



2015

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Stock Code：933.HK

ANNUAL REPORT

光滙石油(控股)有限公司

Brightoil Petroleum (Holdings) Limited

(Incorporated in Bermuda with limited liability)

CONTENTS

CORPORATE PROFILE

Brightoil Petroleum (Holdings) Limited (the "**Company**", together with its subsidiaries, the "**Group**") (Stock Code: 0933) is listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Group is principally engaged in oil and gas exploration, development and production, international trading and bunkering, marine transportation, oil storage and terminal facilities as well as E-commerce business. The Group has successfully established an integrated industrial chain with both upstream and downstream businesses in the energy sector. The Group is committed to becoming one of the world's leading integrated petroleum energy companies and providing comprehensive oil and gas services in China and overseas markets, including development and production, storage, transportation and distribution as well as supply and marketing services.

Upstream Business

The Group possesses and operates two producing gas fields, the Tuzi Gas Field and the Dina 1 Gas Field, in Xinjiang, China. In FY2015 (from 01 July 2014 to 30 June 2015), the total production of the two gas fields reached 886 million cubic meters and the net profit amounted to approximately HK$640 million. The Group also owns participating interests in two offshore producing oilfield blocks in Caofeidian, Bohai Bay, China. In FY2015, the production of this project totalled 11 million barrels and net profit amounted to approximately HK$105 million.

The aggregate proven and probable ("2P") reserves to which the Group is entitled amount to approximately 93 million barrels of oil equivalent ("boe"), and the combined daily and annual net production have reached around 25,000 boe and 9 million boe, respectively. Deep exploration of Dina 1 Gas Field and Tuzi Gas Field has showed good prospects of additional reserves. After the Group obtains approvals from relevant authorities, commences production and after the implementation of the new ODAP for the Caofeidian project, the reserves as well as production of oil and gas are expected to grow multiple folds and the upstream business is thus expected to achieve leapfrog development. The upstream business is a strategic focus of the Group's future business development. The Group hopes to expand its upstream business globally.

Downstream Business

International Trading & Bunkering

International trading of oil integrated four core businesses, which are procurement, storage, blending and sales, and was conducted in the business model of a fully integrated industrial chain. The Group has established extensive and stable supply and distribution channels in the international market with a leadership by trading volume. In FY2015, the sales volume increased to 17.27 million metric tonnes, and net profit totalled HK$706 million. The Group holds a bunkering license and has become one of the major bunker fuel suppliers in China and Singapore.

Marine Transportation

The Group has a modern tanker fleet of 5 Very Large Crude Carriers (VLCCs), 4 Aframax oil tankers and 3 bunker barges with an aggregate capacity exceeding two million metric tonnes. The marine transportation business experienced strong revenue growth, with a net profit amounted to HK$223 million, and has become a new contributor to the Group's profit growth.

Oil Storage and Terminal Facilities

The Group is constructing the oil storage and terminal facilities with a capacity of 3.16 million cubic meters on Waidiao Island in Zhoushan, a city in Zhejiang Province, the Yangtze Delta, China. Phase 1 of oil storage with a capacity of 1.94 million cubic meters and terminal facilities with 13 berths, which can accommodate vessels from 1,000 to 300,000 deadweight tonnages ("DWT"), is expected to commence operation in the first half of 2016. Phase 2 facilities will be completed and operational by the end of 2016. The Group is also building a project on Changxing Island in Dalian, Bohai Bay, China, which will include oil storage facilities with a total capacity of 7.19 million cubic meters and terminal facilities with 13 berths that can accommodate vessels from 1,000 to 300,000 DWT. After the completion of these two projects, the Group's total storage capacity is expected to reach 1,035 million cubic meters and become one of the world's top ten oil storage service providers. Both projects are expected to bring benefits to the Group in succession and start to generate long-term stable earnings.

E-commerce

The Chinese government is strongly encouraging and developing the Internet economy. With this opportunity, by combining the advantages and resources of the Group from home and aboard, as well as by integrating the online and offline businesses, the relevant internet and financial services are combined to enhance the core competitive edge of the Group in the petroleum and energy sector. The Group innovatively develops and launches the first “Petroleum Industrial Chain+Internet” comprehensive energy and financial e-commerce platform – Brightoil Online, in China. Apart from targeting corporate customers with the B2B model as well as the O2O model and promoting online and offline interaction, Brightoil Online also plans to innovate and launch a C2B model which is to cater to the need and improve consumer experience of individual customers and to create a new petroleum consumption model. This E-commerce platform is expected to improve the efficiency of the oil distribution industry, optimise the allocation of resources of oil supply, marketing and storage, meet market demands, bring more convenience to consumers, improve efficiency of services and transfer oil into hard currency. As a result, consumers can enjoy a full range of diversified experience in oil usage and consumption services. Meanwhile, by cooperating with financial institutions, the Group introduced various types of financial services, such as a platform based on transaction data and consumption pattern, a platform on buyer credit or on consumer credit, and financial derivative products. The products are expected to promote innovation and development of the oil distribution industry.

Developing the E-commerce business can fully utilise the Group’s existing substantive business line and further enhance the utility of its current substantive assets. At the same time, it will further boost the income of the Group’s existing oil product trading and bunkering business as well as downstream business, and to bring considerable income for the Group.

In the coming year, the Group expects its operations of various businesses to be coordinated, business to grow rapidly and higher returns to be generated for its shareholders and other investors.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Sit Kwong Lam (Chairman and Chief Executive Officer)
Mr. Tang Bo
Mr. Tan Yih Lin
Mr. Wang Wei

Non-executive Director

Mr. Dai Zhujiang

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Tan Yih Lin

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS ON BERMUDA LAW

Conyers Dill & Pearman

REGISTERED OFFICE

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Hong Kong

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

Bank of China Limited
BNP Paribas
China CITIC Bank International Limited
China Development Bank Corporation
China Minsheng Banking Corp., Ltd.
Citibank, N.A.
Credit Agricole Corporate & Investment Bank
Credit Suisse AG
DBS Bank Ltd
Emirates NBD PJSC
ING Bank N.V.
Rabobank International
Raiffeisen Bank International AG
Societe Generale
United Overseas Bank Limited

STOCK CODE

The Stock Exchange of Hong Kong Limited
Ordinary Share (Stock Code: 00933)

WEBSITE

www.brightoil.com.hk

HIGHLIGHTS OF THE YEAR

UPSTREAM BUSINESS

- **The Group realised breakthroughs in its offshore oil exploration and production business**
  - On 8 August 2014, the Group successfully completed the acquisition of two offshore oil-producing blocks in the Bohai Bay, China from Anadarko Petroleum Corporation of the United States. After the acquisition, the Group has about 35% ownership interest in the two blocks and is in cooperation with CNOOC. The current gross daily production of the two blocks is approximately 40,000 boe.
  - Since January 2015, the Group has been working with CNOOC to reduce the operating expenses of the oilfield, which have been reduced to about US$30 per barrel ever since.
- **Reserves and production of natural gas increased considerably and new gas reserve has been discovered**
  - In response to a strong national demand for clean energy, the Group increased investment in natural gas projects. Gas production for FY2015 reached 886 million cubic meters, or an increase of 69%, as compared to the previous fiscal year.
  - According to an evaluation conducted by DeGolyer and MacNaughton ("**D&M**"), the total 2P reserves of the Tuzi and Dina 1 gas fields to which the Group is entitled had increased by 28%.
  - In December 2014, the Group invested RMB120 million to carry out deep drilling work in the Tuzi gas field. Additional oil and gas reserves were found.
  - Net profit of HK$745 million was recorded for the oil and gas businesses.

INTERNATIONAL TRADING & BUNKERING

The International Trading & Bunkering segment continued to grow during the fiscal year. The total sales volume increased by 14%, reaching 17.27 million metric tonnes. The sales volume of crude oil increased by 55% over the same period, reaching 11.94 million metric tonnes.

MARINE TRANSPORTATION

- **The tanker freight market rebounded as freight prices increased. The Group seized the favorable opportunity of rising freight prices and significantly enhanced revenue from the Marine Transportation business**

  - Revenue from the Marine Transportation business grew by 28% to HK$1,375 million. A net profit of HK$223 million was recorded. The business had become a new contributor to the Group's profit growth.

  - Operation rates of the Group's vessels were above 95%.

OIL STORAGE & TERMINAL FACILITIES

- Construction of the Phase 1 oil storage facilities on Waidiao Island, Zhoushan, China with a capacity of 1.94 million cubic meters had been undertaken by China Petroleum Pipeline Bureau (中石油管道局) since July 2013 and will come on stream in the first half of 2016. Construction of the Phase 2 project, with a capacity of 1.22 million cubic meters, commenced in June 2015. The project is expected to be completed and to commence operation by the end of 2016.

- Construction of the terminal and ancillary facilities was kicked off in November 2013 by CCCC Third Harbour Engineering Co., Ltd. (中國交通建設第三航務工程局). With a capacity to handle vessels of 300,000 DWT, the facilities are basically completed and expected to commence operation in the first half of 2016.

Chairman's Statement

During the fiscal year from 1 July 2014 to 30 June 2015 (the "Fiscal Year"), oil enterprises all over the globe experienced drastic changes while the Group has achieved rapid development and significant progress.

Since the second half of 2014, crude oil prices plunged sharply from approximately US$110 per barrel to approximately US$40 per barrel, and the average profit of global oil enterprises decreased by 30% to 50%. Nevertheless, through its visionary business layout and sound risk management, the Group achieved net profit of HK$1.39 billion, representing an increase of 131.4% over the last fiscal year, which can be considered as a leapfrog growth. Not only did the Group take advantage of the synergy from its industrial chain to realise profit growth, but also it further improved its major layout of the industrial chain in a long run, which laid a solid foundation for the long-term and sustainable development of the Group.

The leapfrog development of the Group is attributable firstly to the Group's attaching great importance to development opportunities in the clean energy industry. After the completion of the overall development plan of the Tuzi Gas Field in 2009, the Group acquired the Dina 1 Gas Field in 2012 and put it into operation in the same year. As of the end of June 2015, the accumulated investment of the Group amounted to approximately RMB1.6 billion, while completed exploration of 12 wells and commenced production with a success rate of 100%, which was a year ahead of schedule. In FY2015, the annual production of natural gas was 886 million cubic meters, representing an increase of 68.8% as compared to the last fiscal year. The Group realised a net profit of HK$640 million in these two gas fields, which increased by 1.39 times as compared to the last fiscal year.

The Group achieved breakthroughs in offshore oil exploration and production, and further improved its strategic layout in the full industrial chain. On 8 August 2014, the Group successfully acquired the participating interest of Caofeidian 04/36 and 05/36 blocks in Bohai Bay from Anadarko Petroleum Corporation of United States, and established partnership with China National Offshore Oil Corporation ("**CNOOC**"). The gross daily production of the two blocks is 40,000 barrels. The annual production of crude oil of the Group is 3.70 million barrels, making the Group become an operator of medium sized oil fields.

Dr. Sit Kwong Lam
Chairman

Meanwhile, facing a drastic decrease in oil prices, the Group, under the leadership of CNOOC and in cooperation with all parties, successfully lowered operating costs by nearly 40%. Currently the overall cost is lowered to approximately US$30 per barrel. From the project, the Group realised net profit of HK$105 million in the fiscal year. The Group realised net profit of HK$745 million from oil and gas businesses, which accounted for almost half of the total net profit of the Group.

The leapfrog development of the Group is also attributable to the Group's consistently adhering to the policy of twin-wheel-driven full industrial chain. As the falling oil prices stimulated consumer demand, the Group, leveraging favorable timing and capitalising on its advantages of the integrated full industrial chain operation, boosted the development of midstream and downstream businesses.

Annual sales contributed by the international trading and bunkering business reached 17.27 million metric tonnes, representing an increase of 14% as compared to the last fiscal year. Crude oil sales reached 11.94 million metric tonnes, representing an increase of 55% as compared to the last fiscal year. Net profit from the international trading and bunkering business of the Group amounted to HK$706 million in the fiscal year.

The operation rate of the Group' vessels maintained at over 95% and earnings from the sector increased by approximately 28% as compared to the last fiscal year. Net profit reached HK$223 million. The success made it a new contributor to the Group's profit growth.

The impressive development of the Group has been well recognized and widely supported. In May 2015, the Group successfully issued 590 million new shares, and attracted a number of influential enterprises. The Group raised HK$1.298 billion, which provided strong support for the Group's development.

Looking forward, we are confident with our plans and schedules to face challenges.

The Group will continue to adhere to the business philosophy that organically combines "risk control and profit maximization", and further capitalise on the advantage of integrated full industrial chain operation. On such basis, the Group will highlight its working emphasis to achieve greater results. Three major highlights of the Group's future business development are expected:

Firstly, the upstream oil and gas business is expected to achieve a significant breakthrough. The Group will increase investment in production and exploration of natural gas. Tuzi 102 platform is estimated to be put into operation early next year, with a possible increase in designed production capacity of approximately 300 million cubic meters per annum. The constructions of Dina 1-3 well and Tuzi 103 platform are on schedule and are estimated to be put into operation in 2017, enabling the Group's production reach up to 1.8 billion cubic meters.

Since the deep drilling work of Tuzi 4 Well commenced in December 2014, the project has been progressing smoothly and significant breakthrough had been found. During the drilling process, promising gas reserves were discovered at the Jurassic Kizilnur Formation at a depth of about 3,210 meters and at the Yangxia Formation at a depth of 3,700 meters. The well is designed to reach the Jurassic Ahe Formation at a depth of 4,270 meters. Currently, the drilling work is close to the target layer. Relevant research is being conducted while the Group is declaring the ongoing work to relevant authorities for approval. The covering mud pressure on top of the Kizilnur Formation reaches 66 MPa and the daily gas production is estimated to reach 80,000 cubic meters per well. The covering mud pressure on top of the Yangxia Formation reaches 81 MPa and the daily gas production is estimated to reach 150,000 cubic meters per well. If the drilling task of Tuzi 4 Well is successfully completed and approved by relevant authorities for operation, the Group's natural gas reserve is expected to multiply, which will contribute to leapfrog development of its upstream business.

Meanwhile, the offshore oil block project of the Group will implement a new development plan, which can reduce costs and improve benefits, hence make offshore blocks a new contributor to the Group's profit growth. Under the leadership of CNOOC and in cooperation with all parties, a development plan has been preliminarily established, which is to be approved by the Joint Management Committee and relevant state authorities. The plan is believed to regain momentum under the low oil price environment, which will make this offshore project a contributor to the Group's profit growth.

Secondly, with the Group's oil storage and terminal facilities project in Zhoushan in operation, it is expected to yield considerable and stable return for the Group. The total capacities of the two large-scale oil storage and terminal facilities projects in Zhoushan and Dalian are nearly 10.35 million cubic meters. Low oil prices prompt the Chinese government to speed up national oil reserve buildup and to ensure energy security. Therefore, the demands for oil storage facilities from not only China but also domestic and overseas oil enterprises have significantly increased. Based on forecasts from different institutions together, national demands of oil and storage capacities will reach 600 million metric tonnes and 75 million cubic meters, respectively. However, capacities of oil storages under operation and construction are currently less than 50 million cubic meters, which a gap exists between the supply and demand. As oil storage facilities accommodated with deep-water coastlines and large terminals are scarce in China, the Group, having captured such opportunities, dedicates itself to undertaking large oil storage and terminal facilities projects in the two deep-water ports in Zhoushan and Dalian, which are two commodities trading hubs strategically positioned. Currently, the Zhoushan project is under intensive construction and is estimated to be completed and operational in 2016. The Group's storage facilities are believed to be fully utilised after completing construction. Meanwhile, being an important part of the Group's full industrial chain, storage facilities are expected to synergise with the Group's offshore bunkering business as well as the forthcoming E-commerce platform, and potentially reward the Group with considerable and stable income.

Thirdly, through developing E-commerce business, the Group has explored an innovative consumption model in the petroleum and energy sector, so as to serve the public, to promote prosperity of the market economy, and to push forward industry innovation and development. The Chinese government is strongly encouraging and developing the Internet economy. With this opportunity, the Group has established an E-commerce company in Qianhai, Shenzhen. By combining the advantages and resources of the Group from home and aboard, as well as by integrating the online and offline businesses, the relevant internet and financial services are combined to enhance the core competitive edge of the Group in the petroleum and energy sector. The Group innovatively develops and launches the first "Petroleum Industrial Chain+Internet" comprehensive energy and financial E-commerce platform – Brightoil Online, in China.

Apart from targeting corporate customers with the B2B model as well as the O2O model and promoting online and offline interaction, Brightoil Online also plans to innovate and launch a C2B model which is to cater to the need and improve consumer experience of individual customers and to create a new petroleum consumption model. This E-commerce platform is expected to improve the efficiency of the oil distribution industry, optimise the allocation of resources of oil supply, marketing and storage, meet market demands, bring more convenience to consumers, improve efficiency of services and transfer oil into hard currency. As a result, consumers can enjoy a full range of diversified experience in oil usage and consumption services. Meanwhile, by cooperating with financial institutions, the Group introduced various types of financial services, such as a platform based on transaction data and consumption pattern, a platform on buyer credit or on consumer credit, and financial derivative products. The products are expected to promote innovation and development of the oil distribution industry.

Along with the smooth progress of this business, it is expected that income from the onshore and offshore bunkering business as well as the downstream business will grow substantially and bring considerable return to the Group.

I would like to express my sincere gratitude to our investors and all sectors of the society, for your care and support to the Group. We believe that, through our effort and the measures mentioned above, all business sectors and overall strength of the Group would further grow.

Sit Kwong Lam
Chairman

22 September 2015

FINANCIAL REVIEW

During the year ended 30 June 2015 ("**FY2015**" or "**the period under review**"), the Group recorded an EBITDA of HK$3,484.1 million, representing a very substantial increase of 216.6% from the previous year. Profit attributable to the owners of the Company during the period under review amounted to HK$1,386.7 million, representing a very substantial increase of approximately 131.4% as compared with the previous year. The total revenue of the Group decreased slightly by 12.3% to HK$74,103.9 million as compared with the previous year.

During the period under review, the total revenue of the Group decreased by approximately 12.3% to HK$74,103.9 million from HK$84,505.4 million in the previous year. The decrease in revenue was mainly caused by the decline of petroleum product prices. Although sales volumes from International Trading and Bunkering ("**ITB**") business increased by 14%, the revenue from ITB decreased by HK$13,097.1 million. The sharp decline of petroleum product prices offset the effect of increase in sales volumes. However, it was compensated by the increase in revenue from Marine Transportation and Upstream Oil and Gas businesses by HK$334.5 million and HK$2,361.4 million respectively. The integrated supply chain of the Group's upstream and downstream businesses created a synergy effect.

The Group recorded an EBITDA of HK$3,484.1 million, representing a very substantial increase of 216.6% from HK$1,100.4 million in the previous year.

Upstream Oil and Gas business recorded an EBITDA of HK$2,244.3 million, representing a very substantial increase of 560.5% from HK$339.8 million in the previous year. Marine Transportation business recorded an EBITDA of HK$518.4 million, representing an increase of 92.1% from HK$269.9 million in the previous year. ITB business recorded an EBITDA of HK$790.9 million, representing a slight decrease of 15.1% from HK$931.7 million in the previous year.

Profit attributable to the owners of the Company during the period under review amounted to HK$1,386.7 million which is an increase of approximately 131.4% compared with the profit of HK$599.3 million in the previous year.

