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

Annual Report 2014

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 listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 0933). The Group is principally engaged in exploration, development and production of oil and gas fields, international trading and bunkering, marine transportation as well as oil storage and terminal facilities businesses.

The Group has owned two in production natural gas field projects in Xinjiang Province, China – Tuzi Gas Field and Dina 1 Gas Field and acted as the operator for these two projects. Also, it has owned the interests for two offshore producing blocks in Caofeidian oil field in Bohai Bay. The Group owns Proved plus Probable ("2P") net entitlement reserves of approximately 86 million boe, and its average daily net production is around 25,000 boe, the annual production is around 9 million boe. The Group aims to actively expand its upstream business globally to more oil and gas fields, as the strategic pivot for future business development.

The Group's international trading business includes trading products such as crude oil, fuel oil, gas oil, middle distillates such as diesel oil, and petrochemicals. The Group has established extensive and stable supply and distribution channels in the international market with a leadership by trading volume. The Group also has bunkering business in a number of global ports, and has been the top level bunker fuel suppliers in China and Singapore by volume for several consecutive years.

The Group has a modern tanker fleet of 5 Very Large Crude Carriers (VLCCs) and 4 Aframax oil tankers with an aggregate capacity exceeding 2 million metric tonnes. Our strategy of focusing on Chinese imports and the Chinese state owned oil companies continues to pay dividends. In fact, more than 60% of our total revenue is derived from transporting cargoes into China – this ratio increases to 70% for our VLCC fleet. The outlook is improving for the tanker freight market as vessel values have appreciated in the past year and we continue to improve the operational and financial efficiency of our business. Moreover, our focused customer strategy leaves us well positioned to profit from the next market upturn.

Meanwhile, the Group is constructing a 3.16 million m^3 oil storage and terminal facility with thirteen 1,000 to 300,000 DWT class berths on Waidiao Island, Zhoushan City in the Yangtze Delta, PRC. The Group is also constructing a 7.19 million m^3 oil storage facility and terminal that could accommodate vessels with capacities of 1,000 to 300,000 DWT on Changxing Island, Dalian, Bohai Bay. The Group's oil storage facilities in Zhoushan and Dalian will be gradually phased into operations in the next two to three years to provide oil storage and terminal service to various customers as well as for the Group's own use. Among those facilities, the first phase of the oil storage facilities in Zhoushan, with a storage capacity of approximately 1.94 million m^3, is anticipated to begin commercial operations in second half of 2015.

Leveraging four core businesses as above, the scalable and global development of the upstream business in particular, the Group will spare no effort in becoming a renowned international oil and gas energy conglomerate.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Sit Kwong Lam (Chairman)
Dr. Yung Pak Keung Bruce (Chief Executive Officer)
Mr. Tang Bo
Mr. Tan Yih Lin
Mr. Justin Sawdon Steward Murphy

Non-executive Director

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. Kwong Chan Lam
Mr. Lau Hon Chuen
Dr. Sit Kwong Lam
Mr. Tan Yih Lin

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Ng Lok Ming

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS ON BERMUDA LAW

Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

ABN AMRO Bank N.V.
Bank of China Limited
BNP Paribas
China Development Bank Corporation
China Minsheng Banking Corp., Ltd.
Citibank, N.A.
Credit Suisse AG
Deutsche Bank AG
Emirates NBD PJSC
ING Bank N.V.
Rabobank International
Raiffeisen Bank International AG
Societe Generale
United Overseas Bank Limited

STOCK CODE

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

WEBSITE

www.brightoil.com.hk

HIGHLIGHTS OF THE YEAR

INTERNATIONAL TRADING & BUNKERING

- ITB experienced significant growth in revenue for crude oil sales by 153.7% and fuel oil sales by 14.4%. Successful turnaround, gross profit and net profit both rose sharply as compared to last year.

MARINE TRANSPORTATION

- This was the first full year of operations for our fleet of five Very Large Crude Carriers (VLCCs) and four Aframax tankers and our revenue grew by an impressive 36.2% to HK$1,076.6 million.

- Our strategic focus on Chinese imports and the Chinese state owned oil companies continues to pay dividends. More than 60% of our revenue is earned transporting cargoes into China – this ratio increases to 70% for our VLCC fleet.

UPSTREAM BUSINESS

- On 18 February 2014, the Group announced the successful negotiation and signing of the Shares Purchase Agreement ("SPA") with Anadarko for the acquisition of their China operating company to acquire a participating interest in two oil producing blocks in Bohai Bay (Contract Area 04/36 and Unit Area 05/36).
- The Group achieved financial closure of this acquisition, with a net consideration of US$1.046 billion (equivalent to approximately HK$8.124 billion) on 8 August 2014.
- The Tuzi Gas Field with net 2P gas and oil reserves totalled 28.9 million barrels of oil equivalent as at 30 June 2013 in the Xinjiang Tarim Basin, jointly developed with CNPC, has commenced production in December 2013.

OIL STORAGE & TERMINAL FACILITIES

- The first phase of storage facilities on South Island in Zhoushan with a capacity of 1.94 million cubic meters constructed by China Petroleum Pipeline Bureau commenced construction in July 2013 and is expected to start operation in the second half of 2015 given its smooth construction process.
- The Zhoushan Grand Pier project, with a capacity of 300,000 DWT, was approved by NDRC in September 2013 and the construction of the project carried out by CCCC Third Harbour Engineering Co., Ltd. (中國交通建設第三航務工程局) commenced in November 2013. The Zhoushan Grand Pier is expected to start operation in the second half of 2015 given its smooth construction process.

CHAIRMAN'S STATEMENT

During the year under review, the Group stepped up cost control efforts and actively expanded its core businesses, thereby overcoming a challenging market and achieving remarkable progress in its annual results with notable increases in revenue and profit across all business segments. It is noteworthy that we achieved a major breakthrough in our Upstream business through the successful acquisition of two oil producing blocks in Bohai Bay, China from Anadarko Petroleum Corporation of the United States, which extends our oil and natural gas resources from the mainland to offshore and substantially expands our oil and gas reserves. This enables us to transform the Company from an oil storage, trading and marine transportation company into a resource-focused enterprise.

The Group has current net 2P gas reserves of 86 million barrels of oil equivalent. Upon full production of the Dina 1 Gas Field and the Tuzi Gas Field in the Tarim Basin in Xinjiang, China and the oilfield blocks in Bohai Bay, the Group will achieve daily net production of approximately 25,000 barrels of oil equivalent and annual net production of approximately 9 million barrels of oil equivalent. With a primary focus on the upstream business, we will drive long-term steady growth of the Group's reserves, production and revenue.

The International Trading and Bunkering ("ITB") division has diversified its product lines to now include fuel oil, crude, middle distillates and petrochemicals, and has achieved a significant presence in the international oil trading and regional marine bunker market. Our Marine Transportation division achieved significant improvement in its operations and management this year. We have implemented tighter cost control measures while continuing to maintain high quality standards; restructured the commercial departments and achieved almost full utilization of tanker capacity of our tanker fleets, thereby contributing to the Group's profit growth. We are currently developing oil storage and terminal facilities in Zhoushan connected to national oil pipelines and nearby refineries. Moreover, the Zhoushan project is equipped with terminals and berths which can accommodate Very Large Crude Carriers (VLCCs), thus substantially enhancing our competitive advantages. With the commissioning of Phase 1 of the Zhoushan project in the second half of 2015, our three core businesses shall benefit from significant synergies through the completion of our fully integrated supply model.

Dr. Sit Kwong Lam
Chairman

In July 2014, the Board appointed Dr. Bruce Yung, a veteran and expert in the energy sector, as the Group's CEO to oversee the implementation of our strategy in addition to the day to day business across the Group. I have stepped down as Group CEO to focus on the formulation of long-term corporate strategies and to guide the management team in the execution of these strategies. This is further evidence of our commitment to good corporate governance, which will enable the Group to continue its progress to becoming a long-term sustainable business.

I strongly believe that the growth of China's economy, oil reforms by the central government, as well as growing consumption and urbanization, will bring amazing opportunities to China's energy industry and enterprises. The Group will capture opportunities in the market, overcome all challenges and achieve our established strategic target, hence sustainably increasing our shareholders' value and returns.

Sit Kwong Lam
Chairman

24 September 2014

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 30 June 2014 ("**FY2014**" or "**the period under review**"), the total revenue of the Group increased substantially by approximately 52.4% to HK$84,505.4 million from HK$55,448.8 million in the previous year. Revenue increased across all three core business segments, International Trading and Bunkering ("**ITB**"), Marine Transportation ("**MT**") and Upstream business.

ITB experienced significant growth in revenue for crude oil sales by 148.5% and fuel oil sales by 10.2%. Revenue in the MT business also increased with all of our vessels in full operation and benefited from a recovery in freight rates. For the Upstream business, with the addition of Tuzi Luoke Gas Field ("**Tuzi Gas Field**") in production of 9 wells in addition to Dina 1 Gas Field by the end of FY2014, the total production of natural gas increased from 1.1 million cubic meters to 2.7 million cubic meters per day.

Operating profit for the Group increased by 256.2% for the period under review, with ITB increased by 251.1%, MT by 243.3%, and Upstream business by 21.6%. Overall operating expenses decreased by 30.9%, mainly due to our stringent cost control measures across the Group.

Profit attributable to the owners of the Company (the "**Shareholders**") during the period under review amounted to HK$599.3 million which is an increase of approximately 183.0% compared with the loss of HK$721.7 million in the previous year.

During the period under review, the Group recorded basic and diluted earnings per share of HK6.8 cents and HK6.5 cents respectively (2013: basic and diluted loss per share of HK8.2 cents).

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2014, the Group had receivables from brokers, pledged bank deposits, and bank balances and cash of approximately HK$1,365.1 million, HK$522.6 million and HK$1,610.9 million respectively.

The Group considers that its foreign currency exposure mainly arises from its dealings in Hong Kong dollars, Singapore dollars, Renminbi and United States dollars. The Group manages its exposures to foreign currency transactions by periodically monitoring the level of foreign currency receipts and payments and by ensuring that the net exposure to foreign exchange risk is maintained at an appropriate level. As at 30 June 2014, the Group had bank borrowings and charges on its assets of approximately HK$5,168.1 million and HK$14,980.6 million respectively.

As at 30 June 2014, the Group's gearing ratio was approximately 25.5% (2013: 56.5%), calculated as the Group's net borrowing divided by shareholders' equity. Net borrowing of HK$1,926.1 million (2013: HK$3,895.3 million) was calculated as total borrowings (i.e. the aggregate of bank borrowings and convertible notes of HK$5,424.8 million (2013: HK$6,051.9 million) less receivables from brokers, pledged bank deposits and bank balances and cash of approximately HK$3,498.7 million (2013: HK$2,156.6 million)).

CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any significant contingent liabilities.

CAPITAL STRUCTURE

As at 30 June 2014, the Company had 8,766,498,266 shares (the "**Shares**") in issue with total share capital of approximately HK$219.2 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, the Group employed approximately 290 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 schemes, discretionary performance-related bonuses, share option scheme and share award scheme. For the year ended 30 June 2014, total employees' remuneration, including directors' remuneration, was approximately HK$212.7 million (2013: HK$288.6 million).

BUSINESS REVIEWS AND OUTLOOK

During the period under review, the world economy continued to recover, albeit still at a slow pace. The GDP in China grew at approximately 7.5% and energy demand, in particular the import of crude and natural gas continued to rise. Within this business landscape, the Group has turned around its business performance from the year before with strong contribution from our ITB, Upstream and MT business segments. We have also made a breakthrough in our Upstream business by successfully acquiring two oil producing blocks in Bohai Bay, China which doubled the Group's oil and gas reserves.

Upstream Business

Further to the cumulative efforts and positioning during over the past few years, our Upstream business made a significant breakthrough in FY2014 and shortly thereafter. The Group has successfully acquired from Anadarko Petroleum Corporation ("**Anadarko**"), a major United States ("**US**") upstream explorer, the China operating company which owns their entire China oil producing assets located at Bohai Bay, in Northeast China. The Group has also successfully commenced natural gas production in Tuzi Gas Field, which is adjacent to our producing gas fields in Dina 1 Gas Field. Both of these gas fields are located in the gas-rich Tarim Basin in the Xinjiang Province, China and the commercial gas is sold to China National Petroleum Corporation ("**CNPC**") then transported to eastern cities, such as Shanghai, via the West East Pipeline ("**WEP**"), a major gas trunk line linking the gas resources in the west of China to the major gas consumers in eastern China. These achievements in FY2014 and shortly thereafter were significant and have been a centre-piece in the transformation of the Group from a downstream company with trading, storage, oil transportation business to a resource-focused company.

The Dina 1 Gas Field was developed in partnership with CNPC, and is currently producing at a rate of approximately 1.1 million cubic meters of natural gas and 66 metric tonnes of condensate per day. The total natural gas and condensate production in FY2014 was 333.2 million cubic meters and 20,500 metric tonnes respectively. The Group is currently looking into ways of optimising the operation based on industry best-practice in order to maximise production without comprising safety. As at 30 June 2013, the net proved plus probable ("**2P**") gas and oil reserves totalled 11.7 million barrels of oil equivalent over the 20-year production period.

The Tuzi Gas Field, jointly developed with CNPC, commenced its commercial production in December 2013. Currently 9 of the planned 19 wells are in production with a daily rate of approximately 1.6 million cubic meters of natural gas and 10 metric tonnes of condensate. The total natural gas and condensate production in FY2014 was 192.3 million cubic meters and 1,000 metric tonnes respectively. The Group will complete the drilling of all remaining 10 wells per the Overall Development Adjustment Plan ("**ODAP**") by early 2016 and production is expected to increase to 3.4 million cubic meters per day. As at 30 June 2013, the net 2P gas and oil reserves totalled 28.9 million barrels of oil equivalent over the 20-year production period.

The Company believes that there is no material change on the 2P gas and oil reserves for Dina 1 Gas Field and Tuzi Gas Field during FY2014.

Upon full commercial production of Tuzi Gas Field in early 2016, the combined Dina 1 Gas Field and Tuzi Gas Field are expected to produce 1.3 to 1.5 billion cubic meters of natural gas, and 30,000 to 40,000 metric tonnes of condensate annually.

Further to the successful negotiation and signing of the Share Purchase Agreement ("**SPA**") with Anadarko on 11 February 2014 for the acquisition of their China operating company, the Group achieved financial closure of this acquisition, with a net consideration of US$1.046 billion (equivalent to approximately HK$8.124 billion) on 8 August 2014. The Caofeidian ("**CFD**") oil assets of Anadarko's China operating company are situated approximately 90 kilometers offshore in western Bohai Bay and lie in shallow waters at a depth of 25 meters. The Group holds a 40.0909% non-working interest (up until the contract expiry date of September 2024) in the CFD 11-1, CFD 11-2, CFD 11-3 and CFD 11-5 oil fields of Contract Area 04/36, which covers an area of 124 square kilometers. The Group also holds a 29.1773% non-working interest (with a contract expiry date of January 2026) in the CFD 11-6, CFD 12-1 and CFD 12-1S oil fields, located in Contract Area 05/36 which covers an area of 88 square kilometers. The current daily production is approximately 34,000 barrels of oil equivalent.

The Group and its partners are currently finalising a new ODAP for the CFD assets which will take the production of these fields into a new phase for the next 10 years of the Production Sharing Contract ("**PSC**") period. The plan centres around the installation of up to 3 additional platforms and a whole new set of wells to be drilled. The planned peak production rate under this new ODP could reach 60,000 to 70,000 barrels of oil per day.

BUSINESS REVIEWS AND OUTLOOK *(continued)*

Upstream Business *(continued)*

In summary, with the additional natural gas producing capability from Tuzi Gas Field and oil producing capability from CFD which the Group achieved this year, the Group expects significant profit contribution from our Upstream business. It should also be noted that, the price of natural gas in China has been increasing steadily. On 10 July 2013, the average gas price at city-gate stations was raised from RMB1.69 to RMB1.95 per cubic meter. Effective from 1 September 2014, the average gas price at city-gate stations will have another rise again by RMB0.4 per cubic meter. These rises in gas prices will have a positive effect on profitability of the Dina 1 and Tuzi Gas Fields.

Going forward, the Group will continue to vigorously develop its Upstream business through both organic expansion in our Xinjiang assets and in organic expansion via the merger and acquisition of risked-managed oil and gas assets, in China and Southeast Asia in the near-to mid-term time frame.

International Trading and Bunkering ("ITB")

During the year under review, the ITB business successfully turned losses into gains in spite of the recovery underway in the global economy.

Our sales volume recorded an increase of 51.6% compared to the previous year which resulted from a long term supply contract concluded with a Chinese oil major by our crude oil team. With regards to procurement, in addition to the traditional market of the Middle East, we have established connections with oil suppliers in other oil production regions such as South America and West Africa, broadened our crude oil procurement channels and lowered procurement costs. China has replaced US as the world's top net oil importer and in 2013 crude oil imports into China were 28.2 billion metric tonnes. It appears inevitable that China will gradually open up the crude oil market and allow privately-owned oil import enterprises to participate which was confirmed when the government issued the first crude oil import license to a privately owned company. As a leading energy company in China, Brightoil is well positioned to benefit from this development with its established trading team and excellent working relationship with the state-owned oil enterprises and refineries in China. Coupled with unique procurement channels, we believe the crude oil business will keep achieving new breakthroughs and growth.

Our Fuel Oil trade, the Group's traditional business, continued to develop at a steady pace. Overall sales volume of fuel oil increased by 14.4% compared to the previous year with further growth of gross profit margin. Due largely to the downturn in the marine transportation industry bunker volumes dropped by 7% last year. The sales ratio between trading & bunkering in the Singapore and Chinese market is determined based on maximising revenue. The Group is one of only three suppliers in Singapore to sell marine gas oil.

We have established a petrochemicals trading team for the trading of Para Xylene ("**PX**") products. China leads the world in terms of its demand for petrochemicals and it imports a huge volume and wide range of petrochemicals. Currently our focus has been on Chinese customers and meeting their demand with petrochemicals sourced from Korea and Japan.

In regard to bunkering, the installation of the Mass Flow Meter ("**MFM**") illustrates our Company's continuous market and customer focus. Disputes arising from the inconsistency in the bunkering number records between the vessel owners and the suppliers have been prevailing in the bunkering market. The MFM can effectively solve this difficult issue. The overall bonded bunkering volume in China dropped year on year as a result of competition from Pacific Russia. Our bunkering team has explored new markets utilising the strength of our existing customer network.

Over the past year, we have lowered costs and raised efficiency by integrating supply chain resources. We have temporarily closed our offices in Geneva, Rotterdam and Japan to refocus our efforts and resources on the China and Singapore markets. Through optimising the internal combination of fuel oil, diesel oil trades and bunkering, capitalising on the supportive strengths on the combination of oil trade, storage, bunkering and ocean-going transportation, we have gained market advantages and established a value-added chain.

Last year we reviewed and improved every aspect of our risk management practice which has resulted in a more robust set of systems, processes and reporting procedures.

BUSINESS REVIEWS AND OUTLOOK *(continued)*

International Trading and Bunkering ("ITB") *(continued)*

Additionally, we unveiled a new transaction system, Open Link which integrates activity across the front-desk, middle-desk and back-desks. This new system will help to enhance working efficiency, lower operating costs and strengthen internal controls as well as ensuring data accuracy.

In the second half of 2014, two new members will be added to the bunkering family of Brightoil Petroleum Singapore, namely bunker tankers 639 and 666. Together with the current existing bunker tanker 688, we will have three owned bunker tankers in Singapore all fitted with bunker flow meters, further strengthening our bunkering service. Looking ahead, the prospects for ITB are promising. Following the new crude oil import scheme of China and the completion of our oil storage facility in Zhoushan, Brightoil will leverage its experience and extensive customer network to take a huge slice of China's tremendous crude oil market.

Marine Transportation ("MT")

A combination of factors resulted in a significant improvement in our financial performance in FY2014. This was the first full year of operations for our fleet of five Very Large Crude Carriers ("**VLCCs**") and four Aframax tankers which allowed revenue to grow by an impressive 36.2% to HK$1,076.6 million. Our strategy of focusing on Chinese imports and the Chinese state owned oil companies continue to pay dividends. In fact, more than 60% of our total revenue is derived from transporting cargoes into China – this ratio increases to 70% for our VLCC fleet. EBITDA of the MT improved by HK$140.9 million in FY2014 with a positive cash flow of HK$190.2 million generated.

