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

Interim Report 2015

www.brightoil.com.hk
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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Brightoil Petroleum (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 50, which comprises the condensed consolidated statement of financial position as of 31 December 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 February 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 31 December 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
Revenue	3	**44,886,474**	40,345,945
Cost of sales and services – Depreciation and amortisation		**(568,760)**	(130,532)
Cost of sales and services – Others		**(44,487,942)**	(39,321,752)
Gross (loss) profit		**(170,228)**	893,661
Other income	5	**3,140**	1,717
Other gains and losses, net	5	**16,754**	80,696
Fair value change of derivative financial instruments	18	**1,555,492**	12,382
Other expenses	6	**(112,779)**	(82,565)
Distribution and selling expenses		**(112,610)**	(167,103)
Administrative expenses		**(154,973)**	(139,656)
Finance costs	7	**(322,410)**	(91,442)
Share of profits (losses) of joint ventures		**508**	(2,533)
Share of loss of an associate		**–**	(69)
Profit before taxation	8	**702,894**	505,088
Income tax (charge) credit	9	**(141,753)**	39,804
Profit for the period attributable to the owners of the Company		**561,141**	544,892
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**3,702**	(2,158)
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**2,062**	3,132
Other comprehensive income for the period		**5,764**	974
Total comprehensive income for the period attributable to the owners of the Company		**566,905**	545,866
		(unaudited)	(unaudited)
Earnings per share			
Basic	11	**HK6.41 cents**	HK6.22 cents
Diluted	11	**HK6.01 cents**	HK5.82 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2014 HK$'000 (unaudited)	At 30 June 2014 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	12	**10,789,035**	8,754,849
Prepaid lease payments for land		**507,324**	512,841
Prepaid lease payments for coast		**14,587**	14,748
Investment property	12	**42,000**	42,000
Interests in joint ventures		**725,525**	601,934
Mining interests	27	**5,430,179**	–
Deposits paid for acquisition of property, plant and equipment	13	**68,598**	82,076
Deposit paid for acquisition of a subsidiary		**–**	833,155
Prepayments, rental and other deposits		**15,960**	33,686
Deferred tax assets		**35,265**	–
		17,628,473	10,875,289
Current assets			
Inventories		**638,995**	2,058,295
Trade debtors	14	**7,610,023**	7,227,475
Accrued revenue		**135,742**	45,927
Prepaid lease payments for land		**11,124**	11,123
Prepaid lease payments for coast		**325**	325
Derivative financial instruments	18	**1,659,735**	371,280
Other debtors, prepayments and deposits	14	**105,434**	75,590
Loan to a joint venture	23	**24,986**	87,443
Amounts due from joint ventures	23	**308**	308
Securities held-for-trading	15	**9,920**	221,580
Receivables from brokers		**59,117**	1,365,122
Pledged bank deposits		**1,429,108**	522,624
Bank balances and cash		**1,295,735**	1,610,923
		12,980,552	13,598,015

	Notes	At 31 December 2014 HK$'000 (unaudited)	At 30 June 2014 HK$'000 (audited)
Current liabilities			
Trade creditors	16	6,331,729	7,508,596
Trade payable to a related company	16, 23	52,003	9,896
Loan from a related company	23, 25	222,295	829,852
Payable to a broker		362,677	–
Other creditors and accrued charges	16	1,408,133	1,086,272
Bank and other borrowings	17	3,091,804	2,909,138
Derivative financial instruments	18	946,870	961,780
Profits tax liabilities		161,392	1,210
Convertible notes	20	272,404	–
		12,849,307	13,306,744
Net current assets		131,245	291,271
Total assets less current liabilities		17,759,718	11,166,560
Non-current liabilities			
Convertible notes	20	–	256,702
Bank borrowings	17	6,763,340	2,258,948
Loans from a related company	23, 25	2,374,964	1,069,546
Provision for restoration and environmental costs	28	199,399	–
Deferred tax liabilities		42,564	31,088
		9,380,267	3,616,284
		8,379,451	7,550,276
Capital and reserves			
Share capital	19	219,163	219,163
Reserves		8,160,288	7,331,113
Equity attributable to owners of the Company		8,379,451	7,550,276

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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
At 1 July 2014 (audited)	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
Profit for the period	-	-	-	-	-	-	-	-	-	-	561,141	561,141
Other comprehensive income for the period	-	-	-	-	-	5,764	-	-	-	-	-	5,764
Total comprehensive income for the period	-	-	-	-	-	5,764	-	-	-	-	561,141	566,905
Shares purchased for share award scheme	-	-	-	-	-	-	-	-	-	(12,762)	-	(12,762)
Recognition of equity-settled share-based payments – share award	-	-	-	-	-	-	-	-	3,304	-	-	3,304
Deemed capital contribution from ultimate controlling shareholder (note 25)	-	-	-	-	271,728	-	-	-	-	-	-	271,728
Forfeiture of share options	-	-	-	-	-	-	-	-	(622)	-	622	-
Forfeiture of share award	-	-	-	-	-	-	-	-	(85)	-	85	-
At 31 December 2014 (unaudited)	219,163	4,211,487	3,489	1,000	432,105	79,173	1,040,839	(861,202)	35,091	(33,561)	3,251,867	8,379,451
At 1 July 2013 (audited)	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 period	-	-	-	-	-	-	-	-	-	-	544,892	544,892
Other comprehensive income for the period	-	-	-	-	-	974	-	-	-	-	-	974
Total comprehensive income for the period	-	-	-	-	-	974	-	-	-	-	544,892	545,866
Recognition of equity-settled share-based payments – share options	-	-	-	-	-	-	-	-	2,603	-	-	2,603
Forfeiture of share options	-	-	-	-	-	-	-	-	(1,745)	-	1,745	-
At 31 December 2013 (unaudited)	219,163	4,211,487	3,489	1,000	67,381	94,851	1,040,839	(861,202)	33,445	-	2,635,041	7,445,494

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 six months ended 31 December 2014, deemed contribution arising from loans from a related company controlled by the ultimate controlling shareholder of the Company of approximately HK$271,728,000 was recognised. Details are set out in note 25.

c. Other reserve recognised during the year ended 30 June 2013 represents the difference between the redemption consideration allocated from fair value of the New Convertible Notes (as defined in note 20), at 27 October 2012 and the carrying amount of the outstanding options in connection with the Convertible Notes (as defined in note 20) which was supposed to be matured on 27 October 2012 as at the date of redemption.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 31 December 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
Profit before taxation		**702,894**	505,088
Adjustments for:			
Finance costs		**322,410**	91,442
Fair value change of derivative financial instruments		**(1,555,492)**	(12,382)
Depreciation of property, plant and equipment		**364,924**	145,410
Amortisation of mining interests		**206,155**	–
Fair value change on inventories		**317,278**	(163,789)
Other non-cash items		**(8,564)**	(90,966)
Operating cash flows before movements in working capital		**349,605**	474,803
Decrease (increase) in inventories		**1,163,559**	(155,623)
Increase in trade debtors		**(382,548)**	(1,829,871)
Decrease (increase) in receivables from brokers		**1,306,005**	(807,968)
Increase in trade payables		**1,071,799**	3,083,103
Other working capital items		**782,220**	612,677
Net cash generated from operating activities		**4,290,640**	1,377,121
Net cash used in investing activities:			
Acquisition of a subsidiary, net of cash and cash equivalent acquired	26	**(6,017,204)**	–
Prepaid lease payment for coast		**–**	(3,211)
Purchase of property, plant and equipment		**(503,157)**	(287,120)
Settlement of payables in relation to purchase of property, plant and equipment in prior year		**(197,542)**	(95,588)
Deposits paid for acquisition of property, plant and equipment		**(6,251)**	(27,163)
Repayment from a joint venture		**62,465**	–
Advance to a joint venture		**–**	(24,773)
Capital contribution to joint ventures		**(124,079)**	(49,769)
Placement to pledged bank deposits		**(4,141,034)**	(7,777,125)
Withdrawal of pledged bank deposits		**3,234,750**	7,625,206
Other investing cash flows		**8,641**	(337)
		(7,683,411)	(639,880)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 December 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
Net cash generated from (used in) financing activities:		
Bank and other borrowings raised	**13,222,857**	12,268,142
Repayment of bank borrowings	**(8,579,564)**	(12,099,805)
Advance from a related company	**383,824**	–
Repayment of loan to a related company	**(1,762,926)**	(930,792)
Other financing cash flows	**(188,284)**	(91,441)
	3,075,907	(853,896)
Net decrease in cash and cash equivalents	**(316,864)**	(116,655)
Cash and cash equivalents at 1 July	**1,610,923**	1,351,985
Effect of foreign exchange rate changes	**1,676**	(5,531)
Cash and cash equivalents at 31 December represented by bank balances and cash	**1,295,735**	1,229,799

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment property and certain financial instruments which are measured at fair values and for inventories (excluding upstream crude oil) which are measured at fair value less costs to sell.

Except for the newly adopted accounting policies which have become applicable to the Group as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2014 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2014.

Mining interests

Mining interests acquired in an acquisition of assets and liabilities through acquisition of a subsidiary are identified and recognised separately where they satisfy the definition of an intangible asset. The cost of such mining interests is their fair value at the acquisition date.

Subsequent to initial recognition, mining interests with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation for mining interests with finite useful lives is provided on the units-of-production method utilising the proved and probable reserves that are expected to be all extracted during the contract period as the depletion base.