During the period under review, the Group recorded basic and diluted earnings per share of HK15.6 cents and HK14.7 cents respectively (2014: basic and diluted earnings per share of HK6.8 cents and HK6.5 cents respectively).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group had receivables from brokers, pledged bank deposits, and bank balances and cash of approximately HK$230.5 million, HK$1,552.6 million and HK$934.8 million respectively.

The Group considers that its foreign currency exposure mainly arises from its dealings in Hong Kong dollars, Singapore dollars, Renminbi and United States dollars. The Group manages its exposures to foreign currency transactions by periodically monitoring the level of foreign currency receipts and payments and by ensuring that the net exposure to foreign exchange risk is maintained at an appropriate level. As at 30 June 2015, the Group had bank borrowings and charges on its assets of approximately HK$10,854.5 million and HK$14,301.3 million respectively.

As at 30 June 2015, the Group's gearing ratio was approximately 75.9% (2014: 25.5%), calculated as the Group's net borrowing divided by shareholders' equity. Net borrowing of HK$8,136.6 million (2014: HK$1,926.1 million) was calculated as total borrowings (i.e. the aggregate of bank borrowings and convertible notes of HK$10,854.5 million (2014: HK$5,424.8 million) less receivables from brokers, pledged bank deposits and bank balances and cash of approximately HK$2,717.9 million (2014: HK$3,498.7 million)).

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities.

CAPITAL STRUCTURE

As at 30 June 2015, the Company had 10,156,494,599 shares (the "**Shares**") in issue with total share capital of approximately HK$253.9 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group employed approximately 290 full time employees. The Group remunerates its directors and employees by reference to their performance, experience and prevailing industry practice. Employee benefits provided by the Group include provident fund scheme, medical schemes, discretionary performance-related bonuses, share option scheme and share award scheme. For the year ended 30 June 2015, total employees' remuneration, including directors' remuneration, was approximately HK$204.9 million (2014: HK$212.7 million).

BUSINESS REVIEWS AND OUTLOOK

During the period under review, affected by a number of factors including the moderate expansion in U.S. economy, the slowdown in China's economic growth and the tightening of monetary policies in the U.S., sharp changes occurred in the energy market with oil price witnessing a drastic fall, which has posed great challenges for operators in the oil and gas related industry. Under such market sentiments, the Group took opportunities of the low oil price environment, actively controlled operating expenses of upstream businesses; meanwhile, the "twin-engine" business model as well as the upstream and mid-downstream business together create the synergies effects that guaranteed steady business development. At current status of low oil price market, the Group has significant growth in both revenue and profits.

Looking forward, with the smooth implementation of the "One Belt, One Road" strategy, the energy industry will embrace new opportunities of development. As the new Tuzi No. 4 deep well was discovered with promising gas reserves, achieving the yield of the gas field will significantly improve the natural gas production of the Group, and greatly increase the upstream reserves and production of gas and oil.

Additionally, the Group will capture the opportunities from China's great effort to encourage and develop Internet-based economy, combining which with the unique advantages of the Group's oil industry chain. With the smooth development of the innovative oil energy e-commerce platform business, the Group will effectively consolidate the industry chains of its downstream businesses, integrate domestic and overseas superior resources, capture great market opportunities, and explosive growth in its onshore and offshore oil supply business can be estimated and downstream business industry chain, so as to bring substantial rewards to the Group.

Upstream Business

As for the upstream business, the daily productions of the Tuzi and Dina 1 Gas Fields have been stabilized at 2.6 million cubic meters in FY2015. Meanwhile, the daily production of the Contract Areas 04/36 and 05/36 in Caofeidian gradually increased to 40,000 barrels in June 2015 from 35,000 barrels in August 2014 after resumption of production on 20 August 2014.

Smooth operations in our upstream production and additional reserves have been recorded during FY2015. Firstly, the Group completed the acquisition of all oil producing assets of the China operating company of Anadarko Petroleum Corporation ("**Anadarko**"), a major U.S. upstream explorer, in Bohai Bay. After that, a series of measures were completed to optimize the operations of the assets. Secondly, the Tuzi Gas Field and the neighbouring Dina 1 Gas Field maintained stable production. According to renowned American valuer D&M, as at 31 August 2014, the 2P reserves of the Dina 1 Gas Field nearly doubled from a year ago, while output of those of the Tuzi Gas Field have also increased significantly. Their combined 2P reserves have soared by 28%. Both of them are located in the gas-rich Tarim Basin in Xinjiang. Commercial gas produced there will be sold to China National Petroleum Corporation ("**CNPC**") and transported to Shanghai and other eastern cities of China through the West-East Natural Gas Pipeline. These achievements demonstrate that the Group has successfully transformed itself from a downstream operator engaged in oil trading, storage and transportation business into a resource-based energy enterprise.

BUSINESS REVIEWS AND OUTLOOK *(continued)*

Upstream Business *(continued)*

The Group has partnered with CNPC to jointly develop the Dina 1 Gas Field. The current daily production was approximately 1.3 million cubic meters of natural gas and 70 metric tonnes of condensate. The total productions of gas and condensate production in FY2015 are 425 million cubic meters and 24,000 metric tonnes, respectively. The Group is exploring ways of optimizing its operations based on industry's best practices in order to maximize production without comprising safety. As at 31 August 2014, the net 2P oil and gas reserves in Dina 1 Gas Field amounted to 20.75 million boe. The Group is in advanced discussion with CNPC to further develop the gas field with two more wells. The drilling contract has been signed and the drilling will start soon after a supplementary development plan approved.

The Tuzi Gas Field, jointly developed with CNPC, commenced commercial production in December 2013. With the overall development plan of 19 wells approved by the National Development and Reform Commission, 9 out of the planned 19 wells are in production with a total daily production rate of approximately 1.3 million cubic meters of natural gas and 5 metric tonnes of condensate. Total natural gas and condensate production in FY2015 amounted to 461 million cubic meters and 2,000 metric tonnes, respectively. The Group will complete the drilling of the remaining 10 wells by the end of 2016 and daily production is expected to increase to 3 million cubic meters. As at 31 August 2014, the net 2P oil and gas reserves in Tuzi Gas Field amounted to 31.15 million boe. Upon full commercial production of the Tuzi Gas Field at the end of 2016, the Dina 1 and Tuzi Gas Fields are expected to produce 1.8 billion cubic meters of natural gas and 40,000 metric tonnes of condensate annually. The Group is currently carrying out drilling works at the Tuzi 4 Deep Drilling Well, which was approved by CNPC but not included in the existing overall development plan. The well is expected to be completed in September 2015 and to begin the trial run soon. During the drilling process, two new gas layers were found and showed good oil and gas prospects. The combined geological reserves of the target layer and the two newly-discovered layers are expected to be multiples that of the existing layers under development.

The Group completed the acquisition of the Caofeidian oilfields from Anadarko at a net consideration of US$946 million (equivalent to approximately HK$7.33 billion). The Caofeidian oilfields are situated approximately 90 km offshore in western Bohai Bay and lie in shallow waters at a depth of 25 meters. The Group holds a 40.0909% non-operated interest (up until the contract expiry date of September 2024) in the CFD 11-1, CFD 11-2, CFD 11-3 and CFD 11-5 oilfields of Contract Area 04/36 covering an area of 124 square kilometers. It also holds a 29.1773% non-operated interest (with a contract expiry date of January 2026) in the CFD 11-6, CFD 12-1 and CFD 12-1S oilfields located in Contract Area 05/36 covering an area of 88 square kilometers. Current daily production is approximately 40,000 boe. Oil production at this project totalled 11 million barrels in FY2015.

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

The National Development and Reform Commission announced in August 2014 that the non-residential "city-gate" price of natural gas in the People's Republic of China would be increased by RMB0.4 per cubic meter with effect from 1 September 2014. It then announced in February 2015 the convergence of existing and incremental gas prices. Following the two price adjustments, the selling prices of gas produced at the Dina 1 and Tuzi Gas Fields saw remarkable growth, though they were still far below city-gate prices in Xinjiang and import prices. We are confident that there will be further room for price hikes of natural gas produced at the Dina 1 and Tuzi Gas Fields, which is expected to have a positive impact on their profitability. Moreover, the profitability of the Caofeidian oilfields will be boosted from the increase in the windfall tax threshold from US$55 per barrel to US$65 per barrel, effective from 1 January 2015.

The Ministry of Land and Resources launched bidding for the exploration rights of 6 oil and gas blocks in Xinjiang to private enterprises on 7 July 2015. The enterprises that win the bid will have exploration rights for related oil and gas blocks. As the Chinese government is stepping up efforts to promote public-private partnership in the domestic oil and gas sector, the private enterprises will have ample room for growth in the oil and gas exploration business in China.

BUSINESS REVIEWS AND OUTLOOK *(continued)*

Upstream Business *(continued)*

Looking forward, the Group will focus on the expansion of upstream operations in medium to long term. While continuing to develop existing assets, the Group will capture opportunities arising from the public and private partnerships implemented in China energy market, and expand the space of development. In addition, it will seek acquisitions and merger opportunities to buy low-risk oil and gas assets.

International Trading and Bunkering

In FY2015, the moderate expansion of the US economy as well as the tightening of its monetary policy and other factors caused a slowdown in the China economic situation which led to a sharp fall in crude oil prices. Despite the increase in market risk, International Trading and Bunkering still maintained a steady growth and overall sales volume in FY2015 increased by 14% as compared with last year.

Crude trading team continued to work with big Chinese oil enterprises to develop long-term supply contracts where sales volume growth of 55% was achieved over the previous fiscal year. In procurement, continuing efforts are to uphold a good market channel in the Middle East and to strengthen its sourcing ability in South America and West Africa.

The Group's core business in fuel oil and marine bunkering continued to advance steadily during this period and through its preceding policy adjustments. We are focusing on Singapore, China, Taiwan, Korea, Japan and other Asia-Pacific markets.

In the past fiscal year, worldwide container shipping lines and break bulk cargo ship market entered into a bleak situation which added onto the ship owners' credit risk. Greece, being the world's number one country in terms of marine volume was facing a credit crisis and the Group took the initiative to reduce or limit partial credit risk of ship owners which eventually led to a decline in marine sales. This however regulated the market risk and the Group was not subject to any direct or indirect loss arising from the collapse of O.W. Bunker which instead boosted our ability to resist risks. The Group's marine bunkering business demonstrated high quality service to the ship owners by investing in two 7,000 DWT barges which were awarded the certification of Mass Flow Meter by Maritime Port Authority of Singapore. This achievement received praise and recognition from world class ship owners which aided in the rapid increase of oil flow and income stability. The Group is anticipating the approval of certification for another 2 barges from the Singapore authority which will further enhance the Group's supply capability.

In FY2015, we combined supply chain resources by reducing or sub-letting vast storage capacity which at the same time lowered costs and improved efficiency. This enabled us to focus on developing China and Singapore markets. Through optimizing the trading team, completed with oil trading, oil storage facilities, bunkering and marine transportation, we have attained a comprehensive integration which bolstered the value-added chain into further development.

Marine Transportation

A combination of factors from both supply and demand sides have resulted in a significant improvement in our financial performance in FY2015. Our fleet has been further expanded to 12 ships, after acquisition of 2 new bunker barges from China. The expansion has improved both our economy of scale and operational flexibility.

The tanker freight market follows its usual seasonal cyclical trend and has rebounded since it reached bottom in 2013. We have forecasted a strengthening crude tanker market, especially from 2014 to 2015 as demand was expected to be good and the oversupply in the previous years is being absorbed. As per market reports, daily return of both VLCC and Aframax tankers have rebounded to the highest level since 2010. Our fleet revenue grew by an impressive 28% to HK$1.37 billion in FY2015. Our strategy of focusing on Chinese imports and the Chinese state-owned oil companies continues to pay dividends. In FY2015, more than 75% of our total revenue was derived from transporting cargoes into China and this ratio increases to 80% for our VLCC fleet. In fact, from January to June 2015, 100% revenue of our VLCC fleet comes from trade to China. EBITDA of Marine Transportation business improved by HK$248 million in FY2015.

BUSINESS REVIEWS AND OUTLOOK *(continued)*

Marine Transportation *(continued)*

From the supply side, the tanker market over the past two years has seen a very stiff momentum, comparing with the previous years. According to market report, the VLCC fleet grew over 14 ships per quarter in 2011 on average, and had gradually declined to just about 3 ships per quarter in 2013, and followed by a slightly higher net of 4 ships per quarter in 2014. The Aframax delivery growth and estimated demolition shows even better balanced market condition. Started from 2014, the tanker market has experienced increasing demand but a steady supply. The past two years of slow growth in supply and recently improving demand has leads to an equilibrium market that the previous year's excess capacity in history have been fully absorbed.

From the demand side, the tanker market has seen increased tonne-miles despite weak growth in world oil consumption. The US shale oil play has changed the global trade patterns but benefited the VLCCs shipping business because the increased domestic production has mainly replaced oil imports from Caribbean and West Africa. As a result, the oil produced in South America and West Africa switch their export directions to China and India, as they try to diversify away from their dependence on the volatile Middle East market. The trade direction changes increased the voyage distance and the demand for ships. In addition, restocking likely driven by the failing oil prices and forward market contango have benefit the freight market recovery.

The 2015 year to date development has most certainly showed a strengthening market, even exceeding most of the market analysts' forecast. This development has not only been driven by traditional improving demand and slower supply, but also by a series of extraordinary events. The fluctuation in oil prices started in end of 2014 brought more opportunities to crude tanker shipping business. In January 2015, the market outperformed expectations on the floating storage talk in the market and media. Around 40 VLCCs were taken on time charter contracts with an option to store oil, which drove up the time charter rate and passed positive effects to the spot market as well. Although the oil market curve in the following months did not go wide enough to spark large-scale floating storage and the vessels chartered in were mostly traded in spot market, owners' sentiments were strong enough to maintain the freight at relatively higher level comparing with previous years. In addition, extraordinary events such as port congestion outside Basrah in Iraq in March and April 2015, and bad weather in East Indian Ocean and West Pacific in Q2 2015 have caused counter seasonal development and pushed freight up.

Extraordinary events brought positive surprise to the VLCC market, but overall, we still attribute the market development to the functional improvement on the supply and demand balance. We have seen huge interests for Atlantic cargos from Far East buyers in Q3 2014, Q1 and Q2 2015. Those demand increases together with the slowing fleet growth have driven the market freight up. Of course our Group's VLCCs are unique in the respect that each vessel is additionally equipped with an on board blending facility and heating coils enabling them to blend different grades of cargo while at sea, thereby minimizing costs of shore. The low bunker fuel consumption characteristic of our VLCC fleet ensures that our earnings always compare favorably with competitors.

Currently, our strategy for the Aframax fleet is to continue with the focus on the transport of crude oil and fuel oil from the Middle East and Southeast Asia into the Far East and Australasian (Australia, New Zealand and surrounding islands) markets. This will most likely include a good proportion of our own Group cargoes and those of Chinese customers for discharge in China. We have witnessed a significant improvement in the fuel economy of the 4 Aframax tankers after dry-dock maintenance (three in 2014 and one in 2015) which goes directly to our bottom line performance. This combined with the implementation of new daily monitoring processes and other fuel saving initiatives will improve our year-on-year performance in this area. We are currently managing all cost categories more effectively.

The operation of the four bunker tankers complies with the highest industrial standard. We are the pioneer in Singapore to follow the governmental regulation to install Mass Flow Meter ("**MFM**") on the bunker tankers. All of our bunker tankers have been fitted with MFM system which offers our customers receiving bunker fuel in Singapore the highest degree of certainty around bunker quantities delivered. In fact every vessel in the Group's fleet is fitted with a MFM which enables us to measure and manage bunker consumption more effectively. In 2014, the Group's shipping business was awarded a Document of Compliance ("**DOC**") by China Classification Society ("**CCS**") which entitles us to directly provide both technical and crew manning services. Currently, 3 of our existing 4 bunker tankers are under our own technical management.

BUSINESS REVIEWS AND OUTLOOK *(continued)*

Marine Transportation *(continued)*

We can look ahead over financial year 2016 with a good degree of confidence as we have established a solid platform for further growth and profitability and there is significant evidence that the tanker shipping industry has been on the way of recovery. Fleet over capacity had been eased as the new building delivery is moderate comparing with previous years. In summary, the outlook is improving for the tanker freight market as vessel values have appreciated in the past year and we continue to improve the operational and financial efficiency of our business. Moreover, our focused customer strategy leaves us well positioned to profit with the market upturn.

Oil Storage and Terminal Facilities

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

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

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

The terminal's competitiveness has been enhanced with the ability to accommodate vessels of up to 300,000 DWT, which will result in a reduction in freight costs associated with transporting fuel oil. The Phase 1 storage facilities of the Zhoushan project are being developed, with 65% of construction work already completed while development of the Zhoushan Phase 2 project commenced in June 2015. Phase 1 and Phase 2 are expected to be operational in the first half of 2016 and at the end of 2016, respectively. The hydraulic works of the terminal, which will have 13 berths capable of handling vessels from 1,000 to 300,000 DWT, have been completed. The related ancillary facilities are being developed and are expected to commence operation in the first half of 2016.

The oil storage and terminal facilities in Dalian are located in the government-approved petrochemical industry base on Changxing Island, Dalian. This is a core area for the restructuring and upgrading of China's petrochemical industry and one of the key petrochemical industrial bases on which the government will focus at. Leveraging the advantages of this industrial base, the Dalian storage and terminal facilities – being the major logistics facilities in it – are emerging as a centre for the trading, storing and transferring of oil products such as crude oil and fuel oil in the Bohai Bay region and Northeast Asia. Construction of oil storage facilities in Dalian, with a total design capacity of 7.19 million cubic meters, will be completed in two phases. The oil storage capacity of Phase 1 and 2 will be 3.51 million cubic meters and 3.68 million cubic meters, respectively. The terminal facilities will be equipped with 13 berths capable of accommodating vessels from 1,000 to 300,000 DWT.

Supply of water, electricity and roads at the Dalian project are ready, and land leveling of the site has been completed. Furthermore, pre-construction work on the storage and terminal facilities is underway, and commencement of operation is expected within three years.

EXECUTIVE DIRECTORS

Dr. Sit Kwong Lam ("**Dr. Sit**"), Ph.D., aged 48, has been an executive Director and Chairman of the Company since 20 June 2008. He has been appointed as Chief Executive Officer of the Company on 21 August 2015. Dr. Sit is also a member of the Remuneration Committee and Nomination Committee of the Company. He obtained a doctorate degree in philosophy in 2005. He is a member of the Chinese People's Political Consultative Conference, vice chairman of China's Chamber of Commerce for Petroleum Industry (全國工商聯石油業商會副會長) and chairman of the board of directors of Shenzhen Brightoil Group Co., Ltd. (深圳光滙石油集團股份有限公司) and its subsidiaries ("**Shenzhen Brightoil Group**"). He also serves as director of all subsidiaries of the Group.

Dr. Sit is the founder of the Group. He has been specialising in the oil energy field and is dedicated to developing energy businesses. Shenzhen Brightoil Group was established in 1993, which is wholly and beneficially controlled by Dr. Sit. The scope of business of Shenzhen Brightoil Group includes oil storage and international trading of petroleum products, marine transportation, gas stations, marine bunkering and also engages in oil and gas exploration and exploitation. Dr. Sit is also the director of Energy Empire Investments Limited and Canada Foundation Limited, the substantial shareholders of the Company. The interests of Energy Empire Investments Limited and Canada Foundation Limited held in the Company is disclosed in the Directors' Report from pages 21 to 38.