The tanker freight market followed its usual seasonal cyclical trend. July 2013 began brightly as VLCC cargo volumes from the Middle East reached the highest level for 12 months which sent rates soaring. A weaker August and September 2013 was followed by a surge in ton mile demand from October 2013 onwards which boosted freight rates to the highest level for several years by the end of 2013. The low bunker fuel consumption characteristic of our VLCC fleet ensures that our earnings always compare favourably with competitors. Ton mile demand rose in 2013 due to the increased number of cargoes moving longer distances from West Africa to China and from the Caribbean to China and other Far Eastern destinations. West African barrels in particular have appealed to Chinese buyers and, with the narrowing Brent Dubai spread, the light sweet characteristics of these cargoes were favoured over the heavier, sour Dubai crude.

The winter rise in rates resulted in the third quarter of the FY2014 being our most profitable quarter ever, achieving HK$24.2 million net profit. However, FY2014 ended weakly, primarily as a result of two factors: the VLCC freight market faced downward pressure due to heavy Asian refinery maintenance and falling Chinese import volumes over February and March; and, the fact that two of our Aframaxes were out of service due to scheduled dry dockings. Even so, the HK$7.0 million net profit in this quarter still surpassed earnings in the same period of the previous year.

The operation of the 7,000 deadweight bunker tanker Brightoil 688 heralds two separate developments in our evolution. This vessel is one of only a few in the market to have been fitted with a MFM system which offers our customers receiving bunker fuel in Singapore the highest degree of certainty around bunker quantities delivered. In fact every vessel in the Brightoil fleet is fitted with a MFM which enables us to measure and manage bunker consumption more effectively. Early in 2014, the Group's shipping business was awarded a Document of Compliance ("**DOC**") by China Classification Society ("**CCS**") which entitles us to directly provide both technical and crew manning services. The Group's shipping business will begin this next phase in our development by managing these activities on our existing bunker tanker and the two new buildings scheduled to join our fleet later in 2014.

We can look ahead over FY2015 with a good degree of confidence as we have established a solid platform for further growth and profitability and there is significant evidence that the tanker shipping industry has recovered from the lows of FY2014. Fleet over capacity had been an issue but it appears that this is not as bad as we previously feared. In fact, there is now evidence of a healthier supply demand balance. In 2013 the global tanker fleet grew at the slowest rate in a decade and although VLCC new building prices, as well as second hand vessel prices, dipped to a ten year low during 2013 they ended the calendar year up by about 10% and maintained this level more or less throughout the first half of 2014. Of course our Group's VLCCs are unique in the respect that each vessel is additionally equipped with an on board blending facility and heating coils enabling them to blend different grades of cargo while at sea, thereby minimising costs on shore.

BUSINESS REVIEWS AND OUTLOOK *(continued)*

Marine Transportation ("MT") *(continued)*

Currently, our strategy for the Aframax fleet is to continue with our focus on the transport of crude and fuel oil from the Middle East and Southeast Asia into the Far East and Australasian (Australia, New Zealand and surrounding islands) markets. This will most likely include a good proportion of our own Group cargoes and those of Chinese customers for discharge in China. We have witnessed a significant improvement in the fuel economy of the three Aframaxes that were dry docked in 2014 (including the two vessels in the FY2014) which goes directly to our bottom line performance. This combined with the implementation of new daily monitoring processes and other fuel saving initiatives will improve our year-on-year performance in this area. We are currently managing all cost categories more effectively and it is notable that even with a larger fleet our general and administrative expense fell by 31% to HK$31.8 million.

In summary, the outlook is improving for the tanker freight market as vessel values have appreciated in the past year and we continue to improve the operational and financial efficiency of our business. Moreover, our focused customer strategy leaves us well positioned to profit from the next market upturn.

Oil Storage and Terminal Facilities

The two oil storage and terminal facilities under construction in Zhoushan and Dalian are located in China's primary deep-water harbours and large-scale commodity trading centres and require a total investment of US$1.5 billion. The Group will become one of the top five oil storage service providers globally and receive stable rental income upon the commencement of operations.

As oil demand and imports increase in China large storage facilities are very much required. Oil tanks in combination with a large terminal are scarce in China. The Group's terminal and oil storage facilities in Zhoushan with its connection to national oil pipelines and nearby refineries are advantageously positioned among our peers in China by virtue of their scale and design throughput. Owning terminal facilities with berths able to accommodate VLCCs will be a distinct competitive advantage to our oil terminal and storage business in China.

The project at Zhoushan Waidiao Island is located in the Zhoushan Islands District, Zhejiang Province. The remarkable location at the centre of Yangtze River Delta region, which includes metropolises such as Shanghai, Hangzhou and Ningbo, provides geographical advantages. The Zhoushan Islands District is the fourth state-level new area, following Pudong in Shanghai, Binhai in Tianjin and Liangjiang in Chongqing. It is a pilot region where the government will focus on developing the maritime economy and leading regional development, and is expected to become a hub for processing, transferring, warehousing and trading oil and other commodities. Brightoil Zhoushan Oil Storage facility carries a total capacity of 3.16 million cubic meters in which phase 1 offers capacities of 1.94 million cubic meters while phase 2 offers capacities of 1.22 million cubic meters. The terminal facility will be equipped with 13 berths which can accommodate vessels ranging from 1,000 to 300,000 deadweight tonnage.

The terminal's competitiveness is enhanced as due to being able to accommodate vessels up to 300,000 deadweight tonnage which will result in a reduction in the freight costs associated with transporting fuel oil. The Group has commenced the Phase 1 construction of the Zhoushan project. During the year under review, land preparation, revetment and one-third of the civil engineering work was completed. Construction for the main part of the storage tank has been completed by 45% and bringing to 60% completion of the terminal construction. The constructions of storage area and terminal facilities in Phase 1 are expected to commence in the second half of 2015, while those of Phase 2 will begin in 2016.

The oil storage and terminal facilities project in Dalian is located in the newly approved petrochemical industry base in Changxing Island, Dalian. This is a core area in the restructuring of China's petrochemical industry and one of the key petrochemical industry bases on which the government will focus. Leveraging the advantages of its industry base, Brightoil's storage and terminal facility is emerging as a centre for trading, storing and transferring oil products such as crude oil and fuel oil in the Bohai Bay region and North East Asia. The construction of the oil storage facility in Dalian, with a total capacity of 7.19 million cubic meters, is expected to be completed in two phases. The capacity of Phase 1 and 2 will reach up to 3.51 million cubic meters and 3.68 million cubic meters respectively. The facility will be equipped with 13 berths to accommodate vessels from 1,000 to 300,000 deadweight tonnage.

The project has completed its land preparations and the construction is expected to be completed in two phases with operation commencing in 2016 and 2017 respectively.

All of the Group's storage and terminal facility built with optimised design and state of the art equipment in order to maximise efficiency of importing and exporting oil products and throughput capacity, and to provide better services to different clients. Commission of the oil storage facilities will create synergies with the Group's ITB and MT in addition to delivering scale economies. These components will contribute significantly to the Group's operational performance by enhancing the quality and efficiency of its bunkering and trading business.

EXECUTIVE DIRECTORS

Dr. Sit Kwong Lam ("**Dr. Sit**"), Ph.D., aged 47, has been an executive director, chairman and chief executive officer of the Company, since 20 June 2008. He resigned as chief executive officer of the Company on 16 July 2014. 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 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 29.

Dr. Yung Pak Keung Bruce ("**Dr. Yung**"), aged 53, has been appointed as an executive director and chief executive officer of the Company on 16 July 2014. Dr. Yung holds a Bachelor of Science (Honours) degree and a Doctor of Philosophy degree in Chemical Engineering from the University of Birmingham and a Masters in Business Administration from Henley Management College in the United Kingdom. He is an alumnus of the Advanced Management Program of Harvard Business School, United States and the Executive Course for Senior Financial Professionals at Tsinghua University, People's Republic of China ("**PRC**"). Dr. Yung is a chartered engineer and a corporate member of the United Kingdom Institute of Chemical Engineers and the United Kingdom Institute of Gas Engineers & Managers, and is also a member of the Institute of Directors, Hong Kong.

Dr. Yung has over 25 years of experience in the energy industry throughout Asia and Europe, spanning oil, gas, coal, power and renewable energy. Dr. Yung has held senior management positions in leading global oil and gas companies including as vice president in British Petroleum in PRC and as Global Asset development manager in British Gas in the United Kingdom during the period from 1986 to 2009. Prior to joining the Group, Dr. Yung was the managing director of First Solar, Inc. in PRC, a subsidiary of the largest United States solar company; and before that, managing director of China Renewable Energy Investment Limited, a renewable energy company listed on the main board of The Stock Exchange of Hong Kong Limited. Dr. Yung joined the Group as senior vice-president on 3 January 2014.

Mr. Tang Bo ("**Mr. Tang**"), aged 46, has been an executive director of the Company in June 2008 and is mainly responsible for project construction and 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 42, has been an executive director and 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.

EXECUTIVE DIRECTORS *(continued)*

Mr. Justin Sawdon Stewart Murphy ("**Mr. Murphy**"), aged 54, has been appointed as an executive director of the Company on 3 September 2013. Mr. Murphy holds a Master of Business Administration degree from the University of Hull, United Kingdom. Mr. Murphy has over 20 years of experience in shipping. Prior to joining the Company, he held senior management positions in a number of shipping companies. He was Global Head, VLCC/Suezmax at AET UK Limited from 2006 to 2012. From 1990 to 2005, Mr. Murphy was employed by Teekay Shipping (Canada) Ltd, where his last position was Managing Director of Teekay UK. From 2005 to 2006, Mr. Murphy was employed by Macquarie Bank Limited (London Branch), where his last position was Senior Manager, Treasury & Commodities Group. Mr. Murphy is also the chief executive officer of Brightoil Shipping Singapore Pte. Ltd., a wholly owned subsidiary of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Dai Zhujiang ("**Mr. Dai**"), aged 62, a non-executive director of the Company, 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 67, an independent non-executive director and member of the Remuneration Committee, 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 (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Property Company Limited (Stock Code: 123), Yuexiu Transport Infrastructure Limited (Stock Code: 1052), COFCO Land Holdings Limited (Stock Code: 207), Wing Hang Bank Ltd (Stock Code: 302) and The People's Insurance Company (Group) of China Limited (Stock Code: 1339). He is also an independent non-executive director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank Limited, Wing Hang Bank (China) Limited, a director of 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 resigned as an independent non-executive director of Qin Jia Yuan Media Services Company (Stock Code: 2366) with effect from 8 August 2012. Mr. Lau joined the Group in June 2008.

Professor Chang Hsin Kang ("**Professor Chang**"), aged 74, an independent non-executive director and member of Audit Committee, 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. He is 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. From 1969 to 1990, he was on the faculty of State University of New York at Buffalo, McGill University in Canada and University of Southern California. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

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 (Stock Code: 160) and HKT Trust and HKT Limited (Stock Code: 6823).

Mr. Kwong Chan Lam ("**Mr. Kwong**"), aged 66, an independent non-executive director and member of Remuneration Committee, 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. Mr. Kwong has 35 years of experience in auditing, financial accounting and taxation in relation to various companies (for 22 years of which, he held the position of partner). He obtained a bachelor degree in business and administration from the Chinese University of Hong Kong in 1972. Mr. Kwong joined the Group in June 2008.

DIRECTORS' REPORT

The board of directors (the "**Board**") present its annual report and the audited consolidated financial statements of Brightoil Petroleum (Holdings) Limited (the "**Company**") together with the subsidiaries of the Company (the "**Group**") for the year ended 30 June 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in exploration, development and production of oil and gas fields, international trading and bunkering (including the trading of related petroleum products), oil storage and terminal and marine transportation businesses.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 40.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 30 June 2014 (2013: Nil).

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2014 AGM

For determining the entitlement to attend and vote at the annual general meeting of the Company scheduled to be held on Thursday, 27 November 2014 (the "**2014 AGM**"), the register of members of the Company will be closed from Monday, 24 November 2014 to Thursday, 27 November 2014, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2014 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 21 November 2014.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the year ended 30 June 2014, total additions to property, plant and equipment were approximately HK$1,103,172,000, which mainly include additions to construction in progress of approximately HK$1,083,463,000. 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 property was revalued at 30 June 2014. The fair value of investment property remains unchanged as last year. Details of investment property of the Group during the year are set out in note 22 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 120 of this report.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 34 to the consolidated financial statements.

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 of the Company (the "**Directors**"), as at 30 June 2014, 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$154,195,000.

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.

DIRECTORS

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

Executive Directors:

Dr. Sit Kwong Lam (Chairman)
Dr. Yung Pak Keung Bruce (Chief Executive Officer) (appointed on 16 July 2014)
Mr. Tang Bo
Mr. Tan Yih Lin
Mr. Justin Sawdon Stewart Murphy

Non-Executive Director:

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 (the "**Bye-laws**"), Dr. Yung Pak Keung Bruce, who was appointed on 16 July 2014, shall hold office until the following annual general meeting and, being eligible, offer himself for re-election. Dr. Sit Kwong Lam, Mr. Tang Bo and Mr. Dai Zhujiang will retire from office as Directors by rotation at the 2014 AGM and, being eligible, offer themselves for re-election.

All the remaining Directors, including the non-executive Director and independent non-executive Directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws.

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 (the "**Listing Rules**") and the Company considers that the independent non-executive directors are independent.

DIRECTORS' SERVICE CONTRACTS

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 2014. 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. Justin Sawdon Stewart Murphy ("**Mr. Murphy**") has entered into a service contract with the Company for a term of three years commencing from 3 September 2013. Mr. Murphy 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.

Dr. Yung Pak Keung Bruce ("**Dr. Yung**") has also entered into a service contract with the Company with a term of three years commencing from 16 July 2014. Dr Yung is entitled to a basic salary, which is determined by the Board with reference to his responsibilities, prevailing market practices and contribution to the Company.

Each of the non-executive Director and the independent non-executive Directors has entered into a letter of appointment with the Company for a fixed term of three years unless terminated by not less than one month's notice in writing served by either party on the other. They are also subject to retirement by rotation in accordance with the Bye-laws.

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).

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and Senior Management of the Group are set out on pages 13 to 15 of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 June 2014, 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 Issuers ("**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 and beneficial owner	7,360,902,999 (Note 1)	83.96%
Professor Chang Hsin Kang ("**Professor Chang**")	The Company	Beneficial owner	2,340,000 (Note 2)	0.02%
Mr. Tang Bo	The Company	Beneficial owner	4,600,000 (Note 3)	0.05%
Mr. Tan Yih Lin	The Company	Beneficial owner	4,600,000 (Note 3)	0.05%
Mr. Dai Zhujiang	The Company	Beneficial owner	2,150,000 (Note 3)	0.02%
Mr. Kwong Chan Lam	The Company	Beneficial owner	2,150,000 (Note 3)	0.02%
Mr. Lau Hon Chuen	The Company	Beneficial owner	2,150,000 (Note 3)	0.02%
Mr. Justin Sawdon Steward Murphy	The Company	Beneficial owner	200,000 (Note 4)	0.002%

Notes:

(1) These 7,360,902,999 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) 3,446,516,706 Shares held by Canada Foundation Limited ("**Canada Foundation**"), which is wholly and beneficially owned by Dr. Sit; (c) 196,318,000 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).

(2) These 2,340,000 Shares refer to (a) 190,000 Shares jointly held by Professor Chang and his spouse; (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; and (c) 150,000 shares granted to Professor Chang on 13 June 2014 subject to relevant vesting periods under the Share Award Scheme adopted by the Company on 14 May 2014.

(3) These Shares include (a) the Shares which may be allotted and issued to the respective Directors upon exercise in full of the share options issued by the Company on 22 April 2010; (b) the shares granted to respective Directors on 13 June 2014 subject to relevant vesting periods under the Share Award Scheme adopted by the Company on 14 May 2014.

(4) The Shares granted to Mr. Justin Sawdon Steward Murphy on 13 June 2014 subject to relevant vesting periods under the Share Award Scheme adopted by the Company on 14 May 2014.

Long position in the shares of the Company *(continued)*

Save as disclosed above, as at 30 June 2014, 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) (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and which were required to be entered into the register required to be kept under Section 352 of the SFO, or which were required to be 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 39 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 1.7.2013**	**Number of options forfeited during the year**	**Number of options at 30.6.2014**	**Percentage of the issued share capital of the Company**
Executive Directors							
Mr. Tang Bo	22.4.2010	22.4.2011–21.4.2015	3.40	4,000,000	–	4,000,000	0.05%
Mr. Tan Yih Lin	22.4.2010	22.4.2011–21.4.2015	3.40	4,000,000	–	4,000,000	0.05%
Total of Executive Directors				8,000,000	–	8,000,000	
Non-Executive Director							
Mr. Dai Zhujiang	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000	–	2,000,000	0.02%
Total of Non-Executive Director				2,000,000	–	2,000,000	
Independent Non-Executive Directors							
Mr. Lau Hon Chuen	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000	–	2,000,000	0.02%
Professor Chang Hsin Kang	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000	–	2,000,000	0.02%
Mr. Kwong Chan Lam	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000	–	2,000,000	0.02%
Total of Independent Non-Executive Directors				6,000,000	–	6,000,000	
Others							
Employees	22.4.2010	22.4.2011–21.4.2015	3.40	5,360,000	(1,520,000)	3,840,000	0.04%
Total of employees				5,360,000	(1,520,000)	3,840,000	
Total of share Options				**21,360,000**	**(1,520,000)**	**19,840,000**	

As at 30 June 2014, the total number of shares available for grant of option under the Option Scheme was 466,496,160.

Notes:

(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; and

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

SHARE AWARD SCHEME

On 14 May 2014, the Board approved the adoption of a share award scheme (the "**Share Award Scheme**") with an objective to recognise the contributions from eligible employees within the Group and to give incentives in order to retain them for their continuing operation and development and to attract suitable personnel for further development of the Group.

Pursuant to the rules relating to the Share Award Scheme ("**Scheme Rules**"), shares are comprised of (i) shares purchased by the trustee out of cash arranged to be paid by the Company out of the Company's funds; and (ii) shares being held on trust for the relevant eligible grantees until such shares are vested with the relevant eligible grantees in accordance with the Scheme Rules (the "**Shares**"). The Board implements the Share Award Scheme in accordance with the terms of the Scheme Rules including providing necessary funds to the trustee to purchase for shares up to 2% of the issued share capital of the Company from time to time.

Under the Share Award Scheme, the Shares are granted to eligible employees of the Company or any one of its subsidiaries for no consideration but subject to certain conditions to be decided by the Board at the time of grant of the Shares under the Share Award Scheme. The Share Award Scheme will remain in force for 15 years from the date of adoption. The Share Award Scheme operates in parallel with the existing Option Scheme. All options granted under the Option Scheme continue to be valid and exercisable subject to and in accordance with the terms of the Option Scheme.

Pursuant to the Scheme Rules, the Board may upon the recommendation of the Remuneration Committee, from time to time, at their absolute discretion select the eligible grantees after taking into account various factors as they deem appropriate for participation in the Share Award Scheme as a grantee and determines the number of Shares to be awarded. The Board shall cause to pay the trustee the purchase price and the related expenses from the Company's resources for the shares to be purchased by the trustee.

The trustee shall hold such Shares on trust for the eligible grantees until they are vested. When the relevant eligible grantee has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the Shares, the trustee shall transfer the relevant Shares to that grantee. For awardees who cease employment with the Group before vesting, the unvested shares are forfeited. The forfeited shares are held by the trustee of the Share Award Scheme who may award such shares to other awardees taking into consideration recommendations from the Board.

The Board made its first grant of Shareholder the Share Award Scheme on 13 June 2014 ("**The Award**"). The Award are subject to vesting period in five tranches of 20% each of its awarded shares granted from the grant date to 12 June 2015, 12 June 2016, 12 June 2017, 12 June 2018 and 12 June 2019 respectively.

During the year ended 30 June 2014, 7,765,000 Shares had been awarded to the Director and employees for their services rendered to the Group.

Further details of the Share Award Scheme are set out in note 39 to the consolidated financial statements of this annual report.

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) 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). 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), was approved by the independent shareholders on 14 August 2012.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" in this annual report.

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises the three independent non-executive Directors, namely, Mr. Lau Hon Chuen, Professor Chang Hsin Kang and Mr. Kwong Chan Lam (Chairman of the Audit Committee), has reviewed the audited financial statements of the Company for the year ended 30 June 2014 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group and internal controls and financial reporting matters.