Revenue recognition

Under the sales method, the Group and other joint operation partners may sell more or less than their entitled share of production. If the Group's sales volumes for a well exceed the Group's proportionate share of production from the well, a liability is recognised to the extent that the Group's share of estimated remaining recoverable reserves from the well is insufficient to satisfy this imbalance. If the Group has taken less than its proportionate share of production due to other joint operation partners have lifted more than the portion entitled, or the Group has not sold all its entitled oil, an inventory is recognised. Differences between the sales and the Group entitled share of production are not significant.

Revenue from sales of upstream crude oil from the oil properties in which the Group has an interest with joint operation partners are recognised under the sales method. Such revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. The Group recognises sales revenue for upstream crude oil based on the amount of each product sold. Sales represent the invoiced value of sales of upstream crude oil sold by the Group, excluding special petroleum levy tax. Revenue from the sales of upstream crude oil is recognised when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This occurs when a tanker lifting has occurred.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Inventories – upstream crude oil

Inventories, which are crude oil produced from upstream crude oil business, are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provision for restoration and environmental costs

The Group and other Interest Owners (as defined in note 26) are required to make payments for restoration, rehabilitation or environmental protection of the land after the underground sites have been mined. Provisions for restoration and environmental costs are required when the Group and other Interest Owners have a present obligation as a result of a past event, it is probable that the Group and other Interest Owners will be required to settle the obligation. Provisions are measured at the directors of the Group's best estimation of the consideration required to settle the present obligation at the end of the reporting period, and are discounted to present value where the effect is material. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated restoration and environmental cost, discounted to its present value using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Changes in the estimated timing and amount of restoration and environmental costs are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the dismantlement provision is included as a finance cost.

In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

	Six months ended 31 December	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Provision of marine bunkering services	**4,078,464**	9,944,727
Sales of petroleum products from international trading	**38,720,663**	29,816,237
Marine transportation income	**603,854**	443,394
Sales of natural gas and condensate from upsteam business	**566,043**	138,716
Sales of crude oil from upstream business	**910,402**	–
Dividend income	**6,469**	2,063
Rental income from investment property	**579**	808
	44,886,474	40,345,945

4. SEGMENT INFORMATION

The Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

- International trading and bunkering operation
- Marine transportation operation
- Upstream gas business
- Upstream crude oil business
- Direct investments

During the period ended 31 December 2014, the Group acquired Kerr-McGee China Petroleum Ltd ("KMCPL") which is engaged in development, production and sales of crude oil. Since then, the Chief Executive Officer of the Company, being the chief operating decision marker ("CODM"), reviews the financial performance of crude oil development and sales operation. Accordingly, results from upstream crude oil business are presented as an operating and reportable segment.

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

4. SEGMENT INFORMATION (CONTINUED)

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

Six months ended 31 December 2014

	International trading and bunkering operation HK$'000 (unaudited)	Marine transportation operation HK$'000 (unaudited)	Upstream gas business HK$'000 (unaudited)	Upstream crude oil business HK$'000 (unaudited)	Direct investments HK$'000 (unaudited)	Segment total HK$'000 (unaudited)	Unallocated revenue HK$'000 (unaudited) (Note)	Consolidated HK$'000 (unaudited)
SEGMENT REVENUE								
External sales	42,799,127	603,854	566,043	910,402	6,469	44,885,895	579	44,886,474
Inter-segment sales	247,767	40,333	–	–	–	288,100	–	288,100
	43,046,894	644,187	566,043	910,402	6,469	45,173,995	579	45,174,574
SEGMENT RESULTS	171,722	102,843	436,175	357,197	17,283	1,085,220		1,085,220
Other income, other gains and losses, net								6,360
Unallocated corporate expenses								(66,784)
Finance costs								(322,410)
Share of profits of joint ventures								508
Profit before taxation								702,894

4. SEGMENT INFORMATION (CONTINUED)

Six months ended 31 December 2013

	International trading and bunkering operation HK$'000 (unaudited)	Marine transportation operation HK$'000 (unaudited)	Upstream gas business HK$'000 (unaudited)	Direct investments HK$'000 (unaudited)	Segment total HK$'000 (unaudited)	Unallocated revenue HK$'000 (unaudited) (Note)	Consolidated HK$'000 (unaudited)
SEGMENT REVENUE							
External sales	39,760,964	443,394	138,716	2,063	40,345,137	808	40,345,945
Inter-segment sales	245,837	85,348	–	–	331,185	–	331,185
	40,006,801	528,742	138,716	2,063	40,676,322	808	40,677,130
SEGMENT RESULTS	480,637	(6,822)	81,908	41,523	597,246		597,246
Other income, other gains and losses, net							41,652
Unallocated corporate expenses							(39,766)
Finance costs							(91,442)
Share of losses of joint ventures							(2,533)
Share of loss of an associate							(69)
Profit before taxation							505,088

Note: Unallocated revenue represents rental income from an investment property which was not reviewed by the CODM during the six months ended 31 December 2014 and 2013.

Segment results represent the profit earned/loss suffered by each segment without allocation of central administration costs, directors' emoluments at the head office, share of profits/losses of joint ventures, share of loss of an associate, other income, other gains and losses, net (excluding fair value change of securities held-for-trading, subleasing income and heating and deviation income), finance costs and income tax. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

5. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	Six months ended 31 December	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Other income		
Interest income on bank deposits	**1,489**	1,670
Heating and deviation income	**1,651**	47
	3,140	1,717
Other gains and losses, net		
Net foreign exchange (loss) gain	**(6,979)**	39,432
Fair value change of securities held-for-trading	**11,121**	39,460
Others	**12,612**	1,804
	16,754	80,696

6. OTHER EXPENSES

	Six months ended 31 December	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Professional fees (Note)	**47,070**	26,642
Brokerage and commission expenses	**43,873**	28,247
Other expenses in relation to derivative trading and bank services	**21,836**	27,676
	112,779	82,565

Note: Professional fees represent fees for general legal advisory services, consultancy fee and fee for advisory services on investment projects. An aggregate amount of approximately HK$12,677,000 (six months ended 31 December 2013: nil) relates to merger and acquisition projects.

7. FINANCE COSTS

	Six months ended 31 December	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Imputed interest expense on loan from a related company (Note 25)	**99,776**	18,406
Imputed interest expense on convertible notes	**15,702**	13,957
Unwinding of discounting effect of provision for restoration and environmental costs	**4,855**	–
Interest expense on bank borrowings	**189,665**	78,748
Interest expense on other borrowing	**27,642**	–
Total	**337,640**	111,111
Less: Amount capitalised	**(15,230)**	(19,669)
	322,410	91,442

Borrowing costs capitalised during the period of approximately HK$15,230,000 (six months ended 31 December 2013: HK$19,669,000) arose on the general borrowing pool calculated by applying a capitalisation rate of 1.96% (six months ended 31 December 2013: 3.50%) per annum to the expenditure of qualifying assets. Borrowing costs were capitalised as part of the construction in progress in respect of oil storage facilities, gas properties and buildings.

8. PROFIT BEFORE TAXATION

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

	Six months ended 31 December	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Amount of inventories recognised as expense	**42,712,370**	39,806,028
Unrealised loss (gain) on fuel oil inventories (included in cost of sales and services)	**317,278**	(163,789)
Amortisation of mining interests (included in cost of sales and services)	**206,155**	–
Depreciation of property, plant and equipment		
– Vessels (included in cost of sales and services)	**124,310**	109,055
– Oil and gas properties (included in cost of sales and services)	**238,295**	21,477
– Others	**5,770**	14,878
	368,375	145,410
Less: Amount capitalised to inventories	**(3,451)**	–
	364,924	145,410

9. INCOME TAX (CHARGE) CREDIT

	Six months ended 31 December	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax charge for the period:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax ("EIT")	**(147,565)**	(10,231)
Singapore Income Tax	**(10)**	(93)
Overprovision in prior years:		
PRC EIT, net (Note)	**9,523**	24,743
Singapore Income Tax, net	**211**	5,432
	(137,841)	19,851
Deferred taxation:		
Current period	**(3,912)**	(1,012)
Attributable to a change in tax rate (Note)	**–**	20,965
	(3,912)	19,953
Income tax (charge) credit for the period	**(141,753)**	39,804

Note: During the six months ended 31 December 2014, there was an overprovision in the PRC EIT for a subsidiary operating in Tuzi gas field in prior years amounting to approximately HK$9,841,000.

During the six months ended 31 December 2013, there was an overprovision in the PRC EIT for a subsidiary operating in Dina gas field 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 was subject to EIT in accordance to the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law"), calculated on 25% of the taxable profits earned from sales of natural gas and condensate from Dina and Tuzi gas fields.

Since then, the Group applied for and was granted a concessionary tax rate of 15% in which the Group can enjoy the concessionary tax rate retrospectively from July 2011 to 31 December 2020 for a subsidiary operating in Dina gas field and from December 2013 to 31 December 2020 for a subsidiary operating in Tuzi gas field. Accordingly, the Group recorded the amount of tax to be refunded as overprovision in prior year and re-estimated the relevant deferred taxation based on the tax rates that are expected to apply in the relevant periods.

9. INCOME TAX (CHARGE) CREDIT (CONTINUED)

Hong Kong Profits Tax and Singapore Income Tax are recognised based on the best estimate of the weighted average annual income tax rate of the different tax jurisdictions for the period. The annual tax rate used in respect of Hong Kong Profits Tax is 16.5% for both periods. No provision for the Hong Kong Profits Tax was provided for the Group's Hong Kong subsidiaries as those subsidiaries have no assessable profit or suffered from tax losses for both periods. 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 ending 30 June 2018, certain qualified income (e.g. income from marine bunkering operation and sales of petroleum products) generated during the period 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%.