Mr. Tang Bo ("**Mr. Tang**"), aged 47, has been an executive Director of the Company since June 2008 and is mainly responsible for project construction and investment and business development on storage and transportation. He graduated from the business school of Nanjing University in 1992 with a master degree in economics.

Mr. Tang had in the past held various positions in the Shenzhen Brightoil Group. He was responsible for external investment and business development and has over 15 years of experience in the oil industry, during the time when he was the Vice President of the Shenzhen Brightoil Group. He also supervises group human resources and serves as a director of certain subsidiaries of the Group.

Mr. Tan Yih Lin ("**Mr. Tan**"), aged 43, has been an executive Director and the Chief Financial Officer of the Company since June 2008. He has been appointed as company secretary of the Company on 11 May 2015. Mr. Tan is also a member of Remuneration Committee and Nomination Committee of the Company. He is mainly responsible for the financial management. Mr. Tan graduated from Singapore Polytechnic in 1993. In 1998, he passed the ICPAS/ACCA certified accountant examination with first runner-up honour in Singapore. He obtained a master degree in computing from De Montfort University, the United Kingdom in 2000.

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

Mr. Wang Wei ("**Mr. Wang**"), aged 57, has been an executive Director of the Company since 8 May 2015. Mr. Wang obtained a Diploma in English and Economic Law from Zhong Hua Social University (currently known as Beijing Professional Business Institute) in Beijing and acquired the International Commercial professional & technical qualification awarded by the Ministry of Foreign Trade and Economic Cooperation, PRC. He also acquired senior economist qualification in 2011.

Mr. Wang has over 28 years experience in the oil & gas industry. Before joining the Group, Mr. Wang held a number of senior management positions in different business units of Sinochem Group from 1986 to 2014, the latest position as Managing Director of Sinochem International Oil (Singapore) Pte Ltd from 2007 to 2014. Mr. Wang joined the Group as Chief Executive Officer of BRIGHTOIL PETROLEUM (S'PORE) PTE. LTD., a wholly-owned subsidiary of the Company on 24 November 2014.

NON-EXECUTIVE DIRECTOR

Mr. Dai Zhujiang ("**Mr. Dai**"), aged 63, a non-executive Director. Mr. Dai studied in Beijing Foreign Language Institute (北京外國語學院) (now known as Beijing Foreign Studies University (北京外國語大學)) from 1971 to 1975 and graduated with a bachelor degree. In 1990, he served as a senior management of China Resources Textile Materials Co. Ltd. (華潤紡織原料有限公司). He has been the financial adviser and senior business manager of two large insurance companies (AIA and Prudential) in Hong Kong since 2000. Mr. Dai is a Registered Financial Planner of the Registered Financial Planners Institute since 2005. Mr. Dai joined the Group in June 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Hon Chuen ("**Mr. Lau**"), aged 68, an independent non-executive Director, the chairman of the Nomination Committee, a member of the Remuneration Committee and Audit Committee of the Company. Mr. Lau is a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. He is the senior partner of Messrs. Chu & Lau Solicitors & Notaries. He was awarded the Gold Bauhinia Star and Justice of the Peace. Mr. Lau is a solicitor of the High Court of Hong Kong, a solicitor of the Supreme Court of England and Wales, a China-appointed attesting officer and a notary public. Mr. Lau is currently the independent non-executive director of various listed companies, including Franshion Properties (China) Limited (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Property Company Limited (Stock Code: 123), Yuexiu Transport Infrastructure Limited (Stock Code: 1052), Joy City Property Limited (formerly known as COFCO Land Holdings Limited) (Stock Code: 207) and The People's Insurance Company (Group) of China Limited (Stock Code: 1339). He is also an independent non-executive director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank Limited, OCBC Wing Hang (formerly known as Wing Hang Bank Limited, delisted from the Stock Exchange with effect from 16 October 2014), Wing Hang Bank (China) Limited, a director of Chu & Lau Nominees Limited, Sun Hon Investment and Finance Limited, Wydoff Limited, Wytex Limited, Trillions Profit Investment Limited, Helicoin Limited and Wyman Investments Limited. Mr. Lau was also the president of the Law Society of Hong Kong, a board member of the Urban Renewal Authority, a board member of the Hong Kong Mortgage Corporation Limited and a member of the Commission on Strategic Development of the Hong Kong Government, and served as member of the Hong Kong Legislative Council from 1995 to 2004 (being the member of the Provisional Legislative Council from 1997 to 1998). Mr. Lau resigned as an independent non-executive director of Qin Jia Yuan Media Services Company (Stock Code: 2366) with effect from 8 August 2012. Mr. Lau joined the Group in June 2008.

Professor Chang Hsin Kang ("**Professor Chang**"), aged 75, an independent non-executive Director, the chairman of Remuneration Committee, a member of Audit Committee and Nomination Committee of the Company. An internationally renowned scholar, Professor Chang is Foreign Member of the Royal Academy of Engineering of the United Kingdom and Member of International Eurasian Academy of Science. He is a recipient of the Gold Bauhinia Star as well as a Justice of Peace in the Hong Kong SAR.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Professor Chang was Chairman of the Cultural and Heritage Commission from 2000 to 2003, a member of the Council of Advisors on Innovation and Technology from 2000 to 2004 and a member of Judicial Officers Recommendation Commission from 1999 to 2005 in Hong Kong SAR. Professor Chang was decorated as Chevalier dans l'Ordre National de la Legion d'Honneur of France in 2000 and appointed Commandeur dans l'Ordre des Palmes Academiques of France in 2009. He is also an independent non-executive director of HKT Trust and HKT Limited (Stock Code: 6823) and Hang Lung Properties Limited (Stock Code: 101). He resigned as an independent non-executive director of Hon Kwok Land Investment Company Limited (Stock Code: 160) with effect from 1 April 2015.

Mr. Kwong Chan Lam ("**Mr. Kwong**"), aged 67, an independent non-executive Director, the chairman of the Audit Committee, a member of Remuneration Committee and Nomination Committee of the Company. Mr. Kwong is a fellow certified public accountant in Hong Kong and a former partner of Deloitte Touche Tohmatsu. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwong has 35 years of experience in auditing, financial accounting and taxation in relation to various companies (for 22 years of which, he held a position as a partner). He obtained a bachelor degree in business and administration from the Chinese University of Hong Kong in 1972. Mr. Kwong joined the Group in June 2008.

DIRECTORS' REPORT

The board of directors (the "**Board**") present its annual report and the audited consolidated financial statements of the Brightoil Petroleum (Holdings) Limited (the "**Company**") together with subsidiaries of the Company (the "**Group**") for the year ended 30 June 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in exploration, development and production of upstream oil and gas fields, marine transportation, oil storage and terminal facilities and international trading and bunkering business.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 50.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK2 cents (for the year ended 30 June 2014: Nil) per Share for the year ended 30 June 2015. Subject to the Shareholders' approval at the annual general meeting of the Company to be held on Monday, 23 November 2015 (the "**2015 AGM**"), approximately HK$203,130,000 will be payable on or before Tuesday, 15 December 2015 to the shareholders of the Company (the "**Shareholder**") whose names appear on the register of members of the Company on Monday, 30 November 2015.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2015 AGM

For determining the entitlement to attend and vote at the 2015 AGM is scheduled to be held on Monday, 23 November 2015, the register of members of the Company will be closed from Friday, 20 November 2015 to Monday, 23 November 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2015 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 19 November 2015.

Entitlement to the proposed final dividend

In addition, the register of members of the Company will be closed from Friday, 27 November 2015 to Monday, 30 November 2015, both days inclusive, during which period no transfer of shares will be registered. In order to ascertain Shareholders' entitlement to the proposed final dividend, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 26 November 2015.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the year ended 30 June 2015, total additions to property, plant and equipment were approximately HK$1,452,270,000, which mainly include additions to construction in progress of approximately HK$1,252,709,000. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

The Group's investment property was revalued at 30 June 2015. The fair value of investment property remains unchanged as last year. Details of investment property of the Group during the year are set out in note 22 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 142 of this report.

SHARE CAPITAL

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

RESERVES AND DISTRIBUTABLE RESERVES

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

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

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

In the opinion of the directors of the Company (the "**Directors**"), as at 30 June 2015, the Company's reserves available for distribution to Shareholders consisted of contributed surplus of approximately HK$15,012,000 and accumulated losses of approximately HK$92,985,000.

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

DIRECTORS

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

Executive Directors:

Dr. Sit Kwong Lam (Chairman and Chief Executive Officer)	(appointed as Chief Executive Officer on 21 August 2015)
Mr. Tang Bo	
Mr. Tan Yih Lin	
Mr. Wang Wei	(appointed on 8 May 2015)
Mr. Justin Sawdon Stewart Murphy	(resigned on 8 May 2015)
Dr. Yung Pak Keung Bruce (Chief Executive Officer)	(resigned as executive Director and Chief Executive Officer on 21 August 2015)

Non-Executive Director:

Mr. Dai Zhujiang

Independent Non-Executive Directors:

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

In accordance with the provisions of the Company's bye-laws (the "**Bye-laws**"), Mr. Wang Wei, who was appointed on 8 May 2015, shall hold office until the next following general meeting and, being eligible, offer himself for re-election. Mr. Tan Yih Lin, Professor Chang Hsin Kang and Mr. Kwong Chan Lam shall retire from office as Directors by rotation at the 2015 AGM and, being eligible, offer themselves for re-election.

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

At the date of this annual report, each of Dr. Sit Kwong Lam, Mr. Tang Bo and Mr. Tan Yih Lin (all being executive Directors) have entered into service contract with the Company with a term of three years commencing from 20 June 2014. Each of the above Directors is entitled to a basic salary, which is determined on the basis of his qualification, experience, involvement in and contribution to the Company and by reference to the market rate, and a discretionary management bonus of an amount to be determined by the Board upon completion of every 12 months of service.

Mr. Wang Wei ("**Mr. Wang**") has entered into a service contract with the Company for an initial term of three years commencing from 8 May 2015. Mr. Wang is entitled to a basic salary, which is determined by the Board with reference to his duties and responsibilities, the market benchmark and contribution to the Company.

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

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

MANAGEMENT CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and Senior Management of the Group are set out on pages 18 to 20 of this report.

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

At 30 June 2015, the interests and short positions of the Directors, chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**"), were as follows:

Long positions in the shares of the Company

Name of Director	Name of company	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (Note 1)
Dr. Sit Kwong Lam ("**Dr. Sit**")	The Company	Interest of controlled corporations and beneficial owner	7,396,130,999 (Note 2)	72.822%
Professor Chang Hsin Kang ("**Professor Chang**")	The Company	Beneficial owner	380,000 (Note 3)	0.004%
Dr. Yung Pak Keung Bruce ("**Dr. Yung**")	The Company	Beneficial owner	200,000 (Note 4)	0.002%
Mr. Tang Bo	The Company	Beneficial owner	1,185,000 (Note 5)	0.012%
Mr. Tan Yih Lin	The Company	Beneficial owner	1,185,000 (Note 5)	0.012%
Mr. Dai Zhujiang	The Company	Beneficial owner	190,000 (Note 6)	0.002%
Mr. Kwong Chan Lam	The Company	Beneficial owner	190,000 (Note 6)	0.002%
Mr. Lau Hon Chuen	The Company	Beneficial owner	190,000 (Note 6)	0.002%
Mr. Wang Wei ("**Mr. Wang**")	The Company	Beneficial owner	385,000 (Note 7)	0.004%

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

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

Notes:

(1) There were 10,156,494,599 Shares in issue as at 30 June 2015.

(2) These 7,396,130,999 Shares refer to (a) 2,918,088,960 Shares held by Energy Empire Investments Limited ("**Energy Empire**"), which is wholly and beneficially owned by Dr. Sit; (b) 4,281,724,039 Shares held by Canada Foundation Limited ("**Canada Foundation**"), which is wholly and beneficially owned by Dr. Sit; and (c) 196,318,000 Shares held by Brightoil Welfare Ltd. which is wholly and beneficially owned by Dr. Sit.

(3) These 380,000 Shares refer to (a) 190,000 Shares jointly held by Professor Chang and his spouse; and (b) 190,000 Shares granted to Professor Chang on 13 June 2014 and 13 June 2015 subject to relevant vesting periods under the Share Award Scheme adopted by the Company on 14 May 2014.

(4) 200,000 Shares were granted to Dr. Yung on 13 June 2014 subject to relevant vesting periods under the Share Award Scheme adopted by the Company on 14 May 2014 and were forfeited upon his resignation as an executive Director and chief executive officer.

(5) These 1,185,000 Shares were granted to the respective Directors on 13 June 2014 and 13 June 2015 subject to relevant vesting periods under the Share Award Scheme adopted by the Company on 14 May 2014.

(6) These 190,000 Shares were granted to the respective Directors on 13 June 2014 and 13 June 2015 subject to relevant vesting periods under the Share Award Scheme adopted by the Company on 14 May 2014.

(7) The Shares granted to Mr. Wang on 13 June 2015 subject to relevant vesting periods under the Share Award Scheme adopted by the Company on 14 May 2014.

(8) Further details of the movements in the Share Award Scheme during the year are set out in the "Share Award Scheme" section in page 27.

Save as disclosed above, as at 30 June 2015, 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) (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and which were required to be entered into the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

Particulars of the Company's share option scheme (the "**Option Scheme**") are set out in note 40 to the consolidated financial statements.

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

	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy)	Exercise price HK$	Number of options at 1.7.2014	Number of options lapsed/ cancelled during the year	Number of options at 30.6.2015	Percentage of the issued share capital of the Company
Executive Directors							
Mr. Tang Bo	22.4.2010	22.4.2011–21.4.2015	3.40	4,000,000	(4,000,000)	–	0%
Mr. Tan Yih Lin	22.4.2010	22.4.2011–21.4.2015	3.40	4,000,000	(4,000,000)	–	0%
Total of Executive Directors				8,000,000	(8,000,000)	–	0%
Non-Executive Director							
Mr. Dai Zhujiang	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000	(2,000,000)	–	0%
Total of Non-Executive Director				2,000,000	(2,000,000)	–	0%
Independent Non-Executive Directors							
Mr. Lau Hon Chuen	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000	(2,000,000)	–	0%
Professor Chang Hsin Kang	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000	(2,000,000)	–	0%
Mr. Kwong Chan Lam	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000	(2,000,000)	–	0%
Total of Independent Non-Executive Directors				6,000,000	(6,000,000)	–	0%
Others							
Employees	22.4.2010	22.4.2011–21.4.2015	3.40	3,840,000	(3,840,000)	–	0%
Total of employees				3,840,000	(3,840,000)	–	0%
Total of share Options				**19,840,000**	**(19,840,000)**	**–**	0%

For the year ended 30 June 2015, no share options has been exercised, 1,200,000 share options have been cancelled and 18,640,000 share options have lapsed on 22 April 2015. As at 30 June 2015, no outstanding share options was held by the Directors and employees of the Group.

SHARE AWARD SCHEME

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

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

Under the Share Award Scheme, the Award Shares are granted to eligible employees of the Company or any one of its subsidiaries for no consideration but subject to certain conditions to be decided by the Board at the time of grant of the Award Shares under the Share Award Scheme. The Share Award Scheme will remain in force for 15 years from the date of adoption.

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

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

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

The Board made its second grant of the Award Shares under the Share Award Scheme on 9 February 2015. Such Award Shares are subject to vesting period in five tranches of 20% each of its awarded shares granted from the grant date to 12 June 2015, 12 June 2016, 12 June 2017, 12 June 2018 and 12 June 2019 respectively.

The Board made its third grant of Award Shares under the Share Award Scheme on 13 June 2015. Such Award Shares are subject to vesting period in five tranches of 20% each of its awarded shares granted from the grant date to 12 June 2016, 12 June 2017, 12 June 2018, 12 June 2019 and 12 June 2020 respectively.

SHARE AWARD SCHEME *(continued)*

During the year ended 30 June 2015, 8,285,000 Award Shares had been awarded to the Directors and employees for their services rendered to the Group. Details of which are as follows:

	Date of grant (dd/mm/yy)	As at 1.7.2014	Granted during the year	Transferred during the year	Vested during the year	Forfeited during the year	As at 30.6.2015	Vesting period
		Number of Award Shares						
Executive Directors								
Mr. Tang Bo	(i) 13.6.2014 (ii) 13.6.2015	(i) 600,000 (ii) –	(i) – (ii) 585,000	–	(i) (120,000) (ii) –	–	1,065,000*	(i) 12.6.2015–12.6.2019 (Note 1) (ii) 12.6.2016–12.6.2020 (Note 2)
Mr. Tan Yih Lin	(i) 13.6.2014 (ii) 13.6.2015	(i) 600,000 (ii) –	(i) – (ii) 585,000	–	(i) (120,000) (ii) –	–	1,065,000*	(i) 12.6.2015–12.6.2019 (Note 1) (ii) 12.6.2016–12.6.2020 (Note 2)
Mr. Wang Wei (Note 4)	13.6.2015	–	385,000	–	–	–	385,000*	12.6.2015–12.6.2020 (Note 2)
Dr. Yung Pak Keung Bruce (Note 5)	13.6.2014	–	–	200,000	–	–	200,000	12.6.2015–12.6.2019 (Note 1)
Mr. Justin Sawdon Stewart Murphy (Note 6)	13.6.2014	200,000	–	–	–	(200,000)	–	12.6.2015–12.6.2019 (Note 1)
Non-executive Director								
Mr. Dai Zhujiang	(i) 13.6.2014 (ii) 13.6.2015	(i) 150,000 (ii) –	(i) – (ii) 40,000	–	(i) (30,000) (ii) –	–	160,000	(i) 12.6.2015–12.6.2019 (Note 1) (ii) 12.6.2016–12.6.2020 (Note 2)
Independent Non-executive Directors								
Mr. Kwong Chan Lam	(i) 13.6.2014 (ii) 13.6.2015	(i) 150,000 (ii) –	(i) – (ii) 40,000	–	(i) (30,000) (ii) –	–	160,000	(i) 12.6.2015–12.6.2019 (Note 1) (ii) 12.6.2016–12.6.2020 (Note 2)
Mr. Lau Hon Chuen	(i) 13.6.2014 (ii) 13.6.2015	(i) 150,000 (ii) –	(i) – (ii) 40,000	–	(i) (30,000) (ii) –	–	160,000	(i) 12.6.2015–12.6.2019 (Note 1) (ii) 12.6.2016–12.6.2020 (Note 2)
Professor Chang Hsin Kang	(i) 13.6.2014 (ii) 13.6.2015	(i) 150,000 (ii) –	(i) – (ii) 40,000	–	(i) (30,000) (ii) –	–	160,000	(i) 12.6.2015–12.6.2019 (Note 1) (ii) 12.6.2016–12.6.2020 (Note 2)
Other								
Employees	(i) 13.6.2014 (ii) 9.2.2015 (iii) 13.6.2015	5,765,000	6,570,000	(200,000)	(657,000)	(2,513,000)	8,965,000	(i) 12.6.2015–12.6.2019 (Note 1) (ii) 12.6.2015–12.6.2019 (Note 2) (iii) 12.6.2016–12.6.2020 (Note 3)
Total		7,765,000	8,285,000	–	(1,017,000)	(2,713,000)	12,320,000*	

* Total number of Award Shares granted to the Director (excluded the Award Shares which were vested to the relevant Directors and employees).