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 I**"), Credit Suisse AG, as lender (the "**Lender I**"), and the Company, as guarantor, entered into an 8-year term loan facility agreement (the "**Facility Agreement I**"). Pursuant to the Facility Agreement I, the Lender I makes available to the Borrower I a loan (the "**Facility I**") 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 I; or (iii) 60% of the price payable by the Borrower I under the memorandum of agreement in relation to the sale and purchase of the above vessel. The Facility I is interest bearing, and is repayable in instalments on repayment dates specified in the Facility Agreement I. Any outstanding amounts shall be repaid in full on the date falling eight (8) years after the date of making of the loan.

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

    A breach of the Specific Performance Obligation I would constitute a default under the Facility Agreement I. Such default would permit the Lender I to: (i) cancel the Facility I; and/or (ii) declare that all or part of the loan made under the Facility Agreement I, 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 I be payable on demand.

(2) On 13 January 2012, Brightoil Gravity Tanker Ltd. and Brightoil Galaxy Tanker Ltd., indirect wholly-owned subsidiaries of the Company, as joint and several borrowers (the "**Joint Borrowers II**"), Credit Suisse AG and Deutsche Bank AG, Singapore Branch, as lenders (the "**Lenders II**"), and the Company, as guarantor, entered into a loan agreement (the "**Brightoil Gravity and Galaxy Loan Agreement**") pursuant to which the Lenders II have agreed to grant a loan of up to US$133,540,372.68 to the Joint Borrowers II to part finance the acquisition of two very large crude carriers (the "**Brightoil Gravity and Galaxy Loan**"). The Brightoil Gravity and Galaxy Loan shall be fully repaid in twelve (12) years.

Pursuant to the Brightoil Gravity and Galaxy Loan, any change in the shareholding of the ultimate beneficial ownership of any of the shares in either the Joint Borrowers II or in the ultimate control of the voting rights attaching to any of those shares or in the control of the guarantor (the "**Specific Performance Obligation II**"), it will constitute an event of default if the Specific Performance Obligation II is breached whereupon Lenders II may, (i) cancel the Brightoil Gravity and Galaxy Loan; and/or (ii) declare that all or part of the loan together with accrued interest and all other amounts accrued or owing under the Brightoil Gravity and Galaxy Loan Agreement be immediately due and payable or due and payable on demand; and/or (iii) take any other action which they are entitled to take under Brightoil Gravity and Galaxy Loan Agreement. The Brightoil Gravity and Galaxy Loan have been fully repaid in July 2014.

(3) On 14 January 2013, Brightoil Grace Tanker Ltd., an indirect wholly-owned subsidiary of the Company, as borrower (the "**Borrower III**"), Credit Suisse AG as lender (the "**Lender III**"), and the Company, as guarantor, entered into a loan agreement (the "**Brightoil Grace Loan Agreement**") pursuant to which the Lender III has agreed to grant a loan of up to US$65,000,000 to the Borrower III to part finance the acquisition of one very large crude carrier (the "**Brightoil Grace Loan**"). The Brightoil Grace Loan shall be fully repaid in eight (8) years.

Pursuant to the Brightoil Grace Loan Agreement, Dr. Sit and his descendants shall remain at all times in control (at least 51% of the issued shares of the Company) and management of the Company (the "**Specific Performance Obligation III**"). It will constitute an event of default if the Specific Performance Obligation III is breached whereupon the Lender III may, (i) cancel the Brightoil Grace Loan; and/or (ii) declare that all or part of the loan together with accrued interest and all other amounts accrued or owing under the Brightoil Grace Loan Agreement be immediately due and payable or due and payable on demand; and/or (iii) take any other action which it is entitled to take under the Brightoil Grace Loan Agreement.

(4) On 19 April 2013, Win Business Petroleum Group Limited, a wholly-owned subsidiary of the Company, as borrower (the "**Borrower IV**"), China Development Bank Corporation Hong Kong Branch as lender (the "**Lender IV**"),and the Company together with the wholly-owned subsidiaries of the Company, Win Business Petroleum Group (Grand Desert) Limited and Win Business Petroleum Group (Dina) Ltd. as the guarantors, entered into a facility agreement (the "**Win Business Petroleum Group Facility Agreement**") pursuant to which the Lender IV has agreed to grant a facility of up to US$30,000,000 to the Borrower IV for a term of three (3) years (the "**Win Business Petroleum Group Loan**").

Pursuant to the Win Business Petroleum Group Facility Agreement, if Dr. Sit is not or ceases to be a controlling shareholder (as defined under the Listing Rules) of the Company, such cessation would constitute an event of default under the Win Business Petroleum Group Facility Agreement. The Lender IV would be permitted to: (i) cancel all or part of the Win Business Petroleum Group Loan; and/or (ii) declare all or part of the Win Business Petroleum Group Loan, together with accrued interest, and all other amounts accrued or outstanding under the Win Business Petroleum Group Facility Agreement be immediately due and payable; and/or (iii) declare that all or part of the Win Business Petroleum Group Loan become immediately payable on demand.

(5) On 2 July 2013, Brightoil Gem Tanker Ltd., an indirect wholly-owned subsidiary of the Company, as borrower (the "**Borrower V**"), China Development Bank Corporation Hong Kong Branch (the "**Lender V**"), and the Company, as guarantor, entered into a loan agreement (the "**Brightoil Gem Loan Agreement**") pursuant to which the Lender V has agreed to grant a loan of up to US$50,000,000 to the Borrower V for repayment of loan to shareholder for the purchase of MT "Brightoil Gem" (the "**Brightoil Gem Loan**"). The Brightoil Gem Loan shall be fully repaid in ten (10) years.

Pursuant to the Brightoil Gem Loan Agreement, Dr. Sit and his descendants shall remain at all times in control (at least 51% of the issued shares of the Company) and management of the Company (the "**Specific Performance Obligation V**"). It will constitute an event of default if the Specific Performance Obligation V is breached whereupon the Lender V may, (i) cancel the Brightoil Gem Loan; and/or (ii) declare that all or part of the loan together with accrued interest and all other amounts accrued or owing under the Brightoil Gem Loan Agreement be immediately due and payable and/or (iii) declare that all or part of the loan be payable on demand and immediately become payable on demand.

(6) On 28 October 2013, Brightoil Glory Tanker Ltd., an indirect wholly-owned subsidiary of the Company, as borrower (the "**Borrower VI**"), China Development Bank Corporation Hong Kong Branch (the "**Lender VI**"), and the Company, as guarantor, entered into a facility agreement (the "**Brightoil Glory Facility Agreement**") pursuant to which the Lender VI has agreed to grant a loan of up to US$50,000,000 to the Borrower VI for repayment of loan to shareholder for the purchase of MT "Brightoil Glory" (the "**Brightoil Glory Loan**"). The Brightoil Glory Loan shall be fully repaid in ten (10) years.

Pursuant to the Brightoil Glory Facility Agreement, Dr. Sit and his descendants shall remain at all times in control (at least 51% of the issued shares of the Company) and management of the Company (the "**Specific Performance Obligation VI**"). It will constitute an event of default if the Specific Performance Obligation VI is breached whereupon the Lender VI may, (i) cancel the Brightoil Glory Loan; and/or (ii) declare that all or part of the loan together with accrued interest and all other amounts accrued or owing under the Brightoil Glory Facility Agreement be immediately due and payable and/or (iii) declare that all or part of the loan be payable on demand and immediately become payable on demand.

(7) On 23 June 2014, Brightoil Gravity Tanker Ltd., Brightoil Galaxy Tanker Ltd., Brightoil 639 Oil Tanker Pte. Ltd., Brightoil 666 Oil Tanker Pte. Ltd. and Brightoil 688 Oil Tanker Pte. Ltd., indirect wholly-owned subsidiaries of the Company, as joint and several borrowers (the "**Joint Borrowers VII**"), and Credit Suisse AG as lender (the "**Lender VII**"), entered into a facility agreement (the "**Facility Agreement VII**') pursuant to which the Lender VII has agreed to grant a loan of up to US$120,000,000 to the Joint Borrowers VII for refinancing the acquisition costs of two very large crude carriers and three double-hull bunker tankers (the "**Facility Agreement Loan VII**"). In addition, the Company as the guarantor will be required to provide a separate guarantee to secure the liabilities of the Joint Borrowers VII under the Facility Agreement VII. The Facility Agreement Loan VII shall be fully repaid in ten (10) years.

Pursuant to the Facility Agreement VII, Dr. Sit and his descendants shall remain at all times in control (at least 51% of the issued shares of the Company) and management of the Company (the "**Specific Performance Obligation VII**"). It will constitute an event of default if the Specific Performance Obligation VII is breached whereupon the Lender VII may, (i) cancel the Facility Agreement Loan VII; and/or (ii) declare that all or part of the loan together with accrued interest and all other amounts accrued or owing under the Facility Agreement VII be immediately due and payable or due and payable on demand; and/or (iii) take any other action which it is entitled to take under the Facility Agreement VII.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken during the year under review are disclosed in note 41 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 41 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) Connected transaction for the extension of maturity date of convertible note held by a connected person

On 6 July 2012, the Company and Canada Foundation entered into the Deed of Extension, pursuant to which Canada Foundation agreed to extend the maturity date of the 2009 Convertible Note (currently 27 October 2012) to the sixth anniversary of the issue date (i.e. 27 October 2015), subject to the terms and conditions of the Deed of Extension. The ordinary resolution for approving extension of the maturity date of the convertible note issued by the Company to Canada Foundation contemplated under the Deed of Extension was duly passed by way of poll at the special general meeting of the Company held on 14 August 2012.

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

On 12 July 2008, the Group entered into an oil purchase agreement ("**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**"), a company established in the People's Republic of China ("**PRC**"), which is wholly and beneficially controlled by Dr. Sit (being an executive Director and Chairman of the Company) in relation to fuel oil purchase and delivery. On 7 April 2009, the annual cap regarding the Oil Purchase Agreement had been revised and approved by the shareholders of the Company such that the total volume of fuel oil sourced by the Group from Shenzhen Brightoil and its subsidiaries (collectively, referred to as the "**Shenzhen Brightoil Group**") and related total transaction amount in respect of the Group's marine bunkering business as a percentage of the total purchases of petroleum products made by the Group for its petroleum product related business be not higher than 65% for the year ended 30 June 2011. On 25 May 2010, an oil purchase agreement was entered into between Shenzhen Brightoil and the Company for the term of three (3) years commencing from 1 July 2010 and expiring on 30 June 2013 (the "**2010 Oil Purchase Agreement**") in relation to the Group purchases fuel oil, gas oil and the related petroleum products from the Shenzhen Brightoil Group. The transactions contemplated under the 2010 Oil Purchase Agreement and its annual caps were approved by the independent shareholders on 29 June 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 2010 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.

On 8 May 2013, an oil purchase agreement was entered into between Shenzhen Brightoil and the Company for a term of three (3) years commencing from 1 July 2013 to 30 June 2016 (the "**2013 Oil Purchase Agreement**") in relation to the Group purchases fuel oil, diesel fuel, crude oil and gas oil, as well as petrochemical and the related petroleum products ("**Oil**") from the Shenzhen Brightoil Group. The transactions contemplated under the 2013 Oil Purchase Agreement and its annual caps were approved by the independent shareholders on 24 June 2013. The maximum aggregate fee payable by the Group under the 2013 Oil Purchase Agreement for each of the three (3) years ending 30 June 2014, 30 June 2015 and 30 June 2016 are US$4,800 million (equivalent to approximately HK$37,296 million), US$6,500 million (equivalent to approximately HK$50,505 million) and US$9,700 million (equivalent to approximately HK$75,369 million) respectively.

Under the 2013 Oil Purchase Agreement, the amount of aggregate Oil purchase price and delivery fee paid and payable during the year ended 30 June 2014 was approximately HK$8,657,736,000.

(3) Continuing connected transaction for the fuel oil storage

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

The 2010 Oil Storage Services Agreement commenced on 1 July 2010 and expired on 30 June 2013 with an option to renew for a further term of three (3) years by giving at least sixty (60) days' notice prior to the expiry of the initial term.

The Group expected the exempt continuing connected transaction under the 2010 Oil Storage Services 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 the Shenzhen Brightoil Group to the Group shall increase from 300,000 m^3 to 600,000 m^3. The maximum services fee payable by the Group to the Shenzhen Brightoil Group for the year ending 30 June 2012 and the year ending 30 June 2013 have be revised to RMB110 million (equivalent to approximately HK$135.3 million) and RMB120 million (equivalent to approximately HK$147.6 million) respectively.

On 8 May 2013, an oil storage services agreement was entered into between Shenzhen Brightoil and the Company commencing on 1 July 2013 and expiring on 30 June 2016 with an option to renew for a further term of three (3) years by giving at least sixty (60) days' notice prior to the expiry of the initial term (the "**2013 Oil Storage Services Agreement**"). The maximum aggregate amount of storage services fee payable by the Group under the 2013 Oil Storage Services Agreement for each of the three (3) years ending 30 June 2014, 30 June 2015 and 30 June 2016 are US$22 million (equivalent to approximately HK$170.9 million), US$30 million (equivalent to approximately HK$233.1 million) and US$44 million (equivalent to approximately HK$341.9 million) respectively.

Under the 2013 Oil Storage Services Agreement, the amount of aggregate fuel oil storage fee paid and payable during the year ended 30 June 2014 was approximately HK$11,266,000.

(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 "**2012 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 2012 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.

On 8 May 2013, a cargo-carrying agreement was entered into between Shenzhen Brightoil and the Company for a term of three (3) years commencing on 1 July 2013 and expiring on 30 June 2016 (the "**2013 Cargo-Carrying Agreement**"). The 2012 Cargo-Carrying Agreement has been terminated on 30 June 2013. The transactions contemplated under the 2013 Cargo-Carrying Agreement and its annual caps were approved by the independent shareholders on 24 June 2013. The maximum aggregate amount receivable by the Group from the Shenzhen Brightoil Group for each of the three (3) years ending 30 June 2014, 30 June 2015 and 30 June 2016 under the 2013 Cargo-Carrying Agreement be not higher than the proposed annual caps are US$50 million (equivalent to approximately HK$388.5 million), US$70 million (equivalent to approximately HK$543.9 million) and US$106 million (equivalent to approximately HK$823.6 million) respectively.

There was no cargo-carrying income received or receivable during the year ended 30 June 2014 under the 2013 Cargo-Carrying Agreement.

(5) Continuing connected transaction for the barge services

On 21 February 2012, the Company entered into a barge services agreement with Shenzhen Brightoil (the "**2012 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 2012 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).

On 8 May 2013, a barge services agreement was entered into between Shenzhen Brightoil and the Company for a term of three (3) years commencing on 1 July 2013 and expiring on 30 June 2016 (the "**2013 Barge Services Agreement**"), pursuant to which the Shenzhen Brightoil Group agreed to provide fuel delivery services to the Group. The 2012 Barge Services Agreement has been terminated on 30 June 2013. The maximum aggregate amount payable by the Group to the Shenzhen Brightoil Group for each of the three (3) years ending 30 June 2014, 30 June 2015 and 30 June 2016 are US$10 million (equivalent to approximately HK$77.7 million), US$15 million (equivalent to approximately HK$116.6 million) and US$22 million (equivalent to approximately HK$170.9 million) respectively.

Under the 2013 Barge Services Agreement, the amount of aggregate barge services fee paid and payable during the year ended 30 June 2014 was approximately HK$14,496,000.

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 Board wishes to add that, the auditor of the Company confirmed that the continuing connected transactions (i) have received the approval of the Board; (ii) are in accordance with the Company's pricing policies; (iii) have been entered into in accordance with the relevant agreement governing the transactions; and (iv) have not exceeded the cap.

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.

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, the 2010 Oil Purchase Agreement and 2013 Oil Purchase Agreement for the provision of Oil and delivery services to the Group or the Group's customers globally at the direction of the Group.

Shenzhen Brightoil, for itself and on behalf of its subsidiaries, has undertaken not to engage in any direct competition with the Group in respect of the international trading and bunkering (including trading of petroleum products) carried out by the Group from time to time in PRC during the term of the Oil Purchase Agreement, the 2010 Oil Purchase Agreement and the 2013 Oil Purchase Agreement.

Saved as discussed above, none of 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.

SUBSTANTIAL SHAREHOLDERS AND PERSONS HAVING 5% OR MORE INTERESTS

As at 30 June 2014, 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	4,246,496,039 (Notes 1 and 2)	48.44%

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 4,246,496,039 Shares refer to (a) 3,446,516,706 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 2014, 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.

CONTROLLING SHAREHOLDERS'/DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the Oil Purchase Agreement, the 2010 Oil Purchase Agreement and the 2013 Oil Purchase Agreement, the 2012 Cargo-Carrying Agreement and the 2013 Cargo-Carrying Agreement, the 2010 Oil Storage Services Agreement, the Supplemental Oil Storage Service Agreement and the 2013 Oil Storage Services Agreement, the 2012 Barge Services Agreement and the 2013 Barge Services Agreement (as defined in paragraph headed "**Connected Transactions**" above), in which a director of the Company or controlling shareholder (or any of its subsidiaries) has a material interest, as disclosed in note 41 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.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 57.83% of the Group's revenue for the year ended 30 June 2014, with the largest customer accounted for approximately 40.00%. The five largest suppliers of the Group together accounted for approximately 39.57% of the Group's total purchases for the year ended 30 June 2014, with the largest supplier accounted for approximately 10.50%.

On 12 July 2008, the Group entered into the Oil Purchase Agreement with Shenzhen Brightoil in which Dr. Sit, an executive Director of the Company, has controlling interest. The Shenzhen Brightoil Group has become the Group's principal supplier. Pursuant to the 2010 Oil Purchase Agreement, the Shenzhen Brightoil Group will provide fuel oil, gas oil and the related petroleum products 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. Under the 2013 Oil Purchase Agreement, the Group agreed to purchase Oil from the Shenzhen Brightoil Group for a term of three years commencing on 1 July 2013 and ending on 30 June 2016.

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.

PRE-EMPTIVE RIGHTS

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

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 2014 and as at the latest practicable date prior to the issue of this annual report.

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

During the year ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company, except that the trustee appointed under the Share Award Scheme, pursuant to the terms of the trust deed of the Share Award Scheme, purchased at the Stock Exchange a total of 8,802,000 shares of the Company at a total consideration of approximately HK$20.8 million.

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.

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.

AUDITOR

A resolution will be submitted to the 2014 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

APPRECIATION

I would like to express my sincere gratitude to the Board, our management and to all their dedicated efforts during this year, as well as to our customers, business partners and shareholders for their continued enthusiastic support of our Group.

By Order of the Board of
Brightoil Petroleum (Holdings) Limited

Sit Kwong Lam
Chairman

Hong Kong, 24 September 2014

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 Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

During the year ended 30 June 2014, the Company was in compliance with all applicable code provisions as set out in the 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, 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 ("**Dr. Sit**") since 20 June 2008 upon his appointment as an executive Director.

The Company always attempts to comply with the CG Code with its best endeavours. Dr. Yung Pak Keung Bruce ("**Dr. Yung**") was appointed as executive Director and CEO on 16 July 2014, while Dr. Sit resigned as CEO on the same date. The Board considers that the appointment of Dr. Yung as CEO will be in line with the requirement of the CG Code, and demonstrate a clear division of the responsibilities between chairman and CEO.

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 2014.

The Model Code also applies to other specified senior management of the Group. The Company adopted "Policy of handling price-sensitive and confidential information of the Company" (the "**Policy**") for senior management and the relevant employees of the Group. The Company adopts this Policy on terms no less exacting than those set out in the Model Code.

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 CEO, 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.

MEETING BETWEEN THE CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTORS

There was one meeting between the Chairman and independent non-executive Directors hold, without presence of the executive Directors for the year ended 30 June 2014 pursuant to the provision A.2.7 of the Code. The provision requires that, without the presence of the executive directors, the Chairman needs to have at least one meeting with non-executive directors including independent non-executive directors each year.

BOARD COMPOSITION

The Board comprises the following Directors as at 30 June 2014.

Executive Directors

Dr. Sit Kwong Lam	(Chairman and CEO and member of Remuneration Committee and Nomination Committee)
Mr. Tang Bo	
Mr. Tan Yih Lin	(Member of Remuneration Committee and Nomination Committee)
Mr. Justin Sawdon Stewart Murphy	

Non-executive Director

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)

Dr. Yung was appointed as an executive Director and CEO on 16 July 2014, while Dr. Sit resigned as CEO on the same date.

The Board is currently composed of five executive Directors, one non-executive Director 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 makes up at least one-third of the Board which complies with Rule 3.10A of the Listing Rules.

