2011: HK$2,618,005,000) was calculated as total borrowings (i.e. the aggregate of bank borrowings and convertible notes of HK$8,497,914,000 (2011: HK$7,811,477,000) less receivables from brokers, pledged bank deposits and bank balances and cash of approximately HK$5,353,780,000 (2011: HK$5,193,472,000).

CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any significant contingent liabilities.

CAPITAL STRUCTURE

As of 30 June 2012, the Company had 8,766,498,266 shares (the "Shares") in issue with total share capital of approximately HK$219,163,000.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 June 2012, the Group employed approximately 350 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 2012, total employees' remuneration, including directors' remuneration, was approximately HK$247,245,000 (2011: HK$187,338,000).

BUSINESS REVIEW

The Group continues to develop its four core businesses of International Trading and Bunkering, Marine Transportation, Upstream Business and the Oil Storage and Terminal Facilities.

The International Trading and Bunkering business remained the Group's key revenue generator in this financial year, followed by marine transportation which saw a significantly increase in revenue as compared to last year. One of the Group's upstream projects, the Dina 1 Gas Field in north-western China has commenced production and has been generating revenue for the Group. The Group's storage and terminal projects are still under construction and are therefore not expected to contribute to the Group's earnings until financial year ("FY") 2014.

This year proved to be a challenging one for the Group's International Trading and Bunkering and Marine Transportation businesses.

The weakening of global economy has caused a slowdown in the global shipping market with an oversupply of ships which led to weak bunker demand, shrinking tonnages, depressed freight rates and reduced bunker and shipping margins.

Despite a tough year, the Group's trading and bunkering arm was able to secure higher sales volumes with a strong 46% growth and a surge in freight income from marine transportation of approximately 191% against last financial year.

BUSINESS AND MARKET OUTLOOK

The unresolved European sovereign debt crisis and the recession taking hold in the euro-zone are expected to further depress the global economic outlook. This uncertainty, together with the loss in momentum in the growth of developed economies, will impair the development of emerging markets. Ultimately, these factors give rise to an increasingly challenging operating environment.

International oil prices are expected to remain volatile for the foreseeable future with continued fundamental imbalances between demand and supply. Oil consumption across the globe will be impeded by sluggish economic growth.

China's 12th Five-Year Plan, combined with other stimulus strategies the Chinese government has introduced to the oil and gas industry, fosters a favourable environment for the Group by allowing it to scale up its business operations. Although challenges remain prevalent, the Group will continue to accelerate its development efforts and to strive to achieve sustainable growth in its core businesses.

INTERNATIONAL TRADING AND BUNKERING

Business Review

Overall, global demand in FY 2012 was not as robust as it was in previous year.

Singapore and China, being the Group's key markets, have seen lower growth in bunker according to estimates, and certain ports in China are predicting a slight contraction this year.

The weak bunker demand was generally brought by a weakness in the shipping industry caused by an oversupply of ships and weak global trade volume, as well as the sharp rise in oil prices resulting in ship-owners to scaling back on their consumption of bunker fuels.

At the same time, the fuel oil trading environment saw higher volumes of fuel oil flowing eastward, eroding premiums and physical trading margins in key eastern trading hubs like Singapore.

In line with our growth strategy, the trading and bunkering arm continued bunker supply in key international and China ports and recorded sales volume of approximately 13 million metric tonnes, an increase of 46% over last year.

However, the thin physical margins and the increases in operating costs have significantly reduced the net profit contribution from the trading and bunkering business for the Group in this financial year.

Business and Market Outlook

The economic environment for the remaining of 2012 is expected to remain challenging for both bunker sales and fuel trading. The uncertain European economic environment together with mixed views of the US economy, has started to have effects on the Chinese and other emerging economies in Asia. The slowdown in trade has impacted fuel oil demand in the container and bulk carrier shipping markets. It is anticipated that the weakness in fuel oil bunker demand and margin will likely continue into the second half of 2012.

Going forward, the strategy for the International Trading and Bunkering division is to focus on efforts in bunker sales in markets where it enjoys a niche position, namely in China and Singapore. The International Trading and Bunkering division will consolidate its sales offices worldwide to save on overhead costs while ensuring that it maintains relationships with its customers. The division will continue to expand its product offering to generate additional income and to build on its market presence e.g. widening our product trading lines. The division also looks to optimise supply chain activities so as to ensure overall cost efficiencies. The business is expected to continue to be the major driver of the Group's revenue and income growth in the coming year. The platform established in the last 12 months will enable the Group to enhance its sales volume and revenue as the annual "run rate" for these positions takes effect.

Upcoming changes in the division include the establishment of a new crude trading team which will initially be located in Singapore and plans are underway to open regional crude trading offices in Geneva and the US.

The Group has recently completed a global cost review and will implement some initiatives to reduce costs in the second half of 2012. Proposals include the consolidation of our regional sales offices to generate economies of scales and costs savings, and the optimisation of storage facilities in the US and potentially in Singapore.

We will continue to optimise its fuel oil and gas oil trading and bunker portfolio both regionally and globally so as to ensure that we are in an advantaged position as a key trading hub that includes services such as product supply, storage capacity and demand from shipping customers demand perspectives. We must be vigilant with our risk management and the execution of financial hedges for our physical trading portfolio.

MARINE TRANSPORTATION

Business Review

With four Aframax oil tankers and one bunker barge in full operation, the Group's marine transportation segment recorded an approximate 191% increase in revenue from HK$87 million to HK$253 million, and with EBITDA doubling from HK$31 million to HK$76 million against the last financial year. Overall, the vessels operated in a satisfactory manner with little or no technical downtime. All four Aframax oil tankers have over the year received a fresh coat of antifouling paint resulting in significant fuel savings and better speed performance. Commercially the vessels have performed in line with, or better than, fleets of comparable size and tonnage.

However, our shipping business was not spared by the slowdown in global shipping industry which depressed freight rates and increase in operating costs, especially for bunker fuel, but with the advantage of synergy with bunker segment and further cost reductions measures taken, the Group's marine division continues to build up a global force that would improve contribution to the Group when market recovers.

Business and Market Outlook

Over the coming 12 months, the Group will take delivery of five highly fuel efficient VLCCs. The VLCC market is currently at a historic low, but once the vessels are launched for operation, they will perform significantly better than the majority of the existing VLCC world fleet. We expect the vessels to primarily support the crude oil import to Asia and China, especially China, where crude oil imports are expected to increase by 10% year on year ("YOY"), which would make it a main user. With the ability to heat and blend its cargoes, vessels may additionally well be seen used in the fuel oil trade, whether internally or externally.

The order book for new deliveries of Aframax vessel is today, with a relatively low total of only 27 new vessels expected to enter the market over the next 36 months. Seen against a significantly high year to date ("YTD") scrapping of 22 vessels (only five vessels in 2011) the expected YOY fleet growth for 2012 is at a very low level of approximately 0.5%. If this trend is to continue, we may well see negative fleet growth, meaning that a turning point will be not too far away.

Depressed freight markets also create opportunities for additional acquisitions. Second hand vessels are currently available at an approximate 20% discount from their new build to scrap linear depreciative values. The Group is constantly on the lookout for vessels within the VLCC, Aframax, MR and LNG segments built by reputable ship-yards provided that the vessels are fuel efficient and well maintained.

UPSTREAM BUSINESS

Business Review

As part of its 12th Five-Year Plan (2011-2015), the People's Republic of China has set an ambitious goal of reducing its coal and oil consumption and cutting carbon emissions by 17% between 2011 and 2015. Natural gas is the preferred source of energy to achieve this goal as it emits up to 60% less CO_2 than coal when used to generate electricity. We expect consumers to thus shift from coal to natural gas, which will push the price of natural gas up.

In late December 2011, the National Development and Reform Commission ("NDRC") issued a notice announcing a natural gas price reform pilot scheme which has been implemented in Guangdong Province and the Guangxi Autonomous Region. The goal of the reform is to assist the government to determine a reasonable pricing mechanism. A nationwide roll-out to fully liberalize wellhead prices is expected by 2015.

During the Period under review, progress was made in pushing forward approval of the Overall Development Plan ("ODP") for the Tuzi Gas Field ("Tuzi Field") in the Xinjiang Autonomous Region. The ODP covers the full development of the Tuzi Field, including drilling, completions, facilities, and access roads. Moreover, the Environmental Impact Assessment, Water and Soil Conservation, Occupational Health and Safety and Land Use plans have all been reviewed. The final approval process by the NDRC is expected to be completed during the second half of 2012.

On 10 November 2011, the Group announced the acquisition of Win Business Petroleum Group (Dina) Limited (formerly known as Win Business Petroleum Group Limited), which holds the rights to develop and produce natural gas at the Dina 1 Gas Field, located adjacent to the Tuzi Field in the Xinjiang Tarim Basin. The Dina 1 Gas Field covers 74.766 square kilometres with proven and probable gas and condensate reserves of 127.9 Bscf and 1.8 MMstb respectively. The Group is entitled to reserves of 73.5 Bscf gas and 1.0 MMstb condensate. Three wells have been developed at Dina 1 Gas Field, which the Group expects to create significant revenue in the near future. The Dina 1 Gas Field is currently producing at a rate of approximately 21 MMscf per day, with condensate oil of 275 b per day and will be developed in conjunction with the Tuzi Field, creating economies of scale and synergies that will result in improved efficiencies associated with the daily operations of these two projects.

The Dina 1 Gas Field, located some 10 km south of the Tuzi Field, was discovered by China National Petroleum Corporation ("CNPC") in 1999. The gas reservoir is located at between 5,000 to 6,000 meter below the surface. The Production Sharing Contract ("PSC") signed with CNPC on 15 April 2008 is valid for 30 years. Under the terms of the PSC, the Group and CNPC will recover paid costs and share profit in proportion to their respective stakes in the project, with a ratio of 49% going to the Group. The management believes that both the Dina 1 Gas Field and the Tuzi Field will benefit from the new natural gas pricing mechanism.

Business and Market Outlook

FY 2012 marks a momentous milestone for the Group's upstream business venture. The Dina 1 Gas Field, which was acquired and commenced production in January 2012, recorded satisfactory outputs of natural gas and condensate from the Dina 1-2 well in July 2012. This accumulated amount establishes a solid foundation for the Group's oil and gas development and production business. The Group expects its upstream business to emerge stronger when the official commissioning of the Dina 1-2 well comes to pass in October 2012. It is expected to become one of the Group's key growth drivers by the end of 2012 or early 2013.

Under the 12th Five-Year Plan, China intends to boost the import and production of natural gas and to meet growing domestic demand. This objective implies favourable conditions to the development of our upstream business. Looking ahead, we will maintain our expansion strategy by remaining proactive in exploring upstream business projects and various investment opportunities around the world. Securing new endeavours in this arena allows us to further broaden our operations. As we continue to capitalize on new discoveries, we will advance our leading position in the industry and maximize returns to our shareholders.

OIL STORAGE & TERMINAL FACILITIES

BUSINESS REVIEW

The Oil Storage and Terminal Facilities business unit remains an essential link in the development of integrated supply chain management for the Group and provides a platform for servicing the wider industry. The business aims to bring competitive advantage to all of our customers (including Group partners) by providing storage and transhipment services that are safe, reliable, efficient and that maximise the opportunities for value added services.

The Group currently has two projects in Zhoushan and Dalian under development, and additional storage facilities are being considered as part of the longer-term goal of having a global portfolio of storage facilities that generate a stable cash flow and that provide long-term security of access to the Group's other businesses.

Both facilities will share economies of scale, as well as the capability to load and unload cargoes on VLCCs. This will boost efficiency in the handling and throughput of all products, and will significantly reduce costs for the Group on leasing storage and imports.

The construction of oil storage facilities has been progressing, particularly for Waidiao Island in Zhoushan where tank foundations are being laid and construction of part of the jetty infrastructure has begun. Construction of the large jetties is due to commence by the end of 2012 upon approval from the central government. Receiving these final approvals will enable the project to progress to financial close and the Group is at advanced stages of negotiations with a bank consortium to enable full-scale construction to commence as soon as possible. Full commercial operations for phase 1 of the project, with a total capacity of 1.9 million cubic meters, will therefore take place around mid-2014, a slight delay over previous expectations due to delays in government approvals.

The terminal on Changxing Island in Dalian, where capacity of Phase 1 will reach up to 3.9 million cubic meters, is proceeding through the formal government approval process. The land preparations however have been completed, and once approval from the various central government authorities is received construction will proceed relatively quickly. Commissioning is projected to commence by the end of 2014, and full commercial operations will commence in early 2015.

The Group remains committed to developing additional opportunities for storage in international markets where investments offer reasonable returns and meet the Group's strategic objectives.

Business and Market Outlook

The focus for the near term remains on finalizing approvals and completing the construction for phase 1 of both oil storage and terminal facilities within the next 18-24 months. Central government approvals remain the critical path item which could potentially hinder progress within this timeframe. Commercialization of the assets has already commenced and the response of the international supply and trading community has been positive. The Group remains confident that the continued development and reform of the oil market in China will make these assets primary centers for oil trading within the next three to five years.

International projects will continue to be reviewed with a primary focus on the major trading and marine bunker regions. Investments, either in greenfield or existing assets, will only be made where the Group's financial and strategic criteria are met and which complement the overall portfolio of storage assets.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Sit Kwong Lam ("**Dr. Sit**"), Ph.D., aged 45, has been an executive Director, chairman and chief executive officer of the Company, since 20 June 2008. Dr. Sit is also a member of the Remuneration Committee and Nomination 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 Director's Report from page 16 to 25.

Mr. Tang Bo ("**Mr. Tang**"), aged 44, 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 15 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 40, has been an executive Director, chief financial officer of the Company since June 2008. Mr Tan is also a member of Remuneration Committee and Nomination Committee of the Company. He 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. Per Wistoft Kristiansen ("**Mr. Kristiansen**"), aged 54, has been appointed as an executive director on 28 November 2011 and is responsible for the shipping business of the Group. Mr. Kristiansen holds a Master of Business Administration from Scandinavian International Management Institute (SIMI), Copenhagen. Mr. Kristiansen has over 30 years of experience in shipping. Prior to joining the Company, he held senior managerial positions in various leading shipping companies such as A.P. Moller/Maersk, D.S. Norden and Transpetrol.

Apart from being an executive Director, Mr. Kristiansen is also the chief executive officer of Brightoil Shipping Singapore Pte. Ltd., a wholly owned subsidiary of the Company.

NON-EXECUTIVE DIRECTORS

Mr. He Zixin ("**Mr. He**"), 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. 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.

Mr. Ran Longhui ("**Mr. Ran**"), aged 70, 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 77, 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 60, a non-executive Director, Mr. Dai studied in Beijing Foreign Language Institute (北京外國語學院) (now known as Beijing Foreign Studies University (北京外國語大學)) from 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 2000. Mr. Dai is a Registered Financial Planner of the Registered Financial Planners Institute since 2005. Mr. Dai joined the Group since June 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Hon Chuen ("**Mr. Lau**"), aged 65, an independent non-executive Director and member of the Remuneration Committee and Audit Committee and chairman of the Nomination Committee of the Company. Mr. Lau is a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. He 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, Yuexiu Transport Infrastructure 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 72, an independent non-executive Director and member of Audit Committee and Nomination Committee and chairman of Remuneration Committee of the Company. Professor Chang 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 Legion d'Honneur of France in 2000 and appointed Commandeur dans l'Ordre des Palmes Academiques 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 64, an independent non-executive Director and member of Remuneration Committee and Nomination Committee and chairman of the Audit Committee of the Company. Mr. Kwong 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.