SHARE AWARD SCHEME *(continued)*

Notes:

1. First grant of Award Shares under the Share Award Scheme on 13 June 2014 which is subjected to vesting period in five tranches of 20% each on 12 June 2015, 2016, 2017, 2018 and 2019 respectively.

2. Second grant of Award Shares under the Share Award Scheme on 9 February 2015 which is subjected to vesting period in five tranches of 20% each on 12 June 2015, 2016, 2017, 2018 and 2019 respectively.

3. Third grant of Award Shares under the Share Award Scheme on 13 June 2015 which is subjected to vesting period in five tranches of 20% each on 12 June 2016, 2017, 2018, 2019 and 2020 respectively.

4. Mr. Wang Wei was appointed as an executive Director on 8 May 2015.

5. 200,000 Award Shares were granted to Dr. Yung Pak Keung Bruce, in the role of employee, on 13 June 2014 before he was appointed as an executive Director. Such Award Shares were forfeited upon his resignation as an executive Director and chief executive officer.

6. Mr. Justin Sawdon Stewart Murphy resigned as an executive Director on 8 May 2015.

Further details of the Share Award Scheme are set out in note 40 to the consolidated financial statements of this annual report.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

On 27 October 2009, the convertible notes issued by the Company to Canada Foundation pursuant to the Subscription Agreement (as amended by the Supplemental Deed). The Deed of Extension, pursuant to which the maturity date of the convertible notes was extended to the sixth anniversary of the issue date (i.e. 27 October 2015), was approved by the independent Shareholders on 14 August 2012.

On 20 May 2015, Canada Foundation exercised the right to convert all the convertible notes into shares of the Company in a total amount of 799,979,333 shares. Dr. Sit, an executive Director, Chairman and chief executive officer of the Company, is the sole director and the sole shareholder of Canada Foundation.

Save as disclosed above, at no time during the year was the Company, any of its holding companies or their respective subsidiaries a party to any arrangements to enable the Directors or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors nor chief executive of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year save for any entitlements under the Option Scheme.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises three independent non-executive Directors, namely, Mr. Lau Hon Chuen, Professor Chang Hsin Kang and Mr. Kwong Chan Lam (Chairman of the Audit Committee), has reviewed the audited financial statements of the Company for the year ended 30 June 2015 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group and internal controls and financial reporting matters.

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES

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

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

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

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

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

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

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

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

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES *(continued)*

(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.

(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" ("**Brightoil Glory Loan**"). The Brightoil Glory Loan shall be fully repaid in ten (10) years.

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

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

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

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken during the year under review are disclosed in note 42 to the consolidated financial statements. Save as disclosed in "Connected Transactions" below, these related party transactions fall under the definition of connected transaction, but are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 42 to the consolidated financial statements also constituted connected transactions or as the case may be, continuing connected transactions under the Listing Rules and are subject to the reporting requirements in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected persons (as defined in the Listing Rules) and the Group have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in compliance with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

Connected transaction

(1) Connected transactions in relation to the acquisition of Vessel 639 and Vessel 666

On 14 August 2014, Brightoil 639 Oil Tanker Pte. Ltd. ("**Subsidiary 639**") entered into the Memorandum of Agreement ("**First MOA**") with 浙江光滙海運有限公司 (Zhejiang Brightoil Shipping Co., Ltd*) ("**Zhejiang Brightoil Shipping**"), a company established in the PRC with limited liability which is ultimately and beneficially controlled by Dr. Sit (being an executive Director, Chairman and CEO of the Company), pursuant to which Zhejiang Brightoil Shipping has agreed to sell, and Subsidiary 639 has agreed to purchase Vessel 639 for a total cash consideration of US$9,000,000 (equivalent approximately to HK$69,750,000).

On the same date, Brightoil 666 Oil Tanker Pte. Ltd. ("**Subsidiary 666**") entered into the Memorandum of Agreement ("**Second MOA**") with 深圳光滙石油海運集團有限公司 (Shenzhen Brightoil Shipping Group Co., Ltd.*) ("**Shenzhen Brightoil Shipping**"), a company established in the PRC with limited liability which is ultimately and beneficially controlled by Dr. Sit, pursuant to which Shenzhen Brightoil Shipping has agreed to sell, and Subsidiary 666 has agreed to purchase Vessel 666 for a total cash consideration of US$9,000,000 (equivalent approximately to HK$69,750,000).

Both Zhejiang Brightoil Shipping and Shenzhen Brightoil Shipping are connected persons of the Company under the Listing Rules. As such, the entering into the First MOA and the Second MOA with Zhejiang Brightoil Shipping and Shenzhen Brightoil Shipping respectively constitutes connected transactions of the Company.

Vessel 639 and Vessel 666 were both built by 浙江台州國營海東造船廠 (Haidong Shipyard Taizhou Zhejiang, China*) ("**Haidong Shipyard**", which is a third party independent of the Company and its connected persons). Due to certain disagreement between Haidong Shipyard and Zhejiang Brightoil Shipping (in which the Company has no involvement) over the building fees, Vessel 639 was detained by Haidong Shipyard in its shipyard and therefore Zhejing Brightoil Shipping has not been able to deliver Vessel 639 to Subsidiary 639 under the terms of the First MOA ("**Vessel 639 Incident**"). On 27 October 2014, Haidong Shipyard and Zhejiang Brightoil Shipping reached an amicable settlement of the disagreement over the building fees on 24 October 2014 and Vessel 639 was delivered to Subsidiary 639.

On such basis, the parties entered into a supplemental agreement to each of the First MOA and Second MOA incorporating the revised terms on 24 November 2014 ("**the Supplemental Agreements**"). The Supplemental Agreements stated that (a) the consideration of Vessel 639 and the Vessel 666 be reduced from US$9,000,000 (equivalent approximately to HK$69,750,000) to US$8,950,000 (equivalent approximately to HK$69,407,876.50) respectively; and (2) that the deadline for the payment of the consideration of Vessel 639 and the Vessel 666 to Zhejiang Brightoil Shipping and Shenzhen Brightoil Shipping respectively be postponed to 30 November 2014 or before.

CONNECTED TRANSACTIONS *(continued)*

(2) Connected transaction in relation to the acquisition of Vessel 319

On 4 May 2015, Brightoil 319 Oil Tanker Pte. Ltd. ("**Subsidiary 319**"), a wholly-owned subsidiary of the Company incorporated under the Laws of Singapore, entered into the Memorandum of Agreement for the sale and purchase of Vessel 319 with Shenzhen Brightoil Shipping, pursuant to which Shenzhen Brightoil Shipping has agreed to sell, and Subsidiary 319 has agreed to purchase Vessel 319 for a total cash consideration of US$8,400,000 (equivalent approximately to HK$65,110,000) ("**MOA**"). Vessel 319 is built by RIZHAO KINGDA SHIPBUILDING HEAVY INDUSTRIES CO., LTD., CHINA.

Pursuant to the MOA, the delivery of Vessel 319 is expected to take place in the last week of May 2015 in the Rizhao, China or such other place as the parties may mutually agree. The cancellation date for completion (the last date available for completion) was 30 June 2015. Shenzhen Brightoil Shipping is connected person of the Company under the Listing Rules. As such, the entering into the MOA with Shenzhen Brightoil Shipping constitutes connected transaction of the Company.

(3) Connected transaction for the extension of maturity date of convertible notes held by a connected person

On 6 July 2012, the Company and Canada Foundation entered into the Deed of Extension, pursuant to which Canada Foundation agreed to extend the maturity date of the 2009 Convertible Note (currently 27 October 2012) to the sixth anniversary of the issue date (i.e. 27 October 2015), subject to the terms and conditions of the Deed of Extension. The ordinary resolution for approving extension of the maturity date of the convertible notes issued by the Company to Canada Foundation contemplated under the Deed of Extension was duly passed by way of poll at the special general meeting of the Company held on 14 August 2012. On 20 May 2015, Canada Foundation exercised the right to convert all the convertible notes into the share of the Company in a total amount of 799,979,333 shares.

Continuing connected transaction

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

On 12 July 2008, the Group entered into an oil purchase agreement ("**Oil Purchase Agreement**") with 深圳光滙石油集團股份有限公司 (Shenzhen Brightoil Group Co., Ltd.*) ("**Shenzhen Brightoil**"), a company established in the People, an oil pu of China ("**PRC**"), which is wholly and beneficially controlled by Dr. Sit (being an executive Director and Chairman of the Company) in relation to fuel oil purchase and delivery. On 7 April 2009, the annual cap regarding the Oil Purchase Agreement had been revised and approved by the shareholders of the Company such that the total volume of fuel oil sourced by the Group from Shenzhen Brightoil Group and related total transaction amount in respect of the Group the Company such that the total volume of fuel oil total purchases of petroleum products made by the Group for its petroleum product related business be not higher than 65% for the year ended 30 June 2011. On 25 May 2010, an oil purchase agreement was entered into between Shenzhen Brightoil and the Company for the term of three (3) years commencing from 1 July 2010 and expiring on 30 June 2013 (the "**2010 Oil Purchase Agreement**") in relation to the Group purchases fuel oil, gas oil and the related petroleum products from the Shenzhen Brightoil Group. The transactions contemplated under the 2010 Oil Purchase Agreement and its annual caps were approved by the independent shareholders on 29 June 2010. The annual cap has been approved by the shareholders of the Company such that the maximum aggregate fee payable by the Group under the 2010 Oil Purchase Agreement for each of the financial years ending 30 June 2011, 30 June 2012 and 30 June 2013 are S$3,150 million, US$4,200 million and US$4,970 million respectively.

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

Under the 2013 Oil Purchase Agreement, the amount of aggregate Oil purchase price and delivery fee paid and payable during the year ended 30 June 2015 was approximately HK$9,279,466,000.

(2) Continuing connected transaction for the fuel oil storage

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

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

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

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

Under the 2013 Oil Storage Services Agreement, the amount of aggregate fuel oil storage fee paid and payable during the year ended 30 June 2015 was approximately HK$12,937,000.

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

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

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

There was no cargo-carrying income received or receivable during the year ended 30 June 2015 under the 2013 Cargo-Carrying Agreement.

(4) Continuing connected transaction for the barge services

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

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

Under the 2013 Barge Services Agreement, the amount of aggregate barge services fee paid and payable during the year ended 30 June 2015 was approximately HK$9,040,000.

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

In accordance with Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to perform certain procedures on the above continuing connected transactions on a sample basis in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing his conclusion in respect of the continuing connected transactions disclosed by the Group above have no non-compliance with Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the transactions stated above.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Dr. Sit, the ultimate controlling shareholder, through his controlled companies (other than the Group), holds 100% interest in Shenzhen Brightoil Group which principally engages in, among others, the supply of duty-free marine bunkering services in the PRC. Shenzhen Brightoil entered into the Oil Purchase Agreement with the Group, the 2010 Oil Purchase Agreement and 2013 Oil Purchase Agreement for the provision of Oil and delivery services to the Group or the Group's customers globally at the direction of the Group.

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

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

SUBSTANTIAL SHAREHOLDERS AND PERSONS HAVING 5% OR MORE INTERESTS

As at 30 June 2015, the interests and short positions of every person, other than a Director or chief executive of the Company, in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions

Name of substantial shareholder	Number of ordinary shares	Approximate percentage of shareholdings
Energy Empire	2,918,088,960 (Note)	28.73%
Canada Foundation	4,281,724,039 (Note)	42.16%

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

Save as disclosed above, as at 30 June 2015, the Company has not been notified of any person (other than a Director or chief executive of the Company) or entity had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

CONTROLLING SHAREHOLDERS'/DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the Oil Purchase Agreement, the 2010 Oil Purchase Agreement and the 2013 Oil Purchase Agreement, the 2012 Cargo-Carrying Agreement and the 2013 Cargo-Carrying Agreement, the 2010 Oil Storage Services Agreement, the Supplemental Oil Storage Service Agreement and the 2013 Oil Storage Services Agreement, the 2012 Barge Services Agreement and the 2013 Barge Services Agreement (as defined in paragraph headed "**Connected Transactions**" above), in which a director of the Company or controlling shareholder (or any of its subsidiaries) has a material interest, as disclosed in note 42 to the consolidated financial statements, no other contracts of significance to which the Company, any of its subsidiaries was a party and in which a Director of the Company or controlling shareholder (or any of its subsidiaries) had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 66.98% of the Group's revenue for the year ended 30 June 2015, with the largest customer accounted for approximately 42.18%. The five largest suppliers of the Group together accounted for approximately 49.76% of the Group's total purchases for the year ended 30 June 2015, with the largest supplier accounted for approximately 13.06%.

On 12 July 2008, the Group entered into the Oil Purchase Agreement with Shenzhen Brightoil in which Dr. Sit, an executive Director of the Company, has controlling interest. The Shenzhen Brightoil Group has become the Group's principal supplier. Pursuant to the 2010 Oil Purchase Agreement, the Shenzhen Brightoil Group will provide fuel oil, gas oil and the related petroleum products for the International Trading and Bunkering Business (including trading of related petroleum products) and delivery services to the Group or the Group's customers globally at the direction of the Group. Under the 2013 Oil Purchase Agreement, the Group agreed to purchase Oil from the Shenzhen Brightoil Group for a term of three (3) years commencing on 1 July 2013 and ending on 30 June 2016.

Save as disclosed above, none of the Directors or any of the associate of a Director or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has an interest in the share capital of any of the Group's five largest customers or suppliers.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information publicly available to the Company, the Company has maintained a sufficient public float as required under the Listing Rules throughout the year ended 30 June 2015 and as at the latest practicable date prior to the issue of this annual report.

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

During the year ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company, except that the trustee of the Share Award Scheme, pursuant to the terms of the trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 19,330,000 Shares in the Company at a total consideration of approximately HK$62,577,000.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of significant events after the end of the reporting period are set out in note 50 to the consolidated financial statements.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

AUDITOR

A resolution will be submitted to the 2015 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

APPRECIATION

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

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

Sit Kwong Lam
Chairman and Chief Executive Officer

Hong Kong, 22 September 2015

* For identification purpose only.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles and reviewed all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

During the year ended 30 June 2015, the Company was in compliance with all applicable code provisions as set out in the CG Code, except for the deviation from code provision A.2.1 as described below:

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

The Company attempts to comply with the CG Code with its best endeavours by appointing Dr. Yung Pak Keung Bruce ("**Dr. Yung**") as CEO on 16 July 2014, while Dr. Sit Kwong Lam ("**Dr. Sit**") as the chairman of the Company, which was in line with the requirement under the code provision A.2.1 of the CG Code and demonstrated a clear division of the responsibilities between chairman and CEO throughout the year ended 30 June 2015.

Dr. Yung resigned as CEO with effect from 21 August 2015 and following his resignation, Dr. Sit, the chairman of the Company, was appointed as CEO on the same date.

Being aware of the said deviation from code provision A.2.1, but in view of the current rapid development of the Group, the Board believes that with the support of the management and Mr. Wang Yinan, the Chief Operating Officer, vesting the roles of both chairman and CEO in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board, which comprised three independent non-executive Directors and one non-executive Director, who represent half of the Board, the interests of the Shareholders and Stakeholders will be adequately and fairly represented.

The Company will seek to re-comply with code provision A.2.1 by identifying and appointing a suitable and qualified candidate to the position of CEO in due course.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code for securities transactions by directors of listed issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules for securities transactions by Directors. All the Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 30 June 2015.

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

BOARD OF DIRECTORS

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

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

DELEGATION BY THE BOARD

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

SUMMARY OF WORK DONE

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

MEETING BETWEEN THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS

There was one meeting between the Chairman and non-executive Directors (including the independent non-executive Directors) held without presence of the executive Directors for the year ended 30 June 2015 pursuant to the code provision A.2.7 of the CG Code. Such code provision requires that, without the presence of the executive directors, the chairman needs to have at least one meeting with non-executive directors including independent non-executive directors each year.

BOARD COMPOSITION

The Board comprises the following Directors as at 30 June 2015:

Executive Directors

Dr. Sit Kwong Lam	(Chairman, Member of Remuneration Committee and Nomination Committee)
Dr. Yung Pak Keung Bruce	(CEO)
Mr. Tang Bo	
Mr. Tan Yih Lin	(Member of Remuneration Committee and Nomination Committee)
Mr. Wang Wei	

Non-executive Director

Mr. Dai Zhujiang

Independent non-executive Directors

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

Dr. Yung resigned as an executive Director and CEO with effect from 21 August 2015 while Dr. Sit was appointed as CEO on the same date.

The Board is currently composed of four executive Directors, one non-executive Director and three independent non-executive Directors, whose biographical details are set out in "Biographical Details of Directors and Senior Management" of this annual report. The independent non-executive Directors are identified in all corporate communications.

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

The current representation of independent non-executive Directors appointed makes up at least one-third of the Board, which complies with Rule 3.10A of the Listing Rules.

The Board members do not have any financial, business, family or other material/relevant relationship with one another.

ATTENDANCE RECORDS

During the year ended 30 June 2015, the following Board meetings, general meetings and relevant committees meetings were held. Details of the Directors' attendance are as follows:

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

Notes:

1. Mr. Wang Wei was appointed as an executive Director with effect from 8 May 2015.

2. Dr. Yung Pak Keung Bruce resigned as an executive Director and CEO with effect from 21 August 2015.

3. Mr. Justin Sawdon Stewart Murphy resigned as an executive Director with effect from 8 May 2015.

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Company attempts to comply with the CG Code with its best endeavours by appointing Dr. Yung as CEO on 16 July 2014, while Dr. Sit as the chairman of the Company, which was in line with the requirement under the code provision A.2.1 of the CG Code and demonstrated a clear division of the responsibilities between chairman and CEO throughout the year ended 30 June 2015.

Dr. Yung resigned as CEO with effect from 21 August 2015 and following his resignation, Dr. Sit, the chairman of the Company, was appointed as CEO on the same date.

Being aware of the said deviation from code provision A.2.1, but in view of the current rapid development of the Group, the Board believes that with the support of the management and Mr. Wang Yinan, the Chief Operating Officer, vesting the roles of both chairman and CEO in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board, which comprised three independent non-executive Directors and one non-executive Director, who represent half of the Board, the interests of the Shareholders and Stakeholders will be adequately and fairly represented.

The Company will seek to re-comply with code provision A.2.1 by identifying and appointing a suitable and qualified candidate to the position of CEO in due course.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

NON-EXECUTIVE DIRECTORS

Each of the non-executive Director and independent non-executive Directors has been appointed for a fixed term of three years (except Professor Chang Hsin Kang, who entered into a letter of appointment with the Company for a fixed term of two years). In accordance with the provisions of the Bye-laws, any Director is subject to retirement by rotation once every three years and shall be eligible for re-election in the annual general meeting of the Company.

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

INDUCTION PROGRAMME AND TRAINING FOR BOARD MEMBERS

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

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

TRAINING FOR DIRECTORS

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

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

During the period from 1 July 2014 to 30 June 2015, the Directors participated in the following trainings:

	Attending (Note 1)
Executive Directors	
Dr. Sit Kwong Lam	✓
Mr. Tang Bo	✓
Mr. Tan Yih Lin	✓
Mr. Wang Wei (Note 2)	✓
Mr. Justin Sawdon Stewart Murphy (Note 3)	✓
Dr. Yung Pak Keung Bruce (Note 4)	✓
Non-executive Director	
Mr. Dai Zhujiang	✓
Independent Non-executive Directors	
Mr. Lau Hon Chuen	✓
Professor Chang Hsin Kang	✓
Mr. Kwong Chan Lam	✓

Notes:

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

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

(2) Mr. Wang Wei was appointed as an executive Director with effect from 8 May 2015.