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 2014, the following Board, relevant committee meetings and general meeting were held. Details of the Directors' attendance in the year are as follows:

	Board of Directors	General Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Dr. Sit Kwong Lam	4/7	1/1	N/A	1/3	0/2
Mr. Justin Sawdon Stewart Murphy (Note)	7/7	1/1	N/A	N/A	N/A
Mr. Tang Bo	6/7	1/1	N/A	N/A	N/A
Mr. Tan Yih Lin	7/7	1/1	N/A	3/3	2/2
Non-executive Director					
Mr. Dai Zhujiang	6/7	1/1	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Lau Hon Chuen	5/7	1/1	2/2	3/3	2/2
Professor Chang Hsin Kang	6/7	1/1	2/2	3/3	2/2
Mr. Kwong Chan Lam	7/7	1/1	2/2	3/3	2/2

Note: Mr. Justin Sawdon Stewart Murphy appointed as an executive Director with effect from 3 September 2013.

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. The Company always attempts to comply with the CG Code with its best endeavours. Dr. Yung was appointed as executive director and CEO on 16 July 2014, while Dr. Sit resigned as CEO on the same date. The Board considers that the appointment of Dr. Yung as CEO will be in line with the requirement of the CG Code, and demonstrate a clear division of the responsibilities between chairman and CEO.

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, 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.

None of the Directors has service contract which is not determined by the Group within one year without the payment of compensation (other than statutory compensation).

Code provision A.4.2 of the 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, 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.

TRAINING FOR DIRECTORS

Pursuant to the CG Code, all Directors shall participate in the continuous professional development programme to develop and update their knowledge and skills so that they can contribute to the Board. As at the date of this report, the Company has arranged internal update during meeting in relation to the change in rules and regulations governing the business of the Group. For those who are not available to attend, the Company has sent the presentation materials to the Directors for self study.

The Company has received from each of the Directors the individual training record of Directors pursuant to A.6.5 of the CG Code and time involved in public companies or organisations and description of other significant commitments pursuant to A.6.6 of the CG Code.

During the period from 1 July 2013 to 30 June 2014, the Directors participated in the following trainings:

	Attending (Note 1)
Executive Directors	
Dr. Sit Kwong Lam	✓
Mr. Tang Bo	✓
Mr. Tan Yih Lin	✓
Mr. Justin Sawdon Stewart Murphy (Note 2)	✓
Non-executive Director	
Mr. Dai Zhujiang	✓
Independent Non-executive Directors	
Mr. Lau Hon Chuen	✓
Professor Chang Hsin Kang	✓
Mr. Kwong Chan Lam	✓

Notes: (1) (a) seminar(s)/programme(s)/conference(s)/forums relevant to the business or directors' duties;

(b) reading newspaper, journals and updates relating to the economy, general business or directors' duties etc.

(2) Mr. Justin Sawdon Stewart Murphy appointed as an executive Director with effect from 3 September 2013.

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

SUPPLY OF AND ACCESS TO INFORMATION

Agenda and accompanying board papers were sent to all Directors at least three (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 2014, the Nomination Committee had conducted two (2) meetings to nominate suitable candidates and recommend them to the Board. Attendance record of each Director at the Nomination Committee meetings are set out in the section headed "Attendance Records" of this report.

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 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 three (3) meetings, to approve the grant list under the Share Award Scheme, review the executive Directors' salary and their service agreements and recommend newly appointed Director's remuneration packages to the Board. 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 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 (2) 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.

FINANCIAL REPORTING

Management is 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 40 to 119 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 2014, the auditor of the Group, Deloitte Touche Tohmatsu, received HK$3,804,000 for audit services and HK$3,711,000 for non-audit services as follows:

Non-audit services	*HK$*
Review services	731,000
Mergers and acquisitions services	2,980,000
	3,711,000

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 directly 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.

According to the Rule 3.29 of the Listing Rules, Ms. Cheung has taken no less than 15 hours of relevant professional training during the year ended 30 June 2014.

Ms. Cheung resigned as Company Secretary on 9 August 2014, while Mr. Ng Lok Ming ("**Mr. Ng**") was appointed as the Company Secretary on the same date. Mr. Ng is the General Counsel of the Group.

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, 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 Relations Department whose contact details are as follows:

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

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 25 November 2013 to answer questions raised by the shareholders.

INVESTOR RELATIONS

During the year ended 30 June 2014, 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 40 to 119, which comprise the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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 preparation of 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 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 2014 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
24 September 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	8	**84,505,413**	55,448,813
Cost of sales and services		**(82,739,399)**	(54,243,441)
Gross profit		**1,766,014**	1,205,372
Other income	10	**3,880**	34,502
Other gains and losses, net	10	**(7,525)**	47,268
Fair value change of derivative financial instruments	33	**(227,378)**	(709,042)
Loss on redemption of the liability component of convertible notes	36	**–**	(1,690)
Other expenses	11	**(176,975)**	(152,020)
Distribution and selling expenses		**(298,173)**	(542,938)
Administrative expenses		**(266,941)**	(379,560)
Finance costs	12	**(205,265)**	(188,288)
Share of profits (losses) of joint ventures		**2,003**	(9,998)
Share of loss of an associate		**(132)**	(870)
Profit (loss) before taxation	13	**589,508**	(697,264)
Income tax credit (charge)	16	**9,792**	(24,386)
Profit (loss) for the year attributable to the owners of the Company		**599,300**	(721,650)
Other comprehensive income for the year			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(1,029)**	2,241
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(19,439)**	3,145
Other comprehensive (expense) income for the year		**(20,468)**	5,386
Total comprehensive income (expense) for the year attributable to the owners of the Company		**578,832**	(716,264)
Earnings (loss) per share	18		
Basic		**HK6.8 cents**	HK(8.2) cents
Diluted		**HK6.5 cents**	HK(8.2) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	**2014 HK$'000**	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	19	**8,754,849**	7,989,353
Prepaid lease payments for land	20	**512,841**	530,121
Prepaid lease payments for coast	21	**14,748**	12,092
Investment property	22	**42,000**	42,000
Interest in an associate	23	**–**	10,525
Interests in joint ventures	24	**601,934**	482,957
Deposits paid for acquisition of property, plant and equipment	42	**82,076**	11,091
Deposit paid for acquisition of a subsidiary	43	**833,155**	–
Prepayments, rental and other deposits		**33,686**	48,345
		10,875,289	9,126,484
CURRENT ASSETS			
Inventories	25	**2,058,295**	2,367,019
Trade debtors	26	**7,227,475**	4,368,362
Accrued revenue		**45,927**	30,873
Prepaid lease payments for land	20	**11,123**	11,253
Prepaid lease payments for coast	21	**325**	265
Derivative financial instruments	33	**371,280**	516,081
Other debtors, prepayments and deposits		**75,590**	103,804
Loans to a joint venture	41	**87,443**	63,504
Amounts due from joint ventures	41	**308**	–
Securities held-for-trading	27	**221,580**	558,321
Receivables from brokers	28	**1,365,122**	521,900
Pledged bank deposits	29	**522,624**	282,678
Bank balances and cash	29	**1,610,923**	1,351,985
		13,598,015	10,176,045
CURRENT LIABILITIES			
Trade creditors	30	**7,508,596**	3,686,139
Trade payable to a related company	30, 41	**9,896**	63,191
Loans from a related company	46	**829,852**	930,792
Other creditors and accrued charges	31	**1,086,272**	684,884
Bank borrowings	32	**2,909,138**	4,275,997
Derivative financial instruments	33	**961,780**	416,900
Profits tax liabilities		**1,210**	15,370
		13,306,744	10,073,273
NET CURRENT ASSETS		**291,271**	102,772
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,166,560**	9,229,256

At 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Convertible notes	36	**256,702**	228,182
Bank borrowings	32	**2,258,948**	1,547,720
Loans from a related company	46	**1,069,546**	509,260
Deferred tax liabilities	35	**31,088**	47,069
		3,616,284	2,332,231
		7,550,276	6,897,025
CAPITAL AND RESERVES			
Share capital	34	**219,163**	219,163
Reserves		**7,331,113**	6,677,862
Equity attributable to owners of the Company		**7,550,276**	6,897,025

The consolidated financial statements on pages 40 to 119 were approved and authorised for issue by the Board of Directors on 24 September 2014 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 2014

	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$'000	Other reserve HK$'000 (Note c)	Employees share-based compensation reserve HK$'000	Shares held for share award scheme HK$'000	Accumulated profits HK$'000	Total HK$'000
As at 1 July 2012	219,163	4,211,487	3,489	1,000	33,679	88,491	103,666	–	34,932	–	2,802,897	7,498,804
Loss for the year	–	–	–	–	–	–	–	–	–	–	(721,650)	(721,650)
Other comprehensive income:												
Exchange differences arising on translation to presentation currency	–	–	–	–	–	2,241	–	–	–	–	–	2,241
Exchange differences arising on translation of foreign operations	–	–	–	–	–	3,145	–	–	–	–	–	3,145
Other comprehensive income for the year	–	–	–	–	–	5,386	–	–	–	–	–	5,386
Total comprehensive expense for the year	–	–	–	–	–	5,386	–	–	–	–	(721,650)	(716,264)
Recognition of equity-settled share-based payments – share options (note 39)	–	–	–	–	–	–	–	–	4,812	–	–	4,812
Redemption of equity component of convertible notes (note 36)	–	–	–	–	–	–	(103,666)	(861,202)	–	–	–	(964,868)
Recognition of equity component of convertible notes (notes 36)	–	–	–	–	–	–	1,055,851	–	–	–	–	1,055,851
Deferred tax liability on recognition of equity component of convertible notes	–	–	–	–	–	–	(15,012)	–	–	–	–	(15,012)
Deemed capital contribution from ultimate controlling shareholder (note 46)	–	–	–	–	33,702	–	–	–	–	–	–	33,702
Forfeiture of share options	–	–	–	–	–	–	–	–	(7,157)	–	7,157	–
As at 30 June 2013	219,163	4,211,487	3,489	1,000	67,381	93,877	1,040,839	(861,202)	32,587	–	2,088,404	6,897,025
Profit for the year	–	–	–	–	–	–	–	–	–	–	599,300	599,300
Other comprehensive income:												
Exchange differences arising on translation to presentation currency	–	–	–	–	–	(1,029)	–	–	–	–	–	(1,029)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(19,439)	–	–	–	–	–	(19,439)
Other comprehensive expense for the year	–	–	–	–	–	(20,468)	–	–	–	–	–	(20,468)
Total comprehensive income for the year	–	–	–	–	–	(20,468)	–	–	–	–	599,300	578,832
Shares purchased for share award scheme (note 39)	–	–	–	–	–	–	–	–	–	(20,799)	–	(20,799)
Recognition of equity-settled share-based payments – share options (note 39)	–	–	–	–	–	–	–	–	1,832	–	–	1,832
Recognition of equity-settled share-based payments – share award (note 39)	–	–	–	–	–	–	–	–	390	–	–	390
Deemed capital contribution from ultimate controlling shareholder (note 46)	–	–	–	–	92,996	–	–	–	–	–	–	92,996
Forfeiture of share options	–	–	–	–	–	–	–	–	(2,315)	–	2,315	–
As at 30 June 2014	219,163	4,211,487	3,489	1,000	160,377	73,409	1,040,839	(861,202)	32,494	(20,799)	2,690,019	7,550,276

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. During the year ended 30 June 2014 and 2013, deemed contribution arising from loans from a related company controlled by the ultimate controlling shareholder of the Company of approximately HK$92,996,000 and HK$33,702,000 was recognised respectively. Detail is set out in note 46.

c. Other reserve represents the difference between the redemption consideration and the carrying amount of the outstanding options as at the date of redemption.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before taxation	**589,508**	(697,264)
Adjustments for:		
Finance costs	**205,265**	188,288
Interest income on bank deposits	**(3,880)**	(4,108)
Dividends from equity investments	**(6,775)**	(34,751)
Share of (profits) losses of joint ventures	**(2,003)**	9,998
Share of loss of an associate	**132**	870
Depreciation and amortisation	**305,658**	288,311
Fair value change of derivative financial instruments (Note)	**227,378**	(480,070)
Loss on redemption of the liability component of convertible notes	**–**	1,690
Increase in fair value of an investment property	**–**	(1,000)
Fair value change of securities held-for-trading	**(40,717)**	47,741
Share-based payments	**2,222**	4,812
Gain on disposal of an associate	**(971)**	–
Loss on disposal of property, plant and equipment	**197**	1,731
Change in fair value of fuel oil inventories (Note)	**(159,045)**	21,969
Unrealised exchange loss (gain) arising on translation of current accounts within the Group	**50,008**	(93,656)
Operating cash flows before movements in working capital	**1,166,977**	(745,439)
Decrease in inventories	**467,769**	868,501
(Increase) decrease in trade debtors	**(2,859,113)**	2,374,032
Increase in accrued revenue	**(15,054)**	(30,875)
Decrease (increase) in other debtors, prepayments and deposits	**36,826**	(76,328)
Decrease (increase) in securities held-for-trading	**374,872**	(479,944)
(Increase) decrease in receivables from brokers	**(844,161)**	2,783,417
Decrease in derivative financial instruments	**462,303**	1,726
Increase (decrease) in trade creditors	**5,279,510**	(1,075,159)
(Decrease) increase in trade payable to a related company	**(53,295)**	1,035,269
Increase (decrease) in other creditors and accrued charges	**50,318**	(11,719)
Cash generated from operations	**4,066,952**	4,643,481
Income tax paid	**(26,469)**	(45,767)
Income tax refund	**7,136**	–
Dividends received	**6,775**	34,751
NET CASH GENERATED FROM OPERATING ACTIVITIES	**4,054,394**	4,632,465

For the year ended 30 June 2014

	Note	2014 HK$'000	2013 HK$'000
INVESTING ACTIVITIES			
Interest received from bank deposits		3,880	4,108
Proceeds on disposal of property, plant and equipment		894	135
Proceeds on disposal of an associate		6,246	–
Prepaid lease payments paid for land		–	(99,218)
Prepaid lease payment paid for coast		(3,190)	–
Over-refund of government grant	31	–	80,726
Government grant received on subsidising prepaid lease payments		–	12,562
Purchases of property, plant and equipment		(540,551)	(1,404,963)
Capital contribution to joint ventures		(124,434)	(27,304)
Loans to a joint venture		(24,983)	(62,225)
Deposit paid for acquisition of a subsidiary		(833,697)	–
Deposits paid for acquisition of property, plant and equipment		(77,081)	(4,837)
Refund (placement) of rental and other deposits		6,047	(10,149)
Advance to joint ventures		(308)	–
Placement of pledged bank deposits		(12,689,210)	(19,589,130)
Withdrawal of pledged bank deposits		12,448,185	19,718,733
Settlement of other payables in relation to purchase of property, plant and equipment and prepaid lease payments in prior year		(153,458)	(999,802)
NET CASH USED IN INVESTING ACTIVITIES		(1,981,660)	(2,381,364)
FINANCING ACTIVITIES			
Bank loans raised		22,946,204	33,315,478
Repayment of bank loans		(23,616,228)	(35,706,395)
Purchase of the Company's shares for share award scheme		(20,799)	–
Repayment of loan to a related company		(930,792)	–
Interest paid		(183,973)	(153,891)
NET CASH USED IN FINANCING ACTIVITIES		(1,805,588)	(2,544,808)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		267,146	(293,707)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,351,985	1,635,013
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(8,208)	10,679
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR Represented by bank balances and cash		1,610,923	1,351,985

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

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 ("Canada Foundation"), a limited company incorporated in the British Virgin Islands in which Canada Foundation is ultimately owned by Dr. Sit Kwong Lam ("Dr. Sit") who is also the chairman and director of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in the international trading and marine bunkering business (including the trading of related petroleum products), with plan to expand globally, marine transportation business, natural gas development and production, provision 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")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

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

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

In the current year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance. HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements. Except for the application of HKFRS 11, the other four standards described above has had no material impact to the consolidated financial statements. The impact of the application of HKFRS 11 is set out below.

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

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in joint ventures", and the guidance contained in a related interpretation, HK(SIC) – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The application of HKFRS 11 will result in the classification of the Group's investments in joint arrangements, from jointly controlled entities and jointly controlled operations under HKAS 31 to joint ventures and joint operations under HKFRS 11 respectively which has no impact to the consolidated financial statements.

Amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The Group has applied the amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

(a) recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation; and

(b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements but has resulted in more disclosures relating to the Group's derivative financial instruments which are under master netting agreements. Detailed disclosures are set out in note 44.

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

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRS. The scope of HKFRS 13 is broad, and 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 for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 contains a new definition for "fair value" and defines the fair value as the price that would be received to sell an asset (or paid to transfer a liability in case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provision of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period (please see notes 7 and 22 for the 2014 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[4]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[4]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 27	Equity method in separate financial statements[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HKFRS 9	Financial instruments[6]
HKFRS 15	Revenue from contracts with customers[5]
HK(IFRIC) – INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Effective for annual periods beginning on or after 1 July 2014 with limited exceptions.
4 Effective for annual periods beginning on or after 1 January 2016.
5 Effective for annual periods beginning on or after 1 January 2017.
6 Effective for annual periods beginning on or after 1 January 2018.

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

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss ("FVTPL"), HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' 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 FVTPL was presented in profit or loss.

The directors of the Company anticipate that, based on the Group's financial assets and liabilities as at 30 June 2014, the adoption of HKFRS 9 is not expected to have a significant impact on the classification and measurement of the Group's financial assets and liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value for the purposes of measuring inventories in HKAS 2 or value in use for the purposes of impairment assessment in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is 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 associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 or a joint venture. 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 of disposal) 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Revenue recognition

Revenue is measured at the fair value of the consideration 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.

Charter hire income is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Upon meeting the revenue recognition criteria, revenue recognised prior to issuance of invoice is included in the consolidated statement of financial position as accrued revenue.

Freight revenue from voyage charter is recognised on time proportionate basis based on the days elapsed relates to the estimated total number of days for each voyage.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

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).

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 subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of these 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.

Properties in the course of construction 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).

Oil and gas properties

Oil and gas properties are classified as property, plant and equipment to the extent the tangible element is more significant.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment property

An investment property is a property held to earn rentals and for capital appreciation.

An investment property is initially measured at cost, including any direct attributable expenditure. Subsequent to initial recognition, an investment property is measured at its fair value 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 profit or loss in the period in which the item is derecognised.

Inventories

Fuel oil inventories are stated at fair value less costs 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 except for those that are classified and accounted for as an investment property under the fair value model.

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 period 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$) using exchange rates prevailing at the end of reporting period. Income and expenses items 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 under the heading of 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 before tax' because of income or expense that are taxable or deductible in other years 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 goodwill or 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 joint ventures, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax is recognised in profit or loss, except when they relate 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 on a systematic and rational basis 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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 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 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.

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;
- 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 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 on the financial assets and is included in the 'other gains and losses, net' line item in the consolidated profit or loss and other comprehensive income.

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, amounts due from joint ventures, loans to a joint venture, receivables from brokers, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss of loans and receivables below).

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each 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, the estimated future cash flows of the loans and receivables have been affected.

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.

The amount of the impairment loss recognised is the difference between the carrying amount and the present value of the estimated future cash flows discounted at original effective interest rate.

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

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

Debt 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

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 any gains and losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included in the 'other gains and losses, net' line item in profit or loss and excludes any interest paid on the financial liabilities.

Convertible notes contain liability and equity components

Convertible loan notes issued by the Group that contain both the debt 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, loans from a related company and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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 is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the obligation are discharged, cancelled or expired.

A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Modification is deemed to be substantial if the net present value of the cash flows under the modified terms, including any fees paid or received, is at least 10 percent different from the net present value of the remaining cash flows of the liability prior to the modification, both discounted at the original effective interest rate of the liability prior to the modification.

On derecognition, the difference between the carrying amount of a financial liability derecognised/extinguished and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options and share award granted to employees

In respect of share options, the fair value of services received determined by reference to the fair value of share options granted at the grant date. In respect of share award, the fair value of services received determined by reference to the closing bid price of shares at the grant date. The fair value of services received are expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employees share-based compensation reserve).

At the end of the reporting period, the Group revises its estimates of the number of share options and share award that are expected to ultimately vest. The impact of the revision 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 employees share-based compensation reserve.

When share options are exercised, the amount previously recognised in employees share-based compensation 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 employees share-based compensation reserve will be transferred to accumulated profits.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Shares held for share award scheme

Where the shares of the Group are acquired under the share award scheme, the consideration paid, including any directly attributable incremental costs, is presented as "shares held for share award scheme" and deducted from total equity.