DIRECTOR'S REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company for the year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in global international trading and bunkering business (including the trading of related petroleum products), oil storage and terminal, marine transportation as well as upstream business. The Company is actively expanding globally in the 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 2012 are set out in the consolidated statement of comprehensive income on page 36.

FINAL DIVIDEND

The Board did not recommend payment of any final dividend for the year ended 30 June 2012 (2011: HK3.5 cents).

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 35 to the consolidated financial statements.

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

During the year ended 30 June 2012, 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 2012, the Company's reserves available for distribution to shareholders consisted of contributed surplus of approximately HK$15,012,000 and accumulated profit of approximately HK$809,310,000.

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 these subsidiaries.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the year ended 30 June 2012, total additions to property, plant and equipment were approximately HK$3,337,993,000, which mainly include additions to construction in progress of approximately HK$3,309,322,000. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

The Group's investment properties were revalued at 30 June 2012. The net increase in fair value of investment properties which has been credited to the consolidated statement of comprehensive income amounted to HK$1,286,000.

Details of these and other movements in the investment properties of the Group during the year are set out in note 22 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 37% of the Group's revenue for the year ended 30 June 2012, with the largest customer accounted for approximately 20%. The five largest suppliers of the Group together accounted for approximately 45% of the Group's total purchases for the year ended 30 June 2012, with the largest supplier accounted for approximately 18%.

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 International Trading and 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

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. Tan Yih Lin	
Mr. Gregory John Channon	(resigned on 23 November 2011)
Mr. Chia Teck Lim	(resigned on 6 September 2011)
Mr. Per Wistoft Kristiansen	(appointed on 28 November 2011)

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. Per Wistoft Kristiansen was appointed on 28 November 2011, shall hold office until the next following annual general meeting and, being eligible, offer himself for re-election. Mr. Tang Bo, Mr. Tan Yih Lin, Mr. Dai Zhujiang and Mr. He Zixin will retire from office as Directors by rotation 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 and Mr. Tan Yih Lin (all being executive Directors) have entered into service contract with the Company with a term of three years commencing from 20 June 2011. Each of the above Directors is entitled to a basic salary, which is determined on the basis of his 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. Mr. Per Wistoft Kristiansen ("Mr. Kristiansen") has also entered into a service contract with the Company for a term of three years commencing from 28 November 2011. Mr. Kristiansen is entitled to a basic salary, which is determined by the Board with reference to his duties and responsibilities, the market benchmark and contribution to the Company. 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 has been appointed for a fixed term of three years from 20 June 2011 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

At 30 June 2012, 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 a controlled corporation	7,330,335,999 (Note 1)	83.62%
Professor Chang Hsin Kang ("Professor Chang")	The Company	Beneficial owner	2,190,000 (Note 2)	0.025%
Mr. Per Wistoft Kristiansen (Mr. Kristiansen")	The Company	Beneficial owner	50,000 (Note 3)	0.0006%

Note 1: These 7,330,335,999 Shares refer to (a) 2,918,088,960 Shares held by Energy Empire Investments Limited, which is wholly and beneficially owned by Dr. Sit; (b) 3,412,267,706 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) 799,979,333 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 a subscription agreement dated 25 June 2009 (the "Subscription Agreement"), a supplemental deed dated 2 September 2009 (the "Supplemental Deed"). A deed of extension was entered on 6 July 2012 (the "Deed of Extension"), pursuant to which the maturity date of the convertible notes was extended to the sixth anniversary of the issue date (i.e. 27 October 2015).

Note 2: These 2,190,000 Shares refer to (a) 190,000 Shares jointly held by Professor Chang and his spouse and (b) 2,000,000 Shares to be allotted and issued to Professor Chang upon exercise in full of the share options issued by the Company on 22 April 2010.

Note 3: These 50,000 Shares were purchased by Mr. Kristiansen from the market on 26 January 2012.

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 2012, 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 40 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 at 1.7.2011**	**Number of options forfeited during the year**	**Number of options at 30.6.2012**
Executive Directors						
Mr. Tang Bo	22.4.2010	22.4.2011 – 21.4.2015	3.40	4,000,000	–	4,000,000
Mr. Chia Teck Lim*	22.4.2010	22.4.2011 – 21.4.2015	3.40	4,000,000	(4,000,000)	–
Mr. Gregory John Channon*	22.4.2010	22.4.2011 – 21.4.2015	3.40	4,000,000	(4,000,000)	–
Mr. Tan Yih Lin	22.4.2010	22.4.2011 – 21.4.2015	3.40	4,000,000	–	4,000,000
Total of Executive Directors				16,000,000	(8,000,000)	8,000,000

	Date of grant (dd/mm/yy)	**Exercise period** (dd/mm/yy) (Note)	**Exercise price** HK$	**Number of options at 1.7.2011 and 30.6.2012**
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

* Mr. Chia Teck Lim and Mr. Gregory John Channon resigned as executive directors on 6 September 2011 and 23 November 2011 respectively.

	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy) (Note)	Exercise price HK$	Number of options at 1.7.2011 and 30.6.2012
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) (Note)	Exercise price HK$	Number of options at 1.7.2011	Number of options forfeited during the year	Number of options at 30.6.2012
Others						
Employees	22.4.2010	22.4.2011 – 21.4.2015	3.40	8,540,000	(3,020,000)	5,520,000
Total						27,520,000

As at 30 June 2012, the total number of shares available for grant of option under the above Option Scheme was 458,816,160.

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

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 save for: (a) any entitlements under the Option Scheme; and (b) 1,500,000,000 shares and 180,000,000 shares allotted by the Company to Canada Foundation on 5 March 2012 and 8 June 2012 respectively upon the exercise of its rights attached to the convertible notes issued by the Company to Canada Foundation on 27 October 2009 pursuant to the Subscription Agreement (as amended by the Supplemental Deed).

DIRECTORS' INTEREST IN COMPETING BUSINESS

Dr. Sit Kwong Lam, the ultimate controlling shareholder, through his controlled companies (other than the Group), holds 100% interest in Shenzhen Brightoil Group which principally engages in, among others, the supply of duty-free marine bunkering services in the PRC. Shenzhen Brightoil entered into the Oil Purchase Agreement with the Group on 12 July 2008 and the New Oil Purchase Agreement was entered into between them on 25 May 2010 for the provision of Oil and delivery services to the Group or the Group's customers globally at the direction of the Group for a term of 3 years commencing from 1 July 2010 and expiring on 30 June 2013.

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 Cargo-Carrying Agreement, the 2010 Oil Storage Service Agreement, the Supplemental Oil Storage Service Agreement, the Barge Services Agreement and the Sale and Purchase Agreement (as defined in paragraph headed "Connected Transactions" below), in which a director of the Company or controlling shareholder (or any of its subsidiaries) has a material interest, as disclosed in note 42 to the consolidated financial statements, no other contracts of significance to which the Company, any of its subsidiaries was a party and in which a director of the Company or controlling shareholder (or any of its subsidiaries) 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.

(1) 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.

(2) On 28 June 2012, the Company as borrower and China Development Bank Corporation, Hong Kong Branch ("CDB") as lender entered into a facility agreement (the "Facility Agreement") pursuant to which CDB has agreed to grant a loan of US$50,000,000 to the Company for a term of 3 years after the first date of utilisation of the facility (the "Facility").

Pursuant to the Facility Agreement, Dr. Sit Kwong Lam shall remain as a controlling shareholder (as defined under the Listing Rules) of the Company (the "Specific Performance Obligation"). It will constitute an event of default if the Specific Performance Obligation is breached whereupon CDB may, (i) cancel the Facility; and/or (ii) declare that all or part of the loan made under the Facility Agreement, together with accrued interests, and all other amounts accrued or outstanding be immediately due and payable.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken during the year under review are disclosed in note 42 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 reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 42 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 compliance with the disclosure requirements in accordance with Chapter 14A 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 fuel oil purchase and delivery

On 12 July 2008, the Group entered into Oil Purchase Agreement with the Shenzhen Brightoil, which is wholly and beneficially controlled by Dr. Sit (being an executive Director, Chairman and chief executive officer of 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 the Shenzhen Brightoil 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 2011. 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 New Oil Purchase Agreement, the amount of aggregate fuel oil purchase price and delivery fee paid and payable during the year ended 30 June 2012 was approximately HK$12,556,449,000.

(2) Continuing connected transaction for the fuel oil storage

On 21 June 2010, the Company and Shenzhen Brightoil entered into oil storage service agreement (the "2010 Oil Storage Service Agreement"), under which the Shenzhen Brightoil shall provide oil storage services to the Group for the oil purchased by the Group.

The 2010 Oil Storage Service Agreement commenced from 1 July 2010 and will expire on 30 June 2013 with an option to renew for a further term of three years by giving at least 60 days notice prior to the expiry of the initial term.

The Group expects the exempt continuing connected transaction under the 2010 Oil Storage Service Agreement to continue and the expected volume demand will increase in the future due to the anticipated increase in the Group's purchase of fuel oil from suppliers independent from the Group and such purchased fuel oil will need to be stored in storage facilities in the PRC. In this regard, the Company entered into a supplemental oil storage service agreement with Shenzhen Brightoil on 21 February 2012 (the "Supplemental Oil Storage Service Agreement"), pursuant to which the maximum aggregate storage capacity to be provided by Shenzhen Brightoil to the Group shall increase from 300,000 m^3 to 600,000 m^3. Thus, the maximum service fees payable by the Group to the Shenzhen Brightoil for the year ending 30 June 2012 and the year ending 30 June 2013 will be revised to RMB110 million (equivalent to approximately HK$135.3 million) and RMB120 million (equivalent to approximately HK$147.6 million), respectively.

Under the 2010 Oil Storage Service Agreement and the Supplemental Oil Storage Service Agreement, the amount of aggregate fuel oil storage fee paid and payable during the year ended 30 June 2012 was approximately HK$70,591,000.

(3) Connected transaction for the acquisition of the issued share capital of Win Business Petroleum Group (Dina) Ltd (formerly known as Win Business Petroleum Group Ltd)

On 10 November 2011, Win Business Petroleum Group (Grand Desert) Limited, a wholly owned subsidiary of the Company entered into an agreement with Dr. Sit for the acquisition of the entire issued share capital of Win Business Petroleum Group (Dina) Ltd, a company incorporated in BVI with limited liability ("Win Business") and the shareholder's loan owing by Win Business to Dr. Sit at a consideration of HK$581,250,000 (the "Sale and Purchase Agreement"). Win Business is principally engaged in investment holding and its major asset is its interest in the entire issued share capital of Win Business Petroleum Group Limited, a company incorporated in Hong Kong, which has entered into a natural gas development and production contract with China National Petroleum Corporation within an area located in Tarim Basin of Xinjiang.

The consideration shall be satisfied by the purchaser procuring the Company to allot and issue 322,916,666 Shares to a company wholly owned by Dr. Sit. Completion of the acquisition took place on 31 January 2012 and 322,916,666 Shares of the Company were allotted to Canada Foundation accordingly.

(4) Continuing connected transaction for the cargo-carrying income from Shenzhen Brightoil

On 21 February 2012, Brightoil Shipping Group Ltd. ("Brightoil Shipping"), a direct wholly-owned subsidiary of the Company, entered into a cargo carrying agreement with Shenzhen Brightoil ("the Cargo-Carrying Agreement"), pursuant to which Brightoil Shipping has agreed to carry cargoes of Shenzhen Brightoil in any vessels owned, controlled, chartered, managed or operated by Brightoil Shipping using all or part of the cargo-carrying space of such vessels for the period from 21 February 2012 to 30 June 2014. The annual caps for the continuing connected transaction under the Cargo-Carrying Agreement for (a) the period from 21 February 2012 to 30 June 2012 will be HK$140 million; (b) the year ending 30 June 2013 will be HK$200 million; and (c) the year ending 30 June 2014 will be HK$300 million.

Under the Cargo-Carrying Agreement, the amount of aggregate cargo-carrying income received and receivable from Shenzhen Brightoil during the year ended 30 June 2012 was approximately HK$39,525,000.

(5) Continuing connected transaction for the barge services

On 21 February 2012, the Company entered into a barge services agreement with Shenzhen Brightoil (the "Barge Services Agreement"), pursuant to which Shenzhen Brightoil has agreed to provide fuel delivery services to the Group for the period from 21 February 2012 to 30 June 2014. The annual caps for the continuing connected transactions under the Barge Services Agreement for (a) the period from 21 February 2012 to 30 June 2012 will be RMB32.5 million (equivalent to approximately HK$40 million); (b) the year ending 30 June 2013 will be RMB66 million (equivalent to approximately HK$81.2 million); and (c) the year ending 30 June 2014 will be RMB108 million (equivalent to approximately HK$133 million).

Under the Barge Services Agreement, the amount of barge services fee paid and payable during the year ended 30 June 2012 was approximately HK$11,947,000.

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 procedures on the above continuing connected transactions on a sample basis in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing his conclusion in respect of the continuing connected transactions disclosed by the Group above have no non-compliance with Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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) and (5) above.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the company were entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS AND PERSONS HAVING 5% OR MORE INTERESTS

As at 30 June 2012, 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)	33.29%
Canada Foundation	4,212,247,039 (Notes 1 and 2)	48.05%

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 4,212,247,039 Shares refer to (a) 3,412,267,706 Shares held by Canada Foundation; and (b) 799,979,333 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 (as amended by the Supplemental Deed) and the Deed of Extension.

Save as disclosed above, as at 30 June 2012, 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 that the independent non-executive directors are independent.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

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 2012 and as at the latest practicable date prior to the issue of this annual report.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of significant events after the end of the reporting period are set out in note 47 to the consolidated financial statements.

AUDITOR

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

On behalf of the Board

SIT KWONG LAM
CHAIRMAN

Hong Kong, 25 September 2012

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a high standard of corporate governance practices in order to ensure "Accountability, Responsibility and Transparency" towards its shareholders and stakeholders.

The Company has applied the principles and reviewed all the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules. The CG Code was amended by the Stock Exchange and renamed as the Corporate Governance Code (the "Revised CG Code") which came into effect on 1 April 2012. The Board has reviewed the Revised CG Code and their impact to the Company and taken measures to comply with the Revised CG Code.

During the year ended 30 June 2012, the Company was in compliance with all applicable code provisions as set out in the CG Code and Revised CG Code, except for the deviation from code provision A.2.1 as described below:

Under the code provision A.2.1 of the CG Code and Revised CG 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 the 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 maximises effectiveness of its operation.

DIRECTORS' 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 Directors. All the 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 2012, except for the following deviation:

Model Code Rule B.8

This rule stipulates that a director must not deal in any securities of the listed issuer without first notifying in writing the chairman or a director designated by the board and receiving a dated written acknowledgement.