(3) Mr. Justin Sawdon Stewart Murphy resigned as an executive Director with effect from 8 May 2015.

(4) Dr. Yung Pak Keung Bruce resigned as an executive Director and CEO with effect from 21 August 2015.

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

SUPPLY OF AND ACCESS TO INFORMATION

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

BOARD COMMITTEES

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

NOMINATION COMMITTEE

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

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

The terms of reference of the Nomination Committee are available on the respective websites of the Company (www.brightoil.com.hk) and the Stock Exchange.

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

SUMMARY OF WORK DONE

During the year ended 30 June 2015, the Nomination Committee had conducted one (1) meeting to nominate suitable candidate and recommend him to the Board. The attendance record of each Director at the Nomination Committee meeting is set out in the section headed "Attendance Records" of this report.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "**Remuneration Committee**") in January 2006 with terms of reference substantially the same as those contained in code provision B.1.2 of the CG Code.

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

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

The Remuneration Committee is primarily responsible for the following duties:

- to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration;
- to review and approve management's remuneration proposal with reference to corporate goals and objectives resolved by the Board from time to time;
- to make recommendations to the Board on the remuneration packages of individual executive Director, non-executive Director and senior management;

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

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

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

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

SUMMARY OF WORK DONE

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

The Remuneration Committee will meet at least once each year. During the year under review, the Remuneration Committee held two (2) meetings to ratify the payment of performance bonus of the executive Directors, the renewal of appointment letters of independent non-executive Directors and to determine the terms of service agreement of a newly appointed Director and recommend it to the Board. The attendance record of each Director at the Remuneration Committee meetings is set out in the section headed "Attendance Records" of this report.

ACCOUNTABILITY AND AUDIT

AUDIT COMMITTEE

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

- to consider the financial reporting matters;

- to assess changes in accounting policies and practices;

- to discuss major judgmental area and compliance with applicable legal and accounting requirements and standards;

- to discuss with the auditor of the Company on internal control, interim results and annual results; and

- to review and monitor good corporate governance practices of the Group.

The terms of reference of the Audit Committee are available on the respective websites of the Company (www.brightoil.com.hk) and the Stock Exchange.

SUMMARY OF WORK DONE

The Audit Committee has discharged its responsibilities in its review of the interim and annual results, system of internal control and the update of corporate governance practices at its two (2) meetings held during the year. The attendance record of each Director at the Audit Committee meetings is set out in the section headed "Attendance Records" of this report.

INTERNAL CONTROL

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

FINANCIAL REPORTING

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

The Directors acknowledge their responsibility for (i) overseeing the preparation of the financial statements of the Group with a view to ensuring such financial statements are in accordance with statutory requirements and applicable accounting standards; and (ii) selecting suitable accounting policies and applying them consistently with the support of reasonable and prudent judgments and estimates. The report of the auditor of the Company about its reporting responsibilities on the consolidated financial statements of the Group is set out on pages 50 to 141 of this annual report.

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

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

AUDITOR'S REMUNERATION

For the year ended 30 June 2015, the auditor of the Group, Deloitte Touche Tohmatsu, received HK$4,000,000 for audit services and HK$1,057,000 for non-audit services as follows:

Non-audit services	HK$
Review services	866,000
Mergers and acquisitions services	191,000
	1,057,000

COMPANY SECRETARY

Mr. Ng Lok Ming ("**Mr. Ng**") was appointed as the company secretary of the Company (the "**Company Secretary**") with effect from 9 August 2014. Mr. Ng reported to the Chairman directly and was responsible to the Board for ensuring the Board procedures, applicable law, rules and regulations were followed and the Board activities were efficiently and effectively conducted.

According to Rule 3.29 of the Listing Rules, Mr. Ng had taken no less than 15 hours of relevant professional training for the year ended 30 June 2015.

Mr. Ng resigned as the Company Secretary with effect from 11 May 2015, while Mr. Tan Yih Lin ("**Mr. Tan**") was appointed as the Company Secretary on the same date. Mr. Tan is also an executive Director and chief financial officer of the Company.

SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

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

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

PUTTING ENQUIRIES BY SHAREHOLDERS TO THE BOARD

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

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

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

VOTING BY POLL

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

COMMUNICATION WITH SHAREHOLDERS

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

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

The annual general meeting also provides an important opportunity for constructive communication between the Board and the Shareholders. The Chairman of the Board attended the annual general meeting held on 27 November 2014 to answer questions raised by the Shareholders.

INVESTOR RELATIONS

During the year ended 30 June 2015, there had not been any change in the Company's constitutional documents.

Deloitte.
德勤

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

We have audited the consolidated financial statements of Brightoil Petroleum (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 141, which comprise the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 September 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	8	**74,103,929**	84,505,413
Cost of sales and services – depreciation and amortisation		**(1,055,781)**	(281,181)
Cost of sales and services – others		**(71,150,128)**	(82,458,218)
Gross profit		**1,898,020**	1,766,014
Other income	10	**16,830**	3,880
Other gains and losses, net	10	**(31,705)**	(7,525)
Net gains (losses) on derivative financial instruments	34	**1,240,981**	(227,378)
Other expenses	11	**(207,508)**	(176,975)
Distribution and selling expenses		**(226,339)**	(298,173)
Administrative expenses		**(287,096)**	(266,941)
Finance costs	12	**(655,231)**	(205,265)
Share of profits of joint ventures		**13,380**	2,003
Share of loss of an associate		**–**	(132)
Profit before taxation	13	**1,761,332**	589,508
Income tax (charge) credit	16	**(374,600)**	9,792
Profit for the year attributable to the owners of the Company		**1,386,732**	599,300
Other comprehensive income (expense) for the year			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**2,536**	(1,029)
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,481)**	(19,439)
Other comprehensive income (expense) for the year		**1,055**	(20,468)
Total comprehensive income for the year attributable to the owners of the Company		**1,387,787**	578,832
Earnings per share	18		
Basic		**HK15.6 cents**	HK6.8 cents
Diluted		**HK14.7 cents**	HK6.5 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	19	**11,394,698**	8,754,849
Prepaid lease payments for land	20	**502,269**	512,841
Prepaid lease payments for coast	21	**14,440**	14,748
Investment property	22	**42,000**	42,000
Interests in joint ventures	24	**739,143**	601,934
Mining interests	25	**5,050,590**	–
Deposits paid for acquisition of property, plant and equipment	23	**70,427**	82,076
Deposit paid for acquisition of a subsidiary	43	**–**	833,155
Prepayments, rental and other deposits		**21,514**	33,686
		17,835,081	10,875,289
CURRENT ASSETS			
Inventories	26	**833,231**	2,058,295
Trade debtors	27	**6,871,719**	7,227,475
Accrued revenue		**87,963**	45,927
Prepaid lease payments for land	20	**11,135**	11,123
Prepaid lease payments for coast	21	**325**	325
Derivative financial instruments	34	**277,740**	371,280
Other debtors, prepayments and deposits		**110,509**	75,590
Loans to a joint venture	42	**–**	87,443
Amounts due from joint ventures	42	**308**	308
Securities held-for-trading	28	**138,916**	221,580
Receivables from brokers	29	**230,535**	1,365,122
Pledged bank deposits	30	**1,552,576**	522,624
Bank balances and cash	30	**934,800**	1,610,923
		11,049,757	13,598,015
CURRENT LIABILITIES			
Trade creditors	31	**3,109,572**	7,508,596
Trade payable to a related company	31, 42	**4,785**	9,896
Loans from a related company	46	**949,588**	829,852
Other creditors and accrued charges	32	**1,753,439**	1,086,272
Bank borrowings	33	**4,567,341**	2,909,138
Derivative financial instruments	34	**236,778**	961,780
Profits tax liabilities		**188,552**	1,210
		10,810,055	13,306,744
NET CURRENT ASSETS		**239,702**	291,271
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,074,783**	11,166,560

At 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT LIABILITIES			
Convertible notes	37	–	256,702
Bank borrowings	33	6,287,207	2,258,948
Loans from a related company	46	810,391	1,069,546
Provision for restoration and environmental costs	44	210,523	–
Deferred tax liabilities	36	40,486	31,088
		7,348,607	3,616,284
		10,726,176	7,550,276
CAPITAL AND RESERVES			
Share capital	35	253,913	219,163
Reserves		10,472,263	7,331,113
Equity attributable to owners of the Company		10,726,176	7,550,276

The consolidated financial statements on pages 50 to 141 were approved and authorised for issue by the Board of Directors on 22 September 2015 and are signed on its behalf by:

Sit Kwong Lam
DIRECTOR

Tan Yih Lin
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	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 2013	219,163	4,211,487	3,489	1,000	67,381	93,877	1,040,839	(861,202)	32,587	–	2,088,404	6,897,025
Profit for the year	–	–	–	–	–	–	–	–	–	–	599,300	599,300
Other comprehensive income:												
Exchange differences arising on translation to presentation currency	–	–	–	–	–	(1,029)	–	–	–	–	–	(1,029)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(19,439)	–	–	–	–	–	(19,439)
Other comprehensive expense for the year	–	–	–	–	–	(20,468)	–	–	–	–	–	(20,468)
Total comprehensive income for the year	–	–	–	–	–	(20,468)	–	–	–	–	599,300	578,832
Shares purchased for share award scheme (note 40)	–	–	–	–	–	–	–	–	–	(20,799)	–	(20,799)
Recognition of equity-settled share-based payments – share options (note 40)	–	–	–	–	–	–	–	–	1,832	–	–	1,832
Recognition of equity-settled share-based payments – share award (note 40)	–	–	–	–	–	–	–	–	390	–	–	390
Recognition of deemed capital contribution from ultimate controlling shareholder (note 46)	–	–	–	–	92,996	–	–	–	–	–	–	92,996
Forfeiture of share options	–	–	–	–	–	–	–	–	(2,315)	–	2,315	–
At 30 June 2014	219,163	4,211,487	3,489	1,000	160,377	73,409	1,040,839	(861,202)	32,494	(20,799)	2,690,019	7,550,276
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,386,732	1,386,732
Other comprehensive income:												
Exchange differences arising on translation to presentation currency	–	–	–	–	–	2,536	–	–	–	–	–	2,536
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(1,481)	–	–	–	–	–	(1,481)
Other comprehensive income for the year	–	–	–	–	–	1,055	–	–	–	–	–	1,055
Total comprehensive income for the year	–	–	–	–	–	1,055	–	–	–	–	1,386,732	1,387,787
Shares purchased for share award scheme (note 40)	–	–	–	–	–	–	–	–	–	(62,577)	–	(62,577)
Recognition of equity-settled share-based payments – share award (note 40)	–	–	–	–	–	–	–	–	6,623	–	–	6,623
Release of deferred tax liability upon early conversion of convertible notes (note 36)	–	–	–	–	–	–	2,308	–	–	–	–	2,308
Conversion of convertible notes (note 37)	20,000	1,309,152	–	–	–	–	(1,043,147)	861,202	–	–	(861,202)	286,005
Issue of new shares under placement (note 35)	14,750	1,283,287	–	–	–	–	–	–	–	–	–	1,298,037
Transaction costs attributable to issue of new shares (note 35)	–	(5,407)	–	–	–	–	–	–	–	–	–	(5,407)
Recognition of deemed capital contribution from ultimate controlling shareholder (note 46)	–	–	–	–	395,577	–	–	–	–	–	–	395,577
Release of deemed capital contribution from ultimate controlling shareholder (note 46)	–	–	–	–	(132,453)	–	–	–	–	–	–	(132,453)
Lapsed of share options	–	–	–	–	–	–	–	–	(32,104)	–	32,104	–
Transfer upon vested of share award	–	–	–	–	–	–	–	–	(2,421)	2,421	–	–
Forfeiture of share award	–	–	–	–	–	–	–	–	(1,139)	–	1,139	–
At 30 June 2015	253,913	6,798,519	3,489	1,000	423,501	74,464	–	–	3,453	(80,955)	3,248,792	10,726,176

Notes:

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

b. During the year ended 30 June 2008, the Group disposed of two subsidiaries to the former major controlling shareholder of the Company, with total consideration of approximately HK$263,374,000. The gain on disposal of the subsidiaries of approximately HK$33,679,000 was deemed as a shareholder's contribution to the Group and was credited to the equity as a reserve. During the year ended 30 June 2015 and 2014, deemed contribution arising from loans from a related company controlled by the ultimate controlling shareholder of the Company of approximately HK$395,577,000 and HK$92,996,000 was recognised respectively. During the year ended 30 June 2015, an aggregate amount of approximately HK$132,453,000 (2014: nil) was released from the shareholder's contribution due to early repayments of loans from the related company as a result of new loans advanced by the related company with longer loan repayment terms. At 30 June 2015, the accumulated deemed contribution arising from loans from a related company controlled by the ultimate controlling shareholder of the Company was approximately HK$389,822,000 (2014: HK$126,698,000). Detail is set out in note 46.

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 37) at 27 October 2012 and the carrying amount of the outstanding options in collection with the Convertible Notes (as defined in note 37) which was supposed to be matured on 27 October 2012 as at the date of redemption. Upon the conversion of the New Convertible Notes during the year ended 30 June 2015, such reserve was transferred to accumulated profits.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**1,761,332**	589,508
Adjustments for:		
Finance costs	**655,231**	205,265
Interest income on bank deposits	**(3,997)**	(3,880)
Interest income on loans to a joint venture	**(7,266)**	–
Dividends from equity investments	**(6,435)**	(6,775)
Share of profits of joint ventures	**(13,380)**	(2,003)
Share of loss of an associate	**–**	132
Depreciation of property, plant and equipment	**561,631**	305,658
Amortisation of mining interests	**505,889**	–
Net (gains) losses on derivative financial instruments (Note)	**(1,240,981)**	227,378
Impairment loss recognised on trade debtors	**2,777**	–
Impairment loss recognised on mining interests	**78,475**	–
Impairment loss recognised on property, plant and equipment	**28,889**	–
Net gains on securities held-for-trading	**(62,052)**	(40,717)
Share-based payments	**6,623**	2,222
Gain on disposal of an associate	**–**	(971)
Loss on disposal of property, plant and equipment	**280**	197
Net unrealised losses (gains) on oil inventories (Note)	**186,524**	(159,045)
Net unrealised exchange (gain) loss arising on translation of current accounts within the Group	**(1,243)**	50,008
Operating cash flows before movements in working capital	**2,452,297**	1,166,977
Decrease in inventories	**1,098,615**	467,769
Decrease (increase) in trade debtors	**352,979**	(2,859,113)
Increase in accrued revenue	**(42,036)**	(15,054)
(Increase) decrease in other debtors, prepayments and deposits	**(17,784)**	36,826
Decrease in securities held-for-trading	**145,424**	374,872
Decrease (increase) in receivables from brokers	**1,134,587**	(844,161)
Decrease in derivative financial instruments	**609,519**	462,303
(Decrease) increase in trade creditors	**(1,219,958)**	5,279,510
Decrease in trade payable to a related company	**(5,111)**	(53,295)
(Decrease) increase in other creditors and accrued charges	**(174,606)**	50,318
Cash generated from operations	**4,333,926**	4,066,952
Income tax paid	**(182,552)**	(26,469)
Income tax refund	**–**	7,136
Dividends received	**6,435**	6,775
NET CASH GENERATED FROM OPERATING ACTIVITIES	**4,157,809**	4,054,394

For the year ended 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
INVESTING ACTIVITIES			
Interest received from bank deposits		**3,997**	3,880
Interest received from loans to a joint venture		**7,266**	–
Proceeds on disposal of property, plant and equipment		**153**	894
Proceeds on disposal of an associate		**–**	6,246
Repayment from a joint venture		**87,451**	–
Prepaid lease payment paid for coast		**–**	(3,190)
Acquisition of a subsidiary, net of cash and cash equivalent acquired	48	**(6,017,204)**	–
Purchases of property, plant and equipment		**(659,907)**	(540,551)
Capital contribution to joint ventures		**(124,461)**	(124,434)
Loan to a joint venture		**–**	(24,983)
Deposits paid for acquisition of a subsidiary		**–**	(833,155)
Deposits paid for acquisition of property, plant and equipment		**(31,244)**	(77,081)
Refund of rental and other deposits		**–**	6,047
Advance to joint ventures		**–**	(308)
Placement of pledged bank deposits		**(8,901,287)**	(12,689,210)
Withdrawal of pledged bank deposits		**7,871,563**	12,448,185
Placement of bank deposits with original maturity over three months		**(77,520)**	–
Settlement of other payables in relation to purchase of property, plant and equipment (2014: property, plant and equipment and prepaid lease payments) in prior year		**(286,066)**	(153,458)
NET CASH USED IN INVESTING ACTIVITIES		**(8,127,259)**	(1,981,118)
FINANCING ACTIVITIES			
Bank and other borrowings raised		**24,789,573**	22,946,204
Repayment of bank and other borrowings		**(19,138,712)**	(23,616,228)
Proceeds from issue of new shares		**1,298,037**	–
Transaction costs attributable to issue of new shares		**(5,407)**	–
Purchase of the Company's shares for share award scheme		**(62,577)**	(20,799)
Loans from a related company		**383,827**	–
Repayment of loans from a related company		**(3,623,918)**	(930,792)
Interest paid		**(426,035)**	(183,973)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**3,214,788**	(1,805,588)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(754,662)**	267,688
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**1,610,923**	1,351,985
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**1,019**	(8,750)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
Represented by bank balances and cash	30	**857,280**	1,610,923

Note: The amounts represent the net unrealised (gain) loss on derivative financial instruments and fuel, gas and crude oil inventories (except for those produced in upstream crude oil business) at the end of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

1. GENERAL

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

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

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

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

2. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Amendments to HKFRSs	Annual improvements to HKFRSs 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 these new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

For the year ended 30 June 2015

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[1]
Amendments to HKAS 1	Disclosure initiative[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[2]
Amendments to HKAS 27	Equity method in separate financial statement[2]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2016.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

For the year ended 30 June 2015

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

HKFRS 9 Financial instruments *(continued)*

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have impacts on the Group's financial assets. However, in the opinion of the directors of the Company, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the adoption of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, in the opinion of the directors of the Company, it is not practicable to provide a reasonable estimate of the effect for the application of HKFRS 15 until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and fuel, gas and crude oil inventories (except for those produced from upstream oil business), which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

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

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in joint operations

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

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

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

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

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

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

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

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

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

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.

Service income is recognised when services are provided.

Charter hire income is recognised on a straight-line basis over the term of the relevant lease. Upon meeting the revenue recognition criteria, revenue recognised prior to issuance of invoice is included in the consolidated statement of financial position as accrued revenue.

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

Interest income from financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's rights to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated in the consolidated statement of financial position at cost or deemed cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payment provided during the construction period is included as part of cost of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Oil and gas properties

Oil and gas properties are classified as property, plant and equipment to the extent the tangible element is more significant. The cost of oil and gas properties include costs of drilling and equipping exploratory wells and expenditure on construction of infrastructure facilities such as platforms and pipelines and installation of related equipment.