When the awarded shares are transferred to the awardees upon vesting, the related cost of the awarded shares previously recognised in "shares held for share award scheme", and the related employment costs of the awarded shares previously recognised in "employees share-based compensation reserve" are transferred to accumulated profits.

Where the shares held for share award scheme are revoked and the revoked shares are disposed of, the consideration received is recognised in equity, and no gain or loss is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or a cash-generating unit) in prior years. 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, loans from a related company and convertible notes disclosed in notes 32, 46 and 36 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 and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an 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 directors of the Company 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 an independent valuer, namely the Competent Person's Report pursuant to the Listing Rules. Having considered the high successful rate of drilling, the directors of the Company consider to use the estimated proved and probable reserve as a basis to recognise the depreciation charge on oil and gas properties.

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. Any change to the estimation will affect the depreciation charge and impairment assessment on oil and gas properties. During the year ended 30 June 2014, the depreciation charged to the profit or loss was approximately HK$62,346,000 (2013: HK$77,183,000). Details of the oil and gas properties are set out in note 19.

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 estimate of the directors of the Company for 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 estimate of the directors of the Company for 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 2014, the depreciation charged to the profit or loss was approximately HK$243,312,000 (2013: HK$200,146,000).

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

Key sources of estimation uncertainty *(continued)*

Impairment assessment for vessels

During the year ended 30 June 2014, the Group turned from a loss suffered in year 2013 to profit recorded in year 2014 in marine transportation operation. The directors of the Company are of the view that impairment indication may still exist for vessels. Accordingly, the directors of the Company perform impairment review on the carrying amounts of the vessels.

The recoverable amounts of these vessels have been determined based on the higher of value-in-use and fair value less costs to sell method. The fair values of the vessels were determined by independent valuer based on market transaction. The value-in-use calculations require the use of estimates on the projections of cash inflows from the continued use of these vessels (including the amount to be received for the disposal of these vessels) and discount rates. All these items have been historically volatile and may impact the results of the impairment assessment. Based on the best estimates for the value-in-use calculation which is higher than the fair value less costs to sell as determined by the directors of the Company, there was no impairment for these vessels for both years. At 30 June 2014, the carrying value of vessels is approximately HK$5,609,376,000 (2013: HK$5,811,881,000).

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2014 **HK$'000**	2013 HK$'000
Financial assets		
Financial assets held-for-trading		
– securities	**221,580**	558,321
– derivative financial instruments	**371,280**	516,081
Loans and receivables (including cash and cash equivalents)	**10,823,522**	6,670,719
Financial liabilities		
Financial liabilities held-for-trading		
– derivative financial instruments	**961,780**	416,900
Amortised cost	**15,154,403**	11,824,304

Financial risk management objectives and policies

The Group's major financial instruments include securities held-for-trading, trade debtors, other debtors and deposits, amounts due from joint ventures, loans to a joint venture, receivables from brokers, pledged bank deposits, bank balances, trade creditors, other creditors and accrued charges, derivative financial instruments, trade payable to a related company, loans from 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 directors of the Company manage and monitor 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, receivables from brokers, trade debtors, 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 directors of the Company monitor 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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**238,745**	516,783	**910**	–
HK$	**87,952**	3,558	**2,542**	2,487
Renminbi ("RMB")	**57,257**	2	**2,060**	107
Singapore Dollars ("SGD")	**23,989**	30,669	**22,888**	10,633

In addition, at 30 June 2014, the Group's exposure to foreign currency risk also arose from US$ denominated intercompany balances with carrying amount of approximately HK$2,340,872,000 (2013: HK$2,620,747,000), which were not denominated in the functional currency of the respective group entities as the borrowers. These intercompany balances do 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$. In the opinion of the directors of the Company, the Group does not expect any significant movements between the exchange rate of HK$ against US$.

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(i) Currency risk *(continued)*

Sensitivity analysis (continued)

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in the functional currency of respective group entities against the relevant foreign currencies and all other variables were held constant. 5% (2013: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items including intercompany amounts due to group entities which are denominated in relevant foreign currencies and adjusts its translation at the year end for a 5% (2013: 5%) change in the relevant foreign currencies exchange rates. A positive number below indicates an increase in post-tax profit (2013: decrease in post-tax loss) where the relevant foreign currencies strengthens 5% (2013: 5%) against the functional currency of respective group entities. For a 5% (2013: 5%) weakening of the relevant foreign currencies of the respective group entities against the relevant foreign currencies, there would be an equal and opposite impact on the result for the year.

	2014 HK$'000	2013 HK$'000
Increase (decrease) in post-tax profit (2013: (increase) decrease in post-tax loss) for the year		
US$ against RMB impact	**(104,124)**	(109,362)
SGD against US$ impact	**26**	895

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

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to convertible notes, fixed-rate bank deposits, loans from a related company, loans to a joint venture and pledged bank deposits. The Group has not used any derivatives to hedge against the risk as the directors of the Company 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 balances, receivables from brokers and bank borrowings (see note 32 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 interest rates for bank borrowings at 30 June 2014 and the reasonably possible change taking place at the beginning of each year and held constant throughout the year. A 10 basis point (2013: 10 basis point) increase or decrease is used which represents directors of the Company's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points (2013: 10 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 30 June 2014 would decrease/increase by approximately HK$5,168,000 (2013: the Group's post-tax loss would increase/decrease by approximately HK$5,824,000). This is mainly attributable to the Group's exposure to interest rates on its bank borrowings.

For the year ended 30 June 2014

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

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

For the variable-rate bank balances and receivables from brokers at 30 June 2014 and 2013, the directors of the Company 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 directors of the Company monitors interest rate exposure and will consider hedging significant interest rate exposure should need arises.

(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 directors of the Company manage this exposure by closely monitoring the performance of the investments and market conditions. The directors of the Company 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% (2013: 5%) higher and all other variables were held constant, a positive number below indicates an increase in post-tax profit (2013: decrease in post-tax loss). For quoted price of the respective equity investments had been 5% (2013: 5%) lower, there would be an equal and opposite impact on the post-tax profit (2013: post-tax loss) for the year as set out below:

	2014 **HK$'000**	2013 HK$'000
Increase in post-tax profit (2013: decrease in post-tax loss) for the year as a result of the changes in fair value of securities held-for-trading	**8,338**	22,465

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent price risk in relation to changes in fair value of securities held-for-trading as at 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)*

(iii) Price risk *(continued)*

Oil price risk

The Group is exposed to oil price risk through its international supply and marine bunkering business of which their prices fluctuates directly with the oil price. The oil price is affected by a wide range of global and domestic factors which are beyond the control of the Group. The fluctuations in oil price 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 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. The Group has established a direct investment team headed by the senior management of the Group to monitor the price risk. All the transactions on the derivatives contracts have to be approved by the management. 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.

RCC has conducted 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 an 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 crude 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 directors of the Company monitor the price movements and take appropriate actions when it is required.

For the year ended 30 June 2014

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

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

Oil price risk (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to the Group's oil price risk of the oil inventories, outstanding oil futures, swaps and forwards contracts at the reporting date. The sensitivity rate of 5% (2013: 5%) represents assessment of the directors of the Company for the reasonably possible change in the quoted crude oil futures prices, quoted fuel oil futures prices and quoted gas oil futures prices.

If the quoted crude oil futures prices, quoted fuel oil futures prices or quoted gas oil futures prices had been 5% (2013: 5%) higher and all other variables were held constant, a positive number below indicates an increase in post-tax profit (2013: decrease in post-tax loss). For quoted crude oil future prices, quoted fuel oil futures prices or quoted gas oil futures prices had been 5% (2013: 5%) lower, there would be an equal and opposite impact on the post-tax profit (2013: loss) for the year as set out below:

	2014 **HK$'000**	2013 HK$'000
Increase (decrease) in post-tax profit (2013: decrease (increase) in post-tax loss) for the year as a result of the changes in fair value		
– inventories	**91,797**	106,147
– derivative financial instruments	**(521,819)**	(120,357)
	(430,022)	(14,210)

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

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, amounts due from joint ventures, loans to a joint venture and receivables from brokers. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the 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.

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

At 30 June 2014, the Group has concentration of credit risk on loans to a joint venture, receivables from brokers and certain trade debtors. Based on the performance assessment by the directors of the Company, the joint ventures are going to commence the terminal business in the People's Republic of China (the "PRC") by year 2015 to generate income. Having considered the assets available for pledge to raise external borrowings by the joint ventures for repayment of loans and other debts to the Group, the directors of the Company consider the credit risk in relation to the loans to the joint ventures is mitigated. Besides, the brokers are with high credit ratings assigned by international credit-rating agencies. The directors of Company consider the Group's credit risk on receivables from brokers is minimal. The top five largest customers and the largest customer of the Group accounted for 80% and 55% (2013: 47% and 11%) of the total trade receivables at 30 June 2014, respectively. In the opinion of the directors of the Company, 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. 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 directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The bank balances that have maturity less than three months are set out in note 29. The Group has sufficient funds to finance its ongoing working capital requirements.

The Group relies on bank borrowings as a significant source of liquidity. At 30 June 2014, the Group has available unutilised short-term bank loan facilities of approximately HK$10,931,973,000 (2013: HK$14,115,557,000). Details of the Group's bank borrowings outstanding at 30 June 2014 are set out in note 32.

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.

For the year ended 30 June 2014

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 analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the directors of the Company consider 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
2014							
Non-derivative financial liabilities							
Trade creditors	–	7,508,596	–	–	–	7,508,596	7,508,596
Trade payable due to a related company	–	9,896	–	–	–	9,896	9,896
Loans from a related company	8.00	832,445	–	1,162,542	–	1,994,987	1,899,398
Other creditors	–	231,936	79,789	–	–	311,725	311,725
Bank borrowings	2.69	2,669,455	303,823	1,259,448	1,198,306	5,431,032	5,168,086
Convertible notes (Note a)	12.50	–	–	300,006	–	300,006	256,702
		11,252,328	383,612	2,721,996	1,198,306	15,556,242	15,154,403
Derivatives – net settlement							
Futures contracts							
– financial assets		38,709	45,119	–	–	83,828	83,828
– financial liabilities		(33,923)	(458,814)	–	–	(492,737)	(492,737)
Swaps contracts							
– financial assets		74,287	4,383	–	–	78,670	78,670
– financial liabilities		(209,001)	(115,856)	–	–	(324,857)	(324,857)
		(129,928)	(525,168)	–	–	(655,096)	(655,096)
Derivatives – gross settlement							
Forwards sales (Note b)							
– inflow		14,913,119	11,203,599	–	–	26,116,718	26,116,718
– outflow		(14,985,695)	(11,203,599)	–	–	(26,189,294)	(26,189,294)
Forwards purchase (Note c)							
– inflow		9,674,466	5,027,917	–	–	14,702,383	14,702,383
– outflow		(9,537,294)	(5,027,917)	–	–	(14,565,211)	(14,565,211)
		64,596	–	–	–	64,596	64,596

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
2013							
Non-derivative financial liabilities							
Trade creditors	–	3,686,139	–	–	–	3,686,139	3,686,139
Trade payable due to a related company	–	63,191	–	–	–	63,191	63,191
Loan from a related company	10.00	930,792	–	542,962	–	1,473,754	1,440,052
Other creditors	–	502,297	80,726	–	–	583,023	583,023
Bank borrowings (Note d)	2.28	4,148,162	176,325	983,387	748,500	6,056,374	5,823,717
Convertible notes (Note a)	12.50	–	–	299,995	–	299,995	228,182
		9,330,581	257,051	1,826,344	748,500	12,162,476	11,824,304
Derivatives – net settlement							
Futures contracts							
– financial assets		(79,432)	(41,680)	–	–	(121,112)	(121,112)
– financial liabilities		105,887	34,132	–	–	140,019	140,019
Swaps contracts							
– financial assets		(256,285)	(16,685)	–	–	(272,970)	(272,970)
– financial liabilities		169,792	18,596	–	–	188,388	188,388
		(60,038)	(5,637)	–	–	(65,675)	(65,675)
Derivatives – gross settlement							
Forwards sales (Note b)							
– inflow		(9,165,875)	(7,663,482)	–	–	(16,829,357)	(16,829,357)
– outflow		9,063,154	7,660,685	–	–	16,723,839	16,723,839
Forwards purchase (Note c)							
– inflow		(9,329,930)	(3,423,453)	–	–	(12,753,383)	(12,753,383)
– outflow		9,401,942	3,423,453	–	–	12,825,395	12,825,395
		(30,709)	(2,797)	–	–	(33,506)	(33,506)

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 at the end of the reporting period.

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

(c) The undiscounted cash outflows of forwards purchase represent the contractual amount to be paid on purchase of fuel or crude oil pursuant to the forward contracts. The undiscounted cash inflows of forwards purchase 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. At 30 June 2013, the carrying amount of these bank borrowings amounted to approximately HK$570,686,000. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the bank will exercise its discretionary right to demand immediate repayment. At 30 June 2013, if the Group repaid the loan by following repayment schedule, the aggregate principal and interest cash outflows would amount to approximately HK$646,473,000 of which HK$98,911,000 repayable within 1 year, HK$313,744,000 repayable within 1-5 years and HK$233,818,000 repayable over 5 years.

Fair values

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

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

The Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

7. FINANCIAL INSTRUMENTS *(continued)*

Fair values *(continued)*

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

Fair value hierarchy

Financial assets/ financial liabilities	Fair value at 30 June 2014 Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Valuation techniques and inputs	Significant unobservable inputs
Assets						
Non-derivative securities held-for-trading	221,580	–	–	221,580	Quoted bid prices in active market	N/A
Oil and gasoline futures, swaps contracts	162,498	–	–	162,498	Quoted prices in active market	N/A
Petroleum related forward contracts in relation to physical delivery directly dealt with counterparties	–	208,782	–	208,782	Difference between contractual price and forward price which is derived from applicable forward curve for remaining duration of the investment	N/A
Total	384,078	208,782	–	592,860		

Financial assets/ financial liabilities	Fair value at 30 June 2014 Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Valuation techniques and inputs	Significant unobservable inputs
Liabilities						
Oil and gasoline futures, swaps contracts	817,594	–	–	817,594	Quoted prices in active market	N/A
Petroleum related forward contracts in relation to physical delivery directly dealt with counterparties	–	144,186	–	144,186	Difference between contractual price and forward price which is derived from applicable forward curve for remaining duration of the investment	N/A
Total	817,594	144,186	–	961,780		

For the year ended 30 June 2014

7. FINANCIAL INSTRUMENTS *(continued)*

Fair values *(continued)*

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

Fair value hierarchy *(continued)*

Financial assets/ financial liabilities	Fair value at 30 June 2013 Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Valuation techniques and inputs	Significant unobservable inputs
Assets						
Non-derivative securities held-for-trading	558,321	–	–	558,321	Quoted prices in active market	N/A
Oil and gasoline futures, swaps contracts	394,082	–	–	394,082	Quoted prices in active market	N/A
Petroleum related forward contracts in relation to physical delivery directly dealt with counterparties	–	121,999	–	121,999	Difference between contractual price and forward price which is derived from applicable forward curve for remaining duration of the investment	N/A
Total	952,403	121,999	–	1,074,402		

Financial assets/ financial liabilities	Fair value at 30 June 2013 Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Valuation techniques and inputs	Significant unobservable inputs
Liabilities						
Oil and gasoline futures, swaps contracts	328,407	–	–	328,407	Quoted prices in active market	N/A
Petroleum related forward contracts in relation to physical delivery directly dealt with counterparties	–	88,493	–	88,493	Difference between contractual price and forward price which is derived from applicable forward curve for remaining duration of the investment	N/A
Total	328,407	88,493	–	416,900		

There is no transfer between different levels of fair value hierarchy for the year ended 30 June 2014 and 2013.

For the year ended 30 June 2014

7. FINANCIAL INSTRUMENTS *(continued)*

Fair values *(continued)*

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

The fair value of loans to a joint venture, loans from a related company and convertible notes are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

8. REVENUE

	2014 HK$'000	2013 HK$'000
Provision of marine bunkering services	17,676,190	22,807,551
Sales of petroleum products	65,393,792	31,621,020
Marine transportation income	956,820	621,272
Sales of natural gas and condensate	470,626	362,538
Dividend income	6,775	34,751
Rental income from an investment property	1,210	1,681
	84,505,413	55,448,813

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 (2013: loss) 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	–	natural gas development and production
Direct investments	–	investments in listed and unlisted equity and debt securities

No segment assets or liabilities is presented other than entity-wide disclosures as the CODM does not review segment assets and liabilities.

For the year ended 30 June 2014

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 2014

	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	83,069,982	956,820	470,626	6,775	84,504,203	1,210	84,505,413
Inter-segment sales	525,593	119,790	–	–	645,383	–	645,383
	83,595,575	1,076,610	470,626	6,775	85,149,586	1,210	85,150,796
SEGMENT RESULTS	964,230	55,507	299,654	45,739	1,365,130		1,365,130
Other income, other gains and losses, net							(45,417)
Unallocated fair value change of derivative financial instruments							(355,870)
Unallocated corporate expenses							(170,941)
Finance costs							(205,265)
Share of profits of joint ventures							2,003
Share of loss of an associate							(132)
Profit before taxation							589,508

9. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

For the year ended 30 June 2013

	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	54,428,571	621,272	362,538	34,751	55,447,132	1,681	55,448,813
Inter-segment sales	475,709	169,227	–	–	644,936	–	644,936
	54,904,280	790,499	362,538	34,751	56,092,068	1,681	56,093,749
SEGMENT RESULTS	(478,190)	(134,905)	193,575	(12,990)	(432,510)		(432,510)
Other income, other gains and losses, net							99,117
Loss on redemption of the liability component of convertible notes							(1,690)
Unallocated corporate expenses							(163,025)
Finance costs							(188,288)
Share of losses of joint ventures							(9,998)
Share of loss of an associate							(870)
Loss before taxation							(697,264)

Note: Unallocated revenue represents rental income from an investment property which was not reviewed by the CODM during both years ended 30 June 2014 and 2013.

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, other gains and losses, net (excluding fair value change of securities held-for-trading, unallocated fair value change of derivative financial instruments, subleasing income, heating and deviation income and others), loss on redemption of the liability component of convertible notes, central administration costs, directors' emoluments at the head office, share of profits/losses of joint ventures, share of loss of an associate, finance costs and income tax. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at cost.

For the year ended 30 June 2014

9. SEGMENT INFORMATION *(continued)*

Other segment information

For the year ended 30 June 2014

	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							
Depreciation of property, plant and equipment	(24,117)	(213,442)	(62,448)	–	(300,007)	(5,651)	(305,658)
Fair value change of derivative financial instruments	128,492	–	–	–	128,492	(355,870)	(227,378)
Fair value change of securities held-for-trading	–	–	–	40,717	40,717	–	40,717
Fair value change of inventories	159,045	–	–	–	159,045	–	159,045

For the year ended 30 June 2013

	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							
Depreciation of property, plant and equipment	(40,660)	(132,498)	(77,304)	–	(250,462)	(26,867)	(277,329)
Fair value change of derivative financial instruments	(709,042)	–	–	–	(709,042)	–	(709,042)
Fair value change of securities held-for-trading	–	–	–	(47,741)	(47,741)	–	(47,741)
Fair value change of inventories	(21,969)	–	–	–	(21,969)	–	(21,969)

Geographical information

The Group's operations are mainly located in the PRC (country of domicile), Hong Kong, Singapore, South Korea, the United States, Malaysia, Taiwan, Europe (other than Holland), Japan, Angola, Egypt, Oman, Russia, United Arab Emirates, Brunei, Columbia, Vietnam and India.

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 which listed securities are traded for direct investments.

9. SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

The Group's revenue from external customers and information about its non-current assets which 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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**11,881,895**	8,844,665	**4,489,148**	2,647,660
Hong Kong	**324,915**	373,953	**105,484**	110,221
Singapore	**22,665,572**	25,991,509	**5,674,742**	5,865,109
United States	**10,741**	219,646	**3,295**	8,238
Malaysia	**1,311,527**	1,163,083	**–**	–
Taiwan	**–**	1,020,491	**–**	–
South Korea	**1,420,622**	89,373	**–**	4
Europe (other than Holland)	**52,593**	10,087	**188**	473
Japan	**639,534**	4,653	**–**	38
Angola	**–**	2,353,856	**–**	–
Egypt	**–**	414,015	**–**	–
Oman	**38,489,422**	12,975,704	**–**	–
Russia	**–**	1,225,668	**–**	–
United Arab Emirates	**4,246,540**	436,470	**–**	–
Brunei	**523,327**	–	**–**	–
Columbia	**1,475,411**	–	**–**	–
Vietnam	**799,582**	264,971	**–**	–
India	**345,157**	41,165	**–**	–
Others	**318,575**	19,504	**498**	1,259
	84,505,413	55,448,813	**10,273,355**	8,633,002

Note: Non-current assets excluded interests in joint ventures 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:

	2014	2013
	HK$'000	HK$'000
Customer A[1]	**9,828,178**	N/A[2]
Customer B[1]	**33,803,892**	5,551,676

[1] Revenue derived from international trading and bunkering operation.