On 26 January 2012, Mr. Per Wistoft Kristiansen, an executive Director of the Company purchased 50,000 of the Company's shares. Mr. Kristiansen did not notify the Company's chairman or designated director in writing, nor did he receive a dated written acknowledgment from the Company before the dealing in securities as required by Rule B.8 of the Model Code.

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 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

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.

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.

BOARD COMPOSITION

The Board currently comprises the following directors as at 30 June 2012.

Executive Directors

Dr. Sit Kwong Lam	(Chairman and Chief Executive Officer and member of Remuneration Committee and Nomination Committee)
Mr. Tang Bo	
Mr. Tan Yih Lin	(Member of Remuneration Committee and Nomination Committee)
Mr. Per Wistoft Kristiansen	

Non-executive Directors

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

Independent non-executive Directors

Mr. Kwong Chan Lam	(Chairman of Audit Committee and Member of Remuneration Committee and Nomination Committee)
Mr. Lau Hon Chuen	(Chairman of Nomination Committee and Member of Audit Committee and Remuneration Committee)
Professor Chang Hsin Kang	(Chairman of Remuneration Committee and Member of Audit Committee and Nomination Committee)

The Board is currently composed of four executive Directors, four non-executive Directors and three independent non-executive Directors, whose biographical details are set out in "Biographical Details 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.

The current representation of independent non-executive directors appointed does not make up at least one-third of the Board. The Board will continuously review its composition to comply with the requirement on or before 31 December 2012.

The Board members does not have any financial, business, family or other material/relevant relationship with each other.

ATTENDANCE RECORDS

During the year ended 30 June 2012, 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
Executive Directors			
Dr. Sit Kwong Lam	5/5	N/A	2/2
Mr. Per Wistoft Kristiansen	3/5	N/A	N/A
Mr. Tang Bo	5/5	N/A	N/A
Mr. Tan Yih Lin	5/5	N/A	2/2
Mr. Chia Teck Lim (Note 1)	1/5	N/A	N/A
Mr. Gregory John Channon (Note 2)	2/5	N/A	N/A
Non-executive Directors			
Mr. He Zixin	4/5	N/A	N/A
Mr. Ran Longhui	4/5	N/A	N/A
Mr. Sun Zhenchun	4/5	N/A	N/A
Mr. Dai Zhujiang	4/5	N/A	N/A
Independent Non-executive Directors			
Mr. Lau Hon Chuen	5/5	2/2	2/2
Professor Chang Hsin Kang	5/5	2/2	2/2
Mr. Kwong Chan Lam	4/5	2/2	2/2

Note 1: Mr. Chia Teck Lim resigned as an executive Director on 6 September 2011.

Note 2: Mr. Gregory John Channon resigned as an executive Director on 23 November 2011.

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.

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 the Directors' and Officers' Liabilities Insurance coverage in respect of the legal actions against the Directors and senior management arising out of corporate activities.

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 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.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

A set of procedures has been in place for selecting directors of the Company. The company has established a nomination committee on 18 January 2012 with details set out below to review the process of director nomination.

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. Furthermore, 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 of the CG Code and the Revised CG Code 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.

NON-EXECUTIVE 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.

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

INDUCTION PROGRAMME AND TRAINING FOR BOARD MEMBERS

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 existing directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

PROFESSIONAL DEVELOPMENT

During the year ended 30 June 2012, the Company has arranged all Directors to receive online trainings available on the website of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), namely "Corporate Governance Code and Rule Amendment" and "Other Recent Rule Amendments and Practical Compliance Issues for Listed Issuers". The Company has also provided to all Directors "Corporate Governance Review Report 2011" prepared by BDO Limited for the purpose of self-learning.

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.

BOARD COMMITTEES

The Board has established the Remuneration Committee, Audit Committee and Nomination Committee with specific terms of reference. These committees are to deal with the specific matters set out below in the interest of all shareholders in an objective manner and report to the Board of their decisions and recommendations at the Board meetings.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") on 18 January 2012. It comprises a total of five members, being two executive directors, namely Dr. Sit Kwong Lam and Mr. Tan Yih Lin, and three independent non-executive directors, namely Mr. Kwong Chan Lam, Mr. Lau Hon Chuen (Chairman) and Professor Chang Hsin Kang.

The functions of the Nomination Committee are to review and monitor the structure, size and composition of the Board, to identify qualified individuals to become members of the Board, to assess the independence of the independent non-executive Directors and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and chief executive.

The terms of reference of the Nomination Committee are available on the respective websites of the Company and the Stock Exchange.

The Nomination Committee will consider, among other things, the qualification, ability, working experience, leadership and professional ethics of a proposed Director.

During the year ended 30 June 2012, the Nomination Committee had not conducted any meeting.

REMUNERATION COMMITTEE

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 Revised CG code provision B.1.2.

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, Dr. Sit Kwong Lam and Mr. Tan Yih Lin.

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 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.

The Remuneration Committee is primarily responsible for the following duties:

- 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;

- to review and approve management's remuneration proposal with reference to corporate goals and objectives resolved by the Board from time to time;

- to make recommendation to the Board on the remuneration package of individual executive director, non-executive director and senior management;

- 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;

- 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

- 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 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 two meetings to consider the remuneration package of a prospective Director and approve the revised terms of reference in light of the Revised CG Code. Revision of remuneration package of the Directors 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.

ACCOUNTABILITY AND AUDIT

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 substantially the same terms of reference, which describes the authority and duties of the Audit Committee, as set out in Revised CG 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 Mr. 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;
- to discuss with the auditor of the Company on internal control and annual results; and
- to review and monitor good corporate governance practices of the Group.

The terms of reference of the Audit Committee are 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, system of internal control and the update of corporate governance practices 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.

CORPORATE GOVERNANCE FUNCTIONS

In light of the amendments of the Listing Rules which became effective on 1 April 2012 and in order to establish the duties and responsibilities of the Board in performing its corporate governance functions, the Board resolved to adopt its corporate functions in the terms of reference of Audit Committee. One meeting of the Audit Committee was held to review the update of the Listing Rules.

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 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 36 to 104 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.

Management has provided monthly management accounts to all members of the Board to have informed assessment of the financial and other information of the Group.

AUDITOR'S REMUNERATION

For the year ended 30 June 2012, the auditor of the Group, Deloitte Touche Tohmatsu, received HK$3,227,000 for audit services and HK$1,539,000 for non-audit services as follows:

Non-audit services

	HK$
Review services	1,539,000

COMPANY SECRETARY

Ms. Cheung Wa Ying ("Ms. Cheung") has been appointed as the company secretary (the "Company Secretary") of the Company since 25 November 2010. Ms. Cheung reports to the Chairman direct and is responsible to the Board for ensuring that the Board procedures, applicable law, rules and regulations are followed and the Board activities are efficiently and effectively conducted. She is also responsible for ensuring that the Board is fully appraised of the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of Directors.

According to the newly introduced Rule 3.29 of the Listing Rules, Ms. Cheung will take no less than 15 hours of relevant professional training for the financial year commencing on 1 July 2012.

SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. Each general meeting, other than an annual general meeting, shall be called a special general meeting.

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by depositing a written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner.

PUTTING ENQUIRIES BY SHAREHOLDERS TO THE BOARD

Shareholders may at any time put forward their enquiries to the Board through the Investor Relationship Department whose contact details are as follows:

Investor Relationship Department
Brightoil Petroleum (Holdings) Limited
33/F., 118 Connaught Road West, Hong Kong

Attn.: Ms. Long Li

Email: ir@bwoil.hk
Tel No.: (852) 2834 3188
Fax No.: (852) 2834 3938

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, resolutions put to vote at the general meetings of the Company (other than purely procedural matters) are taken by poll. Procedures regarding the conduct of the poll are explained to shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the respective websites of the Company and the Stock Exchange on the same day of the poll.

COMMUNICATION WITH SHAREHOLDERS

The Board established a shareholders' communication policy to ensure that shareholders and potential investors are provided with ready, equal and timely access to information of the Company.

The Company has maintained a corporate website at www.brightoil.com.hk through which the Company's updated financial information, business development, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the shareholders and investors.

The annual general meeting also provides an important opportunity for constructive communication between the Board and shareholders. The Chairman of the Board attended the annual general meeting held on 23 November 2011 to answer questions raised by the shareholders.

INVESTOR RELATIONS

During the year ended 30 June 2012, there has not been any change in the Company's constitutional documents.

Deloitte.
德勤

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 36 to 104, which comprise the consolidated statement of financial position as at 30 June 2012, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the consolidated financial statements that give a true and fair view 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 2012 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
25 September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	8	**69,949,215**	39,553,108
Cost of sales and services		**(69,063,050)**	(37,102,972)
Gross profit		**886,165**	2,450,136
Other income, gains and losses	10	**(1,731)**	34,263
Fair value change of derivative financial instruments	34	**1,082,074**	(172,768)
Other expenses	11	**(207,924)**	(84,065)
Distribution and selling expenses		**(762,164)**	(338,577)
Administrative expenses		**(384,084)**	(256,833)
Finance costs	12	**(297,458)**	(242,767)
Share of losses of jointly controlled entities		**(5,234)**	(11,144)
Share of profit of an associate		**33**	–
Profit before taxation	13	**309,677**	1,378,245
Taxation charge	16	**(3,961)**	(107,847)
Profit for the year attributable to the owners of the Company		**305,716**	1,270,398
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations and to presentation currency		**20,245**	70,353
Total comprehensive income for the year attributable to the owners of the Company		**325,961**	1,340,751
Earnings per share			
– Basic	18	**HK4.1 cents**	HK18.8 cents
– Diluted	18	**HK4.1 cents**	HK14.9 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	19	**6,021,753**	2,159,976
Prepaid lease payments for land	20	**376,875**	653,746
Prepaid lease payments for coast	21	**11,933**	11,988
Investment properties	22	**41,000**	120,399
Exploration and evaluation assets	23	**40,546**	11,639
Interest in an associate	24	**11,018**	10,804
Deposits paid for acquisition of property, plant and equipment	43	**359,467**	1,257,660
Deposits paid for prepaid lease payments for land	44	**64,577**	18,772
Interest in jointly controlled entities	25	**448,943**	446,659
Rental and other deposits		**10,101**	15,688
		7,386,213	4,707,331
CURRENT ASSETS			
Inventories	26	**3,257,510**	3,504,458
Trade debtors	27	**6,737,385**	4,129,842
Prepaid lease payments for land	20	**6,892**	13,397
Prepaid lease payments for coast	21	**256**	251
Derivative financial instruments	34	**1,266,024**	764,114
Other debtors, prepayments and deposits		**55,343**	42,918
Amount due from a jointly controlled entity	42	**303**	3,914
Securities held for trading	28	**126,118**	309,016
Receivables from brokers	29	**3,305,211**	2,111,766
Pledged bank deposits	30	**413,556**	678,897
Bank balances and cash	30	**1,635,013**	2,402,809
		16,803,611	13,961,382
CURRENT LIABILITIES			
Trade creditors	31	**4,761,343**	2,132,882
Trade payable to a related company	31, 42	**501,676**	1,135,165
Other creditors and accrued charges	32	**1,216,092**	298,590
Bank borrowings	33	**7,006,194**	6,137,390
Convertible notes	37	**283,078**	–
Derivative financial instruments	34	**1,645,188**	841,423
Profits tax liabilities		**26,640**	125,892
		15,440,211	10,671,342
NET CURRENT ASSETS		**1,363,400**	3,290,040
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,749,613**	7,997,371

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT LIABILITIES			
Convertible notes	37	**–**	734,418
Bank borrowings	33	**1,208,642**	939,669
Deferred tax liability	36	**42,167**	32,271
		1,250,809	1,706,358
		7,498,804	6,291,013
CAPITAL AND RESERVES			
Share capital	35	**219,163**	169,090
Reserves		**7,279,641**	6,121,923
Equity attributable to owners of the Company		**7,498,804**	6,291,013

The consolidated financial statements on pages 36 to 104 were approved and authorised for issue by the Board of Directors on 25 September 2012 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 2012

	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 2010	161,587	1,922,737	3,489	1,000	33,679	(2,107)	321,373	7,388	1,648,498	4,097,644
Profit for the year	–	–	–	–	–	–	–	–	1,270,398	1,270,398
Other comprehensive income:										
Exchange differences arising in translation of foreign operations and to presentation currency	–	–	–	–	–	70,353	–	–	–	70,353
Total comprehensive income for the year	–	–	–	–	–	70,353	–	–	1,270,398	1,340,751
Dividends paid (note 17)	–	–	–	–	–	–	–	–	(202,904)	(202,904)
Issue of new shares	7,500	1,027,500	–	–	–	–	–	–	–	1,035,000
Transaction costs attributable to issue of shares	–	(14,582)	–	–	–	–	–	–	–	(14,582)
Recognition of equity-settled share based payments (note 40)	–	–	–	–	–	–	–	34,764	–	34,764
Exercise of share options	3	365	–	–	–	–	–	(28)	–	340
Lapse of share options	–	–	–	–	–	–	–	(5,746)	5,746	–
At 30 June 2011	**169,090**	**2,936,020**	**3,489**	**1,000**	**33,679**	**68,246**	**321,373**	**36,378**	**2,721,738**	**6,291,013**
Profit for the year	-	-	-	-	-	-	-	-	**305,716**	**305,716**
Other comprehensive income:										
Exchange differences arising in translation of foreign operations and to presentation currency	-	-	-	-	-	**20,245**	-	-	-	**20,245**
Total comprehensive income for the year	-	-	-	-	-	**20,245**	-	-	**305,716**	**325,961**
Dividends paid (note 17)	-	-	-	-	-	-	-	-	**(236,725)**	**(236,725)**
Issue of new shares	**8,073**	**524,739**	-	-	-	-	-	-	-	**532,812**
Recognition of equity-settled share based payments (note 40)	-	-	-	-	-	-	-	**10,722**	-	**10,722**
Deferred tax liability reversed upon partial conversion of convertible notes	-	-	-	-	-	-	**10,865**	-	-	**10,865**
Issue of new shares upon partial conversion of convertible notes	**42,000**	**750,728**	-	-	-	-	**(228,572)**	-	-	**564,156**
Lapse of share options	-	-	-	-	-	-	-	**(12,168)**	**12,168**	-
At 30 June 2012	**219,163**	**4,211,487**	**3,489**	**1,000**	**33,679**	**88,491**	**103,666**	**34,932**	**2,802,897**	**7,498,804**