The Group has been awarded the Approved International Shipping Enterprise Incentive ("AIS") status with effect from 1 April 2011 for an initial period of 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 and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries, including the subsidiary acquired during the six months ended 31 December 2014 (see note 26), is 25% from 1 January 2008 onwards except for two of the subsidiaries which enjoy the concessionary tax rate of 15% (see Note above).

At 31 December 2014, deferred tax assets of approximately HK$35,265,000 represent temporary differences arising on decelerated tax depreciation. Such deferred tax assets were recognised upon acquisition of a subsidiary (see note 26).

10. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 31 December 2014. The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2014 and 2013.

11. EARNINGS PER SHARE

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

Earnings

	Six months ended 31 December	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings for the purpose of basic earnings per share (profit for the period attributable to the owners of the Company)	**561,141**	544,892
Effect of dilutive potential ordinary shares:		
Interest on New Convertible Notes (defined in note 20) (net of tax)	**13,111**	11,655
Earnings for the purpose of diluted earnings per share	**574,252**	556,547

Number of shares

	Six months ended 31 December	
	2014	2013
	(unaudited)	(unaudited)
Weighted average number of ordinary shares in issue less shares held under share award scheme during the period for the purpose of basic earnings per share	**8,752,598,266**	N/A
Weighted average number of ordinary shares for the purpose of basic earnings per share	**N/A**	8,766,498,266
Effect of dilutive potential ordinary shares:		
New Convertible Notes	**799,979,333**	799,979,333
Unvested share award	**1,043,954**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**9,553,621,553**	9,566,477,599

For the six months ended 31 December 2014 and 2013, the computation of the diluted earnings per share did not assume the exercise of the share options granted since the exercise price of the share options outstanding was higher than average market price for shares during both periods.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the six months ended 31 December 2014, total additions to property, plant and equipment were approximately HK$2,399,698,000 (six months ended 31 December 2013: HK$707,827,000). The additions mainly comprised construction in progress of approximately HK$272,039,000 (six months ended 31 December 2013: HK$707,601,000) and property, plant and equipment of approximately HK$1,779,306,000 (six months ended 31 December 2013: nil) acquired through the acquisition of a subsidiary. Details of the acquisition are set out in note 26.

The property, plant and equipment acquired through the acquisition of a subsidiary included mainly oil properties, wells and platforms, of approximately HK$1,241,259,000 which are depreciated on the unit-of-production method utilising only proved and probable oil reserve as the depletion base.

At 31 December 2014 and 2013, the Group's investment property was valued by the management by reference to recent market evidence of transaction prices for similar properties in the same location and condition. No valuation has been performed by independent qualified professional valuers at both periods. There is no change in fair value of the investment property for the current and prior periods.

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

At 31 December 2014, included in the deposits paid for acquisition of property, plant and equipment is an amount of approximately HK$44,764,000 (30 June 2014: HK$44,360,000) which represents deposits paid for the acquisition of equipments to be installed in the oil storage facilities which are under construction.

14. TRADE DEBTORS AND OTHER DEBTORS, PREPAYMENTS AND DEPOSITS

The Group allows an average credit period of 30 to 45 days to its international trading and marine bunkering customers, 60 days to the sole customer, China National Petroleum Corporation ("CNPC"), on sales of natural gas and condensate, 30 to 90 days to its marine transportation customers and 30 days to the sole customer, CNOOC China Limited ("CNOOC"), on sales of crude oil. CNPC and CNOOC are the Interest Owners of the Group's joint operations at Dina and Tuzi gas fields and Bohai Bay oil fields respectively. The following is an aged analysis of trade debtors presented based on the revenue recognition date, at the end of the reporting period:

	At 31 December 2014 HK$'000 (unaudited)	At 30 June 2014 HK$'000 (audited)
0–30 days	**7,136,485**	6,582,691
31–60 days	**423,532**	611,722
61–90 days	**9,796**	24,508
Over 90 days	**40,210**	8,554
	7,610,023	7,227,475

At 31 December 2014, included in other debtors, prepayments and deposits an amount of approximately HK$81,056,000 (30 June 2014: HK$64,824,000) represents prepayments for daily operating expenses and an amount of HK$7,449,000 (30 June 2014: nil) represents amounts due from other Interest Owners (as defined in note 26), which are unsecured, interest free and repayable on demand, primarily arisen from expenses paid on behalf of the other Interests Owners.

15. SECURITIES HELD-FOR-TRADING

	At 31 December 2014 HK$'000 (unaudited)	At 30 June 2014 HK$'000 (audited)
Equity securities, at fair value		
listed in Hong Kong	9,920	6,845
listed in the PRC	–	214,735
	9,920	221,580

16. TRADE CREDITORS AND OTHER CREDITORS AND ACCRUED CHARGES

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

	At 31 December 2014 HK$'000 (unaudited)	At 30 June 2014 HK$'000 (audited)
0–30 days	4,544,904	5,675,081
31–60 days	1,528,637	441,905
61–90 days	806	1,381,704
Over 90 days	257,382	9,906
	6,331,729	7,508,596

Apart from the balances disclosed above, the balance of approximately HK$52,003,000 (30 June 2014: HK$9,896,000) classified as trade payable to a related company (the "Related Company"), which is controlled by Dr. Sit (as defined in note 20) who is an executive director and the controlling shareholder of the Company, is trade in nature. The amount is aged within 45 days at 31 December 2014 (30 June 2014: aged within 45 days) with credit terms of 45 days granted to the Group.

16. TRADE CREDITORS AND OTHER CREDITORS AND ACCRUED CHARGES (CONTINUED)

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

	At 31 December 2014 HK$'000 (unaudited)	At 30 June 2014 HK$'000 (audited)
Other payables to independent third parties for purchase of property, plant and equipment (Note a)	**645,486**	843,028
Other tax payable for goods and services in relation to sales made in Singapore (Note a)	**25,231**	49,378
Special petroleum levy ("SPL") payable (Note b)	**37,550**	–
Amounts due to Interest Owners (as defined in note 26) (Note a)	**449,667**	–
Payable to the PRC government (Note c)	**79,796**	79,789
Others	**170,403**	114,077
	1,408,133	1,086,272

Notes:

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

(b) A subsidiary of the Group is required to pay SPL imposed by the Ministry of Finance of the PRC. SPL is charged based on the volume of crude oil sold by the subsidiary at progressive ad.valorem rate, which varies from 20% to 40% of the monthly weighted average sales price of crude oil sold by the subsidiary.

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

17. BANK AND OTHER BORROWINGS

During the six months ended 31 December 2014, the Group obtained several new bank loans from various banks amounting to approximately HK$12,602,463,000 (six months ended 31 December 2013: HK$12,268,142,000) and repaid approximately HK$8,579,564,000 (six months ended 31 December 2013: HK$12,099,805,000). The new bank loans carry variable interest rates ranging from 1.51% to 5.43% (six months ended 31 December 2013: 1.49% to 4.33%) per annum and are repayable in instalments for more than five years (six months ended 31 December 2013: more than five years) and secured by the Group's property, plant and equipment and bank deposits.

At 31 December 2014, the outstanding new bank loans raised during current period ("New Bank Loans") carry variable interest rates ranging from 1.54% to 5.43% (six months ended 31 December 2013: 1.47% to 4.33%) per annum.

The maturity profile of outstanding New Bank Loans are presented below:

	At 31 December 2014 HK$'000 (unaudited)
Carrying amount payable:	
Within one year	**2,176,661**
More than one year, but not exceeding two years	**918,097**
More than two years, but not exceeding five years	**1,526,432**
More than five years	**2,818,639**
	7,439,829

Included in the New Bank Loans outstanding at 31 December 2014 is an amount of approximately HK$1,110,044,000 (six months ended 31 December 2013: nil) denominated in HK$ and all (six months ended 31 December 2013: all) the remaining balances are denominated in USD.

During the six months ended 31 December 2014, the Group obtained an other borrowing from a financial institution amounting to approximately HK$620,001,000 (six months ended 31 December 2013: nil). The other borrowing was unsecured, carried fixed interest rate of 11% per annum and was repayable on 5 February 2015. Up to the date of this report, such other borrowing was fully repaid.

18. 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 publicly traded in active markets. Forwards contracts in relation to the gross physical delivery of fuel oil and crude oil are directly dealt with some counterparties.

During the six months ended 31 December 2014, the gain on fair value change of derivative financial instruments of approximately HK$1,555,492,000 (six months ended 31 December 2013: HK$12,382,000) was credited to profit or loss.