[2] The corresponding revenue did not contribute over 10% of the total sales of the Group during the relevant year.

For the year ended 30 June 2014

10. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2014 HK$'000	2013 HK$'000
Other income		
Interest income on bank deposits	3,880	4,108
Subleasing income	–	23,033
Heating and deviation income	–	4,337
Others	–	3,024
	3,880	34,502
Other gains and losses, net		
Net foreign exchange (loss) gain	(53,986)	91,028
Fair value change of securities held-for-trading	40,717	(47,741)
Loss on disposal of property, plant and equipment	(197)	(1,731)
Fair value change of an investment property	–	1,000
Gain on disposal of an associate	971	–
Others	4,970	4,712
	(7,525)	47,268

11. OTHER EXPENSES

	2014 HK$'000	2013 HK$'000
Professional fees (Note)	62,781	21,103
Brokerage and commission expenses	66,089	53,702
Other expenses in relation to derivative trading and bank services	48,105	77,215
	176,975	152,020

Note: Professional fees represent fee for general legal advisory services, consultancy fee and fee for advisory services on investment projects. An aggregate amount of approximately HK$25,816,000 (2013: HK$1,087,000) relates to merger and acquisition projects.

12. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Imputed interest expense on loans from a related company	31,109	–
Imputed interest expense on convertible notes	28,520	34,397
Interest expense on bank borrowings		
– wholly repayable within five years	104,053	155,844
– wholly repayable over five years	82,332	36,025
Total	246,014	226,266
Less: Amounts capitalised	(40,749)	(37,978)
	205,265	188,288

12. FINANCE COSTS *(continued)*

Borrowing costs capitalised during the year of approximately HK$40,749,000 (2013: HK$36,347,000) arose on the general borrowing pool calculated by applying a capitalisation rate of 3.74% (2013: 2.82%) per annum to expenditure on qualifying assets. Borrowing costs were capitalised as part of the construction in progress in respect of oil storage facilities and buildings (2013: Vessels, oil storage facilities and buildings).

13. PROFIT (LOSS) BEFORE TAXATION

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

	2014 HK$'000	2013 HK$'000
Auditor's remuneration	**3,804**	4,239
Release of prepaid lease payments for land and coast capitalised to construction in progress	**11,540**	10,982
Depreciation of property, plant and equipment		
Vessels (included in cost of sales and services)	**216,458**	169,574
Oil and gas properties (included in cost of sales and services)	**62,346**	77,183
Others	**26,854**	30,572
	305,658	277,329
Operating lease rentals paid in respect of rented premises and oil storage facilities (Note a)	**214,705**	426,509
Amount of inventories recognised as expense	**82,952,174**	54,253,847
Unrealised (gain) loss on fuel oil inventories (included in cost of sales and services)	**(159,045)**	21,969
Staff costs (including directors' remuneration, note 14)		
Wages, salaries and other benefits	**196,511**	264,076
Share-based payments (Note b)	**2,222**	4,812
Retirement benefits scheme contributions	**13,922**	19,692
	212,655	288,580
Less: Amounts capitalised to construction in progress	**(4,868)**	(3,577)
	207,787	285,003

Notes:

(a) Rentals amounting to HK$960,000 (2013: HK$619,000) in respect of accommodation provided to directors are included under staff costs.

(b) Included in share-based payments are HK$1,832,000 (2013: HK$4,812,000) relating to share option scheme and HK$390,000 (2013: nil) relating to share award scheme. Details of the share option scheme and share award scheme are set out in note 39.

For the year ended 30 June 2014

14. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The emoluments paid or payable to each of the nine (2013: eleven) directors and the chief executive were as follows:

		Other emoluments					
				Retirement	Share-based payments		
	Fees	Salaries and other benefits	Bonus	benefits scheme contributions	Share options	Share award	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 30 June 2014							
Executive Directors							
Sit Kwong Lam (Note d)	–	3,500	73	15	–	–	3,588
Tang Bo	–	3,980	1,216	15	352	30	5,593
Tan Yih Lin	–	3,980	1,216	15	352	30	5,593
Per Wistoft Kristiansen (Note a)	–	622	–	–	–	–	622
Justin Sawdon Stewart Murphy (Note b)	–	2,383	–	–	–	10	2,393
Non-Executive Director							
Dai Zhujiang	390	–	–	–	176	8	574
Independent Non-Executive Directors							
Lau Hon Chuen	390	–	–	–	176	8	574
Chang Hsin Kang	390	–	–	–	176	8	574
Kwong Chan Lam	390	–	–	–	176	8	574
Total	1,560	14,465	2,505	45	1,408	102	20,085
Year ended 30 June 2013							
Executive Directors							
Sit Kwong Lam (Note d)	–	3,500	–	15	–	–	3,515
Tang Bo	–	3,660	1,076	15	896	–	5,647
Tan Yih Lin	–	3,959	1,076	15	896	–	5,946
Per Wistoft Kristiansen	–	3,507	–	–	–	–	3,507
Non-Executive Directors							
He Zixin (Note c)	178	–	30	–	–	–	208
Ran Longhui (Note c)	178	–	30	–	–	–	208
Sun Zhenchun (Note c)	178	–	30	–	–	–	208
Dai Zhujiang	375	–	30	–	448	–	853
Independent Non-Executive Directors							
Lau Hon Chuen	375	–	30	–	448	–	853
Chang Hsin Kang	375	–	30	–	448	–	853
Kwong Chan Lam	375	–	30	–	448	–	853
Total	2,034	14,626	2,362	45	3,584	–	22,651

14. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

Notes:

(a) On 3 September 2013, Mr. Per Wistoft Kristiansen resigned as director of the Company.

(b) On 3 September 2013, Mr. Justin Sawdon Stewart Murphy was appointed as director of the Company.

(c) On 30 December 2012, Mr. He Zixin, Mr. Ran Longhui and Mr. Sun Zhenchun resigned as directors of the Company.

(d) Dr. Sit was also the chief executive officer of the Company and his emoluments disclosed above include those for services tendered by him as the chief executive officer. On 16 July 2014, Dr. Sit has resigned as the chief executive officer of the Company and Dr. Yung Pak Keung, Bruce has been appointed as director and the chief executive officer of the Company.

During both years, no emolument was paid by the Group to the directors as 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.

The bonus was determined in accordance with the performance of the Group and the individual's performance.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2013: three) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 14 above. The emoluments of the remaining two (2013: two) highest paid individuals are as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries and other benefits	**6,702**	5,595
Incentive paid on joining	**–**	4,756
Share-based payments – share award	**5**	–
Retirement benefits scheme contributions	**10**	115
	6,717	10,466

Their emoluments were within the following bands:

	2014 **No. of** **individuals**	2013 No. of individuals
HK$3,000,001 to HK$3,500,000	**2**	–
HK$3,500,001 to HK$4,000,000	**–**	1
HK$6,000,001 to HK$6,500,000	**–**	1

During the year ended 30 June 2014, no emolument (2013: HK$4,756,000) was paid by the Group to the employees as an inducement to join, or upon joining the Group or as compensation for loss of office.

16. INCOME TAX CREDIT (CHARGE)

	2014 HK$'000	2013 HK$'000
Current tax charge for the year:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax ("EIT")	(35,979)	(57,314)
Singapore Income Tax	(545)	(980)
	(36,524)	(58,294)
Overprovision in prior years:		
PRC EIT (Note)	24,743	–
Singapore Income Tax, net	5,627	23,798
	30,370	23,798
Deferred taxation (note 35)		
Current year	(5,019)	10,110
Attributable to a change in tax rate (Note)	20,965	–
	15,946	10,110
Income tax credit (charge) for the year	9,792	(24,386)

Note: During the year ended 30 June 2014, there was an overprovision in the PRC EIT in prior years amounting to approximately HK$24,743,000 and a reversal of deferred tax liability of approximately HK$20,965,000. In prior years, the Group is subjected to EIT in accordance with the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law"), calculated on 25% of the taxable profits earned from sales of natural gas and condensate from Dina gas field.

During the year ended 30 June 2014, one the subsidiaries of the Group applied for a concessionary tax rate of 15% in which the subsidiary can enjoy the concessionary tax rate retrospectively from July 2011 to 31 December 2020. Accordingly, the subsidiary recorded the amount of tax to be refunded as overprovision in prior years and re-estimated the relevant deferred taxation based on the tax rates that are expected to apply in the relevant years.

Hong Kong Profits Tax and Singapore Income Tax are recognised based on the best estimate of the weighted average annual income tax rate of different tax jurisdictions for the period. The annual tax rate used in respect of Hong Kong Profits Tax is 16.5% for both years. No provision for the Hong Kong Profits Tax was made for the Group's Hong Kong subsidiaries as they have no assessable profits or suffered from tax losses for both years.

The Singapore Income Tax is determined by applying the Singapore tax rate of 17%.

With the Global Trader Program incentive awarded by the Inland Revenue Authority of Singapore to the Group for the five years ended 30 June 2013, certain qualified income (e.g. income from marine bunkering operation and sales of petroleum products) generated during the year from trading fuel and oil under the international trading and bunkering segment of the Group has been charged at a concessionary tax rate of 5%. In August 2013, the Group was awarded extension on the Global Trader Program incentive for further five years ending 30 June 2018.

16. INCOME TAX CREDIT (CHARGE) *(continued)*

The Group was awarded the Approved International Shipping Enterprise Incentive ("AIS") status with effect from 1 April 2011 for 10 years. With the AIS status, the Group's profit from qualifying activities (e.g. qualifying shipping operations under Section 13F of the Singapore Income Tax Act) are exempt from tax.

Under the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards except for one of the subsidiaries which enjoys the concessionary tax rate of 15%.

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.

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

	2014 **HK$'000**	2013 HK$'000
Profit (loss) before taxation	**589,508**	(697,264)
Taxation at income tax rate of 5% (2013: 5%)	**29,475**	(34,863)
Tax effect of expenses not deductible for tax purpose	**15,514**	23,715
Tax effect of income not taxable for tax purpose	**(1,075)**	(9,966)
Overprovision in respect of prior years	**(30,370)**	(23,798)
Effect of tax exemption granted by AIS	**1,150**	6,544
Effect of share of (profits) losses of joint ventures	**(100)**	500
Effect of share of loss of an associate	**7**	44
Decrease in opening deferred tax liabilities from an decrease in applicable tax rate	**(20,965)**	–
Tax effect of tax losses not recognised	**3,494**	42,510
Tax effect of deductible temporary differences not recognised	**772**	459
Utilisation of tax losses previously not recognised	**(18,571)**	(91)
Effect of section 37B set off (Note)	**(14,636)**	(19,685)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**25,513**	39,017
Income tax (credit) charge for the year	**(9,792)**	24,386

Details of deferred taxation not recognised in the consolidated financial statements are set out in note 35.

Note: For non-qualified income of the Global Trader Program incentive, it is subject to Singapore Income Tax at 17% for both financial years. A subsidiary of the Company incorporated in Singapore is eligible to apply section 37B of the Singapore Income Tax Act to set off loss from non-qualified income against profit from qualified income after applying an adjustment factor.

For the year ended 30 June 2014

17. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2014, nor has any dividend been proposed since the end of the reporting period (2013: nil).

18. EARNINGS (LOSS) PER SHARE

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

Earnings (loss)

	2014 HK$'000	2013 HK$'000
Earnings (loss) for the purpose of basic earnings (loss) per share (profit (loss) for the year attributable to the owners of the Company)	599,300	(721,650)
Effect of dilutive potential ordinary shares:		
Interest on New Convertible Notes (defined in note 36) (net of tax)	23,815	N/A
Earnings (loss) for the purpose of diluted earnings (loss) per share	623,115	(721,650)

Number of shares

	2014	2013
Weighted average number of ordinary shares in issue less shares held under share award scheme during the year for the purpose of basic earnings per share	8,757,696,266	N/A
Weighted average number of ordinary shares for the purpose of basic loss per share	N/A	8,766,498,266
Effect of dilutive potential ordinary shares:		
New Convertible Notes	799,979,333	N/A
Unvested share award	12,825	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	9,557,688,424	8,766,498,266

During the year ended 30 June 2014, 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 the year.

During the year ended 30 June 2013, the computation of diluted loss per share did not assume the conversion of the outstanding convertible notes and exercise of the share options granted since they would result in a decrease in loss per share.

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 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
Exchange realignment	69	57	(7)	20	38	15	95	516	17,625	24,541	42,969
Transfer	–	996	–	–	–	–	–	4,296,173	186,551	(4,483,720)	–
Transfer from exploration and evaluation assets	–	–	–	–	–	–	–	–	40,546	–	40,546
Additions	4,437	1,548	–	391	850	3,897	–	33,706	–	2,119,836	2,164,665
Disposals	–	–	–	(28)	–	(8)	(2,531)	–	–	–	(2,567)
At 30 June 2013	63,980	47,306	7,169	15,407	24,231	18,999	2,035	6,127,518	779,244	1,384,718	8,470,607
Exchange realignment	(52)	(20)	(6)	(8)	41	(9)	(16)	(4,925)	(7,223)	(20,502)	(32,720)
Transfer	–	–	–	–	–	–	–	–	828,589	(828,589)	–
Additions	–	–	–	283	304	628	–	18,494	–	1,083,463	1,103,172
Disposals	–	(1,086)	–	(363)	(210)	(192)	–	–	–	–	(1,851)
At 30 June 2014	63,928	46,200	7,163	15,319	24,366	19,426	2,019	6,141,087	1,600,610	1,619,090	9,539,208
ACCUMULATED DEPRECIATION											
At 1 July 2012	1,459	17,404	1,208	6,698	9,894	6,694	642	146,004	13,238	–	203,241
Exchange realignment	–	26	(1)	6	8	5	31	59	1,275	–	1,409
Provided for the year	491	13,589	3,584	2,702	4,988	4,280	938	169,574	77,183	–	277,329
Eliminated on disposals	–	–	–	(4)	–	(7)	(714)	–	–	–	(725)
At 30 June 2013	1,950	31,019	4,791	9,402	14,890	10,972	897	315,637	91,696	–	481,254
Exchange realignment	(1)	(31)	(5)	(7)	13	(6)	(10)	(384)	(1,362)	–	(1,793)
Provided for the year	586	13,556	2,377	2,220	3,310	4,285	520	216,458	62,346	–	305,658
Eliminated on disposals	–	(402)	–	(193)	(53)	(112)	–	–	–	–	(760)
At 30 June 2014	2,535	44,142	7,163	11,422	18,160	15,139	1,407	531,711	152,680	–	784,359
CARRYING VALUES											
At 30 June 2014	61,393	2,058	–	3,897	6,206	4,287	612	5,609,376	1,447,930	1,619,090	8,754,849
At 30 June 2013	62,030	16,287	2,378	6,005	9,341	8,027	1,138	5,811,881	687,548	1,384,718	7,989,353

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	20% for components under dry-docking (Note), 4% to $6^2/_3$% for others

Note: Upon acquisition and completion of construction of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date i.e., five years. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date.

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 of approximately HK$42,223,000 (2013: HK$42,271,000) is under long lease.

At 30 June 2014, vessels of the Group with carrying value of approximately HK$5,546,874,000 (2013: HK$4,899,489,000) are pledged to secure bank borrowings of the Group.

20. PREPAID LEASE PAYMENTS FOR LAND

	2014 HK$'000	2013 HK$'000
The Group's prepaid lease payments for land comprise:		
Leasehold land in the PRC with medium lease	**523,964**	541,374
Analysed for reporting purpose as:		
Current asset	**11,123**	11,253
Non-current asset	**512,841**	530,121
	523,964	541,374

Included in medium-term prepaid lease payments are land use rights with carrying amount of approximately HK$172,808,000 (2013: HK$178,556,000), net of government grant received, which are located in the PRC.

20. PREPAID LEASE PAYMENTS FOR LAND *(continued)*

During the year ended 30 June 2013, the Group has received a government grant of approximately RMB9,940,000 (equivalent to approximately HK$12,562,000) 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 was deducted from the carrying amount of the prepaid lease payments for land.

Amount of approximately HK$7,211,000 (2013: HK$7,073,000) was transferred to income in the form of reduced charge over the lease term of the prepaid lease payments for land.

21. PREPAID LEASE PAYMENTS FOR COAST

	2014 **HK$'000**	2013 HK$'000
The Group's prepaid lease payments for coast comprise:		
Coast in the PRC with medium lease	**15,073**	12,357
Analysed for reporting purpose as:		
Current asset	**325**	265
Non-current asset	**14,748**	12,092
	15,073	12,357

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

22. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 July 2012	41,000
Increase in fair value recognised in profit or loss	1,000
At 30 June 2013 and 2014	42,000

The Group's property interest held under operating lease to earn rentals or for capital appreciation purpose is measured using the fair value model and is classified and accounted for as an investment property.

The fair value of the Group's investment property at 30 June 2014 and 2013 has been arrived at on the basis of a valuation carried out on the respective date by Asset Appraisal Limited, independent qualified professional valuers not connected to the Group. The Group's investment property was valued on market value basis, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties. The fair value was arrived at by reference to market evidence of transaction prices for similar properties.

In estimating the fair value of the investment property, the directors of the Company has considered that the highest and best use of the property is their current use upon the application of HKFRS 13 "Fair value measurement". There has been no change of the valuation technique during the year.

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22. INVESTMENT PROPERTY *(continued)*

Information about fair value measurements using key inputs

The following table shows the valuation techniques used in the determination of fair values for investment properties and the key inputs used in the valuation models:

Description	Fair value at 30 June 2014 HK$'000	Fair value hierarchy	Valuation technique and key inputs
Commercial property unit located in Hong Kong	42,000	Level 2	Direct comparison method based on market observable transaction of similar properties and adjust to reflect the conditions, floor and direction of the subject property.

At the end of the reporting period, the directors of the Company worked closely with the independent qualified external valuer to establish and determine that appropriate valuation techniques and inputs for Level 2 fair value measurements. Where there is a material change in fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

The carrying value of the investment property shown above represents the property situated in Hong Kong with long lease.

23. INTEREST IN AN ASSOCIATE

	2013 HK$'000
Cost of investment in an associate, unlisted	10,804
Share of post-acquisition loss	(837)
Exchange realignment	558
	10,525

At 30 June 2013, the Group had interest 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 2013	Proportion of voting power held 2013	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 was established in May 2011 together with 11 independent third parties and obtained formal incorporation and registration documents in July 2012. It 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.

23. INTEREST IN AN ASSOCIATE *(continued)*

Summarised financial information of the associate

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

The associate is accounted for using the equity method in these consolidated financial statements.

舟山大宗

	2013 HK$'000
Non-current assets	2,047
Current assets	127,309
Non-current liabilities	(632)
Current liabilities	(11,784)
Revenue for the year	8,237
Loss and total comprehensive expense for the year	(9,670)

Reconciliation of the above summarised financial information to the carrying amount of the interest in 舟山大宗 recognised in the consolidated financial statements:

	2013 HK$'000
Net assets of 舟山大宗	116,940
Proportion of the Group's ownership interest in 舟山大宗	9%
Carrying amount of the Group's interest in 舟山大宗	10,525

Pursuant to the sales and purchase agreement entered into between the Group and a related company (the "Related Company"), for which Dr. Sit is the controlling shareholder of the Related Company, the Group disposed of its entire equity interest in 舟山大宗 to the Related Company on 8 April 2014 (the "Disposal Date") for a consideration of RMB9,000,000 (equivalent to HK$11,243,000). During the year, a loss of HK$132,000 was shared by the Group up to the Disposal Date.