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 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	309,677	1,378,245
Adjustments for:		
Finance costs	255,224	122,976
Interest income on bank deposits	(6,762)	(9,981)
Dividends from equity investments	(2,783)	(7,503)
Share of losses of jointly controlled entities	5,234	11,144
Share of profit of an associate	(33)	–
Release of prepaid lease payments for land and coast	7,581	2,750
Depreciation of property, plant and equipment	108,012	69,582
Fair value change of derivative financial instruments (Note)	302,603	14,831
Imputed interest expenses on convertible notes	112,816	119,791
Increase in fair value of investment properties, net	(1,286)	(10,890)
Fair value change of financial assets held for trading	35,430	(54,893)
Share-based payment expenses	10,722	34,764
Write-off of other payables	–	(636)
Gain on disposal of property, plant and equipment	(1,550)	(1,526)
Change in fair value of fuel oil inventories (Note)	318,351	(45,914)
Allowance for bad and doubtful debts	2,309	–
Operating cash flows before movements in working capital	1,455,545	1,622,740
Increase in inventories	(81,088)	(2,810,400)
Increase in trade debtors	(2,570,368)	(2,302,098)
Increase in other debtors, prepayments and deposits	(12,141)	(31,604)
Decrease (increase) in securities held for trading	147,469	(2,199)
Increase in receivables from brokers	(1,196,488)	(1,405,999)
(Increase) decrease in derivative financial instruments	(748)	220
Increase in rental and other deposits	–	(11,729)
Increase in trade creditors	2,612,776	1,160,170
(Decrease) increase in trade payable to a related party	(633,489)	409,733
(Decrease) increase in other creditors and accrued charges	(55,206)	144,675
Cash used in operations	(333,738)	(3,226,491)
Income tax paid	(122,503)	(99,668)
Dividends received	2,783	7,503
NET CASH USED IN OPERATING ACTIVITIES	(453,458)	(3,318,656)

	Note	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES			
Interest received from bank deposits		**6,762**	9,981
Proceeds on disposal of property, plant and equipment		**2,044**	1,873
Proceeds on disposal of investment properties		**79,371**	–
Prepaid lease payments paid for land		**(49,380)**	(467,351)
Government grant received on subsidising prepaid lease payments		**336,725**	–
Purchases of property, plant and equipment		**(1,020,911)**	(1,173,589)
Capital injection into a newly set up associate		**–**	(10,804)
Repayment from a jointly controlled entity		**3,610**	–
Addition to exploration and evaluation assets		**(28,801)**	(6,465)
Deposits paid for prepaid lease payments		**(45,656)**	–
Deposits paid for acquisition of property, plant and equipment		**(356,127)**	(1,256,505)
Placement of other deposits		**(1,421)**	–
Acquisition of a subsidiary	45	**13,527**	–
Withdrawal (placement) of short-term bank deposits with original maturities of more than three months		**48,016**	(48,016)
Placement of pledged bank deposits		**(3,528,553)**	(3,583,997)
Withdrawal of pledged bank deposits		**3,792,140**	2,959,798
Settlement of other payables in relation to purchase of property, plant and equipment and prepaid lease payments in prior year		**(131,432)**	–
Capital injection in a jointly controlled entity		**–**	(90,800)
NET CASH USED IN INVESTING ACTIVITIES		**(880,086)**	(3,665,875)
FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	1,035,000
Proceeds from exercise of share options		**–**	340
Bank loans raised		**41,406,152**	12,823,977
Expenses on issue of shares		**–**	(14,582)
Repayment of borrowings		**(40,248,195)**	(6,249,058)
Repayment to a jointly controlled entity		**–**	(233)
Dividend paid		**(236,725)**	(202,904)
Finance costs		**(312,220)**	(122,976)
NET CASH FROM FINANCING ACTIVITIES		**609,012**	7,269,564
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(724,532)**	285,033
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,354,793**	2,037,423
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**4,752**	32,337
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR Represented by bank balances and cash		**1,635,013**	2,354,793

Note: The amount represents the unrealised (gain) loss on derivative financial instruments and fuel oil inventories as at the end of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

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 Canada Foundation 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, marine transportation business, natural gas development and production, construction of oil storage and terminal facilities, proprietary trading in securities and derivatives, property holding and investment holding.

The functional currency of the Company is United States dollars ("US$").

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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for amendments to HKAS 27 and HKFRS 3
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets
HKAS 24 (as revised in 2009)	Related party disclosures
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Annual improvements to HKFRSs 2009-2011 cycle[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting financial assets and financial liabilities[1]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[3]
HKAS 19 (Revised 2011)	Employee benefits[1]
HKAS 27 (Revised 2011)	Separate financial statements[1]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[1]
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities[5]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]

1 Effective for accounting periods beginning on or after 1 January 2013.
2 Effective for accounting periods beginning on or after 1 January 2015.
3 Effective for accounting periods beginning on or after 1 January 2012.
4 Effective for accounting periods beginning on or after 1 July 2012.
5 Effective for accounting periods beginning on or after 1 January 2014.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

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

HKFRS 9 Financial instruments *(continued)*

HKFRS 9 is effective for accounting periods beginning on or after 1 January 2013, with earlier application is permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 30 June 2016. Based on the Group's financial assets and liabilities as at 30 June 2012, the application of this new Standard is not expected to affect classification and measurement of the Group's assets and liabilities.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) – INT 12 "Consolidation – Special purpose entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures" and HK(SIC) – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for accounting periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the accounting period beginning 1 July 2013. The application of HKFRS 11 will result in the classification of the jointly controlled entities and jointly controlled operations currently held by the Group as joint ventures and joint operations under HKFRS 11 respectively but is not expected to affect their measurement. The application of the other four standards will have no material impact on the consolidated financial statements based on the existing group structure.

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

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad and it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for accounting periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the accounting period beginning 1 July 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements, and result in more extensive disclosures about fair value measurements in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for accounting period beginning 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when amendments are applied in the future accounting periods. Other than the presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement". The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The directors of the Company consider the amendments to HKAS 32 as described above will not affect the presentation of the Group's financial position. The application of amendments to HKFRS 7 might expand the disclosures in relation to derivative financial instruments which are under master netting arrangements in the Group's annual consolidated financial statements and interim periods within those annual periods retrospectively.

Other than as described above, the directors anticipate that the application of other new and revised HKFRSs will have no material impact on the Group's financial performance and positions and/or on the disclosures set out in these consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, inventories and certain financial instruments, which are measured at fair values or fair values less cost to sell, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 ("Listing Rules") and by the Hong Kong Companies Ordinance.

The principal accounting policies are set out below.

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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value except for deferred tax liabilities that are recognised and measured in accordance with HKAS 12 "Income taxes".

Goodwill is measured as the excess of the sum of the consideration transferred, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

The result and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Joint ventures

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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. 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. Additional losses are 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 its jointly controlled entity, profits or losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the group.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill, if any) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures *(continued)*

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 entity 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 and their amount can be measured reliably.

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 the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Revenue from marine transportation operation is recognised on a straight-line basis over the specified chartered period.

Interest income from financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Exploration and evaluation assets *(continued)*

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.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) 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 in the consolidated statement of financial position at cost or deemed cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of other property, plant and equipment, other than construction in progress and oil and gas properties, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with effect of any changes in estimate accounted for on a prospective basis.

Construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payment provided during the construction period 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)*

Property, plant and equipment *(continued)*

Oil and gas properties

When the technical feasibility and commercial viability of extracting the natural resource become demonstrable, previously recognised exploration and evaluation assets are reclassified to oil and gas properties. In addition, the costs of drilling, all development expenditures on construction and the related borrowing costs are capitalised.

Oil and gas properties are depreciated on a unit-of-production method utilising the proved and probable reserves as the depletion base.

Investment properties

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

Investment properties are initially 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.

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 property (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 period in which the item is derecognised.

Inventories

Fuel oil inventories are stated at fair value less cost to sell.

Inventories held for consumption are stated at weighted average cost less any applicable allowance for obsolescence.

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 lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 the 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.

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 in other comprehensive income and accumulated in equity (translation reserve).

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 the reporting period.

Deferred tax is recognised on temporary 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Current and 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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, 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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Retirement benefits costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit scheme and Mandatory Provident Fund Scheme are recognised 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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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)*

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, amount due from a jointly controlled entity, receivables from 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 financial assets

Loans and receivables are assessed for indicators of impairment at the end of reporting period. Loans and receivables are considered to be 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.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial assets because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*

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.

For financial assets measured at amortised cost, 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 instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all if its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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 (including all fees and points 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis, other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

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
- on initial recognition it is a part of a portfolio of identified 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 liabilities at FVTPL are measured at fair value, with changes in fair value arising on 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 interest paid on the financial liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Convertible notes contain liability and equity components

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 in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. 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).

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.

Other financial liabilities

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

Derivative financial instruments

The Group uses derivative financial instruments such as commodity futures, swaps and forwards contracts for hedging or trading purposes.

Contracts to buy or sell a non-financial item at a future date that can be settled net in cash or the Group has a practice of taking delivery of the underlying and selling it within a short period after delivery for the purpose of generating a profit from short-term fluctuations in price are accounted for as derivatives.

Such derivative financial instruments 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, 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 and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the obligation are discharged, cancelled or expire. 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 original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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 tangible 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 33 and 37 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. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgement in applying the Group's accounting policies

The following is the critical judgement, apart from those involving estimation (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Accounting policy on fuel oil inventories

The Group adopts an accounting policy under which the fuel oil inventories are stated at fair value less costs to sell. The Company's directors consider that the Group is a trader in fuel oil and the Group's fuel oil inventories are principally acquired with the purpose of selling in the near future and generating a profit from the fluctuations in price, and therefore measuring fuel oil at fair value less costs to sell would reflect timely and more relevant financial information of the Group.

Key sources of estimation uncertainty

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

Estimation of oil and natural gas reserves

Oil and gas properties are depreciated on a unit-of-production basis at a rate calculated by reference to estimated proved and probable reserve based on technical assessment undertaken by independent valuer, namely the Competent Person's. Report pursuant to the Listing Rules.

Proved and probable reserve estimates are subject to revision, either upward or downward, based on new information, such as additional data from ongoing development activities and production activities or from changes in technical and economic factors, including evolution of technology or development plans, etc. Any change to the estimation will affect the depreciation charge and impairment assessment on oil and gas properties. During the year ended 30 June 2012, the depreciation charged to the profit or loss were approximately HK$13,269,000 (2011: nil). Please refer to the note 19 for details of the oil and gas properties.

6. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Depreciation on property, plant and equipment (excluding oil and gas properties)

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 is 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 2012, the depreciation charged to the profit or loss was approximately HK$94,743,000 (2011: HK$69,582,000).

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2012 **HK$'000**	2011 HK$'000
Financial assets		
Financial assets held for trading		
– securities	**126,118**	309,016
– derivative financial instruments	**1,266,024**	764,114
Loans and receivables (including cash and cash equivalents)	**12,111,289**	9,349,656
Financial liabilities		
Financial liabilities held for trading		
– derivative financial instruments	**1,645,188**	841,423
Amortised cost	**14,877,988**	11,309,182

Financial risk management objectives and policies

The Group's major financial instruments include financial assets held for trading, trade debtors, other debtors and deposits, receivables from brokers, pledged bank deposits, bank balances and cash, trade creditors, other creditors and accrued charges, derivative financial instruments, trade payable to a related company, bank borrowings and convertible notes. Details of these financial instruments are disclosed in the respective notes. The risk associated with these financial instruments and the polices 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)*

Market risk

(i) Currency risk

Certain bank balances, other debtors and other creditors 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**478,088**	341,699	**–**	–
HK$	**4,199**	4,272	**4,671**	2,003
Renminbi ("RMB")	**8**	3,107	**511**	608
Singaporean Dollars ("SGD")	**25,770**	76,934	**33,255**	51,843

In addition, as at 30 June 2012, the Group's exposure to foreign currency risk also arose from US$ demonstrable intercompany balance due from a group entity with carrying amount of approximately HK$751,162,000 (2011: nil), which were not denominated in the functional currency of that group entity. This intercompany balance does not form part of the Group's net investment in foreign operations.

Sensitivity analysis

For certain group entities whose functional currency is either 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 the 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 including intercompany balance due from group entity which are denominated in relevant foreign currencies and adjusts its translation at the end of the reporting period 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.

	2012	2011
	HK$'000	HK$'000
Increase (decrease) in post-tax profit for the year		
US$ impact	**55,936**	13,190
SGD impact	**(370)**	1,188

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

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(i) ***Currency risk*** *(continued)*

Sensitivity analysis (continued)

For the monetary assets and liabilities which are denominated in RMB as the foreign currency of the relevant group entities, the directors consider the Group's exposure to foreign currency exposure as insignificant as the related monetary assets and liabilities are not significant. Accordingly, no sensitivity analysis on foreign currency risk to RMB is presented as at 30 June 2012 and 2011.

(ii) ***Interest rate risk***

The Group's fair value interest rate risk relates primarily to convertible notes, 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, receivables from brokers and bank borrowings (see note 33 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's 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 sensitivity analysis below has been determined based on the exposure to bank borrowings at 30 June 2012 and the reasonably possible change taking place at the beginning of each year and held constant throughout the year. A 10 basis point increase or decrease is used which is considered by management as the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 30 June 2012 would decrease/increase by approximately HK$8,215,000 (2011: HK$7,077,000). This is mainly attributable to the Group's exposure to interest rates on its bank borrowings.

For the variable-rate bank balances and receivables from brokers at 30 June 2012 and 2011, the directors consider the Group's exposure to future cash flow interest rate risk is minimal taking into account the minimal fluctuation on market interest rate and the carrying amounts at the end of the reporting period. 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 the need arise.

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(iii) 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:

	2012 **HK$'000**	2011 HK$'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	**5,265**	12,901

Oil price risk

The Group is exposed to oil price risk through its international trading and 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 or trading activities to reduce the price risk exposure during the course of business. In order to evaluate and monitor the hedging or trading 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 fuel oil inventories and derivative financial instruments, including futures, swaps and forwards contracts, traded in several exchanges or directly traded with some counterparties for hedging or trading purposes. The hedging or trading strategies are applied upon the conclusion of either the buy-side or sell-side agreements. Derivative transactions entered into for hedging or trading purposes will be monitored for suitability in terms of size, direction, and strategy with reference to the corresponding shipment involved. All the transactions on the derivatives contracts have to be approved by the management. In November 2011, the Group established a Risk Control Committee ("RCC") to monitor derivatives contracts in a more systematic way. Trading limits have been set to all traders and approval is required from the chairman of RCC if the limits are to be exceeded.

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(iii) ***Price risk** (continued)*

Oil price risk (continued)

RCC has risk management review, monthly business review and fortnightly global trading call, to enable a vigorous process of control, risk management and surveillance of the hedging and trading activities. The global trading meeting will be conducted via audio conference on a bi-weekly basis. The objective of the meeting is to review key hedging and trading positions and exposures with respect to their risks and rewards, discuss and agree on market outlook, and review, challenge and agree on trading strategies. A business risk review will be convened quarterly. The objectives of the meeting are to review all significant incidents and exposures, agree changes to the risk and control framework for the business segment and advise on external developments impacting risk and control exposure for the Group. The directors of the Company consider the establishment of RCC is the effective way to monitor the risks.

The Group's derivative financial instruments including oil futures and swaps contracts are measured at fair value provided by financial institutions with reference to the quoted oil futures prices and forwards contracts are determined based on the quoted 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 fuel oil inventories, outstanding oil futures, swaps and forwards contracts at the reporting date. The sensitivity rate of 5% represents management's assessment of the reasonably possible change in the quoted crude oil futures prices and quoted oil futures prices.

If the quoted crude oil futures prices or quoted oil futures prices had been 5% higher/lower and all other variables were held constant, the potential effect on profit for the year is as follows:

	2012 **HK$'000**	2011 HK$'000
Increase/decrease in post-tax profit for the year as a result of the changes in fair value		
– inventories	**153,547**	165,247
– derivative financial instruments	**219,272**	5,254
	372,819	170,501

In the 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.