Type of contracts	Fair value HK$'000	Notional amount US$'000	Expiry date
At 31 December 2014 (unaudited)			
Derivative financial assets			
Futures	84,948	55,932	01.01.2015 to 31.12.2015
Swaps	1,025,384	473,379	01.01.2015 to 30.09.2015
Forwards	549,403	865,380	01.01.2015 to 30.06.2015
	1,659,735		
Derivative financial liabilities			
Futures	97,123	55,397	01.01.2015 to 31.12.2015
Swaps	534,330	337,684	01.01.2015 to 30.09.2015
Forwards	315,417	332,104	01.01.2015 to 28.02.2015
	946,870		

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Type of contracts	Fair value HK$'000	Notional amount US$'000	Expiry date
At 30 June 2014 (audited)			
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		

19. SHARE CAPITAL

	Number of shares (unaudited)	**Share capital** HK$'000 (unaudited)
Ordinary shares of HK$0.025 each		
Authorised		
At 1 July 2013, 31 December 2013, 30 June 2014 and 31 December 2014	40,000,000,000	1,000,000
Issued and fully paid		
At 1 July 2013, 31 December 2013, 30 June 2014 and 31 December 2014	8,766,498,266	219,163

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

19. SHARE CAPITAL (CONTINUED)

The Company acquired its own shares at The Stock Exchange of Hong Kong Limited through a trustee appointed under the Company's share award scheme. The number of shares acquired and the amount paid for the acquisitions are presented below:

	Number of shares	Amount paid HK$'000
At 1 July 2013	–	–
Shares purchased	8,802,000	20,799
At 30 June 2014	8,802,000	20,799
Shares purchased	5,098,000	12,762
At 31 December 2014	13,900,000	33,561

20. 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 Kwong Lam ("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 non-interest bearing. The holder of the Convertible Notes is entitled to convert the notes into ordinary shares of the Company ("Conversion Shares") at any time from the date of issue 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.

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 ("New Maturity Date") under the deed of extension entered into between the Company and Canada Foundation ("New Convertible Notes"). The holder of the New 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.

20. CONVERTIBLE NOTES (CONTINUED)

The modification for the New Maturity Date was considered to be a substantial modification of the Convertible Notes and accordingly the Convertible Notes were derecognised and the New Convertible Notes were recognised. The fair value of the New Convertible Notes with principal amount of US$38,709,000 (approximately HK$299,995,000) as at 27 October 2012 amounted to approximately HK$1,266,553,000. 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 31 December 2014, the amortised cost of the liability component is approximately HK$272,404,000 (30 June 2014: HK$256,702,000). The principal amount of the outstanding New Convertible Notes remained unchanged at US$38,709,000.

21. PLEDGE OF ASSETS

At 31 December 2014, vessels, inventories, trade debtors and bank deposits of the Group with carrying values of approximately HK$5,626,550,000, HK$489,872,000, HK$7,140,178,000 and HK$1,429,108,000 (30 June 2014: approximately HK$5,546,874,000, HK$1,930,107,000, HK$6,980,994,000 and HK$522,624,000) respectively were pledged to several banks to secure the loans and short-term credit facilities granted to the Group.

22. COMMITMENTS

	At 31 December 2014 HK$'000 (unaudited)	At 30 June 2014 HK$'000 (audited)
Capital commitments for the subsidiaries		
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	2,120,271	1,836,549
Other commitments for the subsidiaries		
Expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of:		
– prepaid lease payments on leasehold land in the PRC	59,102	59,097
	2,179,373	1,895,646
Capital commitments for the joint ventures		
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	267,243	293,176
	2,446,616	2,188,822

23. RELATED PARTY TRANSACTIONS

During the period, the Group has entered into the following transaction with the Related Company which is also defined as a continuing connected transaction under the Listing Rules:

	Six months ended 31 December	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Purchase of fuel oil from the Related Company	**4,681,625**	4,053,562

Trade payable to the Related Company as set out in note 16 is unsecured and non-interest bearing. The credit term granted to the Group is 45 days and the whole balance is aged within 45 days at 31 December 2014 and 30 June 2014.

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. At 31 December 2014, the JV loan 1 has been fully settled.

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$24,986,000) (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 were non-trade in nature, unsecured, interest free and repayable on demand.

Loans from the Related Company are unsecured and non-interest bearing with details set out in note 25.

Convertible notes are held by Canada Foundation and details of which are set out in note 20.

23. RELATED PARTY TRANSACTIONS (CONTINUED)

During the six months ended 31 December 2014, two subsidiaries of the Group entered into memorandum of agreements (the "MOAs") for sales and purchase of two oil tankers with two related companies. Pursuant to the MOAs, the Group has agreed to purchase and the related companies have agreed to sell the two oil tankers at US$9,000,000 (equivalent to approximately HK$69,786,000) each. On 24 November 2014, the parties entered into a supplemental agreement to MOAs under which the consideration for each oil tanker was reduced to US$8,950,000 (equivalent to HK$69,399,000) each. The two oil tankers were delivered to the Group in December 2014. Such transaction constitutes a connected transaction under the Listing Rules.

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

Compensation of key management personnel

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

	Six months ended 31 December	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Salaries and other short-term employee benefits	**7,652**	8,205
Retirement benefits costs	**36**	23
Share-based payments		
– share options	**–**	1,012
– share award	**761**	–
	8,449	9,240

The remuneration of 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.

24. MAJOR NON-CASH TRANSACTIONS

During the six months ended 31 December 2014, trade payable owed to the Related Company of approximately HK$2,248,665,000 (six months ended 31 December 2013: HK$698,824,000) was re-arranged as loan from the Related Company. Details are set out in note 25.

During the six months ended 31 December 2014, the Group utilised approximately HK$19,685,000 (six months ended 31 December 2013: HK$3,648,000) of deposits paid for acquisition of property, plant and equipment and approximately HK$833,155,000 (six months ended 31 December 2013: nil) of deposit paid for acquisition of a subsidiary.

During the six months ended 31 December 2014, amounts of approximately HK$645,486,000 (six months ended 31 December 2013: HK$703,168,000) 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 16.

25. 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 1”) was unsecured, interest free and repayable on demand.

During the six months ended 31 December 2014 and 2013, imputed interests of approximately HK$2,592,000 and HK$18,406,000 arising from the Long Term Loan 1 were recognised to profit or loss respectively.

The Short Term Loan 1 and the Long Term Loan 1 were fully repaid during the year ended 30 June 2014 and the six months ended 31 December 2014 respectively.

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 in June 2014, amounting to HK$289,514,000 (the “Short Term Loan 2”) was unsecured, interest free and repayable on demand.

25. LOANS FROM A RELATED COMPANY (CONTINUED)

The Short Term Loan 2 was fully repaid during the six months ended 31 December 2014.

Out of the Long Term Loan 2, an amount of HK$930,482,000 was early repaid during the six months ended 31 December 2014.

During the six months ended 31 December 2014, imputed interest of approximately HK$82,981,000 arising from the Long Term Loan 2 was recognised to profit or loss.

In August 2014, the Related Company made a loan with principal amount of US$49,500,000 (equivalent to approximately HK$383,824,000), to the Group (the “Related Party Loan 3”). The Related Party Loan 3 was unsecured, interest free and repayable on 27 January 2016. On initial recognition, the Related Party Loan 3 was discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating and imputed interest of approximately HK$51,132,000 was credited to equity as deemed capital contribution from the ultimate controlling shareholder. During the six months ended 31 December 2014, imputed interest of approximately HK$14,203,000 was recognised to profit or loss.

In December 2014, the Related Company re-arranged certain trade payable, with a principal amount of US$290,000,000 (equivalent to approximately HK$2,248,665,000), owed by the Group to it as an unsecured loan to the Group (the “Related Party Loan 4”). The Related Party Loan 4 was unsecured, interest free and repayable on 31 January 2016. On initial recognition, the Related Party Loan 4 was discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating and imputed interest of approximately HK$220,596,000 was credited to equity as deemed capital contribution from ultimate controlling shareholder.

At 31 December 2014, the outstanding amount of loans from the Related Company that will be repayable within twelve months was approximately HK$222,295,000 (30 June 2014: HK$829,852,000) and the remaining balance of approximately HK$2,374,964,000 (30 June 2014: HK$1,069,546,000) will be repayable after twelve months.

26. ACQUISITION OF A SUBSIDIARY

On 8 August 2014, the Group acquired entire issued share capital of KMCPL, which is principally engaged in development, production and sales of crude oil, at an adjusted cash consideration of US$946,035,000 (equivalent to approximately HK$7,331,770,000) (Details are set out in the announcement dated 18 February 2014).

Before the date of acquisition, KMCPL entered into petroleum contracts in contract areas 04/36 and 05/36 (the "Contract Areas") located in Bohai Bay, north-east China for exploration, development and production of crude oil (the "Bohai Bay Project") with CNOOC, Singapore Petroleum Company and Newfield China, LDC (collectively referred to as the "Interest Owners"). KMCPL was an operator of the Bohai Bay Project until 2013. Since then the operatorship passed to CNOOC. The Bohai Bay Project is a joint operation. Details of the joint operation are set out in note 31.

It is the Group's strategic vision to increase its footprint in the upstream oil and gas industry. The acquisition of KMCPL, in which the Bohai Bay Project has been in steady production, generating good cash flows and managed by a reputable operator and has internationally renowned business partners, is an important step towards the implementation of the overall Group's strategy to progress the Group from a downstream focused company into an integrated oil and gas company, with sustainable production volumes and revenue streams.

The purpose of the acquisition of KMCPL was to obtain the mining interests for development, production and sales of crude oil extracted from specified contract areas (see note 27 for details), thus enabling the Group to further diversify its business in the oil industry. Accordingly, the directors of the Company considered that such acquisition did not constitute a business combination and did not give rise to any goodwill. The mining interests arising as a result of the acquisition was amounted to approximately HK$5,633,398,000.

26. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Consideration transferred

	HK$'000
Cash	6,498,615
Deposit paid during the year ended 30 June 2014	833,155
Total consideration transferred	7,331,770

Acquisition-related costs amounting to HK$12,677,000 have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the "other expenses" line item in the condensed consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised by the Group at the date of acquisition are as follows:

	HK$'000
Mining interests	5,633,398
Property, plant and equipment	1,779,306
Deferred tax assets	35,248
Inventories	64,988
Other debtors, prepayment and deposits	4,963
Bank balances and cash	481,411
Other creditors and accrued charges	(432,928)
Profits tax liabilities	(42,267)
Provision for restoration and environmental costs	(192,349)
Total consideration transferred	7,331,770

Net cash outflow on acquisition of KMCPL

	HK$'000
Total cash consideration paid	7,331,770
Less: deposit paid during the year ended 30 June 2014	(833,155)
Less: bank balances and cash acquired	(481,411)
	6,017,204

26. ACQUISITION OF A SUBSIDIARY (CONTINUED)

The fair value of the mining interests at the date of acquisition was determined based on the valuation carried out by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair value was arrived at by adopting income approach that determines the present value of the incremental after-tax cash flows attributable to the mining interests.

27. MINING INTERESTS

	HK$'000
At 1 July 2014	–
Acquired in acquisition of a subsidiary (note 26)	5,633,398
Amortisation	(206,155)
Exchange realignment	2,936
At 31 December 2014	5,430,179

Mining interests represent the interest of the Group for production and sales of crude oil extracted from the Contract Areas until September 2024 and January 2026 (the "Contract Periods"), the time in which all oil reserves expected to be extracted, respectively. The mining interests recognised upon the acquisition of a subsidiary in current period (see note 26) have useful life covering the Contract Periods. The mining interests are amortised on a units-of-production method utilising the proved and probable reserves that are expected to be extracted during the Contract Periods as the depletion base.

The recoverable amount of the cash-generating unit represented by KMCPL to which the mining interests belong is determined based on a value-in-use calculation which use cash flow projections based on financial budgets approved by the directors of the Company and the Interest Owners covering a period until the end of the Contract Periods (see note 31) at a discount rate of 12.95%. Cash flow projections during the budget period are based on development plan and production volume estimated by the independent competent person, and crude oil price based on the management's expectations in the petroleum market. At 31 December 2014, the management determines that there is no impairment on the mining interests and property, plant and equipment supporting upstream crude oil business. Management believes that any reasonable and possible change in any of these assumptions would not cause the carrying amounts of the mining interests and relevant property, plant and equipment to exceed their recoverable amounts.

28. PROVISION FOR RESTORATION AND ENVIRONMENTAL COSTS

	HK$'000
At 1 July 2014	–
Acquired in acquisition of a subsidiary (note 26)	192,349
Provision for the period	2,102
Unwinding of discounting effects for the period	4,855
Exchange realignment	93
At 31 December 2014	199,399

Oil extracting activities may result in damage to the environment. Pursuant to the relevant PRC regulations, parties operating mining areas are required to restore the mining areas back to certain acceptable conditions.

The provision for the restoration and environmental clean up costs is estimated based on the proportion of obligation that KMCPL is required to bear after the petroleum contracts expire. Such provision has been determined by the directors of the Company based on their past experience, the restoration costs governed by respective regulations and their best estimate of future expenditures by discounting to their net present value at market rate. The restoration and environmental clean up works are expected to be carried out when the operations in the Contract Areas cease at the end of the Contract Periods and is expected to last for one year. The amounts provided in relation to restoration and environmental clean up costs are prepared annually by internal engineers based upon the facts and circumstances available at the time which are reviewed annually by the management of the Group. Provisions are updated by the management accordingly.

29. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

Some of 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.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

29. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

	Fair value as at 31 December 2014				Valuation techniques and inputs	Significant unobservable inputs
	Level 1 HK$'000 (unaudited)	Level 2 HK$'000 (unaudited)	Level 3 HK$'000 (unaudited)	Total HK$'000 (unaudited)		
Financial assets						
Non-derivative financial assets held-for-trading	9,920	–	–	9,920	Quoted bid prices in active market	N/A
Oil and gasoline futures and swaps contracts	1,110,332	–	–	1,110,332	Quoted prices in active market	N/A
Petroleum related forward contracts in relation to physical delivery directly dealt with counterparties	–	549,403	–	549,403	Difference between contractual price and forward price which is derived from applicable forward curve for remaining duration of the investment	N/A
Total	1,120,252	549,403	–	1,669,655		
Financial liabilities						
Oil and gasoline futures and swaps contracts	631,453	–	–	631,453	Quoted prices in active market	N/A
Petroleum related forward contracts in relation to physical delivery directly dealt with counterparties	–	315,417	–	315,417	Difference between contractual price and forward price which is derived from applicable forward curve for remaining duration of the investment	N/A
Total	631,453	315,417	–	946,870		

29. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

	Fair value as at 30 June 2014				Valuation techniques and inputs	Significant unobservable inputs
	Level 1 HK$'000 (audited)	Level 2 HK$'000 (audited)	Level 3 HK$'000 (audited)	Total HK$'000 (audited)		
Financial 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 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		

29. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

There is no transfer between different levels of fair value hierarchy for the six months ended 31 December 2014 and year ended 30 June 2014.

The fair value of loans to a joint venture, loans from a related company and convertible notes at 31 December 2014 and 30 June 2014 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 condensed consolidated financial statements approximate their fair values.

30. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, 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 condensed 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 condensed consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable upon an event of default.

30. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS (CONTINUED)

At 31 December 2014

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

	Gross amounts of recognised financial assets HK$'000 (unaudited)	Gross amounts of recognised financial assets set off in the condensed consolidated statement of financial position HK$'000 (unaudited)	Net amounts of financial assets presented in the condensed consolidated statement of financial position HK$'000 (unaudited)
Receivables from brokers	54,805	–	54,805
Derivative financial assets			
– futures	84,948	–	84,948
– swaps	1,025,384	–	1,025,384
	1,165,137	–	1,165,137

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

	Gross amounts of recognised financial liabilities HK$'000 (unaudited)	Gross amounts of recognised financial liabilities set off in the condensed consolidated statement of financial position HK$'000 (unaudited)	Net amounts of financial liabilities presented in the condensed consolidated statement of financial position HK$'000 (unaudited)
Payable to a broker	(362,677)	–	(362,677)
Derivative financial liabilities			
– futures	(97,123)	–	(97,123)
– swaps	(534,330)	–	(534,330)
	(994,130)	–	(994,130)

30. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS (CONTINUED)

At 31 December 2014 (continued)

Net financial assets subject to the Netting Agreements by counterparty

	Net amounts of financial assets presented in the condensed consolidated statement of financial position			Related amounts not set off in the condensed consolidated statement of financial position	
	Receivables from brokers HK$'000 (unaudited)	Derivative financial instruments HK$'000 (unaudited)	Total HK$'000 (unaudited)	Payable to a broker and derivative financial liabilities HK$'000 (unaudited)	Net amounts HK$'000 (unaudited)
Counterparty A	78	–	78	–	78
Counterparty B	206	–	206	–	206
Counterparty C	458	–	458	–	458
Counterparty D	–	677,936	677,936	(548,089)	129,847
Counterparty E	54,063	432,396	486,459	(446,041)	40,418
Total	54,805	1,110,332	1,165,137	(994,130)	171,007

30. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS (CONTINUED)

At 31 December 2014 (continued)

Net financial liabilities subject to the Netting Agreements by counterparty

	Net amounts of financial liabilities presented in the condensed consolidated statement of financial position			Related amounts not set off in the condensed consolidated statement of financial position	
	Payable to a broker HK$'000 (unaudited)	Derivative financial instruments HK$'000 (unaudited)	Total HK$'000 (unaudited)	Derivative financial assets HK$'000 (unaudited)	Net amounts HK$'000 (unaudited)
Counterparty D	(362,677)	(185,412)	(548,089)	548,089	–
Counterparty E	–	(446,041)	(446,041)	446,041	–
Total	(362,677)	(631,453)	(994,130)	994,130	–

30. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS (CONTINUED)

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

30. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, 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$'000 (audited)	Derivative financial instruments HK$'000 (audited)	Total HK$'000 (audited)	Derivative financial liabilities HK$'000 (audited)	Net amounts HK$'000 (audited)
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

30. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS (CONTINUED)

At 30 June 2014 (continued)

Net financial liabilities subject to the Netting Agreements by counterparty

	Net amounts of financial liabilities in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position	Net amounts
		Derivative financial assets	
	HK$'000	HK$'000	HK$'000
	(audited)	(audited)	(audited)
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	–

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 and payable to brokers – amortised cost
- Derivative financial instruments – fair value

31. INTEREST IN JOINT OPERATIONS

KMCPL entered into petroleum contracts ("PCs") in the Contract Areas for the Bohai Bay Project with CNOOC, Singapore Petroleum Company ("SPC") and Newfield China, LDC ("Newfield"). The respective unit fields participating interests, commencement and expiry dates are as follows:

Period	Contract Area 04/36	Contract Area 05/36
Commencement	August 1994	January 1996
Expiry	September 2024	January 2026
Participating interests of the Interest Owners		
CNOOC (Note 1)	51.00%	51.00%
KMCPL	40.09%	29.18%
SPC (Note 2)	8.91%	7.82%
Newfield (Note 3)	N/A	12.00%

Notes:

1. CNOOC is a subsidiary of the state-owned enterprise China National Offshore Oil Corporation.

2. SPC is a subsidiary of the state-owned enterprise China National Petroleum Corporation. SPC has no voting rights.

3. Newfield is a subsidiary of Newfield Exploration Company, a company listed on the New York Stock Exchange.

KMCPL, SPC and Newfield are collectively referred to as the Contractor in the PCs. The Joint Management Committee ("JMC") is set up by appointing an equal number of representatives with a maximum of 3 representatives from each of CNOOC and the Contractor. Pursuant to the PCs, a regular meeting of JMC is held at least once for each quarter for the discussion and approval of development plans, operation and budgets which significantly affect the returns of the Bohai Bay Project. Unanimous consent from all parties is required. As such, the Bohai Bay Project is jointly operated by the Interest Owners.