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23. INTEREST IN AN ASSOCIATE *(continued)*

Summarised financial information of the associate *(continued)*

This transaction has resulted in the recognition of a gain on disposal of HK$971,000 in profit or loss and is calculated as below:

	HK$'000
Total consideration (Note)	11,243
Less: Carrying amount of the associate at the Disposal Date	(10,272)
Gain on disposal of an associate	971

Note: RMB5,000,000 (equivalent to HK$6,246,000) was received at 30 June 2014. For the remaining consideration receivable of RMB4,000,000 (equivalent to HK$4,997,000), the Group signed an agreement with the Related Company whereby the Group agreed to offset the consideration receivable from the disposal with the current portion of the loan from the Related Company. Details of the arrangement are set out in note 46.

24. INTERESTS IN JOINT VENTURES AND JOINT OPERATIONS

(a) Joint ventures

At 30 June 2014 and 2013, the Group had interests in the following joint ventures:

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 2014 and 2013	Principal activity
Zhoushan Brightoil Terminal Co., Ltd. ("Zhoushan Terminal") (Note 1)	Foreign owned enterprise	PRC	PRC	Registered capital	55%	Operation of wharf and related ancillary facilities
Dalian Changxing Island Brightoil Terminal Co., Ltd. ("Dalian Terminal") (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 Terminal. However, according to the joint venture agreement signed with another shareholder of Zhoushan Terminal, all board resolutions require approval from 75% of the board members, as a result Zhoushan Terminal is classified as a joint venture of the Group.

2. The Group has the power to appoint three out of five directors in the board of Dalian Terminal. However, according to the joint venture agreement signed with another shareholder of Dalian Terminal, all board resolutions require approval from 80% to 100% of the board members, as a result Dalian Terminal is classified as a joint venture of the Group.

24. INTERESTS IN JOINT VENTURES AND JOINT OPERATIONS *(continued)*

(a) Joint ventures *(continued)*

Both joint ventures are at construction and development stage and therefore have not commenced the operation.

	2014 HK$'000	2013 HK$'000
Cost of unlisted investments in joint ventures	594,543	470,109
Share of post-acquisition loss	(25,814)	(27,817)
Exchange realignment	33,205	40,665
	601,934	482,957

Summarised financial information of joint ventures

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

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Zhoushan Terminal

	2014 HK$'000	2013 HK$'000
Non-current assets	629,723	375,620
Current assets	71,077	29,346
Non-current liabilities	(24,984)	(25,277)
Current liabilities	(173,463)	(96,990)

The above amounts of assets and liabilities include the following:

	2014 HK$'000	2013 HK$'000
Cash and cash equivalents	63,968	29,267
Current financial liabilities (excluding trade and other payables and provisions)	(87,443)	(63,194)
Non-current financial liabilities (excluding trade and other payables and provisions)	(24,984)	(25,277)
Revenue	150	610
Profit (loss) and total comprehensive income (expense) for the year	21	(5,051)

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24. INTERESTS IN JOINT VENTURES AND JOINT OPERATIONS *(continued)*

(a) Joint ventures *(continued)*

Summarised financial information of joint ventures *(continued)*

Zhoushan Terminal *(continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in Zhoushan Terminal recognised in the consolidated financial statements:

	2014 HK$'000	2013 HK$'000
Net assets of Zhoushan Terminal	502,353	282,699
Proportion of the Group's ownership interest in Zhoushan Terminal	55%	55%
Carrying amount of the Group's interest in Zhoushan Terminal	276,294	155,484

Dalian Terminal

	2014 HK$'000	2013 HK$'000
Non-current assets	27,797	28,979
Current assets	515,703	517,339
Current liabilities	(767)	(530)

The above amounts of assets and liabilities include the following:

	2014 HK$'000	2013 HK$'000
Cash and cash equivalents	515,571	517,163
Current financial liabilities (excluding trade and other payables and provisions)	(318)	(322)
Revenue	3,332	2,141
Profit (loss) and total comprehensive income (expense) for the year	3,319	(12,033)

24. INTERESTS IN JOINT VENTURES AND JOINT OPERATIONS *(continued)*

(a) Joint ventures *(continued)*

Summarised financial information of joint ventures *(continued)*

Dalian Terminal *(continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in Dalian Terminal recognised in the consolidated financial statements:

	2014 **HK$'000**	2013 HK$'000
Net assets of Dalian Terminal	**542,733**	545,788
Proportion of the Group's ownership interest in Dalian Terminal	**60%**	60%
Carrying amount of the Group's interest in Dalian Terminal	**325,640**	327,473

At 30 June 2014, the Group's share of capital expenditure contracted for but not provided for in the financial statements of the joint ventures in respect of acquisition of property, plant and equipment is approximately HK$293,176,000 (2013: HK$240,100,000).

(b) Joint operations

(1) Joint 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 joint operation of 49% and 51% respectively. A committee is set up by appointing same number of members from CNPC and Win Business GD with a maximum of 4 members. The committee makes decisions on financial budgets and production plans which are considered as the relevant activities that may significantly affect the returns of Tuzi Natural Gas Project. These decisions require unanimous consent from both parties. As such, the Tuzi Natural Gas Project is jointly operated by the Group and CNPC.

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 performed a preliminary phase to study the Tuzi Natural Gas Project and the cost incurred during the preliminary phase was borne by CNPC. Win Business GD bore the costs incurred for the evaluation and would bear the costs incurred for 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. After commencement of production period, the production costs, primarily the purification and transportation services for natural gas and condensate would be shared 55% and 49% by Win Business GD before and after full recovery of investment costs spent by Win Business GD respectively.

During the year ended 30 June 2013, the National Development and Reform Commission ("NDRC") officially approved the Overall Development Plan ("ODP") for the Tuzi gas field and the Group was acknowledged of the completion of the exploration and evaluation stage by NDRC. Production was commenced during the year ended 30 June 2014.

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24. INTERESTS IN JOINT VENTURES AND JOINT OPERATIONS *(continued)*

(b) Joint operations *(continued)*

(1) Joint operation in the Tuzi gas field *(continued)*

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, both investment and operating, incurred by them with the remaining 35% being shared 55% by Win Business GD. After full recovery of the investment costs, the revenue for gas production will be shared 49% by Win Business GD.

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

	2014 **HK$'000**	2013 HK$'000
Assets	**1,095,538**	685,011
Liabilities	**(400,650)**	(246,130)
Income	**163,438**	18,950
Expenses	**(85,612)**	(9,766)

(2) Joint 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") acquired by the Group during the year ended 30 June 2012, 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 joint operation of 49% and 51% respectively. A committee is set up by appointing same number of members from CNPC and Win Business Group with a maximum of 4 members. The committee makes decisions on financial budgets and production plans which are considered as the relevant activities that may significantly affect the returns of Dina Natural Gas Project. These decisions require unanimous consent from both parties. As such, the Dina Natural Gas Project is jointly operated by the Group and CNPC.

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 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. After commencement of production period, the production costs, primarily the purification and transportation services for natural gas and condensate would be shared 55% and 49% by Win Business Group before and after full recovery of investment costs spent by Win Business Group respectively.

24. INTERESTS IN JOINT VENTURES AND JOINT OPERATIONS *(continued)*

(b) Joint operations *(continued)*

(2) Joint operation in the Dina gas field *(continued)*

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, both investment and operating, incurred by them with the remaining 35% being shared 55% by Win Business Group. After full recovery of the investment costs, the revenue for gas production will be shared 49% by Win Business Group.

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

	2014 **HK$'000**	2013 HK$'000
Assets	**664,439**	715,886
Liabilities	**(80,037)**	(86,973)
Income	**308,650**	362,538
Expenses	**(118,548)**	(186,926)

25. INVENTORIES

	2014 **HK$'000**	2013 HK$'000
Fuel oil, at fair value less costs to sell	**1,933,041**	2,235,073
Consumables	**125,254**	131,946
	2,058,295	2,367,019

At 30 June 2014, 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$1,930,107,000 (2013: HK$2,232,573,000).

26. TRADE DEBTORS

	2014 **HK$'000**	2013 HK$'000
Trade debtors	**7,229,784**	4,370,671
Less: Allowance for bad and doubtful debts	**(2,309)**	(2,309)
	7,227,475	4,368,362

The Group allows an average credit period of 30 to 45 days to its customers from international trading and bunkering operation, 60 days to a subsidiary of CNPC, on sale of natural gas and condensate and 30 to 90 days to its marine transportation customers.

26. 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:

	2014 HK$'000	2013 HK$'000
0–30 days	6,582,691	4,280,583
31–60 days	611,722	68,155
61–90 days	24,508	13,550
Over 90 days	8,554	6,074
	7,227,475	4,368,362

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 98% (2013: 99%) 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$85,365,000 (2013: HK$24,939,000) 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 51 days (2013: 73 days). The balances have been substantially settled subsequently.

Aging of trade debtors which are past due but not impaired

	2014 HK$'000	2013 HK$'000
31–60 days	77,639	9,879
61–90 days	932	8,986
91–120 days	464	1,601
Over 120 days	6,330	4,473
	85,365	24,939

In the opinion of the directors of the Company, 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 considered that there has not been a significant change in their credit quality. The directors of the Company believe that the amounts are still recoverable.

There are no movement for the allowance for bad and doubtful debts for both years.

Allowance for bad and doubtful debts included individually impaired trade receivables with an aggregate balance of approximately HK$2,309,000 (2013: HK$2,309,000) 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 2014, the carrying amount of trade debtors, which has been pledged as security for short-term credit facilities granted to the Group, is approximately HK$6,980,994,000 (2013: HK$4,313,393,000).

27. SECURITIES HELD-FOR-TRADING

	2014 HK$'000	2013 HK$'000
Equity securities		
listed in Hong Kong	6,845	359,631
listed in the PRC	214,735	198,690
	221,580	558,321

28. 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 0.03% (2013: 0.01% to 0.35%) per annum.

29. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

At 30 June 2014, the pledged bank deposits represent the Group's deposits pledged to the banks to secure short-term credit facilities granted to the Group and bear fixed interest with rates ranging from 0.05% to 0.35% (2013: 0.07% to 0.11%) per annum.

At 30 June 2014, the Group's short-term bank deposits carried at market interest rates ranging from 0.01% to 3.50% (2013: 0.01% to 2.85%) per annum with an original maturity of three months or less.

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

	2014 HK$'000	2013 HK$'000
US$	238,688	516,496
HK$	83,823	3,481
RMB	57,257	2
SGD	15,882	17,631

30. TRADE CREDITORS

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

	2014 HK$'000	2013 HK$'000
0–30 days	5,675,081	3,677,013
31–60 days	441,905	7,112
61–90 days	1,381,704	–
Over 90 days	9,906	2,014
	7,508,596	3,686,139

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 time frame.

Apart from the balance disclosed above, the balance of approximately HK$9,896,000 (2013: HK$63,191,000) classified as trade payable to a related company is trade in nature (see note 41). The amount is aged within 45 days at 30 June 2014 and 2013 with credit terms of 45 days granted to the Group.

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31. OTHER CREDITORS AND ACCRUED CHARGES

The following is the analysis of other creditors and accrued charges:

	2014 HK$'000	2013 HK$'000
Other payables and accrued charges for acquisition of property, plant and equipment (Note a)	843,028	399,586
Other tax payable for goods and services in relation to sales made in Singapore (Note a)	49,378	101,861
Payable to the PRC government (Note b)	79,789	80,726
Others	114,077	102,711
	1,086,272	684,884

Notes:

(a) Amounts are unsecured and non-interest bearing.

(b) Payable to the PRC government arose from over-refund on subsidies on land use right payment. The amount is unsecured and non-interest bearing.

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

	2014 HK$'000	2013 HK$'000
HK$	2,542	2,487
RMB	–	107
SGD	22,888	10,633

32. BANK BORROWINGS

	2014 HK$'000	2013 HK$'000
Secured variable-rate bank borrowings	5,168,086	5,823,717
Carrying amount payable:		
Within one year	2,909,138	3,705,311
More than one year, but not exceeding two years	401,504	232,356
More than two years, but not exceeding five years	712,740	620,190
More than five years	1,144,704	695,174
	5,168,086	5,253,031
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)	–	570,686
	5,168,086	5,823,717
Less: Amounts due within one year shown under current liabilities	(2,909,138)	(4,275,997)
	2,258,948	1,547,720

32. BANK BORROWINGS *(continued)*

At 30 June 2014, the Group has significant secured variable-rate bank borrowings which carry interests at LIBOR plus 1.20% to 4.08% (2013: LIBOR plus 1.20% to 3.20%) per annum. The effective interest rate is ranging from 1.49% to 4.32% (2013: 1.49% to 3.49%) per annum. The maturity profile of such bank borrowings is as follows:

	2014 **HK$'000**	2013 HK$'000
Carrying amount payable:		
Within one year	**2,688,352**	4,160,152
More than one year, but not exceeding two years	**123,966**	58,337
More than two years, but not exceeding five years	**344,563**	164,257
More than five years	**689,743**	379,189
	3,846,624	4,761,935

At 30 June 2014, the remaining secured variable-rate bank borrowings carry interest rate at LIBOR plus 2.25% to 4.50% (2013: LIBOR plus 2.25% to 4.50%) per annum and the effective interest rate is from 2.50% to 4.91% (2013: 2.63% to 4.97%) per annum.

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

	2014 **HK$'000**	2013 HK$'000
Floating rate		
– expiring within one year	**10,156,945**	13,339,897
– expiring beyond one year	**775,028**	775,660
	10,931,973	14,115,557

33. 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), DME futures (mainly Oman Crude Oil), ICE swaps (mainly Fuel Oil, Gasoil and Crude Oil), Nymex swaps (mainly Fuel Oil and Crude Oil) and all the futures 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 2014, the loss on fair value change of derivative financial instruments of approximately HK$227,378,000 (2013: HK$709,042,000) was charged to profit or loss.

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33. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Derivative financial instruments of the Group at 30 June 2014 and 2013 comprise of long and short positions in the following derivative contracts:

Type of contracts	Fair value HK$'000	Notional amount US$'000	Expiry date
At 30 June 2014			
Derivative financial assets			
Futures	83,828	554,636	01.07.2014 to 30.06.2015
Swaps	78,670	1,291,235	01.07.2014 to 31.12.2014
Forwards	208,782	4,264,831	01.07.2014 to 28.02.2015
	371,280		
Derivative financial liabilities			
Futures	492,737	1,638,805	01.07.2014 to 30.06.2015
Swaps	324,857	516,183	01.07.2014 to 31.12.2014
Forwards	144,186	966,693	01.07.2014 to 28.02.2015
	961,780		

Type of contracts	Fair value HK$'000	Notional amount US$'000	Expiry date
At 30 June 2013			
Derivative financial assets			
Futures	121,112	992,468	01.07.2013 to 30.06.2014
Swaps	272,970	1,583,842	01.07.2013 to 31.01.2014
Forwards	121,999	2,758,662	01.07.2013 to 28.02.2014
	516,081		
Derivative financial liabilities			
Futures	140,019	1,162,672	01.07.2013 to 30.06.2014
Swaps	188,388	1,215,095	01.07.2013 to 31.01.2014
Forwards	88,493	935,638	01.07.2013 to 28.02.2014
	416,900		

34. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.025 each		
Authorised		
At 1 July 2012, 30 June 2013 and 2014	40,000,000,000	1,000,000
Issued and fully paid		
At 1 July 2012 and 30 June 2013	8,766,498,266	219,163
Shares purchased for share award scheme (Note)	(8,802,000)	–
At 30 June 2014	8,757,696,266	219,163

Note: During the year ended 30 June 2014, the Company acquired its own shares at the Stock Exchange through a trustee appointed under the Company's share award scheme. The total amount paid to acquire the shares during the year was HK$20,799,000 (2013: nil). Details of the Company's share award scheme are set out in note 39.

There was no movement in the Company's share capital in both years.

35. 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	Accelerated depreciation HK$'000	Total HK$'000
At 1 July 2012	(39,376)	(2,791)	–	(42,167)
Initial recognition due to convertible notes modification	–	(15,012)	–	(15,012)
Credit to profit or loss	4,435	5,675	–	10,110
At 30 June 2013	(34,941)	(12,128)	–	(47,069)
Attributable to a change in tax rate (see note 16)	20,965	–	–	20,965
Credit (charged) to profit or loss	1,950	4,706	(11,675)	(5,019)
Exchange realignment	–	–	35	35
At 30 June 2014	(12,026)	(7,422)	(11,640)	(31,088)

At 30 June 2014, the Group has estimated unused tax losses of HK$1,296,024,000 (2013: HK$1,597,564,000) available for offset against future profits. No deferred tax asset has been recognised of such losses at 30 June 2014 and 2013 due to the unpredictability of future profit streams.

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35. DEFERRED TAXATION *(continued)*

The following table summaries the time-frame for tax losses expiration:

	2014 HK$'000	2013 HK$'000
Tax losses that will		
– expire within 5 years from 31 December 2010	**2,666**	2,666
– expire within 9 years from 31 December 2012	**9,996**	9,996
– expire within 5 years from 31 December 2012	**42,839**	43,706
– expire within 5 years from 31 December 2013	**54**	–
– carry forward indefinitely	**1,240,469**	1,541,196
	1,296,024	1,597,564

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries, an associate and joint ventures from 1 January 2008 onwards. As the PRC subsidiaries, an associate and joint ventures incurred losses since 1 January 2008, no deferred taxation has been provided accordingly.

36. CONVERTIBLE NOTES

Pursuant to the subscription agreement dated 25 June 2009 and the supplemental deed signed on 2 September 2009, convertible notes (the "Convertible Notes") with aggregate principal amount of US$120,000,000 were issued at par with an initial conversion price of US$0.19355 per share to Canada Foundation Limited ("Canada Foundation"), the immediate and ultimate holding company of the Company wholly and beneficially owned by Dr. Sit, a controlling shareholder and an executive director of the Company, on 27 October 2009 (the "Issue Date"), subject to the anti-dilutive adjustment due to change in capital structure of the Company (including share consolidation, share subdivision, capitalisation issue and other events which have dilutive effects on the issued share capital of the Company as set out in the subscription agreement). Subsequent to the share subdivision of the Company on 27 May 2010 ("Share Subdivision"), conversion price of the Convertible Notes is adjusted to US$0.04839.

The Convertible Notes are denominated in US$ and are non-interest bearing. The holder of the 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 an 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, i.e. repayable on 27 October 2012. The Conversion Shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion. If 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 upon maturity.

At 1 July 2012, principal amount of US$38,709,000 (approximately HK$299,995,000) of the Convertible Notes remained outstanding after certain conversion was taken place.

Pursuant to the resolution passed by independent shareholders of the Company on 14 August 2012, the maturity date of the Convertible Notes is extended by three years to 27 October 2015 ("New Maturity Date") under the deed of extension entered into between the Company and Canada Foundation ("New Convertible Notes"). The holder of the Convertible Notes can exercise the conversion right at any time up to the New Maturity Date. Other than this, terms and conditions of the New Convertible Notes remain unchanged from the Convertible Notes.

The New Maturity Date is considered to be a substantial modification of Convertible Notes as the net present value of the cash flows of the New Convertible Notes is more than 10% different from the net present value of the cash flows of the outstanding Convertible Notes prior to the extension of maturity date, both discounted at the original effective interest rate of 19.49% per annum. As such, Convertible Notes were derecognised and New Convertible Notes were recognised. The fair value of the New Convertible Notes as at 27 October 2012 amounting to approximately HK$1,266,553,000, of which approximately HK$301,685,000 and HK$964,868,000 has been allocated as consideration to redeem the liability and equity components of the Convertible Notes respectively, resulting in a loss on the redemption of the liability component of approximately HK$1,690,000 recognised in profit or loss.

36. CONVERTIBLE NOTES *(continued)*

On initial recognition, the New Convertible Notes are split into two components, liability and equity elements. The liability component is measured at fair value of approximately HK$210,702,000 at 27 October 2012, being the present value of the contractual stream of future cash flows discounted using the prevailing market interest of similar non-convertible debts of 12.5% per annum. The equity component of approximately HK$1,055,851,000, being the residual amount of the New Convertible Notes after separating the liability component, is presented in equity heading in "Convertible Notes Reserve". In addition, deferred tax liability of HK$15,012,000 is charged directly to the carrying amount of the equity component.

At 30 June 2014, the amortised cost of the liability component is approximately HK$256,702,000 (2013: HK$228,182,000).

The fair value of the New Convertible Notes on 27 October 2012 is calculated using the binomial model. The inputs into the model were as follows:

Share price	US$0.204
Expected volatility (Note a)	53.33%
Contractual life	3 years
Risk free rate (Note b)	0.4085% per annum

Notes:

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

(b) The risk free rate is determined by reference to the yield of United States Treasury Bill and Note.