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

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 2012, 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 43% and 24% (2011: 44% and 15%) of the total trade receivables as at 30 June 2012, respectively. 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 considers 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.

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 (2011: except for a balance of HK$48,016,000) as set out in note 30. 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 2012, the Group has available unutilised short-term bank loan facilities of approximately HK$4,922,760,000 (2011: HK$2,122,731,000). Details of the Group's bank borrowings outstanding at 30 June 2012 are set out in note 33.

The following table details the Group's remaining contractual maturity for its non-derivative financial 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. Specifically, secured bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the bank choosing to exercise its right. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative financial instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the marked to market commodity price at the end of the reporting period. The liquidity analyses for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual 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
2012							
Non-derivative financial liabilities							
Trade creditors	–	4,761,343	–	–	–	4,761,343	4,761,343
Trade payable to a related company	–	501,676	–	–	–	501,676	501,676
Other creditors	–	926,630	190,425	–	–	1,117,055	1,117,055
Bank borrowings (Note d)	2.69	6,936,438	110,877	618,124	767,315	8,432,754	8,214,836
Convertible notes (Note a)	19.49	–	299,995	–	–	299,995	283,078
		13,126,087	601,297	618,124	767,315	15,112,823	14,877,988
Derivatives – net settlement							
Futures contracts							
– financial assets		(346,836)	(88,014)	–	–	(434,850)	(434,850)
– financial liabilities		381,131	55,354	–	–	436,485	436,485
Swaps contracts							
– financial assets		(921)	(738,386)	–	–	(739,307)	(739,307)
– financial liabilities		58,410	1,140,041	–	–	1,198,451	1,198,451
		91,784	368,995	–	–	460,779	460,779
Derivatives – gross settlement							
Forwards sales (Note b)							
– inflow		(1,732,348)	(846,771)	–	–	(2,579,119)	(2,579,119)
– outflow		1,699,776	814,601	–	–	2,514,377	2,514,377
Forward purchase (Note c)							
– inflow		(2,290,259)	(530,606)	–	–	(2,820,865)	(2,820,865)
– outflow		2,273,386	530,606	–	–	2,803,992	2,803,992
		(49,445)	(32,170)	–	–	(81,615)	(81,615)

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

	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
2011							
Non-derivative financial liabilities							
Trade creditors	–	2,132,882	–	–	–	2,132,882	2,132,882
Trade payable to a related company	–	1,135,165	–	–	–	1,135,165	1,135,165
Other creditors	–	152,716	76,942	–	–	229,658	229,658
Bank borrowings	2.81	6,095,991	78,417	491,512	578,542	7,244,462	7,077,059
Convertible notes (Note a)	19.49	–	–	930,000	–	930,000	734,418
		9,516,754	155,359	1,421,512	578,542	11,672,167	11,309,182
Derivatives – net settlement							
Futures contracts							
– financial assets		(81,111)	(6,602)	–	–	(87,713)	(87,713)
– financial liabilities		12,063	9,235	–	–	21,298	21,298
Swaps contracts							
– financial assets		(600,034)	(56,520)	–	–	(656,554)	(656,554)
– financial liabilities		714,110	106,015	–	–	820,125	820,125
		45,028	52,128	–	–	97,156	97,156
Derivatives – gross settlement							
Forwards sales (Note b)							
– inflow		(247,918)	(1,947)	–	–	(249,865)	(249,865)
– outflow		236,096	2,045	–	–	238,141	238,141
Forward purchase (Note c)							
– inflow		(2,538,574)	–	–	–	(2,538,574)	(2,538,574)
– outflow		2,530,451	–	–	–	2,530,451	2,530,451
		(19,945)	98	–	–	(19,847)	(19,847)

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Notes:

(a) 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 carrying amount of the liability component as at the end of the reporting period.

(b) The undiscounted cash inflows represent the contractual amount to be received on sale of fuel or crude oil pursuant to the forward contracts. The undiscounted cash outflows represent the value of fuel or crude oil to be purchased estimated based on forward price.

(c) The undiscounted cash outflows represent the contractual amount to be paid on purchase of fuel or crude oil pursuant to the forward contracts. The undiscounted cash inflows represent the value of fuel or crude oil to be sold estimated based on forward price.

(d) Bank borrowings with a repayment on demand clause is included in the "repayable on demand or less than 3 months" time band in the above maturity analysis. As at 30 June 2012, the carrying amount of this bank borrowings amounted to approximately HK$554,611,000 (2011: nil). Taking into account the Group's financial position, the directors do not believe that it is probable that the bank will exercise its discretionary right to demand immediate repayment. At 30 June 2012, if the Group repaid the loan following repayment schedule, the aggregate principal and interest cash outflows would amount to approximately HK$610,570,000 (HK$45,259,000 repayable within 1 year, HK$556,917,000 repayable within 1-5 years and HK$8,394,000 repayable over 5 years).

Fair values

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

- the fair values of financial assets (other than derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid price;
- 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).

7. FINANCIAL INSTRUMENTS *(continued)*

Fair values *(continued)*

Fair value measurements recognised in the consolidated statement of financial position *(continued)*

	30 June 2012			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Derivative financial instruments	**1,174,157**	**91,867**	**–**	**1,266,024**
Non-derivative financial assets held for trading	**126,118**	**–**	**–**	**126,118**
	1,300,275	**91,867**	**–**	**1,392,142**
Financial liabilities at FVTPL				
Derivative financial instruments	**1,634,936**	**10,252**	**–**	**1,645,188**

	30 June 2011			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Derivative financial instruments	744,267	19,847	–	764,114
Non-derivative financial assets held for trading	309,016	–	–	309,016
	1,053,283	19,847	–	1,073,130
Financial liabilities at FVTPL				
Derivative financial instruments	841,423	–	–	841,423

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

8. REVENUE

	2012 HK$'000	2011 HK$'000
Provision of marine bunkering services	**47,788,106**	29,500,274
Sales of petroleum products	**21,834,916**	9,954,234
Marine transportation income	**252,806**	86,903
Sales of natural gas and condensate	**69,057**	–
Sales of garments	**–**	1,431
Dividend income	**2,783**	7,503
Rental income from investment properties	**1,547**	2,763
	69,949,215	39,553,108

9. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker ("CODM") who makes the decision of resource allocation and assessment of segment performance, focuses on types of goods or services delivered or provided contributing to the Group's profit for the year:

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

International trading and bunkering operation	–	international supply of petroleum products and provision of marine bunkering services to international vessels
Marine transportation operation	–	provision of marine transportation services of fuel oil or crude oil internationally
Upstream gas business	–	gas development and production
Direct investments	–	investments in listed and unlisted equity and debt securities

During the year ended 30 June 2012, the Group acquired Win Business Dina Group (as defined in note 45) which is engaged in development and production of natural gas. Since then, the CODM reviews the financial performance of gas development and production operation. Accordingly, results from upstream gas business are presented as an operating segment.

No segment assets or liabilities is presented other than entity-wide disclosures 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 and reportable segment:

For the year ended 30 June 2012

	International trading and bunkering operation HK$'000	Marine transportation operation HK$'000	Upstream gas business HK$'000	Direct investments HK$'000	Segment total HK$'000	Unallocated revenue HK$'000 (Note)	Consolidated HK$'000
SEGMENT REVENUE							
External	69,623,022	252,806	69,057	2,783	69,947,668	1,547	69,949,215
SEGMENT RESULTS	733,918	40,730	13,630	(32,647)	755,631		755,631
Other income, gains and losses							(2,092)
Unallocated corporate expenses							(141,203)
Finance costs							(297,458)
Share of losses of jointly controlled entities							(5,234)
Share of profit of an associate							33
Profit before taxation							309,677

For the year ended 30 June 2011

	International trading and bunkering operation HK$'000	Marine transportation operation HK$'000	Upstream gas business HK$'000	Direct investments HK$'000	Segment total HK$'000	Unallocated revenue HK$'000 (Note)	Consolidated HK$'000
SEGMENT REVENUE							
External	39,454,508	86,903	–	7,503	39,548,914	4,194	39,553,108
SEGMENT RESULTS	1,732,805	9,502	–	26,835	1,769,142		1,769,142
Other income, gains and losses							(20,630)
Unallocated corporate expenses							(116,356)
Finance costs							(242,767)
Share of losses of jointly controlled entities							(11,144)
Profit before taxation							1,378,245

Note: Unallocated revenue represents revenue from garment operation and properties investments which were not reviewed by the CODM during both years ended 30 June 2012 and 2011.

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 result represents the profit earned or loss incurred by each segment without allocation of other income, gains and losses (excluding fair value change of securities held for trading, subleasing income and heating and deviation income), central administration costs, directors' emoluments, share of losses of jointly controlled entities, share of profit of an associate, certain 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 2012

	International trading and bunkering operation HK$'000	Marine transportation operation HK$'000	Upstream gas business HK$'000	Direct investments HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss							
Release of prepaid lease payments	–	–	–	–	–	7,581	7,581
Depreciation of property, plant and equipment	32,240	35,513	13,317	–	81,070	26,942	108,012
Fair value change of derivative financial instruments	1,082,074	–	–	–	1,082,074	–	1,082,074

For the year ended 30 June 2011

	International trading and marine bunkering operation HK$'000	Marine transportation operation HK$'000	Direct investments HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss						
Release of prepaid lease payments	–	–	–	–	2,750	2,750
Depreciation of property, plant and equipment	37,581	21,839	–	59,420	10,162	69,582
Fair value change of derivative financial instruments	172,768	–	–	172,768	–	172,768

9. SEGMENT INFORMATION *(continued)*

Geographical information

The Group's operations are located in China Mainland (country of domicile), Hong Kong, Singapore, the United States, Holland, other countries in South-east Asia and Europe (other than Holland).

Information about the Group's revenue is analysed by location of delivery of marine bunkering services and international trading of petroleum products since the customers are international fleet without principal place of operation. The Group's other revenue is analysed by location of customers for sales of natural gas and condensate and provision of marine transportation services 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 is presented based on geographical location of the assets (except for vessels which are presented based on location of the business operations of companies holding the vessels) are detailed below:

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
China Mainland (the "PRC")	**10,204,171**	8,821,251	**2,134,220**	1,030,157
Hong Kong	**421,720**	230,060	**113,099**	115,317
Singapore	**51,274,653**	29,783,223	**4,663,362**	3,092,374
Holland	**184,854**	245,650	**1,829**	316
United States	**7,296,264**	462,892	**13,193**	11,704
Malaysia	**409,330**	–	**–**	–
Taiwan	**104,464**	–	**–**	–
South Korea	**21,415**	–	**–**	–
Europe (other than Holland)	**26,929**	–	**483**	–
Japan	**973**	6,526	**66**	–
Others	**4,442**	3,506	**–**	–
	69,949,215	39,553,108	**6,926,252**	4,249,868

Note: Non-current assets excluded interests in jointly controlled entities and an associate.

Information about major customers

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

	2012	2011
	HK$'000	HK$'000
Customer A[1]	**13,731,565**	5,996,411

[1] Revenue from international trading and bunkering operation.

10. OTHER INCOME, GAINS AND LOSSES

	2012 HK$'000	2011 HK$'000
Interest income on bank deposits	**6,762**	9,981
Net loss on foreign exchange	**(17,041)**	(43,663)
Fair value (loss) gain of financial assets held for trading	**(35,430)**	54,893
Increase in fair value of investment properties, net	**1,286**	10,890
Gain on disposal of property, plant and equipment	**1,550**	1,526
Subleasing income	**25,154**	–
Heating and deviation income	**10,637**	–
Write-off of other payables	**–**	636
Sundry income	**5,351**	–
	(1,731)	34,263

11. OTHER EXPENSES

	2012 HK$'000	2011 HK$'000
Professional fees (Note)	**59,689**	23,737
Brokerage and commission expenses	**82,885**	39,412
Other expenses in relation to derivative trading and bank services	**65,350**	20,916
	207,924	84,065

Note: Professional fees represents fee for general legal advisory services, consultancy fee and fee for advisory services on investment projects. An aggregate amount of approximately HK$30,856,000 (2011: HK$2,919,600) is in relation to consultancy services on business development rendered by independent third parties and HK$17,276,000 (2011: HK$11,607,000) is relation to merger and acquisition projects.

12. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Imputed interest expense on convertible notes	**112,816**	119,791
Interest expense on bank borrowings		
– wholly repayable within five years	**213,860**	91,100
– wholly repayable over five years	**27,778**	31,876
Total	**354,454**	242,767
Less: Amounts capitalised	**(56,996)**	–
	297,458	242,767

Borrowing cost capitalised during the year of approximately HK$51,151,000 (2011: nil) arose on the general borrowing pool calculated by applying a capitalisation rate of 3.25% per annum to expenditure or qualifying assets.

13. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	2012 HK$'000	2011 HK$'000
Auditor's remuneration	**3,227**	2,200
Release of prepaid lease payments for land and coast	**7,581**	2,750
Depreciation of property, plant and equipment		
Vessels (Note a)	**67,494**	59,420
Oil and gas properties	**13,269**	–
Others	**27,249**	10,162
Operating lease rentals paid in respect of rented premises (Note b)	**641,866**	289,862
Amount of inventories recognised as expense	**69,375,819**	39,254,115
Unrealised (loss) gain on fuel oil inventories (included in cost of sales and services)	**(318,351)**	45,914
Allowance for bad and doubtful debts	**2,309**	–
Staff costs (including directors' remuneration, note 14)		
Wages, salaries and other benefits	**220,031**	145,750
Share based payments (note 40)	**10,722**	34,764
Retirement benefits scheme contributions	**16,492**	6,824
	247,245	187,338
Less: Staff costs capitalised to construction in progress	**(2,576)**	–
	244,669	187,338

Notes:

(a) The amount of approximately HK$67,494,000 (2011: HK$59,420,000), together with the attributable operating costs of the vessels, was included in cost of sales and services.

(b) Rentals amounting to HK$802,000 (2011: HK$880,000) in respect of accommodation provided to directors are included under staff costs.

14. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the thirteen (2011: thirteen) directors were as follows:

	Fees HK$'000	Other emoluments: Salaries and other benefits HK$'000	Other emoluments: Retirement benefits scheme contributions HK$'000	Other emoluments: Share based payments HK$'000	Total HK$'000
Year ended 30 June 2012					
Executive Directors					
SIT Kwong Lam	–	2,795	12	–	2,807
TANG Bo	–	4,416	12	1,682	6,110
CHIA Teck Lim (Note a)	–	1,493	3	342	1,838
TAN Yih Lin	–	4,816	12	1,682	6,510
Gregory John CHANNON (Note b)	–	1,695	–	734	2,429
Per Wistoft KRISTIANSEN (Note c)	–	1,897	–	–	1,897
Non-Executive Directors					
HE Zixin	360	55	–	–	415
RAN Longhui	360	55	–	–	415
SUN Zhenchun	360	55	–	–	415
DAI Zhujiang	360	55	–	841	1,256
Independent Non-Executive Directors					
LAU Hon Chuen	360	55	–	841	1,256
CHANG Hsin Kang	360	55	–	841	1,256
KWONG Chan Lam	360	55	–	841	1,256
Total	2,520	17,497	39	7,804	27,860
Year ended 30 June 2011					
Executive Directors					
SIT Kwong Lam	–	2,400	12	–	2,412
TANG Bo	–	2,250	12	3,116	5,378
CHIA Teck Lim (Note a)	–	2,496	12	3,116	5,624
TAN Yih Lin	–	2,460	12	3,116	5,588
Gregory John CHANNON (Note b)	–	3,706	–	3,116	6,822
CHEUNG Sum, Sam (Note d)	–	2,304	5	2,717	5,026
Non-Executive Directors					
HE Zixin	302	50	–	1,558	1,910
RAN Longhui	302	50	–	1,558	1,910
SUN Zhenchun	302	50	–	1,558	1,910
DAI Zhujiang	302	50	–	1,558	1,910
Independent Non-Executive Directors					
LAU Hon Chuen	302	50	–	1,558	1,910
CHANG Hsin Kang	302	50	–	1,558	1,910
KWONG Chan Lam	302	50	–	1,558	1,910
Total	2,114	15,966	53	26,087	44,220

14. DIRECTORS' REMUNERATION *(continued)*

Notes:

(a) On 6 September 2011, Mr. Chia Teck Lim resigned as a director of the Company.

(b) On 23 November 2011, Mr. Gregory John Channon resigned as a director of the Company.

(c) On 28 November 2011, Mr. Per Wistoft Kristiansen was appointed as a director of the Company.

(d) On 25 November 2010, Mr. Cheung Sum, Sam resigned as a 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.

15. EMPLOYEES' EMOLUMENTS

All the five (2011: five) individuals with the highest emoluments in the Group were directors of the Company whose emoluments are included in the disclosures in note 14 above.

16. TAXATION CHARGE

	2012 **HK$'000**	2011 HK$'000
Current tax charge for the year:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax	**3,214**	–
Singapore Income Tax	**20,038**	125,481
	23,252	125,481
Underprovision in prior years:		
Hong Kong Profits Tax	**–**	14
Singapore Income Tax	**–**	2,117
	–	2,131
Deferred taxation (note 36)		
Current year	**(19,291)**	(19,765)
	3,961	107,847

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. No provision for the Hong Kong Profits Tax was provided for the Group's Hong Kong subsidiaries as those subsidiaries have no assessable profit or suffered from tax losses for both years.

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.

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) generated during the year of the Group has been charged at a tax concessionary rate of 5%.

16. TAXATION CHARGE *(continued)*

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

	2012 **HK$'000**	2011 HK$'000
Profit before taxation	**309,677**	1,378,245
Taxation at income tax rate of 5% (2011: 5%)	**15,484**	68,912
Tax effect of expenses not deductible for tax purpose	**11,590**	46,355
Tax effect of income not taxable for tax purpose	**(29,248)**	(2,477)
Underprovision in respect of prior year	**–**	2,131
Effect of share of losses of jointly controlled entities	**262**	557
Effect of share of profit of an associate	**(2)**	–
Tax effect of tax losses not recognised	**19,607**	7,296
Tax effect of deductible temporary differences not recognised	**1,921**	–
Utilisation of tax losses previously not recognised	**(62)**	(1,017)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(15,591)**	(13,910)
Taxation charge for the year	**3,961**	107,847

Details of deferred taxation not recognised in the consolidated financial statements are set out in note 36.

17. DIVIDENDS

	2012 **HK$'000**	2011 HK$'000
Dividends recognised as distribution during the year:		
2011 Final dividend paid – HK3.5 cents (2010: HK3 cents) per share	**236,725**	202,904

The directors of the Company do not recommend the payment of a final dividend for the year ended 30 June 2012.

18. 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

	2012 HK$'000	2011 HK$'000
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**305,716**	1,270,398
Effect of dilutive potential ordinary shares: Interest on 2009 Convertible Notes (note 37) (net of tax)	**–**	100,025
Earnings for the purpose of diluted earnings per share	**305,716**	1,370,423

Number of shares

	2012	2011
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,392,607,101**	6,740,471,737
Effect of dilutive potential ordinary shares: 2009 Convertible Notes (note 37)	**–**	2,479,979,333
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,392,607,101**	9,220,451,070

During the year ended 30 June 2012, the computation of diluted earnings per share does not assume the conversion of the outstanding convertible notes since their exercise would result in an increase in earnings per share.

For both years ended 30 June 2012 and 2011, the computation of diluted earnings per share does not assume the exercise of the share options granted since the exercise price of the share options outstanding was higher than average market price for shares during both years ended 30 June 2012 and 2011.

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the issue of shares and shares issued upon the partial conversion of convertible notes with details as disclosed in note 35.

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Oil and gas properties HK$'000	Construction in progress HK$'000	Total HK$'000
COST											
At 1 July 2010	59,474	10,111	17,396	5,661	9,033	6,126	2,590	903,490	–	35,108	1,048,989
Exchange realignment	–	230	948	10	7	33	50	253	–	1,325	2,856
Transfer	–	295	–	–	–	–	–	–	–	(295)	–
Additions	–	26,589	–	4,384	8,378	4,792	1,134	892,177	–	292,176	1,229,630
Disposals	–	(4,403)	(18,344)	(169)	(8)	(573)	(970)	–	–	–	(24,467)
At 30 June 2011	59,474	32,822	–	9,886	17,410	10,378	2,804	1,795,920	–	328,314	2,257,008
Acquired on acquisition of a subsidiary (note 45)	–	–	–	96	–	66	130	–	538,141	92,365	630,798
Exchange realignment	–	(101)	–	(10)	(27)	(6)	19	(190)	(3,619)	5,295	1,361
Transfer	–	11,235	–	–	–	–	–	–	–	(11,235)	–
Additions	–	749	7,176	5,052	6,347	4,766	3,188	1,393	–	3,309,322	3,337,993
Disposals	–	–	–	–	(387)	(109)	(1,670)	–	–	–	(2,166)
At 30 June 2012	59,474	44,705	7,176	15,024	23,343	15,095	4,471	1,797,123	534,522	3,724,061	6,224,994
ACCUMULATED DEPRECIATION AND IMPAIRMENT											
At 1 July 2010	513	5,473	17,235	1,365	2,414	1,741	2,410	19,102	–	–	50,253
Exchange realignment	–	291	940	8	1	28	44	5	–	–	1,317
Provided for the year	473	2,488	42	2,168	2,965	1,876	150	59,420	–	–	69,582
Eliminated on disposals	–	(4,299)	(18,217)	(157)	(8)	(543)	(896)	–	–	–	(24,120)
At 30 June 2011	986	3,953	–	3,384	5,372	3,102	1,708	78,527	–	–	97,032
Exchange realignment	–	(52)	–	(9)	(16)	(5)	(1)	(17)	(31)	–	(131)
Provided for the year	473	13,503	1,208	3,323	4,540	3,597	605	67,494	13,269	–	108,012
Eliminated on disposals	–	–	–	–	(2)	–	(1,670)	–	–	–	(1,672)
At 30 June 2012	1,459	17,404	1,208	6,698	9,894	6,694	642	146,004	13,238	–	203,241
CARRYING VALUES											
At 30 June 2012	58,015	27,301	5,968	8,326	13,449	8,401	3,829	1,651,119	521,284	3,724,061	6,021,753
At 30 June 2011	58,488	28,869	–	6,502	12,038	7,276	1,096	1,717,393	–	328,314	2,159,976

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

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

Leasehold land	Over the lease term
Leasehold 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$^{2}/_{3}$%

Oil and gas properties are depreciated on the unit-of-production method utilising only proved and probable gas reserve as the depletion base.

The carrying amount of the Group's leasehold land located in Hong Kong is approximately HK$42,319,000 (2011: HK$42,367,000) under long lease.

At 30 June 2012, vessels and construction in progress of the Group with carrying values of approximately HK$1,579,890,000 (2011: HK$1,639,892,000) and HK$2,102,221,000 (2011: nil) respectively are pledged to secure bank borrowings of the Group.

20. PREPAID LEASE PAYMENTS FOR LAND

	2012 **HK$'000**	2011 HK$'000
The Group's prepaid lease payments for land comprise:		
Leasehold land in the PRC with medium lease	**383,767**	667,143
Analysed for reporting purpose as:		
Current asset	**6,892**	13,397
Non-current asset	**376,875**	653,746
	383,767	667,143

Included in medium-term prepaid lease payments are land use rights with carrying amount of approximately HK$172,056,000, net of government grant received, (2011: HK$503,615,000) which are located in the PRC. The Group is in the process of obtaining the land use right certificates.

During the current year, the Group has received a government grant of approximately RMB275,697,000 (approximately HK$336,725,000) in respect of acquisition of prepaid lease payments for land in March 2011 pursuant to the cooperation agreement signed between the local government and the Group. The government grant amount has been deducted from the carrying amount of the prepaid lease payment for land. During the year, the amount of approximately HK$6,751,000 was transferred to income in the form of reduced charge over the lease term of the prepaid lease payment.

21. PREPAID LEASE PAYMENTS FOR COAST

	2012 HK$'000	2011 HK$'000
The Group's prepaid lease payments for coast comprise:		
Coast in the PRC with medium lease	**12,189**	12,239
Analysed for reporting purpose as:		
Current asset	**256**	251
Non-current asset	**11,933**	11,988
	12,189	12,239

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

22. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 July 2010	100,265
Exchange realignment	9,244
Increase in fair value recognised in profit or loss	10,890
At 30 June 2011	120,399
Exchange realignment	(1,314)
Increase in fair value recognised in profit or loss	1,286
Disposals	(79,371)
At 30 June 2012	41,000

The fair value of the Group's investment properties at 30 June 2012 and 2011 have been arrived at on the basis of a valuation carried out on that date by Asset Appraisal Limited (2011: Greater China Appraisal Limited), independent qualified professional valuers not connected with the Group. The Group's investment properties were valued on market value basis, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties. The valuations were arrived at by reference to market evidence of transaction prices for similar 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.

22. INVESTMENT PROPERTIES *(continued)*

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

	2012 HK$'000	2011 HK$'000
Land in Hong Kong with long lease	**41,000**	41,000
Land outside Hong Kong with long lease	**–**	79,399
	41,000	120,399

23. EXPLORATION AND EVALUATION ASSETS

	HK$'000
COST AND CARRYING VALUES	
Additions and at 30 June 2010	4,755
Exchange realignment	419
Additions	6,465
As at 30 June 2011	11,639
Exchange realignment	106
Additions	28,801
As at 30 June 2012	40,546

Note: Amount represents the costs incurred in relation to the Tuzi 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 25.

24. INTEREST IN AN ASSOCIATE

	2012 HK$'000	2011 HK$'000
Cost of investment in an associate, unlisted	**10,804**	10,804
Share of post-acquisition profit	**33**	–
Exchange realignment	**181**	–
	11,018	10,804

Note: The associate was established in May 2011 together with 11 independent third parties and obtained formal incorporation and registration documents in July 2011. Accordingly, there was no operation and profit or loss for the period ended 30 June 2011.

24. INTEREST IN AN ASSOCIATE *(continued)*

As at 30 June 2012 and 2011, the Group had interests in the following associate:

Name of entity	Form of entity	Place of establishment and operation	Proportion of nominal value of issued capital held by the Group 2012 and 2011	Proportion of voting power held 2012 and 2011	Principal activity
浙江舟山大宗商品交易所有限公司 ("舟山大宗")	Incorporated	PRC	9%	14% (Note)	Provision of agency services on trading of commodities

Note: 舟山大宗 has no controlling party. The Group is able to exercise significant influence over 舟山大宗 because it has the power to appoint one out of the seven directors of that company under the provisions stated in the Articles of Association of that company.

The summarised financial information in respect of the Group's associate is set out below:

	2012 HK$'000	2011 HK$'000
Total net assets	**122,417**	120,040
Group's share of net asset of the associate	**11,018**	10,804
Revenue	**13,602**	–
Profit for the year	**362**	–
Group's share of profit for the year	**33**	–

25. INTERESTS IN JOINT VENTURES

(a) Jointly controlled entities

As at 30 June 2012 and 2011, 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 2012 and 2011	Principal activity
Zhoushan Brightoil Terminal Co., Ltd. ("Zhoushan Brightoil") (Note 1)	Foreign owned enterprise	PRC	PRC	Registered capital	55%	Operation of wharf and related ancillary facilities
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

Notes:

1. The Group has the power to appoint four out of seven directors in the board of Zhoushan Brightoil. However, according to 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. The Group has the power to appoint three out of five directors in the board of Dalian Changxing Island Brightoil. However, according to 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.

   During the year ended 30 June 2011, the Group made an additional capital injection of approximately HK$90,800,000.

	2012 HK$'000	2011 HK$'000
Cost of unlisted investments in jointly controlled entities	**442,805**	442,805
Share of post-acquisition loss	**(17,819)**	(12,585)
Exchange realignment	**23,957**	16,439
	448,943	446,659

25. INTERESTS IN JOINT VENTURES *(continued)*

(a) Jointly controlled entities *(continued)*

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:

	2012 HK$'000	2011 HK$'000
Non-current assets	**107,268**	18,964
Current assets	**346,428**	436,287
Current liabilities	**(4,753)**	(8,592)
Income	**5,311**	3,436
Expenses	**10,545**	14,580

As at 30 June 2012, 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$135,912,000 (2011: HK$113,511,000).

(b) Jointly controlled operations

(1) Jointly controlled operation in the Tuzi gas field

Win Business Petroleum (Grand Desert) Limited ("Win Business GD"), a subsidiary of the Group, entered into a contract for natural gas development and production (the "Contract 1") with a state-owned enterprise in the PRC, China National Petroleum Corporation ("CNPC"), in August 2010 to jointly operate a natural gas development and production project in the Tuzi field ("Tuzi Natural Gas Project") owned by CNPC. Win Business GD and CNPC have the participating interest in the jointly controlled operation of 49% and 51% respectively.

Pursuant to the Contract 1, the Tuzi Natural Gas Project is segregated into three stages, namely the evaluation period, the development period and the production period, with a term of 30 years. Prior to the Contract 1, CNPC has performed a preliminary stage to study the Tuzi Natural Gas Project and the cost incurred during the preliminary period was borne by CNPC. Win Business GD will bear the costs incurred for the evaluation and development stages. Specifically, Win Business GD is responsible for the expenditure on seismic, drilling and construction works regarding the development and construction of the infrastructure. The Tuzi Natural Gas Project is jointly operated by the Group and CNPC.

65% of the revenue from sale of natural gas produced from the Tuzi gas field will be initially shared by CNPC and Win Business GD in proportion to the costs incurred by them prior to the production period to recover these costs incurred with the remaining being shared 55% by Win Business GD. After full recovery of these costs, the revenue for gas production will be shared 49% by Win Business GD.