Pursuant to the PCs, an operator is appointed to apply the appropriate and advanced technology, and assign competent experts for the exploration and development, monitor daily operation in the Contract Areas. Other than the exploration costs which are provided solely by the Contractor, all the development and production costs, as well as assets and liabilities arising from the joint operations, are shared by the Interest Owners according to the participating interests.

31. INTEREST IN JOINT OPERATIONS (CONTINUED)

Pursuant to the PCs, before the full recovery of the exploration and development costs actually incurred in accordance with the overall development program (the "ODP") of the Contract Areas approved by the National Development and Reform Commission, CNOOC may, after agreement reached through consultations of JMC, take over the operatorship of the Contract Areas. After the full recovery of the exploration and development costs actually incurred in accordance with the ODP, CNOOC has the right by giving a written notice at any time to the operator to take over the operatorship. KMCPL was the operator when the PCs were set up. On 1 January 2013, the operatorships of Contract Areas were handed over to CNOOC.

The output is shared according to the participating interest of each Interest Owners in the following sequence.

5% of the annual gross production will be taken by the PRC government in kind as value added tax through CNOOC.

62.5% of the annual gross production shall be recovery oil ("Recovery Oil"). Mining usage tax at progressive ad valorem rate, depending on annual gross production, shall be taken by PRC government from the Recovery Oil. Recovery Oil after mining usage tax shall be cost recovery oil for the operator to recover operating expenses actually incurred but not yet recovered. The remainder of Recovery Oil shall be investment recovery oil which shall be taken by the operator and other Interest Owners to recover exploration and development expenses actually incurred but not yet recovered.

32.5% of the annual gross production and remainder of the Recovery Oil after all cost recovery shall be remainder oil, which is further divided into profit sharing oil and allocable remainder oil. The profit sharing oil is taken by the PRC government and is calculated on a percentage dependent an annual gross production. The allocable remainder oil in each contract area will be shared by the Interest Owners according to their participating interest in the Contract Areas.

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.

All the crude oil produced by the Group in the Contract Areas during the six months ended 31 December 2014 were sold to CNOOC.

FINANCIAL REVIEW

During the six months ended 31 December 2014 ("the period under review"), the total revenue of the Group increased by approximately 11.3% to HK$44,886.5 million from HK$40,345.9 million in the same period last year. Revenue increased across three core business segments, International Trading and Bunkering, Marine Transportation and Upstream Gas Business. Upstream Crude Oil Business, being a new business segment added to the Group after the acquisition of Kerr-McGee China Petroleum Ltd which is engaged in development, production and sales of crude oil, was also a contributor to the increase in revenue of the Group.

As the Group's business is subject to risk of oil price fluctuation, a well defined risk control policy has been adopted to mitigate the price risk through financial hedging using derivative financial instruments ("DFIs"). For the period under review, oil price proceeded with a downward trend which resulted in losses on physical trading and inventory mark to market but compensated by gain through fair value change of DFIs. For the period under review, while the Group suffered a gross loss of HK$170.2 million, the fair value change of DFIs however recorded a gain of HK$1,555.5 million. The Group utilised "Adjusted Gross Profit", which is the gross profit (loss) plus the fair value change of DFIs for performance measurement by the management.

The Group recorded an Adjusted Gross Profit of HK$1,385.3 million and HK$906.0 million for the period under review and the same period last year respectively. The Adjusted Gross Profit margin increased from 2.25% for the same period last year to 3.09% for the period under review.

The Group recorded an EBITDA of HK$1,599.8 million, representing a substantial increase of 115.6% from HK$741.9 million in the same period last year.

Profit attributable to the owners of the Company during the period under review amounted to HK$561.1 million, a slight increase of 3% as compared with the same period last year.

During the period under review, the Group recorded basic and diluted earnings per share of HK6.41 cents and HK6.01 cents respectively.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2014, the Group had receivables from brokers, pledged bank deposits and bank balances and cash of approximately HK$59.1 million, HK$1,429.1 million and HK$1,295.7 million respectively.

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

BORROWINGS AND CHARGES ON GROUP ASSETS

At 31 December 2014, the Group had bank borrowings and charges on its assets of approximately HK$9,207.5 million and HK$14,824.1 million respectively.

CONTINGENT LIABILITIES

At 31 December 2014, the Group did not have any significant contingent liabilities.

CAPITAL STRUCTURE

As at 31 December 2014, the Company had 8,766,498,266 shares (the "Shares") in issue with total share capital of approximately HK$219.2 million.

GEARING RATIO

As 31 December 2014, the Group's gearing ratio was approximately 92.0%, calculated as the Group's net borrowing divided by shareholders' equity. Net borrowing of HK$7,706.3 million was calculated as total borrowings (i.e. the aggregate of bank and other borrowings, payable to a broker and convertible notes of HK$10,490.2 million) less receivables from brokers, pledged bank deposits and bank balances and cash of approximately HK$2,783.9 million.

BUSINESS REVIEW AND OUTLOOK

During the period under review, the Group achieved satisfactory performance in all business segments. Notably, it capitalised on market opportunities to record remarkable growth in the upstream and marine transportation businesses. In addition to the completion of acquisition of oil field blocks in Caofeidian Bohai Bay Project with 42 million boe of net 2P reserves, our net proven and probable reserves ("2P reserves") at Dina 1 and Tuzi Gas Fields surged by 11.3 million barrels of oil equivalent ("boe") or 28%, according to the latest evaluation report. When the net 2P reserves of the Caofeidian Project in Bohai Bay are taken into account, our aggregate net 2P oil and gas reserves reached 93.9 million boe and daily production climbed to 20,000 boe, making us one of the five biggest oil and gas producers in China. In view of the thriving domestic natural gas industry and gradual gas price hikes, we are poised to benefit from increasing profit contributions from Dina 1 and Tuzi Gas Fields. Meanwhile, the Group is expected to reap significant returns on the back of its strategies to further expand its oil and gas resources and production, which include low-cost acquisitions and fully exploring the oil and gas reserves and production potential of existing oil and gas field blocks. As for its marine transportation business, the Group not only exercised effective cost control, but also took advantage of the favorable market environment to drive profit growth. During the period under review, the market demand for marine transportation spiraled upward due to seasonal factors and increased stockpile and arbitrages resulting from lower oil prices. Our strategy of focusing on Chinese imports and Chinese state-owned oil companies continued to reap dividends. With a promising outlook for the tanker freight market, we foresee bright prospects for our Marine Transportation business and higher vessel values. Going forward, the Group will further enhance the value of all business segments and proceed with the development of upstream business, with an emphasis on investment and development in natural gas operations. We aim to build a complete industrial chain, catering to the growing energy needs in China. At the same time, the Group is committed to creating synergies and economies of scale for our core businesses, thereby enhancing the Group's profitability and returns to shareholders and investors.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

Upstream Business

The Group enjoyed considerable success in its upstream business in the period under review. We pushed ahead with our upstream expansion with the aim of creating a value chain advantage to drive sustainable business growth. As oil and gas reserves and production played a pivotal role in upstream expansion, we continued to look for superior upstream assets during the period and completed the acquisition of oil field blocks in Bohai Bay, China from Anadarko Petroleum Corporation ("Anadarko"), a major American upstream explorer. In addition to this, we successfully boosted the production capacity of our existing Dina 1 and Tuzi Gas Fields.

In August 2014, Brightoil successfully completed the acquisition of two offshore oil-producing blocks in Bohai Bay ("Caofeidian Project") from Anadarko, thereby markedly enhancing its oil reserves and laying an important foundation for our future upstream development.

Single Point Mooring ("SPM") repairs in the aforementioned two oil field blocks commenced on 10 May 2014, with the oil field blocks originally scheduled to resume oil production in September 2014. However, our efforts to enhance the efficiency of the repair work were rewarded, resulting in the SPM repairs being completed one month ahead of schedule. Following the resumption of oil production, the oil field blocks reached an initial production rate of approximately 35,000 boe per day, with aggregate production for the period between July and December outstripping the original target by 1.3 million boe.

During the period under review, DeGolyer and MacNaughton, an independent professional U.S. valuer, issued a regular update evaluation report on the reserves of the Dina 1 and Tuzi Gas Fields. According to the report, as of 31 August 2014, the 2P reserves of the Dina 1 Gas Field to which the Group is entitled surged from 11.69 million boe to 20.75 million boe, representing an increase of more than 78%. Meanwhile, the 2P reserves of the Tuzi Gas Field increased from 28.91 million boe to 31.15 million boe, representing an increase of 2.24 million boe, or growth of approximately 8%.

Combining the latest reserves of the Dina 1 and Tuzi Gas Fields, the total 2P reserves of the Group's two gas fields increased by 11.3 million boe, or 28%. Together with its 2P reserves of 42 million boe at the Caofeidian Project in Bohai Bay, the Group's aggregate 2P reserves amounted to 93.9 million boe. These three quality oil and gas producing assets will become a driver in achieving consistent growth of the Group's upstream business.

A workover of the Dina 11 well at the Dina 1 Gas Field has been carried out and the well is expected to commence production in June 2015. Meanwhile, a new platform comprising four wells at the Tuzi Gas Field will come on stream in November 2015. Once drilling and surface works are completed, these new gas wells will contribute an additional 1.3 million cubic meters of gross daily production.