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

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

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

Investment property

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

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

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

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Fuel, gas and crude oil inventories, except for those produced from upstream crude oil business, are stated at fair value less costs to sell.

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

Crude oil inventories produced from upstream crude oil business are stated at the lower of cost and net realisable value. Costs of inventories represent relevant production costs and are determined on a weighted average basis. 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 24) 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.

Leasing

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

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

Leasehold land and building

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

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

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Taxation

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

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

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

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Borrowing costs

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

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

Government grants

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

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

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefits costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit scheme and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held-for-trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other gains and losses, net' line item in the consolidated profit or loss and other comprehensive income.

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Loans and receivables

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

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Effective interest method

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

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL represents financial liabilities held-for-trading.

A financial liability is classified as held-for-trading if:

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

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

Convertible notes contain liability and equity components

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

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

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

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

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Other financial liabilities

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

Derivative financial instruments

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

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

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

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

Derecognition

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options and share award granted to employees

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

At the end of the reporting period, the Group revises its estimates of the number of share options and share award that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to employees share-based compensation reserve.

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

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Shares held for share award scheme

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

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

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

Impairment losses on tangible assets and mining interests

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and mining interests with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bank borrowings, convertible notes and loans from a related company disclosed in notes 33, 37 and 46 respectively and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

6. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying the Group's accounting policies

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

Accounting policy on fuel, gas and crude oil inventories (except for those produced from upstream crude oil business)

The Group adopts an accounting policy under which the fuel, gas and crude oil inventories (except for those produced from upstream crude oil business) are stated at fair value less costs to sell. The directors of the Company consider that the Group is a trader in such arrangements and such inventories are principally acquired with the purpose of selling in the near future and generating a profit from the fluctuations in price, and therefore measuring such inventories at fair value less costs to sell would reflect timely and more relevant financial information of the Group.

Key sources of estimation uncertainty

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

Estimation of crude oil and natural gas reserves

Gas properties and mining interests are depreciated or amortised on a unit-of-production basis at a rate calculated by reference to estimated proved and probable reserve based on technical assessment undertaken by an independent valuer, namely the Competent Person's Report pursuant to the Listing Rules. Having considered the high successful rate of drilling, the directors of the Company considered that the use of the estimated proved and probable reserve as a basis to recognise the depreciation charge on gas properties and amortisation expense on mining interests is appropriate.

Proved and probable reserve estimates are subject to revision, either upward or downward, based on new information, such as additional data from ongoing development activities and production activities or from changes in technical and economic factors, including evolution of technology or development plans. Any change to the estimation will affect the depreciation and amortisation charge and impairment assessment on gas properties as well as mining interests. During the year ended 30 June 2015, the depreciation charged on gas properties was approximately HK$79,589,000 (2014: HK$62,346,000) and the amortisation charged on mining interests was approximately HK$505,889,000 (2014: nil). Details of the gas properties and mining interests are set out in notes 19 and 25 respectively.

For the year ended 30 June 2015

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

Key sources of estimation uncertainty *(continued)*

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

The Group depreciates its property, plant and equipment over the estimated useful life, commencing from the date the property, plant and equipment are ready for their intended use after taking into account of their estimated residual value. The estimated useful life reflects the estimate of the directors of the Company for the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment while the estimated residual value reflects the estimate of the directors of the Company for the value that the Group expects to receive upon disposal at the time the property, plant and equipment is no longer in use. The depreciation will be changed when the useful life or residual value is expected to be different from estimates and would affect the profit or loss for the period in which such change of estimate takes place. During the year ended 30 June 2015, the depreciation charged on property, plant and equipment other than oil and gas properties was approximately HK$233,484,000 (2014: HK$243,312,000).

Provision for restoration and environmental costs

The provision for restoration and environmental costs have been estimated by the directors of the Company based on current regulatory requirements and is discounted to present value. However, changes in the regulatory requirements, emergence of new restoration techniques, timing of performance of restoration activities or discount rate will result in changes to the amount of provision and affect the amount recognised as part of the cost of the related oil properties and consequently, affect the related depreciation charge as well as the unwinding of discount charged to profit or loss from period to period. During the year ended 30 June 2015, the carrying amount of the provision for restoration and environmental cost is approximately HK$210,523,000 (2014: nil). Details of the provision for restoration and environmental costs are set out in note 44.

Estimated impairment of property, plant and equipment and mining interests relating to the upstream crude oil business

Determining whether property, plant and equipment and mining interests relating to the upstream crude oil business are impaired requires an estimation of the recoverable amount of the cash-generating unit ("CGU") to which the assets belong. The recoverable amount is the higher of fair value less cost to sell and value-in-use. The Group performed impairment assessment by estimating the value-in-use of the CGU to which the property, plant and equipment and mining interests relating to the upstream crude oil business are attributable, which approximate to the fair value less cost to sell. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The discount rate represents the rate that reflects the current market assessment of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected or where there are events or changes in facts or circumstances which resulted in a revision of estimated cash flows, further material impairment loss or reversal of impairment loss may arise. The carrying amounts of the property, plant and equipment and mining interests relating to the upstream crude oil business at 30 June 2015 were approximately HK$1,859,276,000 (2014: nil) and HK$5,050,590,000 (2014: nil) respectively with impairment loss of approximately HK$28,889,000 (2014: nil) and HK$78,475,000 (2014: nil) recognised for the year respectively.

For the year ended 30 June 2015

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015 HK$'000	2014 HK$'000
Financial assets		
Financial assets held-for-trading		
– securities	138,916	221,580
– derivative financial instruments	277,740	371,280
Loans and receivables (including cash and cash equivalents)	9,604,790	10,821,185
Financial liabilities		
Financial liabilities held-for-trading		
– derivative financial instruments	236,778	961,780
Amortised cost	16,615,327	15,154,403

Financial risk management objectives and policies

The Group's major financial instruments include securities held-for-trading, trade debtors, other debtors and deposits, amounts due from joint ventures, loans to a joint venture, receivables from brokers, pledged bank deposits, bank balances, trade creditors, other creditors, derivative financial instruments, trade payable to a related company, loans from a related company, bank borrowings and convertible notes. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the polices on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain bank balances, receivables from brokers, trade debtors, other debtors and other creditors of the Group are denominated in foreign currencies other than the functional currency of the relevant group companies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	Assets		Liabilities	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
US$	175,236	238,745	742	910
HK$	68,435	87,952	2,997	2,542
Renminbi ("RMB")	10,025	57,257	2,002	2,060
Singapore Dollars ("SGD")	8,540	23,989	18,952	22,888

In addition, at 30 June 2015, the Group's exposure to foreign currency risk also arose from US$ denominated intercompany balances with carrying amount of approximately HK$2,324,495,000 (2014: HK$2,340,872,000), which were not denominated in the functional currency of the respective group entities as the borrowers. These intercompany balances do not form part of the Group's net investment in foreign operations.

For the year ended 30 June 2015

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(i) Currency risk *(continued)*

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in the functional currency of respective group entities against the relevant foreign currencies and all other variables were held constant. 5% (2014: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items including intercompany amounts due to group entities which are denominated in relevant foreign currencies and adjusts its translation at the year end for a 5% (2014: 5%) change in the relevant foreign currencies exchange rates. A positive number below indicates an increase in post-tax profit where the relevant foreign currencies strengthens 5% (2014: 5%) against the functional currency of respective group entities. For a 5% (2014: 5%) weakening of the relevant foreign currencies of the respective group entities against the relevant foreign currencies, there would be an equal and opposite impact on the result for the year.

	2015 **HK$'000**	2014 HK$'000
Decrease in post-tax profit for the year		
US$ against RMB impact	**(109,352)**	(108,168)
SGD against US$ impact	**(511)**	26

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

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank balances and loans from a related company (2014: fixed-rate bank balances, convertible notes, loan from a related company, loans to a joint venture and pledged bank deposits). The Group has not used any derivatives to hedge against the risk as the directors of the Company consider that the Group's exposure to fair value interest rate risk is not significant.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, receivables from brokers and bank borrowings (see note 33 for details) carried at prevailing market interest rate. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rates ("LIBOR") and Hong Kong Interbank Offered Rates ("HIBOR") arising from the Group's bank borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at 30 June 2015 and the reasonably possible change taking place at the beginning of each year and held constant throughout the year. A 10 basis point (2014: 10 basis point) increase or decrease is used which represents directors of the Company's assessment of the reasonably possible change in interest rates.

For the year ended 30 June 2015

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(ii) Interest rate risk *(continued)*

If interest rates had been 10 basis points (2014: 10 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 30 June 2015 would decrease/increase by approximately HK$10,855,000 (2014: the Group's post-tax profit would decrease/increase by approximately HK$5,168,000). This is mainly attributable to the Group's exposure to interest rates on its bank borrowings.

For the variable-rate bank balances and receivables from brokers at 30 June 2015 and 2014, the directors of the Company consider the Group's exposure to future cash flow interest rate risk is minimal taking into account the minimal fluctuation on market interest rate and the carrying amounts at the end of the reporting period. Accordingly, no sensitivity analysis on interest rate risk is presented.

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

(iii) Price risk

Price risk on equity securities

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

Sensitivity analysis

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

If the quoted prices of the respective equity instruments had been 5% (2014: 5%) higher and all other variables were held constant, a positive number below indicates an increase in post-tax profit. For quoted price of the respective equity investments had been 5% (2014: 5%) lower, there would be an equal and opposite impact on the post-tax profit for the year as set out below:

	2015 **HK$'000**	2014 HK$'000
Increase in post-tax profit for the year as a result of the changes in fair value of securities held-for-trading	**5,800**	8,338

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent price risk in relation to changes in fair value of securities held-for-trading as at the end of the reporting period exposure does not reflect the exposure during the year.

For the year ended 30 June 2015

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

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

Oil price risk

The Group is exposed to oil price risk through its trading of derivative financial instruments, international supply and marine bunkering business and upstream crude oil business of which their prices fluctuates directly with the oil price. The oil price is affected by a wide range of global and domestic factors which are beyond the control of the Group. The fluctuations in oil price may have favourable or unfavourable impacts to the Group.

The Group has carried out hedging or trading activities to reduce the price risk exposure during the course of business. In order to evaluate and monitor the hedging or trading activities, the Group has formulated a risk management policy documenting, amongst others, the scope of risk management, roles and responsibility and risk tolerance. The scope of risk management policy focuses on price risks arising from fuel, gas and crude oil inventories (except for those produced from upstream crude oil business) and derivative financial instruments, including futures, swaps and forwards contracts, traded in several exchanges or directly traded with some counterparties for hedging or trading purposes. The hedging or trading strategies are applied upon the conclusion of either the buy-side or sell-side agreements. Derivative transactions entered into for hedging or trading purposes will be monitored for suitability in terms of size, direction, and strategy with reference to the corresponding shipment involved. The Group has established a direct investment team headed by the senior management of the Group to monitor the price risk. All the transactions on the derivatives contracts have to be approved by the management. The Group established a Risk Control Committee ("RCC") to monitor derivatives contracts in a more systematic way. Trading limits have been set to all traders and approval is required from the chairman of RCC if the limits are to be exceeded.

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

The Group's derivative financial instruments including fuel and gas oil futures and swaps contracts are measured at fair value provided by financial institutions with reference to the quoted oil futures and swaps prices in active markets and forwards contracts are determined based on the quoted crude oil futures prices in active markets. Therefore, the Group is exposed to oil price risk and the directors of the Company monitor the price movements and take appropriate actions when it is required.

For the year ended 30 June 2015

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

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

Oil price risk (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to the Group's oil price risk of the fuel, gas and crude oil inventories (except for those produced from upstream crude oil business) and derivative financial instruments stated at fair value less costs to sell, outstanding oil futures, swaps and forwards contracts at the reporting date. The sensitivity rate of 5% (2014: 5%) represents assessment of the directors of the Company for the reasonably possible change in the quoted prices for fuel, gas and crude oil futures, swap and forward contracts (the "Quoted Oil Contracts Prices").

If the Quoted Oil Contracts Prices had been 5% (2014: 5%) higher and all other variables were held constant, a positive number below indicates an increase in post-tax profit. For Quoted Oil Contracts Prices had been 5% (2014: 5%) lower, there would be an equal and opposite impact on the post-tax profit for the year as set out below:

	2015 **HK$'000**	2014 HK$'000
Increase (decrease) in post-tax profit for the year as a result of the changes in fair value		
– fuel, gas and crude inventories (except for those produced from upstream crude oil business)	**36,293**	91,797
– derivative financial instruments	**(111,920)**	(521,819)
	(75,627)	(430,022)

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the Group has monitoring procedures to ensure that follow up action is taken to recover overdue debts, amounts due from joint ventures and receivables from brokers (2014: overdue debts, amounts due from joint ventures, loans to a joint venture and receivables from brokers). In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group closely monitors the subsequent settlement of the customers and does not grant long credit period to customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

For the year ended 30 June 2015

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

At 30 June 2015, the Group has concentration of credit risk on receivables from brokers and certain trade debtors (2014: loans to a joint venture, receivables from brokers and certain trade debtors). Based on the performance assessment by the directors of the Company, the joint ventures are going to commence the terminal business in the People's Republic of China (the "PRC") by year 2016 to generate income. Having considered the assets available for pledge to raise external borrowings by the joint ventures for repayment of loans and other debts to the Group, the directors of the Company considered the credit risk in relation to the loans to the joint ventures was mitigated. Besides, the brokers are with high credit ratings assigned by international credit-rating agencies. The directors of Company consider the Group's credit risk on receivables from brokers is not significant. The top five largest customers and the largest customer of the Group accounted for 87% and 47% (2014: 80% and 55%) of the total trade debtors at 30 June 2015, respectively. In the opinion of the directors of the Company, these customers are mainly large oil or marine transportation companies with good financial backgrounds. The Group has maintained good relationships with those customers who have a strong financial background with continuous subsequent settlements. There have been no historical default of payments by the respective customers and therefore the Group considers the exposure to concentration of credit risk is limited. Other than that, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The bank balances that have maturity less than three months are set out in note 30. The Group has sufficient funds to finance its ongoing working capital requirements.

The Group relies on bank borrowings as a significant source of liquidity. At 30 June 2015, the Group has available unutilised short-term bank loan facilities of approximately HK$13,000,896,000 (2014: HK$10,931,973,000). Details of the Group's bank borrowings outstanding at 30 June 2015 are set out in note 33.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

For the year ended 30 June 2015

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative financial instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the marked to market commodity price at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the directors of the Company consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'000	3 months to 1 year HK$'000	1 year to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2015							
Non-derivative financial liabilities							
Trade creditors	–	3,109,572	–	–	–	3,109,572	3,109,572
Trade payable to a related company	–	4,785	–	–	–	4,785	4,785
Loans from a related company	10.00	–	1,004,153	930,383	–	1,934,536	1,759,979
Other creditors	–	886,443	–	–	–	886,443	886,443
Bank borrowings	3.08	3,966,629	802,213	5,557,119	1,253,290	11,579,251	10,854,548
		7,967,429	1,806,366	6,487,502	1,253,290	17,514,587	16,615,327
Derivatives – net settlement							
Futures contracts							
– financial assets		(5,192)	(9,921)	–	–	(15,113)	(15,113)
– financial liabilities		10,031	10,275	–	–	20,306	20,306
Swaps contracts							
– financial assets		(125,031)	(14,239)	–	–	(139,270)	(139,270)
– financial liabilities		100,525	12,813	–	–	113,338	113,338
		(19,667)	(1,072)	–	–	(20,739)	(20,739)
Derivatives – gross settlement							
Forwards sales (Note a)							
– inflow		(5,675,024)	(191,421)	–	–	(5,866,445)	(5,866,445)
– outflow		5,600,877	191,882	–	–	5,792,759	5,792,759
Forwards purchase (Note b)							
– inflow		(5,079,981)	–	–	–	(5,079,981)	(5,079,981)
– outflow		5,133,444	–	–	–	5,133,444	5,133,444
		(20,684)	461	–	–	(20,223)	(20,223)

For the year ended 30 June 2015

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'000	3 months to 1 year HK$'000	1 year to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2014							
Non-derivative financial liabilities							
Trade creditors	–	7,508,596	–	–	–	7,508,596	7,508,596
Trade payable to a related company	–	9,896	–	–	–	9,896	9,896
Loans from a related company	8.00	832,445	–	1,162,542	–	1,994,987	1,899,398
Other creditors	–	231,936	79,789	–	–	311,725	311,725
Bank borrowings	2.69	2,669,455	303,823	1,259,448	1,198,306	5,431,032	5,168,086
Convertible notes (Note c)	12.50	–	–	300,006	–	300,006	256,702
		11,252,328	383,612	2,721,996	1,198,306	15,556,242	15,154,403
Derivatives – net settlement							
Futures contracts							
– financial assets		(38,709)	(45,119)	–	–	(83,828)	(83,828)
– financial liabilities		33,923	458,814	–	–	492,737	492,737
Swaps contracts							
– financial assets		(74,287)	(4,383)	–	–	(78,670)	(78,670)
– financial liabilities		209,001	115,856	–	–	324,857	324,857
		129,928	525,168	–	–	655,096	655,096
Derivatives – gross settlement							
Forwards sales (Note a)							
– inflow		(14,913,119)	(11,203,599)	–	–	(26,116,718)	(26,116,718)
– outflow		14,985,695	11,203,599	–	–	26,189,294	26,189,294
Forwards purchase (Note b)							
– inflow		(9,674,466)	(5,027,917)	–	–	(14,702,383)	(14,702,383)
– outflow		9,537,294	5,027,917	–	–	14,565,211	14,565,211
		(64,596)	–	–	–	(64,596)	(64,596)

For the year ended 30 June 2015

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Notes:

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

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

(c) The undiscounted cash flows of convertible notes represent the redemption amount upon maturity of convertible notes on the assumption that there is no conversion prior to maturity. The carrying amount of convertible notes represents the carrying amount of the liability component at the end of the reporting period.

Fair values

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

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

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

For the year ended 30 June 2015

7. FINANCIAL INSTRUMENTS *(continued)*

Fair values *(continued)*

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

Fair value hierarchy

Financial assets	Fair value at 30 June 2015 Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Valuation techniques and inputs	Significant unobservable inputs
Assets						
Non-derivative securities held-for-trading	138,916	–	–	138,916	Quoted bid prices in active market	N/A
Oil and gasoline futures and swaps contracts	–	154,383	–	154,383	Difference between contractual strike prices and prevailing futures/swaps prices which are derived from relevant exchange markets	N/A
Petroleum related forward contracts in relation to physical delivery directly dealt with counterparties	–	123,357	–	123,357	Difference between contractual prices and forward prices which are derived from applicable forward curve for remaining duration of the investment	N/A
Total	138,916	277,740	–	416,656		

Financial liabilities	Fair value at 30 June 2015 Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Valuation techniques and inputs	Significant unobservable inputs
Liabilities						
Oil and gasoline futures and swaps contracts	–	133,644	–	133,644	Difference between contractual strike prices and prevailing futures/swaps prices which are derived from relevant exchange markets	N/A
Petroleum related forward contracts in relation to physical delivery directly dealt with counterparties	–	103,134	–	103,134	Difference between contractual prices and forward prices which are derived from applicable forward curve for remaining duration of the investment	N/A
Total	–	236,778	–	236,778		

For the year ended 30 June 2015

7. FINANCIAL INSTRUMENTS *(continued)*

Fair values *(continued)*

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

Fair value hierarchy *(continued)*

Financial assets	Fair value at 30 June 2014 Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Valuation techniques and inputs	Significant unobservable inputs
Assets						
Non-derivative securities held-for-trading	221,580	–	–	221,580	Quoted bid prices in active market	N/A
Oil and gasoline future, and swaps contracts	–	162,498	–	162,498	Difference between contractual strike prices and prevailing futures/swaps prices which are derived from relevant exchange markets	N/A
Petroleum related forward contracts in relation to physical delivery directly dealt with counterparties	–	208,782	–	208,782	Difference between contractual prices and forward prices which are derived from applicable forward curve for remaining duration of the investment	N/A
Total	221,580	371,280	–	592,860		

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

There is no transfer between different levels of fair value hierarchy for the year ended 30 June 2015 and 2014.