25. INTERESTS IN JOINT VENTURES *(continued)*

(b) Jointly controlled operations *(continued)*

(1) Jointly controlled operation in the Tuzi gas field *(continued)*

The aggregate amount of assets, liabilities, income and expense recognised in the consolidated financial statements in relation to the Group's interest in the jointly controlled operation in the Tuzi gas field are as follows:

	2012 **HK$'000**	2011 HK$'000
Assets	**496,671**	39,701
Liabilities	**4,267**	47,744
Income	**60**	35
Expenses	**13,580**	9,438

The Group has carried out activities relating to technical feasibility and commercial viability of the Tuzi Natural Gas Project. As at 30 June 2012, the Group is waiting for the acknowledgement of the completion of the exploration and evaluation stage by the relevant government authorities and its permission to start extraction of natural gas. The acknowledgement is expected to be obtained by the end of 2012. As the exploration and evaluation activities should be completed by within 21 months from 1 December 2009 pursuant to Contract 1, the Group has obtained consent from CNPC for extension of the period for exploration and evaluation.

(2) Jointly controlled operation in the Dina gas field

Win Business Petroleum Group Limited ("Win Business Group"), a subsidiary of Win Business Petroleum Group (Dina) Limited ("Win Business Dina") newly acquired by the Group as set out in note 45, entered into a contract (the "Contract 2") for natural gas development and production with CNPC in April 2008 to jointly operate a natural gas development and production project in the Dina Gas field ("Dina Natural Gas Project") owned by CNPC. Win Business Group and CNPC have the participating interest in the jointly controlled operation of 49% and 51% respectively.

Pursuant to the Contract 2, the Dina Natural Gas Project is segregated into three stages, namely the evaluation period, the development period and the production period, with a term of 30 years. Prior to the Contract 2, CNPC has performed a preliminary phase to study the Dina Natural Gas Project and the cost incurred during the preliminary phase was borne by CNPC. Win Business Group bore the costs incurred during the evaluation and development periods. The Dina Natural Gas Project is jointly operated by the Group and CNPC. As at the date of acquisition of Win Business Dina by the Group and at 30 June 2012, one gas property was at the development period and the other 2 gas properties were at the production period.

65% of the revenue from sale of natural gas and condensate will be initially shared by CNPC and Win Business Group in proportion to the costs incurred by them prior to the production period with the remaining 35% being shared 55% by Win Business Group. After full recovery of costs, the revenue for gas production will be shared 49% by Win Business Group. In addition, the Group required to bear certain cost, primarily the provision of gas purification and transporting services for the natural gas and condensate shared by Win Business Group.

25. INTERESTS IN JOINT VENTURES *(continued)*

(b) Jointly controlled operations *(continued)*

(2) Jointly controlled operation in the Dina gas field *(continued)*

The aggregate amount of assets, liabilities, income and expenses recognised in the consolidated financial statements in relation to the Group's interest in the jointly controlled operation in the Dina gas field as at 30 June 2012 are as follows:

	HK$'000
Assets	807,030
Liabilities	253,000
Income	69,057
Expenses	45,851

26. INVENTORIES

	2012 HK$'000	2011 HK$'000
Fuel oil, at fair value less costs to sell	**3,241,476**	3,467,579
Consumables	**16,034**	36,879
	3,257,510	3,504,458

As 30 June 2012, the carrying amount of fuel oil, which has been pledged as security, by way of floating charges, for short-term credit facilities granted to the Group is approximately HK$3,067,044,000 (2011: HK$2,516,557,000).

27. TRADE DEBTORS

	2012 HK$'000	2011 HK$'000
Trade debtors	**6,739,694**	4,129,842
Less: Allowance for bad and doubtful debts	**(2,309)**	–
	6,737,385	4,129,842

The Group allows an average credit period of 30 to 45 days to its marine bunkering customers, 60 days to CNPC on sale of natural gas and condensate and 30 days to its marine transportation customers.

27. TRADE DEBTORS *(continued)*

The following is an aged analysis of trade debtors (net of allowance for bad and doubtful debts) presented based on the invoice date at the reporting date:

	2012 HK$'000	2011 HK$'000
0 – 30 days	**5,662,701**	3,751,753
31 – 60 days	**1,035,380**	369,821
61 – 90 days	**38,840**	4,046
> 90 days	**464**	4,222
	6,737,385	4,129,842

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 84% (2011: 90%) 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 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$1,074,684,000 (2011: HK$378,089,000) 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 (2011: 60 days). The balances have been substantially settled subsequently.

Ageing of trade debtors which are past due but not impaired

	2012 HK$'000	2011 HK$'000
31 – 60 days	**1,035,380**	369,821
61 – 90 days	**38,840**	4,046
91 – 120 days	**–**	1,847
Over 120 days	**464**	2,375
	1,074,684	378,089

In the opinion of the directors, the Group has maintained long term relationships with existing customers who have a strong financial position with continuous subsequent settlements and there have been no historical default of payments by the respective customers. The Group has assessed the recoverability of these customers and consider that there has not been a significant change in their credit quality. The directors believe that the amounts are still recoverable.

27. TRADE DEBTORS *(continued)*

Movement in the allowance for bad and doubtful debts

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	–	–
Impairment losses recognised on trade debtors	2,309	–
Balance at end of the year	2,309	–

Allowance for bad and doubtful debts included individually impaired trade receivables with an aggregate balance of approximately HK$2,309,000 (2011: nil) which had been in disputes on final settlement and may not be recoverable. The Group does not hold any collateral over these balances.

At 30 June 2012, the carrying amount of trade debtors, which has been pledged as security for short-term credit facilities granted to the Group, is approximately HK$6,603,523,000 (2011: HK$4,096,404,000).

28. SECURITIES HELD FOR TRADING

	2012 HK$'000	2011 HK$'000
Equity securities listed in Hong Kong	126,118	309,016

29. RECEIVABLES FROM BROKERS

Amount represents receivables from brokers for securities and derivatives trading which carried interest rates at prevailing market interest rates ranging from 0.001% to 0.01% per annum (2011: 0.001% to 0.01% per annum).

30. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

As at 30 June 2012, 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 0.1% to 0.5% (2011: 0.19% to 0.25%) per annum.

As at 30 June 2012, the Group's short-term bank deposits carried at market interest rates from 0.01% to 1% (2011: 0.01% to 2.80%) per annum with an original maturity of three months or less. As at 30 June 2011, bank balances and cash of HK$48,016,000 represented the short-term deposits with original maturities of more than three months which carried interest rate of 3.05% per annum.

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

	2012 HK$'000	2011 HK$'000
US$	478,088	263,926
HK$	4,119	4,056
RMB	8	899
SGD	25,027	68,000

31. TRADE CREDITORS

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

	2012 HK$'000	2011 HK$'000
0 – 30 days	4,686,601	2,131,106
31 – 60 days	64,084	1,674
61 – 90 days	4,901	4
Over 90 days	5,757	98
	4,761,343	2,132,882

The average credit period for purchase of fuel oil is 30 days. The average credit period for direct costs incurred in the upstream gas business is 60 days. 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$501,676,000 (2011: HK$1,135,165,000) classified as trade payable to a related party is trade in nature (note 42). The amount is aged within 45 days at 30 June 2012 and 2011 with credit terms of 45 days granted to the Group.

32. OTHER CREDITORS AND ACCRUED CHARGES

As at 30 June 2012, the balance includes other tax payable of HK$99,038,000 (2011: HK$58,749,000) which is goods and services tax in relation to sales made in Singapore. The amount is unsecured, non-interest bearing and repayable within three months from the end of the reporting period.

As at 30 June 2012, the balance includes an amount of HK$999,802,000 (2011: HK$56,041,000) payable to independent third parties for purchase of property, plant and equipment. The amount is unsecured, non-interest bearing and repayable within one year from the end of the reporting period.

As at 30 June 2011, the balance includes an amount of HK$76,942,000 payable to a local government in the PRC in relation to purchase of land use right in the PRC. The amount was unsecured and non-interest bearing and was fully settled during the year ended 30 June 2012.

Other creditors and accrued charges that are denominated in currencies other than functional currency of the relevant group entities as set out below:

	2012 **HK$'000**	2011 HK$'000
HK$	**4,671**	1,532
RMB	**511**	455
SGD	**33,255**	51,843

33. BANK BORROWINGS

	2012 HK$'000	2011 HK$'000
Secured variable-rate bank borrowings	**8,214,836**	7,077,059
Carrying amount payable:		
Within one year	**6,451,583**	6,137,390
More than one year, but not exceeding two years	**107,702**	77,267
More than two years, but not more than five years	**393,500**	328,045
More than five years	**707,440**	534,357
	7,660,225	7,077,059
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**554,611**	–
	8,214,836	7,077,059
Less: Amounts due within one year shown under current liabilities	**(7,006,194)**	(6,137,390)
	1,208,642	939,669

At 30 June 2012 and 2011, the Group has significant secured variable-rate bank borrowings carry interests at LIBOR plus 1.2% to 2.5% per annum. The effective interest rate is from 1.41% to 4.8669% (2011: 1.28% to 4.6465%) per annum. Such bank borrowings are with a maturity profile as follows:

	2012 HK$'000	2011 HK$'000
Carrying amount payable:		
Within one year	**6,390,550**	6,095,392
More than one year, but not exceeding two years	**35,177**	35,270
More than two years, but not more than five years	**105,531**	105,810
More than five years	**351,170**	387,366
	6,882,428	6,623,838

The remaining secured variable-rate bank borrowings carry interest rate at LIBOR plus 2.2% to 3.5% per annum and the effective interest rate is from 2.44% to 4.36% (2011: 2.54% to 4.3%) per annum.

33. BANK BORROWINGS *(continued)*

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2012 **HK$'000**	2011 HK$'000
Floating rate		
– expiring within one year	**4,141,574**	1,410,043
– expiring beyond one year	**781,186**	712,687
	4,922,760	2,122,730

34. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments of the Group comprised of long and short positions in mainly oil and gasoline futures, swaps and forwards contracts, including ICE futures (mainly Brent, Gasoil and WTI), Nymex Futures (mainly Gasoline, Heating Oil, WTI), ICE swaps (mainly Fuel Oil, Gasoil and Crude Oil), Nymex swaps (mainly Fuel Oil and Crude Oil) and all the future and swaps contracts are listed contracts. Forwards contracts in relation to physical delivery of fuel oil and crude oil are directly dealt with some counterparties.

During the year ended 30 June 2012, the gain on fair value change of derivative financial instruments of approximately HK$1,082,074,000 was credited to profit or loss (2011: loss on fair value change of derivative financial instruments of approximately HK$172,768,000 was charged to profit or loss).

34. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Derivative financial instruments of the Group at 30 June 2012 and 2011 comprise of long and short positions in the following derivative contracts:

Type of contracts	Fair value HK$'000	Notional amount US$'000	Expiry date
As at 30 June 2012			
Derivative financial assets			
Futures	434,850	747,870	01.07.2012 to 31.12.2012
Swaps	739,307	2,228,910	01.07.2012 to 31.12.2012
Forwards	91,867	343,123	01.07.2012 to 28.02.2013
	1,266,024		
Derivative financial liabilities			
Futures	436,485	655,242	01.07.2012 to 31.12.2012
Swaps	1,198,451	2,961,955	01.07.2012 to 31.12.2012
Forwards	10,252	337,303	01.07.2012 to 31.12.2012
	1,645,188		
As at 30 June 2011			
Derivative financial assets			
Futures	87,713	274,574	01.07.2011 to 31.12.2011
Swaps	656,554	2,495,420	01.07.2011 to 30.06.2012
Forwards	19,847	65,016	01.07.2011 to 30.06.2012
	764,114		
Derivative financial liabilities			
Futures	21,298	80,741	01.08.2011 to 31.12.2011
Swaps	820,125	1,836,737	01.07.2011 to 31.03.2012
	841,423		

35. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.025 each (2011: HK$0.025 each)		
Authorised		
At 1 July 2010, 30 June 2011 and 2012 at HK$0.025 each	40,000,000,000	1,000,000
Issued and fully paid		
At 1 July 2010, at HK$0.025 each	6,463,481,600	161,587
Placing of shares (Note a)	300,000,000	7,500
Exercise of share options (Note b)	100,000	3
At 30 June 2011, at HK$0.025 each	6,763,581,600	169,090
Shares issued upon acquisition of a subsidiary (Note c)	322,916,666	8,073
Shares issued upon conversion of convertible notes (Note d)	1,680,000,000	42,000
At 30 June 2012, at HK$0.025 each	8,766,498,266	219,163

Notes:

(a) On 29 July 2010, Canada Foundation Limited ("Canada Foundation"), a placing agent and the Company entered into a placing agreement pursuant to which Canada Foundation agreed to subscribe through the placing agent, an aggregate 300,000,000 existing ordinary shares at a placing price of HK$3.45 per share representing a discount of approximately 8.97% to the closing price of the Company's share of HK$3.79 per share on 28 July 2010. The placing was completed on 9 August 2010.

(b) During the year ended 30 June 2011, a total of 100,000 new ordinary shares of HK$0.025 each were issued upon the exercise of share options.

(c) On 31 January 2012, the Group completed its acquisition of the entire issued share capital of a private company established in the PRC which is wholly-owned by Dr. Sit. In accordance with the terms of the acquisition, the Company has issued 322,916,666 new ordinary shares to Canada Foundation, a company wholly owned by Dr. Sit.

(d) During the year ended 30 June 2012, 1,680,000,000 new ordinary shares of the Company of HK$0.025 each were issued upon the partial conversion of the 2009 Convertible Notes (as defined in note 37) issued pursuant to the Subscription Agreement. Convertible notes with aggregate principal amount of US$81,291,000 (approximately HK$630,005,000) were converted into 1,680,000,000 ordinary shares of the Company at a conversion price of US$0.04839 per share.

All the shares issued during the year ended 30 June 2012 rank pari passu with the then existing shares of the Company in all respect.

36. DEFERRED TAXATION

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

	Fair value adjustment on property, plant and equipment upon acquisition HK$'000	Convertible notes HK$'000	Total HK$'000
At 1 July 2010	–	(52,036)	(52,036)
Credit to profit or loss	–	19,765	19,765
At 30 June 2011	–	(32,271)	(32,271)
Acquisition of a subsidiary (note 45)	(40,052)	–	(40,052)
Credit to profit or loss	676	18,615	19,291
Reversed to convertible notes reserve upon partial conversion of convertible notes	–	10,865	10,865
At 30 June 2012	(39,376)	(2,791)	(42,167)

At 30 June 2012, the Group has estimated unused tax losses of HK$749,176,000 (2011: HK$358,261,000) available for offset against future profits. No deferred tax asset has been recognised of such losses as at 30 June 2012 and 2011 due to the unpredictability of future profit streams. At 30 June 2012 and 2011, included in unrecognised tax losses are losses of HK$2,666,000 (2011: HK$2,666,000) that will expire within 5 years from 31 December 2010. Other estimated tax losses may be carried forward indefinitely.

Under the EIT Law, 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.

37. CONVERTIBLE NOTES

Pursuant to the subscription agreement dated on 25 June 2009 and the supplemental deed signed on 2 September 2009 entered into between the Company and Canada Foundation, 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"). Subsequent to the share subdivision of the Company on 27 May 2010 ("Share Subdivision"), conversion price of the 2009 Convertible Notes is adjusted to US$0.04839.

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, 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.