Drilling works at the Tuzi 4 Deep Drilling Well have commenced, with completion slated for the end of June 2015. This is a deep drilling well with estimated geological reserves of 18 billion cubic meters, comparable to the reserves of the shallow gas reservoirs at the gas-producing Tuzi Gas Field.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

Upstream Business (continued)

During the period under review, the Group continued to deepen the cooperation with market leader China National Petroleum Corporation. Both sides actively participated in negotiations on the selling prices of gas produced at the Dina 1 and Tuzi Gas Fields. We believe possibilities still exist for price increase this year, which will lead to significant profit contributions to the Group.

In view of plummeting international oil prices and the sustained growth in China's energy demand (in particular gas demand), the Group is poised to capture the inevitable opportunities that may arise. Our goal is to actively seek superior natural gas biased assets around the world, thereby offering greater capacity and reserves, or businesses and assets which will create synergies with our existing operations and assets for acquisition.

In November 2014, Brightoil submitted a formal bid to acquire the entire issued shares of Newfield Global Inc. ("Newfield") in order to acquire Newfield's 12% stake in Bohai Bay Block 05/36 and 49% stake in Pearl River Block 16/05. Bohai Bay Block 05/36, part of the Caofeidian Project, is currently in production, and Brightoil holds a 29% interest in this block. With the successful completion of the bid and transaction, the Group can further enhance its oil and gas reserves and production, which would enable us to help satisfy China's ever-increasing energy demand.

While China has played an ever-larger role in the international energy industry, its government has stepped up efforts to promote the development of oil and gas enterprises through various supportive measures with the aim of strengthening the strategic role of the domestic energy industry. Being the only privately-owned Chinese enterprise to be awarded a bonded bunkering import license, Brightoil boasts quality products, wide recognition in the market, extensive market experience and a growing customer base in the international trading, bunkering and marine transportation segments, which lay a solid foundation for the expansion of the Group's upstream operations.

In the future, Brightoil will reinforce the development of its upstream business, thereby forging the Group into a resource-based energy enterprise focusing on exploration of upstream oil and gas resources, complemented by midstream and downstream operations. In addition, we will extend our geographical presence and look for low-risk, quality oil and gas producing assets in China and South East Asia while enhancing the operation of our self-owned assets in Xinjiang, hence expanding our upstream assets and delivering greater returns to our shareholders.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

International Trading and Bunkering

In 2014, the most significant structural development in the crude oil and oil products markets was the structural change to a state of global oversupply due to increasing crude oil output in the US driven by the shale revolution, and tepid demand growth from several major economies such as China, Europe and Japan. The price of crude oil experienced a prolonged slump in the second half of last year. After hitting a high for the year in mid-June 2014, it dived more than 50% within a span of about six months. Meanwhile, the prices of other international bulk commodities also slid across the board, resulting in wide fluctuations in the Baltic Dry Index. These risk factors cast a shadow on the operation of companies.

Since its establishment, our crude oil team has followed a prudent approach to achieving our long-term development objectives in accordance with stringent risk management principles. This has enabled us to withstand the oil price slump, with sales volumes rising by 35% compared to the previous six months and by 75% year on year. Our crude oil team maintained long-term partnerships with oil majors in China while retaining close relationships with international oil majors, regional petroleum companies and major trading houses. Our products were sold to many countries and regions such as China, Taiwan, Japan and Thailand. With regard to procurement, in addition to the traditional market of the Middle East, we have also established stable supply channels with mature oil production areas, including South America and West Africa, thereby lowering our procurement costs. In view of the lackluster performance of oil prices and the structural change in the market, the crude team will work closely with the Group's marine transportation and oil storage arms with the aim of seeking out arbitrage opportunities and increasing our sales and enhancing profitability.

The Group's traditional business, the fuel oil trading, continued to develop at a steady pace even at this period of severe oil price volatility, primarily due to our diligent risk management.

Brightoil is one of the three biggest marine gas oil suppliers to vessels in Singapore. During the period under review, our diesel fuel team maintained the Company's long-term relationship with a Malaysian national oil company. In addition to high-sulphur products, we commenced trading of low and medium-sulphur products in order to meet the needs of different customers.

With regard to bunkering, our bunker tanker "Brightoil 688" received certification for its Mass Flow Meter ("MFM") system from the Maritime and Port Authority of Singapore ("MPA") in October 2014. This not only enhances our brand awareness and recognition in the market, but also helps to prevent disputes involving bunker quantity and improves the efficiency of our bunker supply. Brightoil 688 was warmly received by vessel owners in North Europe and other major vessel owners. The MPA is evaluating the MFM systems on Brightoil's two new bunker tankers, "Brightoil 666" and "Brightoil 639", which are expected to receive certification from the MPA in the first quarter of 2015, which will further strengthen the Group's bunkering operation.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

International Trading and Bunkering (continued)

Danish company OW Bunker's bankruptcy declaration in November 2014 shook the Singapore bunker market and created tremendous negative impacts in the market. Fortunately, Brightoil was not affected, either directly or indirectly, due to our stringent risk management system and credit policy. On the contrary, we benefited from this incident due to the market credit premium at the time. Given the risks in the market, we constrained supply volumes to some customers with high risk profiles during the period so as to ensure our stable operation.

With the fall in crude oil prices, shipping companies' overall operating costs declined, which is expected to stimulate demand for fuel oil. Moreover, the adjustment of export tax rebates in the Far East region will boost the competitiveness of China's bunker supply ports. Our bunker team's future strategy includes an increasing focus on developing direct relationships with ship-owners, further improvement in our service quality and the streamlining of our bunker supply network and platform.

Looking ahead into 2015, the crude oil market will face various challenges, although the US shale production may be negatively affected by lower oil prices, leading to a self-adjustment in the market. The performance of major economies such as China, the US and Japan will remain diverse. While the US will stage a steady economic recovery, China's economic growth will hover at around 7%, while Europe and Japan will face greater downside risk. This implies that oil demand will remain weak. Meanwhile, the US dollar could be boosted by the relative strength of the US economy, which would add to downward pressure on international commodity markets, including the crude oil market. The market uncertainties will put pressure on our operations. We will continue to focus on integrating our supply chain resources, risk control, cost reduction and efficiency enhancement. Much of this can be achieved through optimising our fuel oil and diesel oil trading activity along with our bunkering business, and by capitalising on our integrated value chain spanning oil trading, storage facilities, bunkering and marine transportation services to enhance our competitive edges and to create greater value.

Marine Transportation

The positive earnings trend which started in FY2014 continued to improve in the current period under review as we posted our best results to date. In the six months ended 31 December 2014, revenue grew by an impressive 18% to HK$644 million as compared with the previous six months. The improvement in earnings was evenly distributed across our fleet of five Very Large Crude Carriers ("VLCCs") and four Aframax tankers. Our strategy of focusing on Chinese imports and Chinese state-owned oil companies continued to pay dividends. In fact, more than 55% of our total revenue is attributable to cargoes transported into China – this ratio increased to 60% for our VLCC fleet. EBITDA of the Marine Transportation business improved by HK$80 million when compared to the previous six months.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

Marine Transportation (continued)

FY2015 has seen a much firmer than usual summer tanker freight market, which has helped to boost our earnings. Then, after an autumn lull, the market strengthened as it followed its usual seasonal, cyclical trend. China is now the largest importer of African crude (most of which is transported by VLCC) and has continued to import significant volumes from the Caribbean. These two factors have boosted ton-mile demand and have led to a positive impact on tanker freight rates. In fact, the significant decline in oil prices in Q2 FY2015 appears to owe more to a surplus in crude oil supply than any decline in demand. Although Chinese oil demand growth was slower than at any time in the previous decade, the volumes still hit a record 310 million tonnes for 2014, with December crude imports hitting an all time high of about 7.2 million barrels per day. Beyond seasonal demand, it appears that a significant amount of stock building and arbitrage volumes added to the demand for tankers and drove freight rates upwards in Q2 FY2015.

Bunker fuel was our largest operating expense. In addition to the fuel economy characteristics of our VLCC fleet (which ensure that our earnings always compare favorably with that of the majority of our competitors), the fall in oil prices provided a welcome boost to earnings. The winter rise in rates resulted in the second quarter of the FY2015 being our most profitable quarter ever, with net profit reaching HK$67 million.

We continued to strengthen the brand image of our Singapore bunker supply business with the addition of two newly-built bunker tankers: Brightoil 639 and Brightoil 666. In 2015 we will be operating three bunker tankers fitted with the MFM system, which offers our customers receiving bunker fuel in Singapore the highest degree of certainty in bunker quantities delivered. From our own experience, we recognise the value of this system as every vessel in the Brightoil fleet is fitted with it, which enables us to measure and manage our own bunker consumption more effectively. Although we outsourced the management of our tankers for international trading businesses, in the current period, we began to provide both Technical and Crew Manning services for two of our bunker tankers as per the Document of Compliance awarded by the China Classification Society.

The prospects for our Marine Transportation business appear bright given the general sense of optimism in the crude tanker sector. We have established a solid platform for further growth in business and profitability. On the supply side, the global VLCC fleet grew very modestly and the Aframax fleet actually declined over the 2014 calendar year. There are forecasts that the VLCC fleet will also contract during the 2015 calendar year as vessel scrapping looks set to exceed new build deliveries. Reflecting the brighter outlook, vessel values continued to appreciate over the past year and we witnessed an increase in the values of second-hand Aframaxes and VLCCs of about 25%.