For the year ended 30 June 2015

7. FINANCIAL INSTRUMENTS *(continued)*

Fair values *(continued)*

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

The fair value of other financial assets and financial liabilities 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 other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

8. REVENUE

	2015 HK$'000	2014 HK$'000
Revenue from marine bunkering	**5,890,238**	17,676,190
Sales of petroleum products from international trading	**64,082,692**	65,393,792
Marine transportation income	**1,291,283**	956,820
Sales of natural gas and condensate from upstream business	**1,000,246**	470,626
Sales of crude oil from upstream business	**1,831,760**	–
Dividend income	**6,435**	6,775
Rental income from an investment property	**1,275**	1,210
	74,103,929	84,505,413

9. SEGMENT INFORMATION

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

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

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

During the year ended 30 June 2015, the Group acquired Kerr-McGee China Petroleum Ltd. ("KMCPL") which is engaged in development, production and sales of crude oil. Since then, the CODM reviews the financial performance of crude oil development and sales operation as a separate business. Accordingly, results from upstream crude oil business are presented as an operating and reportable segment.

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

For the year ended 30 June 2015

9. SEGMENT INFORMATION *(continued)*

Segment revenues and results

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

For the year ended 30 June 2015

	International trading and bunkering operation HK$'000	Marine transportation operation HK$'000	Upstream natural gas business HK$'000	Upstream crude oil business HK$'000	Direct investments HK$'000	Segment total HK$'000	Unallocated revenue HK$'000 (Note)	Consolidated HK$'000
SEGMENT REVENUE								
External	69,972,930	1,291,283	1,000,246	1,831,760	6,435	74,102,654	1,275	74,103,929
Inter-segment sales	487,776	83,642	–	–	–	571,418	–	571,418
	70,460,706	1,374,925	1,000,246	1,831,760	6,435	74,674,072	1,275	74,675,347
SEGMENT RESULTS	757,938	304,587	763,153	657,188	33,074	2,515,940		2,515,940
Other income, other gains and losses, net								20,929
Unallocated corporate expenses								(133,686)
Finance costs								(655,231)
Share of profits of joint ventures								13,380
Profit before taxation								1,761,332

For the year ended 30 June 2015

9. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

For the year ended 30 June 2014

	International trading and bunkering operation HK$'000	Marine transportation operation HK$'000	Upstream natural gas business HK$'000	Direct investments HK$'000	Segment total HK$'000	Unallocated revenue HK$'000 (Note)	Consolidated HK$'000
SEGMENT REVENUE							
External	83,069,982	956,820	470,626	6,775	84,504,203	1,210	84,505,413
Inter-segment sales	525,593	119,790	–	–	645,383	–	645,383
	83,595,575	1,076,610	470,626	6,775	85,149,586	1,210	85,150,796
SEGMENT RESULTS	964,230	55,507	299,654	45,739	1,365,130		1,365,130
Other income, other gains and losses, net							(45,417)
Unallocated net losses on derivative financial instruments							(355,870)
Unallocated corporate expenses							(170,941)
Finance costs							(205,265)
Share of profits of joint ventures							2,003
Share of loss of an associate							(132)
Profit before taxation							589,508

Note: Unallocated revenue represents rental income from an investment property which was not reviewed by the CODM during both years ended 30 June 2015 and 2014.

The accounting policies of the operating segments are the same as the Group's accounting policies as described in note 4. Segment results represent the profit earned by each segment without allocation of other income, other gains and losses, net (excluding net gains on securities held-for-trading, heating and deviation income and impairment losses recognised on mining interests and property, plant and equipment), unallocated net losses on derivative financial instruments, central administration costs, directors' emoluments at the head office, share of profits of joint ventures, share of loss of an associate, finance costs and income tax. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at cost.

For the year ended 30 June 2015

9. SEGMENT INFORMATION *(continued)*

Other segment information

For the year ended 30 June 2015

	International trading and bunkering operation HK$'000	Marine transportation operation HK$'000	Upstream natural gas business HK$'000	Upstream crude oil business HK$'000	Direct investments HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss								
Amortisation of mining interests	–	–	–	(505,889)	–	(505,889)	–	(505,889)
Depreciation of property, plant and equipment	(17,397)	(212,632)	(79,924)	(248,976)	–	(558,929)	(2,702)	(561,631)
Impairment loss recognised on mining interests	–	–	–	(78,475)	–	(78,475)	–	(78,475)
Impairment loss recognised on property, plant and equipment	–	–	–	(28,889)	–	(28,889)	–	(28,889)
Net gains on derivative financial instruments	1,077,799	–	–	163,182	–	1,240,981	–	1,240,981
Net gains on securities held-for-trading	–	–	–	–	62,052	62,052	–	62,052
Net unrealised losses on fuel, gas and crude oil inventories (except for those produced from upstream crude oil business)	(186,524)	–	–	–	–	(186,524)	–	(186,524)

For the year ended 30 June 2014

	International trading and bunkering operation HK$'000	Marine transportation operation HK$'000	Upstream natural gas business HK$'000	Direct investments HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss							
Depreciation of property, plant and equipment	(24,117)	(213,442)	(62,448)	–	(300,007)	(5,651)	(305,658)
Net gains (losses) on derivative financial instruments	128,492	–	–	–	128,492	(355,870)	(227,378)
Net gains on securities held-for-trading	–	–	–	40,717	40,717	–	40,717
Net unrealised gains on fuel, gas and crude oil inventories	159,045	–	–	–	159,045	–	159,045

For the year ended 30 June 2015

9. SEGMENT INFORMATION *(continued)*

Geographical information

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

Information about the Group's revenue from provision of marine bunkering services is analysed by location of delivery of the services since the customers are international fleet without principal place of operation. The Group's revenue from sales of petroleum products from international trading is analysed by location where the products are transferred to customers. The Group's other revenue is analysed by location of customers for sales of natural gas and condensate and crude oil and provision of marine transportation services and location at which listed securities are traded for direct investments.

Information about the Group's non-current assets which is presented based on geographical location of the assets (except for vessels which are presented based on location of the business operations of companies holding the vessels).

Details about geographical locations of the Group's revenue from external customers and its non-current assets are presented below:

	Revenue from external customers		Non-current assets	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**39,989,488**	11,881,895	**11,387,759**	4,489,148
Hong Kong	**535,098**	324,915	**104,108**	105,484
Singapore	**9,307,239**	22,665,572	**5,602,666**	5,674,742
United States	**32,277**	10,741	**1,281**	3,295
Malaysia	**292,290**	1,311,527	**–**	–
South Korea	**1,018,300**	1,420,622	**–**	–
Europe	**38,060**	52,593	**124**	188
Japan	**522,990**	639,534	**–**	–
Angola	**2,082,646**	–	**–**	–
Oman	**17,765,386**	38,489,422	**–**	–
Russia	**514,209**	–	**–**	–
United Arab Emirates	**1,341,854**	4,246,540	**–**	–
Brunei	**–**	523,327	**–**	–
Columbia	**499,324**	1,475,411	**–**	–
Vietnam	**–**	799,582	**–**	–
India	**31,961**	345,157	**–**	–
Others	**132,807**	318,575	**–**	498
	74,103,929	84,505,413	**17,095,938**	10,273,355

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

For the year ended 30 June 2015

9. SEGMENT INFORMATION *(continued)*

Information about major customers

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

	2015 HK$'000	2014 HK$'000
Customer A[1]	7,642,813	9,828,178
Customer B[1]	31,254,054	33,803,892

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

10. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2015 HK$'000	2014 HK$'000
Other income		
Interest income on bank deposits	3,997	3,880
Interest income from loans to a joint venture	7,266	–
Others	5,567	–
	16,830	3,880
Other gains and losses, net		
Net foreign exchange gain (loss)	2,477	(53,986)
Impairment loss recognised on mining interests	(78,475)	–
Impairment loss recognised on property, plant and equipment	(28,889)	–
Net gains on securities held-for-trading	62,052	40,717
Loss on disposal of property, plant and equipment	(280)	(197)
Gain on disposal of an associate	–	971
Others	11,410	4,970
	(31,705)	(7,525)

11. OTHER EXPENSES

	2015 HK$'000	2014 HK$'000
Professional fees (Note)	68,179	62,781
Brokerage and commission expenses	99,735	66,089
Other expenses in relation to derivative trading and bank services	39,594	48,105
	207,508	176,975

Note: Professional fees represent fee for general legal advisory services, consultancy fee and fee for advisory services on investment projects. An aggregate amount of approximately HK$4,756,000 (2014: HK$25,816,000) relates to merger and acquisition projects.

12. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Imputed interest expense on loans from a related company (note 46)	184,579	31,109
Imputed interest expense on convertible notes	29,303	28,520
Unwinding of discounting effect of provision for restoration and environmental costs (note 44)	10,787	–
Interest expense on bank borrowings		
– wholly repayable within five years	342,504	104,053
– wholly repayable over five years	81,356	82,332
Interest expense on other borrowing	34,875	–
Total	683,404	246,014
Less: Amounts capitalised	(28,173)	(40,749)
	655,231	205,265

Borrowing costs capitalised during the year of approximately HK$28,173,000 (2014: HK$40,749,000) arose on the general borrowing pool calculated by applying a capitalisation rate of 1.67% (2014: 3.74%) per annum to expenditure on qualifying assets. Borrowing costs were capitalised as part of the construction in progress in respect of oil storage facilities, gas properties and buildings.

For the year ended 30 June 2015

13. PROFIT BEFORE TAXATION

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

	2015 HK$'000	2014 HK$'000
Auditor's remuneration	4,000	3,804
Amortisation of mining interests (included in cost of sales and services)	505,889	–
Depreciation of property, plant and equipment		
Vessels (included in cost of sales and services)	221,745	216,458
Gas properties (included in cost of sales and services)	79,589	62,346
Oil properties (included in cost of sales and services)	253,471	–
Others	11,739	26,854
	566,544	305,658
Less: Amount capitalised to inventories	(4,913)	–
	561,631	305,658
Operating lease rentals paid in respect of rented premises and oil storage facilities (Note a)	179,176	214,705
Amount of inventories recognised as expense	69,895,595	82,952,174
Impairment loss recognised on trade debtors	2,777	–
Unrealised net losses (gains) on fuel, gas and crude oil inventories, except for those produced from upstream crude oil business (included in cost of sales and services)	186,524	(159,045)
Staff costs (including directors' remuneration, note 14)		
Wages, salaries and other benefits	186,092	196,511
Share-based payments (Note b)	6,623	2,222
Retirement benefits scheme contributions	12,161	13,922
	204,876	212,655
Less: Amounts capitalised to construction in progress	(3,743)	(4,868)
	201,133	207,787

Notes:

(a) Rentals amounting to HK$960,000 (2014: HK$960,000) in respect of accommodation provided to directors are included under staff costs.

(b) Included in share-based payments are nil (2014: HK$1,832,000) relating to share option scheme and HK$6,623,000 (2014: HK$390,000) relating to share award scheme. Details of the share option scheme and share award scheme are set out in note 40.

For the year ended 30 June 2015

14. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The emoluments paid or payable to each of the ten (2014: nine) directors and the chief executive were as follows:

		Other emoluments			Share-based payments		
	Fees	Salaries and other benefits	Bonus	Retirement benefits scheme contributions	Share options	Share award	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 30 June 2015							
Executive Directors							
Sit Kwong Lam (Note b)	–	3,482	219	18	–	–	3,719
Yung Pak Keung Bruce (Note a)	–	3,435	–	18	–	211	3,664
Tang Bo	–	3,962	219	18	–	634	4,833
Tan Yih Lin	–	3,962	219	18	–	634	4,833
Justin Sawdon Stewart Murphy (Note d)	–	2,286	–	–	–	194	2,480
Wang Wei (Note c)	–	704	–	–	–	–	704
Non-Executive Director							
Dai Zhujiang	450	–	–	–	–	158	608
Independent Non-Executive Directors							
Lau Hon Chuen	450	–	–	–	–	158	608
Chang Hsin Kang	450	–	–	–	–	158	608
Kwong Chan Lam	450	–	–	–	–	158	608
Total	1,800	17,831	657	72	–	2,305	22,665
Year ended 30 June 2014							
Executive Directors							
Sit Kwong Lam (Note b)	–	3,500	73	15	–	–	3,588
Tang Bo	–	3,980	1,216	15	352	30	5,593
Tan Yih Lin	–	3,980	1,216	15	352	30	5,593
Per Wistoft Kristiansen (Note e)	–	622	–	–	–	–	622
Justin Sawdon Stewart Murphy	–	2,383	–	–	–	10	2,393
Non-Executive Director							
Dai Zhujiang	390	–	–	–	176	8	574
Independent Non-Executive Directors							
Lau Hon Chuen	390	–	–	–	176	8	574
Chang Hsin Kang	390	–	–	–	176	8	574
Kwong Chan Lam	390	–	–	–	176	8	574
Total	1,560	14,465	2,505	45	1,408	102	20,085

For the year ended 30 June 2015

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

Notes:

(a) On 16 July 2014, Dr. Yung Pak Keung Bruce ("Dr. Yung") was appointed as an executive director and the chief executive officer of the Company. His emoluments disclosed above included those for services tendered by him as the chief executive officer. On 21 August 2015, Dr. Yung resigned as an executive director and the chief executive officer of the Company.

(b) On 16 July 2014, Dr. Sit resigned as the chief executive officer of the Company. On 21 August 2015, Dr. Sit was re-appointed as the chief executive officer of the Company after the resignation of Dr. Yung.

(c) On 8 May 2015, Mr. Wang Wei was appointed as an executive director of the Company.

(d) On 8 May 2015, Mr. Justin Sawdon Stewart Murphy resigned as an executive director of the Company.

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

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

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

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2014: three) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 14 above. The emoluments of the remaining one (2014: two) highest paid individual are as follows:

	2015 HK$'000	2014 HK$'000
Salaries and other benefits	**3,185**	6,702
Share-based payments – share award	**–**	5
Retirement benefits scheme contributions	**–**	10
	3,185	6,717

Their emoluments were within the following band:

	2015 No. of individuals	2014 No. of individuals
HK$3,000,001 to HK$3,500,000	**1**	2

During the year ended 30 June 2015, no emolument (2014: Nil) was paid by the Group to the employees as an inducement to join, or upon joining the Group or as compensation for loss of office.

16. INCOME TAX (CHARGE) CREDIT

	2015 HK$'000	2014 HK$'000
Current tax (charge) credit for the year:		
PRC Enterprise Income Tax ("EIT")	(345,217)	(35,979)
Singapore Income Tax	(40)	(318)
Other jurisdictions	8	(227)
	(345,249)	(36,524)
Over(under)provision in prior years:		
PRC EIT (Note)	17,403	24,743
Singapore Income Tax, net	219	5,626
Other jurisdictions	(8)	1
	17,614	30,370
Deferred taxation (note 36)		
Current year	(51,728)	(5,019)
Attributable to a change in tax rate (Note)	4,763	20,965
	(46,965)	15,946
Income tax (charge) credit for the year	(374,600)	9,792

Note: During the year ended 30 June 2015, there was an overprovision in the PRC EIT in previous years amounting to approximately HK$17,403,000 (2014: HK$24,743,000) and a reversal of deferred tax liability of approximately HK$4,763,000 (2014: HK$20,965,000). Prior to year ended 30 June 2013, the Group was subject to EIT in accordance with the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law"), calculated on 25% of the taxable profits earned from sales of natural gas and condensate from Tuzi and Dina gas fields.

During the year ended 30 June 2014, 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. During the year ended 30 June 2015, 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 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 previous years and re-estimated the relevant deferred taxation based on the tax rates that are expected to apply in the relevant years.

Under the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards except for two subsidiaries generating taxable profits from sales of natural gas and condensate from Tuzi and Dina gas fields which enjoy the concessionary tax rate of 15%.

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

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

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

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

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

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

In previous years, majority portion of the Group's profit was contributed by Singapore operations. However, in view that the Group's profit derived from the PRC operations increased after the Group acquired KMCPL (see note 48) and increased production in Tuzi and Dina gas fields during the year, the Group's exposure to the PRC's EIT has been raised. Therefore, the directors of the Company considered that the separation of disclosure of tax reconciliation by countries where the Group's major operations located (i.e. Singapore and the PRC) is more representative.

In presenting the tax reconciliation, the tax rates of 17%, 25% and 16.5% are used for (1) Singapore, (2) the PRC and (3) other regions respectively.

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

	2015				2014			
	Singapore HK$'000	PRC HK$'000	Other regions HK$'000	Total HK$'000	Singapore HK$'000 (restated)	PRC HK$'000 (restated)	Other regions HK$'000 (restated)	Total HK$'000 (restated)
Profit (loss) before taxation	929,511	1,250,193	(418,372)	1,761,332	618,543	212,152	(241,187)	589,508
Taxation at the domestic rate applicable to profits in the country concerned	158,017	312,548	(69,031)	401,534	105,152	53,038	(39,796)	118,394
Tax effect of expenses not deductible for tax purpose	506	162,993	87,409	250,908	(1,840)	27,406	25,838	51,404
Tax effect of income not taxable for tax purpose	(1,106)	(7,286)	(29,006)	(37,398)	(176)	(3,338)	(1,182)	(4,696)
Under(over)provision in respect of prior years	(219)	(17,403)	8	(17,614)	(5,626)	(24,743)	(1)	(30,370)
Effect of tax exemption granted by AIS	(39,578)	–	–	(39,578)	3,780	–	–	3,780
Effect of share of profits of joint ventures	–	–	(2,208)	(2,208)	–	–	(330)	(330)
Effect of share of loss of an associate	–	–	–	–	–	33	–	33
Decrease in opening deferred tax liabilities from a decrease in applicable tax rate	–	(4,763)	–	(4,763)	–	(20,965)	–	(20,965)
Tax effect of tax losses not recognised	–	157	7,268	7,425	–	13	9,930	9,943
Tax effect of deductible temporary differences not recognised	88	–	606	694	13	–	1,231	1,244
Utilisation of tax losses previously not recognised	(34,082)	–	(160)	(34,242)	(56,210)	(9,717)	(170)	(66,097)
Effect of section 37B set off (Note)	(24,976)	–	–	(24,976)	(14,636)	–	–	(14,636)
Effect of tax relief granted to the subsidiaries	(58,829)	(66,353)	–	(125,182)	(35,765)	(21,731)	–	(57,496)
Income tax charge (credit) for the year	(179)	379,893	(5,114)	374,600	(5,308)	(4)	(4,480)	(9,792)

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

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

For the year ended 30 June 2015

17. DIVIDENDS

No dividend was paid during the years ended 30 June 2015 and 2014.