From the Issue Date of 27 October 2009 up to 30 June 2011, no 2009 Convertible Notes was converted into shares of the Company. During the year ended 30 June 2012, aggregate principal amount of US$81,291,000 (approximately HK$630,005,000) of the 2009 Convertible Notes was converted into 1,680,000,000 shares of the Company at the conversion price of US$0.04839 per share. Principal amount of US$38,709,000 (approximately HK$299,995,000) of the 2009 Convertible Notes remains outstanding at 30 June 2012 and is repayable on 27 October 2012 (the "Maturity Date"). If the outstanding 2009 Convertible Notes have not been converted up to the Maturity Date, the holder can request the Company to redeem the outstanding convertible notes at principal amount.

37. CONVERTIBLE NOTES *(continued)*

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 amounted to approximately HK$545,121,000.

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

	HK$'000
On 1 July 2010	614,627
Interest charge	119,791
Carrying amount at 30 June 2011	734,418
Interest charge	112,816
Converted during the year	(564,156)
Carrying amount at 30 June 2012	283,078

38. 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:

	2012 **HK$'000**	2011 HK$'000
Within one year	**368,714**	380,273
In the second to fifth year inclusive	**384,999**	328,482
More than five years	**61,893**	103,277
	815,606	812,032

Leases for US office and Singapore office are negotiated for lease term of ten years (2011: ten years). Lease for Hong Kong office is negotiated for lease term of five years (2011: five years). For other leases, they are negotiated for lease term of two to five years (2011: two to five years). Rentals are fixed over the leased period.

38. OPERATING LEASE COMMITMENTS *(continued)*

The Group as lessor

Leases are negotiated and rentals are fixed for average of two years (2011: 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:

	2012 **HK$'000**	2011 HK$'000
Within one year	**1,479**	1,614
In the second year to fifth year inclusive	**–**	1,479
	1,479	3,093

39. COMMITMENTS

	2012 **HK$'000**	2011 HK$'000
Capital commitments		
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**2,402,959**	4,609,902
– addition to evaluation and exploration assets	**26,870**	56,870
	2,429,829	4,666,772
Other commitments		
Expenditure contracted for but not provided for in the consolidated financial statements in respect of:		
– prepaid lease payments on leasehold land in the PRC	**46,851**	46,077
	2,476,680	4,712,849

40. 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 or 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 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 to the Company by way of consideration for the grant.

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 22 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.

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 1.7.2010**	**Exercised during the year**	**Forfeited during the year** (Note)	**At 30.6.2011**	**Forfeited during the year** (Note)	**Outstanding at 30.6.2012**
Directors	34,000,000	–	(4,000,000)	30,000,000	(8,000,000)	22,000,000
Employees	11,120,000	(100,000)	(2,480,000)	8,540,000	(3,020,000)	5,520,000
	45,120,000	(100,000)	(6,480,000)	38,540,000	(11,020,000)	27,520,000

Note: The share options were forfeited due to resignation of directors and employees during the year.

40. SHARE OPTION SCHEME *(continued)*

In respect of the share options exercised during the year ended 30 June 2011, the weighted average share price at the dates of exercise is HK$3.40.

13,170,000 share options are exercisable at 30 June 2012 (2011: 9,560,000).

The estimated fair value of the options granted on 22 April 2010 was approximately HK$75,553,000.

The Group recognised the total expense of approximately HK$10,722,000 (2011: HK$34,764,000) for the year ended 30 June 2012 in relation to share options granted by the Company.

41. 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, the United States and Holland are participated in the national pension scheme. The relevant subsidiaries in Singapore, the United States and Holland are required to contribute certain percentages of the monthly salaries of their current employees to the Central Provident Fund, Roth IRA and 401(k) and the Algemene Ouderdoms Wet respectively.

During the year ended 30 June 2012, the total costs charged to profit or loss in the sum of approximately HK$16,492,000 (2011: HK$6,824,000) represents contributions payable to these schemes by the Group.

42. 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	
	2012	2011
	HK$'000	HK$'000
Purchase of fuel oil from a related company	**12,556,449**	10,309,620
Rental income received or receivable from a related company	**–**	1,621
Fuel oil storage fee paid or payable to a related company	**70,591**	37,690
Barge service fee paid or payable to a related company	**11,947**	–
Marine transportation income received or receivable from a related company	**39,525**	–

Dr. Sit, an executive director and the ultimate controlling shareholder of the Company, controlled the above related companies.

42. RELATED PARTY TRANSACTIONS *(continued)*

Trade payable to a related company as set out in note 31 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 2012 and 2011.

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.

On 31 January 2012, the Company issued 322,916,666 new ordinary shares to Canada Foundation as consideration for acquisition of Win Business Dina ultimately owned by Dr. Sit. Details have been disclosed in note 45.

During the year ended 30 June 2012, 2009 Convertible Notes with aggregate principal amount of US$81,291,000 (approximately HK$630,005,000) was converted into 1,680,000,000 shares of the Company by Canada Foundation at a conversion price of US$0.04839 per share.

On 9 August 2010, Canada Foundation subscribed for 300,000,000 new ordinary shares of HK$0.025 each in the Company at a subscription price of HK$3.45 per share (see note 35 for details).

Compensation of key management personnel

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

	2012 **HK$'000**	2011 HK$'000
Salaries and other short-term employee benefits	**17,112**	15,616
Retirement benefits costs	**39**	53
Share-based payments	**4,440**	15,181
	21,591	30,850

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.

43. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At 30 June 2012, amount mainly represents deposits paid for construction of oil and gas properties and roads in the gas fields of approximately HK$351,521,000 (2011: acquisition of vessels of approximately HK$1,253,276,000). The remaining balance represents deposits paid for acquisition of certain software and other equipments.

44. DEPOSITS PAID FOR PREPAID LEASE PAYMENTS FOR LAND

At 30 June 2012 and 2011, the amount represents deposit paid for leasehold land in the PRC with medium-term lease.

45. ACQUISITION OF A SUBSIDIARY

On 31 January 2012, the Group acquired the entire issued share capital of, together with assignment of amounts due to related companies in, Win Business Dina with 322,916,666 new ordinary shares of the Company issued to Canada Foundation, a company wholly owned by Dr. Sit who is also the vendor of Win Business Dina. This acquisition has been accounted for using the acquisition method. Win Business Dina and its wholly owned subsidiaries (collectively referred as "Win Business Dina Group") are engaged in development and production of natural gas. Win Business Dina was acquired so as to continue the expansion of the Group's upstream gas business.

	HK$'000
Consideration transferred:	
Equity instruments issued	532,812

As the consideration for the acquisition of Win Business Dina, 322,916,666 new ordinary share of the Company with par value of HK$0.025 each were issued. The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition, amounted to approximately HK$532,812,000.

Acquisition-related costs amounting to approximately HK$2,362,000 have been recognised as an expense in the current year, within the professional fee account balance under "other expenses" line item in the consolidated statement of comprehensive income.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	630,798
Trade and other receivables	46,085
Bank balances and cash	13,527
Trade payables	(15,686)
Other payable and accrued charges	(101,860)
Amounts due to related companies (Note)	(423,753)
Deferred tax liability	(40,052)
	109,059
Net amount due to group entities (Note)	423,753
	532,812

Note: Upon the acquisition, amounts due to related companies, which are ultimately owned by Dr. Sit, were assigned to the Group. The amounts are eliminated in the consolidated financial statements of the Group.

The fair value of trade and other receivables at the date of acquisition amounted to HK$46,085,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$46,085,000 at the date of acquisition.

45. ACQUISITION OF A SUBSIDIARY *(continued)*

Net cash inflow on acquisition of Win Business Dina

	HK$'000
Cash and cash equivalent balances acquired	13,527

Included in the profit for the year is approximately HK$23,206,000 attributable to the additional business generated by Win Business Dina Group. Revenue for the year includes approximately HK$69,057,000 generated from Win Business Dina Group. Had the acquisition been completed on 1 July 2011, total group revenue for the year would have been approximately HK$69,994,718,000 and profit for the year would have been approximately HK$312,019,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2011, nor is it intended to be a projection of future results.

46. MAJOR NON-CASH TRANSACTIONS

On 31 January 2012, the Company issued 322,916,666 shares to Canada Foundation as consideration for acquisition of Win Business Dina ultimately owned by Dr. Sit. Detail is set out in note 45.

During the year ended 30 June 2012, 1,680,000,000 shares of the Company were issued upon partial conversion of 2009 Convertible Notes. Detail is set out in note 37.

As at 30 June 2012, amounts of approximately HK$999,802,000 in relation to purchase of property, plant and equipment (2011: HK$76,942,000 in relation to acquisition of land in the PRC and HK$56,041,000 in relation to purchase of property, plant and equipment) were not yet settled and were included in other payables. Details are set out in note 32. Besides, the Group transferred approximately HK$7,217,000 (2011: nil), which was previously recognised in other deposits, to property, plant and equipment and utilised approximately HK$1,253,067,000 (2011: nil) of deposits paid for acquisition of property, plant and equipment.

During the year ended 30 June 2011, the Group has completed the acquisition of part of the land in the PRC with medium-term lease and has transferred deposits paid for prepaid lease payments for land of approximately HK$26,121,000 to prepaid lease payments for land.

47. EVENTS AFTER THE REPORTING PERIOD

1. Delivery of two vessels in July and September 2012 respectively

On 10 July and 10 September 2012, two vessels which were under a shipbuilding contract passed sea trials and protocols of delivery and acceptance were signed by the Group and the shipbuilder respectively. The consideration of each vessel is US$107,500,000 (equivalent to approximately HK$833,844,000) and the vessels were delivered to the Group on the same date respectively. As at 30 June 2012, the carrying amount of the relevant vessels under construction of approximately HK$1,527,262,000 is included in construction in progress.

2. Extension of maturity date of convertible notes

Pursuant to the announcement dated 6 July 2012 and the resolution passed on 14 August 2012, the maturity date of 2009 Convertible Notes is extended by three years to 27 October 2015 under the deed of extension signed by the Company and Canada Foundation. No other terms of the 2009 Convertible Notes are modified. The extension of the 2009 Convertible Notes would result in derecognition of the 2009 Convertible Notes and recognition of new liability and equity components of convertible notes based on extended maturity date on 27 October 2012 in accordance with HKAS 39. The financial impact to the Group is yet to be quantified.

48. 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 2012 and 2011 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		Principal activities
			2012	2011	
First Sign International Garments Limited*	Hong Kong	HK$2	**100%**	100%	Inactive
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
Brightoil Technology Development (Shenzhen) Company Limited (previously known as Guangzhou Supreme Sign Knitting & Dyeing Company Limited)*	PRC (Note 1)	US$8,000,000	**100%**	100%	Inactive
Sunvest Overseas Limited*	British Virgin Islands	US$1	**100%**	100%	Investment holding
Brightoil Marine Bunkering Group Ltd.#	British Virgin Islands	US$1	**100%**	100%	Investment holding
Brightoil Petroleum (Greater China) Ltd.*	British Virgin Islands	US$1	**100%**	100%	Inactive
Brightoil Petroleum (S'pore) Pte. Ltd.*	Singapore (Note 2)	US$5,000,000	**100%**	100%	Trading of fuel and oil and provision of marine bunkering services
Brightoil Petroleum Group Limited#	Hong Kong	HK$2	**100%**	100%	Investment holding
Brightoil Shipping Group Ltd.#	British Virgin Islands	US$1	**100%**	100%	Investment holding
Brightoil 688 Oil Tanker Pte Limited*	Singapore (Note 2)	US$50,000	**100%**	100%	Provision of marine bunkering and transportation services
Brightoil Property Group Ltd.#	British Virgin Islands	US$1	**100%**	100%	Investment holding
Brightoil Property Ltd.*	British Virgin Islands	US$1	**100%**	100%	Property holding
Win Capital Investments Group Limited*	British Virgin Islands	US$1	**100%**	100%	Investment holding
Win Capital Investments Limited*	British Virgin Islands	US$1	**100%**	100%	Proprietary trading in securities and service company

48. 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 2012	2011	Principal activities
Win Business Petroleum Group (Grand Desert) Limited#	British Virgin Islands	US$1	**100%**	100%	Investment holding
Win Business Petroleum (Grand Desert) Limited*	Hong Kong	HK$1	**100%**	100%	Natural gas development and production
Win Business Petroleum Group (Dina) Limited* (Note 4)	British Virgin Islands	US$1	**100%**	–	Investment holding
Win Business Petroleum Group Limited* (Note 4)	Hong Kong	HK$2	**100%**	–	Natural gas development and production
Brightoil Petroleum Storage (Zhoushan) Co. Ltd.*	PRC (Note 1)	US$95,760,000	**100%**	100%	Provision of fuel oil storage services
Brightoil Petroleum (Holland) BV.*	Holland (Note 3)	Euro18,000	**100%**	100%	Provision of marine bunkering services
Win Business Energy Foundation Ltd.*	Cayman Islands	US$1	**100%**	100%	Investment holding
Brightoil Petroleum Storage (Dalian) Co. Ltd.*	PRC (Note 1)	US$98,000,000	**100%**	100%	Provision of fuel oil storage services
Brightoil Legend Tanker Ltd.*	British Virgin Islands	US$1	**100%**	100%	Marine transportation
Brightoil Lion Tanker Ltd.*	British Virgin Islands	US$1	**100%**	100%	Marine transportation
Brightoil Shipping Ltd.*	Hong Kong	HK$1	**100%**	100%	Marine transportation
Brightoil Lucky Tanker Ltd.*	British Virgin Islands	US$1	**100%**	100%	Marine transportation
Brightoil League Tanker Ltd.*	British Virgin Islands	US$1	**100%**	100%	Marine transportation

\# Subsidiaries directly held by the Company
* Subsidiaries indirectly held by the Company

Notes:

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

(2) The subsidiary is operating in Singapore.

(3) The subsidiary is operating in Holland.

(4) These subsidiaries were newly acquired during the year ended 30 June 2012.

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 2012 and 2011.

RESULTS

	Year ended 30 June				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Revenue	41,161	5,454,979	13,634,611	39,533,108	**69,949,215**
Profit before taxation	45,662	296,140	1,182,873	1,378,245	**309,677**
Taxation credit/(charge)	17,614	(35,271)	(74,138)	(107,847)	**(3,961)**
Profit for the year	63,276	260,869	1,108,735	1,270,398	**305,716**

ASSETS AND LIABILITIES

	At 30 June				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Total assets	725,903	2,033,434	7,139,491	18,668,713	**24,189,824**
Total liabilities	(5,588)	(870,900)	(3,041,847)	(12,377,700)	**(16,691,020)**
Equity attributable to equity holders	720,315	1,162,534	4,097,644	6,291,013	**7,498,804**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Sit Kwong Lam (Chairman and CEO)
Mr. Tang Bo
Mr. Tan Yih Lin
Mr. Per Wistoft Kristiansen

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 *(Chairman)*
Mr. Lau Hon Chuen
Professor Chang Hsin Kang

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Cheung Wa Ying

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS ON BERMUDA LAW

Conyers Dill & Pearman

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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

China Development Bank Corporation, Hong Kong Branch
Credit Suisse AG
DBS Bank (Hong Kong) Limited

STOCK CODE

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

WEBSITE

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