On the demand side, China's oil consumption is expected to rise by 5% in 2015, and the government may store about 7 million tonnes of crude in strategic reserves by the middle of 2015. This will continue to support the demand for crude oil tankers. Another factor that may contribute to improved demand for our tankers is the use of tankers for floating storage owing to the current contango in oil prices.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

Marine Transportation (continued)

Our Group's VLCCs are unique in that each vessel is additionally equipped with an on board blending facility and heating coils which enable them to blend different grades of cargoes while at sea, thereby minimising costs on shore. 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 to the Far East and Australasian markets. This will most likely include a good proportion of our Group's own cargoes and those of our Chinese customers for discharge in China.

We are currently managing all cost categories effectively and it is notable that even with a larger fleet, for the 12-month period ending 31 December 2014, our general and administrative expenses fell by 45% when compared to the same period of previous fiscal year. In summary, the outlook is improving for the tanker freight market with vessel values appreciating and we will continue to improve the operational and financial efficiency of our business. Moreover, our customer-focused strategy leaves us well positioned to profit from our current strengths in the tanker freight market.

Oil Storage and Terminal Facilities

The Group's two oil storage and terminal facility projects currently under construction are both located in the main deep-water ports and bulk commodity trade centers of Zhoushan and Dalian. The projects will become the leading oil storage and terminal facilities in China in terms of capacity and design throughput, and will be connected to China's national oil pipelines. There is an acute shortage in the supply of oil storage facilities located close to major terminals in China, yet our terminal facilities will offer berths which can accommodate vessels as large as VLCCs. Our projects are meticulously designed and equipped with advanced facilities, thereby maximising efficiency and throughput in oil transportation and enabling us to provide high-quality services to our clients. The Group will become one of the world's top five oil storage service providers and will receive stable rental income in the long term once the facilities commence operations.

The Zhoushan Waidiao Island Project is located in the Zhoushan Archipelago New Area, Zhejiang Province, where China's coastal economic belt and the Yangtze River economic belt intersect. Therefore, it enjoys unique geographical advantages. The Zhoushan Archipelago New Area is the fourth national-level new area to be established in China after the Pudong New Area in Shanghai, the Binhai New Area in Tianjin and the Liangjiang New Area in Chongqing. It is a hub for joint river-and sea-going transportation and the processing, transfer, storage, and trading of oil and other bulk commodities. The Zhoushan Waidiao Island Project, with a total capacity of approximately 3.16 million cubic meters, is being developed in two phases. Phase I and II will add up to 1.94 million cubic meters and 1.22 million cubic meters of storage capacity, respectively. Meanwhile, its terminal will have thirteen berths with throughput ranging from 1,000 to 300,000 deadweight tonnages ("DWT").

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

Oil Storage and Terminal Facilities (continued)

Development of Phase I went smoothly during the period under review. About 60% of the civil works and the main body of storage tanks and about 90% of the hydraulic works of the terminal have been completed. The Phase I storage and terminal facilities are slated to enter operation in the second half of 2015 while the Phase II facilities will come on stream in 2016.

The Dalian Oil Storage and Terminal Facility Project is located in the Changxing Island Petrochemical Industrial Base, Dalian, which is one of the major petrochemical industrial bases to recently win government approval to promote the restructuring and upgrading of the petrochemical sector. Brightoil's storage and terminal facilities will comprise an integral part of the ancillary and logistics facilities at the industrial base. The Group will leverage the competitive advantages of the industrial base to develop them into a trade, storage and transshipment center for crude oil, fuel oil and other oil products in Bohai Bay, as well as for Northeast Asia. The storage facilities in Dalian will add up to about 7.19 million cubic meters of total design capacity. It is being developed in two phases. Phase I and II will add up to 3.51 million cubic meters and 3.68 million cubic meters of capacity, respectively. Thirteen berths with throughput ranging from 1,000 to 300,000 DWT will be provided at the terminal in Dalian. All land-leveling works for this project have been completed and formalities for government approval of the project were made during the period under review.

Although the oil price collapse hindered the growth of investment in the sector in the period under review, it has brought unprecedented opportunities for major oil importers and consumers such as China. In the longer term, demand for large oil storage facilities in the international and domestic markets is expected to continue to grow. Once our storage and terminal facilities are fully operational, they will not only see considerable market demand for oil storage and transportation facilities and generate stable rental income to the Group, but will also create synergies and bring economies of scale to the Group's international trading, bunkering and marine transportation operations. Furthermore, they will also enhance the quality and efficiency of our bunkering and trading businesses, thus making an important contribution to the Group's overall results.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2014.

EMPLOYEES AND REMUNERATION POLICES

As at 31 December 2014, the Group employed approximately 300 full time employees. The Group remunerates its directors and employees by reference to their performance, duties and responsibilities, relevant working experience and prevailing industry practice. Employee benefits provided by the Group include Mandatory Provident Fund Scheme, medical scheme, discretionary performance-related bonuses, share option scheme and share award scheme. For the six months ended 31 December 2014, total employees' remuneration, including Directors' remuneration, was approximately HK$117.6 million.

SHARE OPTIONS SCHEME

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

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

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

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

Subject to the rules of the Scheme, options may be exercised, in whole or in part, at any time during the exercise period. Options granted must be accepted by the prescribed acceptance date. Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

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

SHARE OPTIONS SCHEME (CONTINUED)

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

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

Eligible participants	At 1 July 2014	Granted during the period under review	Exercised during the period under review	Lapsed during the period under review	Outstanding as at 31 December 2014
Directors	16,000,000	–	–	–	16,000,000
Employees	3,840,000	–	–	(400,000)	3,440,000
	19,840,000	–	–	(400,000)	19,440,000

No share option had been exercised during the period under review. (2013: 15,215,000).

SUBSTANTIAL SHAREHOLDERS AND PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("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 Limited ("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 31 December 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.

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

At 31 December 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 SFO as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "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%

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

Long positions in the shares of the Company (CONTINUED)

Name of Director	Name of company	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Justin Sawdon Stewart Murphy	The Company	Beneficial owner	200,000 (Note 3b)	0.002%
Dr. Yung Pak Keung Bruce	The Company	Beneficial owner	200,000 (Note 3b)	0.002%

(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, 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 Hsin Kang 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.

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

Long position in the underlying shares of equity derivatives of the Company

Particulars of the Company's share option scheme are set out in Share Option Scheme.

The following table discloses movements in the Company's share options during the period under review:

	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy) (Note)	Exercise price (HK$)	Number of options at 31.12.2014
Executive Directors				
Mr. Tang Bo	22.4.2010	22.4.2011–21.4.2015	3.40	4,000,000
Mr. Tan Yih Lin	22.4.2010	22.4.2011–21.4.2015	3.40	4,000,000
Total of Executive Directors				8,000,000
Non-Executive Director				
Mr. Dai Zhujiang	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000
Total of Non-Executive Director				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
Professor Chang Hsin Kang	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000
Mr. Kwong Chan Lam	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000
Total of Independent Non-Executive Directors				6,000,000

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

Long position in the underlying shares of equity derivatives of the Company (CONTINUED)

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.

Save as disclosed above, as at 31 December 2014, neither of the directors nor chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be recorded pursuant to Section 352 of the SFO, or as otherwise, notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B (1) of the Listing Rules, the changes in information of directors subsequent to the date of the 2014 Annual Report of the Company are set out below:

Mr. Lau Hon Chuen, an independent non-executive director of the Company, is also the independent non-executive director of various listed companies, including, among others, Wing Hang Bank Ltd (Stock Code: 302). The bank name of Wing Hang Bank Ltd was changed to OCBC Wing Hang Bank Limited and delisted from The Stock Exchange of Hong Kong Limited with effect from 29 September 2014 and 16 October 2014 respectively.

BOARD COMPOSITION

As at 31 December 2014, the Board consists of a total of nine directors, comprising five executive directors, one non-executive director and three independent non-executive directors.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 31 December 2014, the Company has complied with all the Code Provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code Provision A.2.1

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.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

The Company has adopted the model code for securities transactions by directors of listed issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by 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 during the period under review.

AUDIT COMMITTEE AND INDEPENDENT REVIEW BY EXTERNAL AUDITOR

The audit committee of the Company (the "Audit Committee") as at 31 December 2014 comprised Mr. Kwong Chan Lam, Mr. Lau Hon Chuen and Professor Chang Hsin Kang, the three independent non-executive directors.

The principal duties of the Audit Committee are to review with the management of the Company, the accounting principles and practices adopted by the Group and discuss internal controls and financial reporting matters including reviews of interim and annual financial statements.

The unaudited condensed consolidated financial statements for the six months ended 31 December 2014 have been reviewed by the Audit Committee.

The Group's external auditor, Messrs. Deloitte Touche Tohmatsu, has been appointed to review the condensed consolidated financial statements for six months ended 31 December 2014. On the basis of their review, they are not aware of any material modifications that should be made to the condensed consolidated financial statements for the period under review.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

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.

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES (CONTINUED)

(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. The Win Business Petroleum Group Loan has been fully repaid in January 2015.

(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.

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES (CONTINUED)

(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.

By order of the Board
Brightoil Petroleum (Holdings) Limited
Sit Kwong Lam
Chairman

Hong Kong, 24 February 2015

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Sit Kwong Lam *(Chairman)*
Dr. Yung Pak Keung Bruce *(CEO)*
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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Ng Lok Ming

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL SHARE REGISTRAR

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Hamilton HM 11
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HONG KONG BRANCH SHARE REGISTRAR

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Hong Kong

STOCK CODE

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

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