The movements of the liability component of the Convertible Notes and New Convertible Notes for the year ended 30 June 2014 and 30 June 2013 are set out below:

	Convertible Notes HK$'000
At 1 July 2012	283,078
Interest charged	16,917
	299,995
Consideration to redeem	(301,685)
Loss on redemption of the liability component recognised on 27 October 2012	1,690
	–

	New Convertible Notes HK$'000
At 27 October 2012	210,702
Interest charged	17,480
At 30 June 2013	228,182
Interest charged (note 12)	28,520
Carrying amount at 30 June 2014	256,702

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37. 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:

	2014 HK$'000	2013 HK$'000
Within one year	141,447	257,817
In the second to fifth year inclusive	114,690	397,730
More than five years	24,709	48,526
	280,846	704,073

Leases for US office, Singapore office and storage facilities are negotiated for lease term of three to ten years (2013: three to ten years). Lease for Hong Kong office is negotiated for lease term of five years (2013: five years). For other leases, they are negotiated for lease term of one to five years (2013: two to five years). Rentals are fixed over the leased period.

The Group as lessor

At 30 June 2013, leases are negotiated and rentals are fixed for average of two years. At 30 June 2014, the new lease agreement has been under negotiation and no conclusion has been reached yet.

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:

	2014 HK$'000	2013 HK$'000
Within one year	–	1,278

38. COMMITMENTS

	2014 HK$'000	2013 HK$'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	1,836,549	2,458,369
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	59,097	59,791
	1,895,646	2,518,160

39. SHARE OPTION AND SHARE AWARD SCHEME

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 "Option 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 Option 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 Option Scheme.

The total number of shares in respect of which options may be granted under the Option 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 Option 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$5,000,000 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 Option Scheme, options may be exercised, in whole or in part, at any time during the exercise period. Options granted must be accepted by the prescribed acceptance date. Upon acceptance of the option, the grantee shall pay HK$1 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 period starting from 22 April 2012 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 July 2012	Forfeited during the year (Note)	At 30 June 2013	Forfeited during the year (Note)	Outstanding at 30 June 2014
Directors	22,000,000	(6,000,000)	16,000,000	–	16,000,000
Employees	5,520,000	(160,000)	5,360,000	(1,520,000)	3,840,000
	27,520,000	(6,160,000)	21,360,000	(1,520,000)	19,840,000

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

39. SHARE OPTION AND SHARE AWARD SCHEME *(continued)*

Share option scheme *(continued)*

19,840,000 share options are exercisable at 30 June 2014 (2013: 15,995,000).

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$1,832,000 (2013: HK$4,812,000) for the year ended 30 June 2014 in relation to share options granted by the Company.

Share award scheme

On 14 May 2014, the Board approved the adoption of a share award scheme (the "Award Scheme") with the objective to recognise the contributions by eligible employees within the Group and to give incentives in order to retain them for their continuing operation and development and to attract suitable personnel for further development of the Group.

Pursuant to the rules relating to the Award Scheme ("Award Scheme Rules"), shares are comprised of (i) shares purchased by the trustee out of cash arranged to be paid by the Company out of the Company's funds; and (ii) shares being held on trust for the relevant eligible grantees until such shares are vested with the relevant eligible grantees in accordance with the Award Scheme Rules (the "Shares"). The Board implements the Award Scheme in accordance with the terms of the Award Scheme Rules including providing necessary funds to the trustee to purchase for shares up to 2% of the issued share capital of the Company from time to time.

Under the Award Scheme, the Shares are granted to eligible employees of the Company or any one of its subsidiaries for no consideration but subject to certain conditions to be decided by the Board at the time of grant of the Shares under the Award Scheme. The Award Scheme will remain in force for 15 years from the date of adoption. The Award Scheme operates in parallel with the existing Option Scheme. All options granted under the Option Scheme continue to be valid and exercisable subject to and in accordance with the terms of the Option Scheme.

Pursuant to the Award Scheme Rules, the Board may, from time to time, at their absolute discretion select the eligible grantees after taking into account various factors as they deem appropriate for participation in the Award Scheme as a grantee and determines the number of Shares to be awarded. The Board shall cause to pay to the trustee the purchase price and the related expenses from the Company's resources for the shares to be purchased by the trustee.

The trustee shall hold such Shares on trust for the eligible grantees until they are vested. When the relevant eligible grantee has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the Shares, the trustee shall transfer the relevant Shares to that grantee. For awardees who cease employment with the Group before vesting, the unvested shares are forfeited. The forfeited shares are held by the trustee of the Award Scheme who may award such shares to the awardees taking into consideration recommendations of the Board.

The awarded shares granted under the Award Scheme are subject to vesting period in five tranches of 20% each of its awarded shares granted from the grant date to 12 June 2015, 12 June 2016, 12 June 2017, 12 June 2018 and 12 June 2019 respectively.

39. SHARE OPTION AND SHARE AWARD SCHEME *(continued)*

Share award scheme *(continued)*

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

Eligible participants	At 1 July 2013	Shares awarded during the year (Note a)	Shares vested during the year (Note b)	At 30 June 2014
Directors	–	2,000,000	–	**2,000,000**
Employees	–	5,765,000	–	**5,765,000**
	–	7,765,000	–	**7,765,000**

Notes:

(a) The awarded shares were granted on 13 June 2014.

(b) There are no awarded shares being vested during and at the end of the year.

During the year ended 30 June 2014, 8,802,000 shares of the Company were acquired at a total cost of HK$20,799,000 of which, 7,765,000 shares had been awarded to the directors and employees for their services rendered to the Group. The remaining 1,037,000 shares are deemed as unallocated shares which are held under the Award Scheme and are available for future award and/or disposal pursuant to the Award Scheme Rules.

The estimated fair value of the share award granted on 13 June 2014 was approximately HK$18,481,000 based on the market price of HK$2.38 per share at the date of grant.

The Group recognised the total expense of approximately HK$390,000 (2013: nil) for the year ended 30 June 2014 in relation to share award granted by the Company.

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40. 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 profit or loss and other 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 2014, the total costs charged to profit or loss in the sum of approximately HK$13,922,000 (2013: HK$19,692,000) represents contributions payable to these schemes by the Group.

41. 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	
	2014	2013
	HK$'000	HK$'000
Purchase of fuel oil from the Related Company	**8,657,736**	5,073,997
Fuel oil storage fee paid or payable to the Related Company	**11,266**	23,210
Barge service fee paid or payable to the Related Company	**14,496**	23,376
Marine transportation income received or receivable from the Related Company	**–**	9,481

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

Pursuant to the resolution passed by independent shareholders of the Company on 14 August 2012, the maturity date of the Convertible Notes was extended by three years to 27 October 2015 under the deed of extension entered into between the Company and Canada Foundation. Details are set out in note 36.

Trade payable to a related company as set out in note 30 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 2014 and 2013.

41. RELATED PARTY TRANSACTIONS *(continued)*

During the year ended 30 June 2013, the Group signed a loan agreement with a joint venture. In pursuant to the agreement, the Group made a loan of RMB50,000,000 (approximately HK$63,504,000) (the "JV loan 1"), which was unsecured, interest bearing at 6.0% per annum and required to be settled on 28 January 2014, to a joint venture. During the year ended 30 June 2014, the Group and the joint venture signed a renewal agreement regarding the JV loan 1. In pursuant to the renewal agreement, the settlement date of the JV loan 1, which is equivalent to approximately HK$62,460,000 at 30 June 2014, was extended to 28 January 2015 with other terms remaining unchanged.

During the year ended 30 June 2014, the Group and the joint venture entered into another loan agreement and in pursuant to which the Group made a loan of RMB20,000,000 (approximately HK$24,983,000) (the "JV loan 2") to the joint venture. The JV loan 2 is unsecured, interest bearing at 6.15% per annum and required to be settled on 23 March 2015.

Amounts due from joint ventures are non-trade in nature, unsecured, interest free and repayable on demand.

Loans from a related company are unsecured and non-interest bearing with details set out in note 46.

During the year ended 30 June 2014, the Group disposed of its entire interest in 舟山大宗 to the Related Company with details set out in note 23.

Compensation of key management personnel

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

	2014 HK$'000	2013 HK$'000
Salaries and other short-term employee benefits	**20,667**	16,778
Retirement benefits costs	**56**	45
Share-based payments		
– share options	**704**	1,792
– share award	**65**	–
	21,492	18,615

The remuneration of the executive directors, who are considered as the key management personnel of the Group, is determined by the remuneration committee having regard to the performance of the individuals and market trend.

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

At 30 June 2014, amounts mainly represented deposits paid for construction of oil storage facilities of approximately HK$44,360,000 (2013: HK$774,000).

43. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

At 30 June 2014, amount solely represented a deposit of US$107,500,000 (equivalent to approximately HK$833,155,000) paid for acquisition of a subsidiary in upstream business. The acquisition has been completed subsequently on 8 August 2014. Details about acquisition of the subsidiary are set out in note 47.

For the year ended 30 June 2014

44. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to enforceable master netting agreements signed with various counterparties (the "Netting Agreements") irrespective of whether they are offset in the Group's consolidated statement of financial position.

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

At 30 June 2014

Financial assets of the Group subject to the Netting Agreements by type of financial instruments

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000
Receivables from brokers	1,354,618	–	1,354,618
Derivative financial assets			
– futures	83,828	–	83,828
– swaps	78,670	–	78,670
	1,517,116	–	1,517,116

Financial liabilities of the Group subject to the Netting Agreements by type of financial instruments

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000
Derivative financial liabilities			
– futures	(492,737)	–	(492,737)
– swaps	(324,857)	–	(324,857)
	(817,594)	–	(817,594)

44. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS *(continued)*

At 30 June 2014 *(continued)*

Net financial assets subject to the Netting Agreements by counterparty

	Net amounts of financial assets presented in the consolidated statement of financial position			Related amounts not set off in the consolidated statement of financial position	
	Receivables from brokers HK$'000	Derivative financial instruments HK$'000	Total HK$'000	Derivative financial liabilities HK$'000	Net amounts HK$'000
Counterparty A	285,635	22,957	308,592	(157,168)	151,424
Counterparty B	292,757	134	292,891	(126,203)	166,688
Counterparty C	297,711	3,018	300,729	(126,016)	174,713
Counterparty D	380,241	102,356	482,597	(345,491)	137,106
Counterparty E	98,274	34,033	132,307	(62,716)	69,591
Total	1,354,618	162,498	1,517,116	(817,594)	699,522

Net financial liabilities subject to the Netting Agreements by counterparty

	Net amounts of financial liabilities in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position Derivative financial assets HK$'000	Net amounts HK$'000
Counterparty A	(157,168)	157,168	–
Counterparty B	(126,203)	126,203	–
Counterparty C	(126,016)	126,016	–
Counterparty D	(345,491)	345,491	–
Counterparty E	(62,716)	62,716	–
Total	(817,594)	817,594	–

For the year ended 30 June 2014

44. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS *(continued)*

At 30 June 2013

Financial assets of the Group subject to the Netting Agreements by type of financial instruments

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000
Receivables from brokers	492,826	–	492,826
Derivative financial assets			
– futures	121,112	–	121,112
– swaps	272,970	–	272,970
	886,908	–	886,908

Financial liabilities of the Group subject to the Netting Agreements by type of financial instruments

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000
Derivative financial liabilities			
– futures	(140,019)	–	(140,019)
– swaps	(188,388)	–	(188,388)
	(328,407)	-	(328,407)

44. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS *(continued)*

At 30 June 2013 *(continued)*

Net financial assets subject to the Netting Agreements by counterparty

	Net amounts of financial assets presented in the consolidated statement of financial position			Related amounts not set off in the consolidated statement of financial position	
	Receivables from brokers HK$'000	Derivative financial instruments HK$'000	Total HK$'000	Derivative financial liabilities HK$'000	Net amounts HK$'000
Counterparty A	108,594	20,815	129,409	(38,096)	91,313
Counterparty B	140,848	34,769	175,617	(55,437)	120,180
Counterparty C	156,805	167,356	324,161	(97,224)	226,937
Counterparty D	46,638	150,314	196,952	(112,053)	84,899
Counterparty E	39,941	20,828	60,769	(25,597)	35,172
Total	492,826	394,082	886,908	(328,407)	558,501

Net financial liabilities subject to the Netting Agreements by counterparty

	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position Derivative financial assets HK$'000	Net amounts HK$'000
Counterparty A	(38,096)	38,096	–
Counterparty B	(55,437)	55,437	–
Counterparty C	(97,224)	97,224	–
Counterparty D	(112,053)	112,053	–
Counterparty E	(25,597)	25,597	–
Total	(328,407)	328,407	–

The gross amounts of the recognised financial assets and financial liabilities disclosed in the above tables which are subject to the Netting Agreements, are measured as follows:

- Receivables from brokers – amortised cost
- Derivative financial instruments – fair value

For the year ended 30 June 2014

45. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 June 2014, trade payable owed to the Related Company of approximately HK$1,457,053,000 (2013: HK$1,473,754,000) was re-arranged as a loan to the Group. Details are set out in note 46.

At 30 June 2014, amounts of approximately HK$843,028,000 (2013: HK$399,586,000) 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 31. Besides, the Group utilised approximately HK$4,866,000 (2013: HK$360,140,000) of deposits paid for acquisition of property, plant and equipment.

At 30 June 2013, the Group utilised approximately HK$65,844,000 of deposits paid for acquisition of prepaid lease payment.

46. LOANS FROM A RELATED COMPANY

In June 2013, the Related Company re-arranged certain trade payables, with a principal amount of US$190,000,000 (equivalent to approximately HK$1,473,754,000), owed by the Group to it as an unsecured loan to the Group (the "Related Party Loan 1"). Principal amount of US$70,000,000 (equivalent to approximately HK$542,962,000) (the "Long Term Loan 1") is unsecured, interest free and repayable on 26 July 2014. On initial recognition, the Long Term Loan 1 was discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating and imputed interests of approximately HK$33,702,000 was credited to equity as deemed capital contribution from the ultimate controlling shareholder. The remaining principal amount of the Related Party Loan 1 of US$120,000,000 (equivalent to approximately HK$930,792,000) (the "Short Term Loan") was unsecured, interest free and repayable on demand.

During the year ended 30 June 2014, the Short Term Loan was fully repaid and imputed interest of approximately HK$31,109,000 arising from the Long Term Loan 1 was recognised.

In June 2014, the Related Company re-arranged certain trade payables, with a principal amount of US$188,000,000 (equivalent to approximately HK$1,457,053,000), owed by the Group to it as an unsecured loan to the Group (the "Related Party Loan 2"). Principal amount of US$150,000,000 (equivalent to approximately HK$1,162,542,000) (the "Long Term Loan 2") is unsecured, interest free and repayable on 30 July 2015. On initial recognition, the Long Term Loan 2 was discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating and imputed interests of approximately HK$92,996,000 was credited to equity as deemed capital contribution from the ultimate controlling shareholder. The remaining principal amount of the Related Party Loan 2 of US$38,000,000 (equivalent to approximately HK$294,511,000) after offsetting the receivable from disposal of an associate of HK$4,997,000 (see note 23), amounting to HK$289,514,000 is unsecured, interest free and repayable on demand.

47. EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of a private company operating in the PRC

Pursuant to the announcement dated 8 August 2014, the Group has acquired the entire issued capital of Kerr-McGee China Petroleum Ltd (the "Target Company"), which has become a wholly-owned subsidiary of the Group, from Anadarko China Holdings 2 Company, an independent third party, at a consideration of US$1,046,000,000 (equivalent to approximately HK$8,124,000,000). The Target Company is principally engaged in exploration, development, production and sale of crude oil and holds participating interest in a number of oil fields situated at two offshore blocks in Bohai Bay. The acquisition has been completed on 8 August 2014. The directors of the Company are in the process of considering and qualifying the valuation of all identifiable assets and liabilities of the Target Company.

47. EVENTS AFTER THE REPORTING PERIOD *(continued)*

(b) Acquisition of two oil tankers

On 14 August 2014, two subsidiaries of the Group entered into memorandum of agreements (the "MOAs") for sales and purchase of two oil tankers, namely Vessel 639 and Vessel 666, with Zhejiang Brightoil Shipping Co., Ltd. ("BOZJ") and Shenzhen Brightoil Shipping Group Co., Ltd. ("BOSZ") respectively (the "Proposed Transactions"). Pursuant to the MOAs, the Group has agreed to purchase and BOZJ and BOSZ have agreed to sell the two oil tankers at US$9,000,000 (equivalent to approximately HK$69,750,000) each. Both BOZJ and BOSZ are ultimately and beneficially controlled by Dr. Sit. As such, the Proposed Transactions constitute connected transactions under the Listing Rules.

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 2014 and 2013 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
			2014	2013	
Brightoil Property (HK) Ltd.*	British Virgin Islands	US$1	100%	100%	Property holding
Brightoil Marine Bunkering Group Ltd.#	British Virgin Islands	US$1	100%	100%	Investment holding
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 Investment 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 Limited*	British Virgin Islands	US$1	100%	100%	Proprietary trading in securities and service company

For the year ended 30 June 2014

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 2014	2013	Principal activities
Win Business Petroleum Group Limited# (Formerly known as Win Business Petroleum Group (Grand Desert) Limited)	British Virgin Islands	US$1	100%	100%	Investment holding
Win Business Petroleum (Grand Desert) Limited*	Hong Kong (Note 4)	HK$1	100%	100%	Natural gas development and production
Win Business Petroleum Group (Dina) Ltd*	British Virgin Islands	US$1	100%	100%	Investment holding
Win Business Petroleum Group Limited*	Hong Kong (Note 4)	HK$2	100%	100%	Natural gas development and production
Brightoil Petroleum Storage (Zhoushan) Co. Ltd.*	PRC (Note 1)	US$123,806,010	100%	100%	Provision of fuel oil storage services
Win Business Energy Foundation Ltd.*	Cayman Islands	US$1	100%	100%	Investment holding
Brightoil Petroleum Storage (Dalian) Co. Ltd.*	PRC (Note 1)	US$100,500,000	100%	100%	Provision of fuel oil storage services
Brightoil Legend Tanker Ltd.*	British Virgin Islands (Note 2)	US$1	100%	100%	Marine transportation
Brightoil Lion Tanker Ltd.*	British Virgin Islands (Note 2)	US$1	100%	100%	Marine transportation
Brightoil Lucky Tanker Ltd.*	British Virgin Islands (Note 2)	US$1	100%	100%	Marine transportation
Brightoil League Tanker Ltd.*	British Virgin Islands (Note 2)	US$1	100%	100%	Marine transportation
Brightoil Shipping Singapore Pte Ltd.*	Singapore (Note 2)	US$50,000	100%	100%	Marine Transportation
Brightoil Glory Tanker Ltd.*	British Virgin Islands (Note 2)	US$1	100%	100%	Marine Transportation

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 2014	2013	Principal activities
Brightoil Grace Tanker Ltd.*	British Virgin Islands (Note 2)	US$1	100%	100%	Marine Transportation
Brightoil Gravity Tanker Ltd.*	British Virgin Islands (Note 2)	US$1	100%	100%	Marine Transportation
Brightoil Galaxy Tanker Ltd.*	British Virgin Islands (Note 2)	US$1	100%	100%	Marine Transportation
Brightoil Gem Tanker Ltd.*	British Virgin Islands (Note 2)	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 subsidiaries are operating in Singapore.

(3) The subsidiary is operating in Holland.

(4) These subsidiaries are operating in the PRC.

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

None of the subsidiaries had issued any debt securities outstanding during the year or at 30 June 2014 and 2013.

FINANCIAL SUMMARY

RESULTS

	Year ended 30 June				
	2010 HK'000	2011 HK'000	2012 HK'000	2013 HK'000	**2014** **HK'000**
Revenue	13,634,611	39,533,108	69,949,215	55,448,813	**84,505,413**
Profit (loss) before taxation	1,182,873	1,378,245	309,677	(697,264)	**589,508**
Income tax credit (charge)	(74,138)	(107,847)	(3,961)	(24,386)	**9,792**
Profit (loss) for the year	1,108,735	1,270,398	305,716	(721,650)	**599,300**

ASSETS AND LIABILITIES

	At 30 June				
	2010 HK'000	2011 HK'000	2012 HK'000	2013 HK'000	**2014** **HK'000**
Total assets	7,139,491	18,668,713	24,189,824	19,302,529	**24,473,304**
Total liabilities	(3,041,847)	(12,377,700)	(16,691,020)	(12,405,504)	**(16,923,028)**
Equity attributable to equity holders	4,097,644	6,291,013	7,498,804	6,897,025	**7,550,276**