Subsequent to the end of the reporting period, final dividend in respect of the year ended 30 June 2015 of HK2.0 cents (2014: nil) per share amounting to approximately HK$203,130,000 (2014: nil) to shareholders has been proposed by the directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting.

18. EARNINGS PER SHARE

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

Earnings

	2015 HK$'000	2014 HK$'000
Earnings for the purpose of basic earnings per share (profit for the year attributable to the owners of the Company)	**1,386,732**	599,300
Effect of dilutive potential ordinary shares:		
Interest on New Convertible Notes (defined in note 37) (net of tax)	**24,468**	23,815
Earnings for the purpose of diluted earnings per share	**1,411,200**	623,115

Number of shares

	2015	2014
Weighted average number of ordinary shares in issue less shares held under share award scheme during the year for the purpose of basic earnings per share	**8,902,561,019**	8,757,696,266
Effect of dilutive potential ordinary shares:		
– New Convertible Notes	**707,926,917**	799,979,333
– Unvested share award	**697,270**	12,825
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**9,611,185,206**	9,557,688,424

During the years ended 30 June 2015 and 2014, the computation of diluted earnings per share does not assume the exercise of the share options granted since the exercise price of the share options outstanding was higher than average market price for shares during the year.

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19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Oil and gas properties HK$'000	Construction in progress HK$'000	Total HK$'000
COST											
At 1 July 2013	63,980	47,306	7,169	15,407	24,231	18,999	2,035	6,127,518	779,244	1,384,718	8,470,607
Exchange realignment	(52)	(20)	(6)	(8)	41	(9)	(16)	(4,925)	(7,223)	(20,502)	(32,720)
Transfer	–	–	–	–	–	–	–	–	828,589	(828,589)	–
Additions	–	–	–	283	304	628	–	18,494	–	1,083,463	1,103,172
Disposals	–	(1,086)	–	(363)	(210)	(192)	–	–	–	–	(1,851)
At 30 June 2014	63,928	46,200	7,163	15,319	24,366	19,426	2,019	6,141,087	1,600,610	1,619,090	9,539,208
Exchange realignment	6	86	–	(2)	(133)	(9)	–	1,525	2,448	1,083	5,004
Addition from acquisition of a subsidiary (note 48)	–	487	–	–	–	–	–	–	1,241,240	537,579	1,779,306
Transfer	–	–	–	–	–	–	–	–	610,217	(610,217)	–
Additions	–	2,536	–	616	316	22,240	733	165,359	7,761	1,252,709	1,452,270
Disposals	–	–	–	–	(960)	(5)	(707)	–	–	–	(1,672)
At 30 June 2015	63,934	49,309	7,163	15,933	23,589	41,652	2,045	6,307,971	3,462,276	2,800,244	12,774,116
ACCUMULATED DEPRECIATION AND IMPAIRMENT											
At 1 July 2013	1,950	31,019	4,791	9,402	14,890	10,972	897	315,637	91,696	–	481,254
Exchange realignment	(1)	(31)	(5)	(7)	13	(6)	(10)	(384)	(1,362)	–	(1,793)
Provided for the year	586	13,556	2,377	2,220	3,310	4,285	520	216,458	62,346	–	305,658
Eliminated on disposals	–	(402)	–	(193)	(53)	(112)	–	–	–	–	(760)
At 30 June 2014	2,535	44,142	7,163	11,422	18,160	15,139	1,407	531,711	152,680	–	784,359
Exchange realignment	–	86	–	(1)	(73)	(9)	–	51	811	–	865
Provided for the year	585	2,309	–	2,081	2,983	3,344	437	221,745	333,060	–	566,544
Impairment (note 25)	–	–	–	–	–	–	–	–	28,889	–	28,889
Eliminated on disposals	–	–	–	(1)	(524)	(7)	(707)	–	–	–	(1,239)
At 30 June 2015	3,120	46,537	7,163	13,501	20,546	18,467	1,137	753,507	515,440	–	1,379,418
CARRYING VALUES											
At 30 June 2015	60,814	2,772	–	2,432	3,043	23,185	908	5,554,464	2,946,836	2,800,244	11,394,698
At 30 June 2014	61,393	2,058	–	3,897	6,206	4,287	612	5,609,376	1,447,930	1,619,090	8,754,849

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

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

Leasehold land	Over the lease term
Leasehold building	Over the shorter of the term of the lease, or 40 years
Leasehold improvements	20% to $33^1/_3$%
Plant and machinery	20%
Office equipment	20%
Furniture and fixtures	20%
Computer equipment	30%
Motor vehicles	$33^1/_3$%
Vessels	20% for components under dry-docking (Note), 4% to $6^2/_3$% for others

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

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

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

At the end of the reporting period, the directors of the Company conducted an impairment review of the Group's upstream crude oil business, which represents one of the Group's CGUs and determined that the recoverable amount of this CGU is lower than its carrying amount at 30 June 2015, accordingly an impairment loss of approximately HK$28,889,000 (2014: nil) has been recognised during the year. Detail of the impairment assessment are set out in note 25.

The carrying amount of the Group's leasehold land located in Hong Kong of approximately HK$42,175,000 (2014: HK$42,223,000) is under long lease.

At 30 June 2015, vessels of the Group with carrying value of approximately HK$5,505,576,000 (2014: HK$5,546,874,000) are pledged to secure bank borrowings of the Group.

20. PREPAID LEASE PAYMENTS FOR LAND

	2015 **HK$'000**	2014 HK$'000
The Group's prepaid lease payments for land comprise:		
Leasehold land in the PRC with medium lease	**513,404**	523,964
Analysed for reporting purpose as:		
Current asset	**11,135**	11,123
Non-current asset	**502,269**	512,841
	513,404	523,964

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

Included in medium-term prepaid lease payments are amounts of approximately HK$74,605,000 (2014: HK$76,142,000), net of government grant received, which is in the process of obtaining the land use rights.

In previous years, the Group received government grants of approximately RMB285,637,000 (equivalent to approximately HK$357,206,000) in respect of acquisition of prepaid lease payments for land in March 2011 pursuant to the co-operation agreement signed between the local government and the Group. The government grants amount were deducted from the carrying amount of the prepaid lease payments for land. At 30 June 2015, an accumulated amount of approximately HK$28,287,000 (2014: HK$21,119,000) has already been transferred to income in the form of reduced charge over the lease term of the prepaid lease payments for land.

21. PREPAID LEASE PAYMENTS FOR COAST

	2015 HK$'000	2014 HK$'000
The Group's prepaid lease payments for coast comprise:		
Coast in the PRC with medium lease	**14,765**	15,073
Analysed for reporting purpose as:		
Current asset	**325**	325
Non-current asset	**14,440**	14,748
	14,765	15,073

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

22. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 July 2013, 30 June 2014 and 30 June 2015	42,000

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

The fair value of the Group's investment property at 30 June 2015 and 2014 has been arrived at on the basis of a valuation carried out on the respective date by Asset Appraisal Limited, independent qualified professional valuers not connected to the Group. The Group's investment property was valued on market value basis, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties. The fair value was arrived at by reference to market evidence of transaction prices for similar properties.

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

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22. INVESTMENT PROPERTY *(continued)*

Information about fair value measurements using key inputs

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

Description	Fair value at 30 June 2015 HK$'000	2014 HK$'000	Fair value hierarchy	Valuation technique and key inputs
Commercial property unit located in Hong Kong	**42,000**	42,000	Level 2	Direct comparison method based on market observable transaction of similar properties and adjusted and to reflect the conditions, floor and direction of the subject property.

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

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

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

At 30 June 2015, amounts mainly represented the deposits of approximately HK$57,110,000 (2014: HK$44,360,000) which were paid for acquisition of equipments to be used for the construction of oil storage facilities.

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24. INTERESTS IN JOINT VENTURES AND JOINT OPERATIONS

(a) Joint ventures

At 30 June 2015 and 2014, the Group had interests in the following joint ventures:

Name of entity	Form of business structure	Place of establishment	Principal place of operation	Class of share held	Proportion of nominal value of registered capital held by the Group 2015 and 2014	Principal activity
Zhoushan Brightoil Terminal Co., Ltd. ("Zhoushan Terminal") (Note 1)	Foreign owned enterprise	PRC	PRC	Registered capital	55%	Operation of wharf and related ancillary facilities
Dalian Changxing Island Brightoil Terminal Co., Ltd. ("Dalian Terminal") (Note 2)	Foreign owned enterprise	PRC	PRC	Registered capital	60%	Operation of wharf and related ancillary facilities

Notes:

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

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

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

	2015 HK$'000	2014 HK$'000
Cost of unlisted investments in joint ventures	**719,004**	594,543
Share of post-acquisition loss	**(12,434)**	(25,814)
Exchange realignment	**32,573**	33,205
	739,143	601,934

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

(a) Joint ventures *(continued)*

Summarised financial information of joint ventures

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

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

Zhoushan Terminal

	2015 **HK$'000**	2014 HK$'000
Non-current assets	**710,764**	629,723
Current assets	**67,280**	71,077
Current liabilities	**(50,628)**	(173,463)
Non-current liabilities	**–**	(24,984)

The above amounts of assets and liabilities include the following:

	2015 **HK$'000**	2014 HK$'000
Cash and cash equivalents	**14,586**	63,968
Current financial liabilities (excluding other payables and provisions)	**(20,009)**	(87,443)
Non-current financial liabilities (excluding other payables and provisions)	**–**	(24,984)
Other income and other gains and losses, net	**824**	150
Profit and total comprehensive income for the year	**570**	21

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

	2015 **HK$'000**	2014 HK$'000
Net assets of Zhoushan Terminal	**727,416**	502,353
Proportion of the Group's ownership interest in Zhoushan Terminal	**55%**	55%
Carrying amount of the Group's interest in Zhoushan Terminal	**400,079**	276,294

For the year ended 30 June 2015

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

(a) Joint ventures *(continued)*

Summarised financial information of joint ventures *(continued)*

Dalian Terminal

	2015 HK$'000	2014 HK$'000
Non-current assets	29,469	27,797
Current assets	537,667	515,703
Current liabilities	(2,029)	(767)

The above amounts of assets and liabilities include the following:

	2015 HK$'000	2014 HK$'000
Cash and cash equivalents	312,420	515,571
Current financial liabilities (excluding other payables and provisions)	(319)	(318)
Other income and other gains and losses, net (note)	21,866	3,332
Profit and total comprehensive income for the year	21,778	3,319

Note: Included in the other income and other gains and losses are interest income from fixed deposits of approximately HK$22,128,000 (2014: nil).

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

	2015 HK$'000	2014 HK$'000
Net assets of Dalian Terminal	565,107	542,733
Proportion of the Group's ownership interest in Dalian Terminal	60%	60%
Carrying amount of the Group's interest in Dalian Terminal	339,064	325,640

At 30 June 2015, the Group's share of capital expenditure contracted for but not provided for in the financial statements of the joint ventures in respect of acquisition of property, plant and equipment is approximately HK$241,487,000 (2014: HK$293,176,000).

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

(b) Joint operations

(1) Joint operation in the Tuzi gas field

Win Business Petroleum (Grand Desert) Limited ("Win Business GD"), a subsidiary of the Group, entered into a contract for natural gas development and production (the "Contract 1") with a state-owned enterprise in the PRC, China National Petroleum Corporation ("CNPC"), in August 2010 to jointly operate a natural gas development and production project in the Tuzi Gas field (the "Tuzi Natural Gas Project") owned by CNPC. Win Business GD and CNPC have the participating interest in the joint operation of 49% and 51% respectively. A committee is set up by appointing same number of members from CNPC and Win Business GD with a maximum of 4 members. The committee makes decisions on financial budgets and production plans which are considered as the relevant activities that may significantly affect the returns of the Tuzi Natural Gas Project. These decisions require unanimous consent from both parties. As such, the Tuzi Natural Gas Project is jointly operated by Win Business GD and CNPC. Win Business GD is also the operator of the project.

Pursuant to the Contract 1, the Tuzi Natural Gas Project was segregated into three stages, namely the evaluation period, the development period and the production period, with a term of 30 years. Prior to the Contract 1, CNPC performed a preliminary phase to study the Tuzi Natural Gas Project and the costs incurred during the preliminary phase was borne by CNPC. Win Business GD agreed to bear the costs incurred for the evaluation and development periods. Specifically, Win Business GD is responsible for the expenditure on seismic, drilling and construction works regarding the development and construction of the infrastructure. The costs incurred by Win Business GD and CNPC before production period are known as investment costs (the "Investment Costs 1"). After commencement of the production period, the operating expenses, primarily the purification and transportation services for natural gas and condensate would be shared by Win Business GD and CNPC according to the pre-determined sharing formula (the "Sharing Ratio 1") which is 55% or 49% for Win Business GD, depending on whether the Investment Costs 1 spent by Win Business GD have been fully recovered.

The Tuzi gas field started commercial production during the year ended 30 June 2014.

Before Investment Costs 1 have been fully recovered, 65% of the revenue from sales of natural gas and condensate produced from the Tuzi gas field, representing the recovery gas (the "Recovery Gas 1"), would be initially shared by CNPC and Win Business GD in proportion to the sharing of costs for the recovery of operating expenses and Investment Costs 1 incurred by them. The Recovery Gas 1 shall be initially cost recovery gas for the recovery of operating expenses according to the Sharing Ratio 1. The remainder of the Recovery Gas 1 shall be investment recovery gas (the "Investment Recovery Gas 1") which shall be taken by the operator and CNPC to recover the Investment Costs 1 in a proportion according to their contribution to the Investment Costs 1 incurred in the Tuzi Natural Gas Project. The remaining 35% of the revenue from sales of natural gas and condensate produced from the Tuxi gas field, representing Share Gas 1, would be shared according to the Sharing Ratio 1.

After the Investment Costs 1 have been fully recovered, the remainder of the Investment Recovery Gas 1 shall be automatically regarded as part of the Share Gas 1 and shared according to the Sharing Ratio 1.

During the year ended 30 June 2015, the Investment Costs 1 spent by Win Business GD have yet been recovered and Win Business GD is currently adopting 55% (2014: 55%) to the Sharing Ratio 1.

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

	2015 **HK$'000**	2014 HK$'000
Assets (Note)	**1,303,024**	1,095,538
Liabilities	**(386,557)**	(400,650)
Income	**518,267**	163,438
Expenses	**(181,406)**	(85,612)

Note: Included in the Group's share of assets of the Tuzi gas field are property, plant and equipment of approximately HK$1,160,538,000 (2014: HK$958,479,000) which includes gas properties of approximately HK$816,035,000 (2014: HK$854,510,000).

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

(b) Joint operations *(continued)*

(2) Joint operation in the Dina gas field

Win Business Petroleum Group Limited ("Win Business Group"), a subsidiary of Win Business Petroleum Group (Dina) Limited ("Win Business Dina") acquired by the Group during the year ended 30 June 2012, entered into a contract (the "Contract 2") for natural gas development and production with CNPC in April 2008 to jointly operate a natural gas development and production project in the Dina Gas field (the "Dina Natural Gas Project") owned by CNPC. Win Business Group and CNPC have the participating interest in the joint operation of 49% and 51% respectively. A committee is set up by appointing same number of members from CNPC and Win Business Group with a maximum of 4 members. The committee makes decisions on financial budgets and production plans which are considered as the relevant activities that may significantly affect the returns of the Dina Natural Gas Project. These decisions require unanimous consent from both parties. As such, the Dina Natural Gas Project is jointly operated by Win Business Group and CNPC. Win Business Group is also the operator of the project.

Pursuant to the Contract 2, the Dina Natural Gas Project was segregated into three stages, namely the evaluation period, the development period and the production period, with a term of 30 years. Prior to the Contract 2, CNPC performed a preliminary phase to study the Dina Natural Gas Project and the costs incurred during the preliminary phase was borne by CNPC. Win Business Group agreed to bear the costs incurred during the evaluation and development periods. The costs incurred by Win Business Group and CNPC before production period are known as investment costs (the "Investment Costs 2"). After commencement of the production period, the operating expenses, primarily the purification and transportation services for natural gas and condensate, would be shared by Win Business Group and CNPC according to the pre-determined sharing formula (the "Sharing Ratio 2"), which is 55% or 49% for Win Business Group, depending on whether the Investment Costs 2 spent by the Win Business Group have been fully recovered.

The Dina gas field started commercial production during the year ended 30 June 2013.

Before the Investment Costs 2 have been fully recovered, 65% of the revenue from sales of natural gas and condensate from the Dina gas field, representing the recovery gas (the "Recovery Gas 2"), would be initially shared by CNPC and Win Business Group in proportion to the sharing of costs for the recovery of operating expenses and the Investment Costs 2 incurred by them. The Recovery Gas 2 shall be initially cost recovery gas (the "Cost Recovery Gas 2") for the recovery of operating expenses according to the Sharing Ratio 2. The remainder of the Recovery Gas 2 shall be investment recovery gas ("Investment Recovery Gas 2") which shall be taken by the operator and CNPC to recover the Investment Costs 2 in a proportion according to their contribution to the Investment Costs 2 incurred in the Dina Natural Gas Project. The remaining 35% of the revenue from sales of natural gas and condensate produced from the Dina gas field, representing Share Gas 2, would be shared according to the Sharing Ratio 2.

After the Investment Costs 2 have been fully recovered, the remainder of the Investment Recovery Gas 2 shall be automatically regarded as part of the Share Gas 2 and shared according to the Sharing Ratio 2.

The Investment Costs 2 spent by Win Business Group was fully recovered during the year ended 30 June 2015 and Win Business Group is currently adopting 49% (2014: 55%) to the Sharing Ratio 2.

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

	2015 **HK$'000**	2014 HK$'000
Assets (Note)	**630,752**	664,439
Liabilities	**(95,400)**	(80,037)
Income	**492,434**	308,650
Expenses	**(171,999)**	(118,548)

Note: Included in the Group's share of assets of the Dina gas field are property, plant and equipment of approximately HK$554,327,000 (2014: HK$593,505,000) which includes gas properties of approximately HK$554,292,000 (2014: HK$593,420,000).

For the year ended 30 June 2015

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

(b) Joint operations *(continued)*

(3) Joint operations in the Bohai Bay oil field

KMCPL entered into petroleum contracts ("PCs") 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 China Limited ("CNOOC"), Singapore Petroleum Company ("SPC") and Newfield China, LDC ("Newfield") (collectively referred to as the "Interest Owners"). The respective unit fields participating interests, commencement and expiry dates are as follows:

	Contract Area 04/36	Contract Area 05/36
Period		
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 for any decision during the JMC meeting from all parties is required. As such, the Bohai Bay Project is jointly operated by these parties.

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 costs and operating expenses as well as assets and liabilities arising from the joint operations, are shared by the Interest Owners according to the participating interests.

Pursuant to the PCs, before the full recovery of the exploration and development costs (the "Investment Costs 3") 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 Investment Costs 3 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.

For the year ended 30 June 2015

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

(b) Joint operations *(continued)*

(3) Joint operations in the Bohai Bay oil field *(continued)*

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 (the "Recovery Oil"). Mining usage fee at progressive ad valorem rates ranging from 4% to 10%, depending on annual gross production, shall be taken by PRC government from Recovery Oil. However, no mining usage fee is chargeable if annual production of each of the Contract Areas is lower than one million tonnes. Recovery Oil after mining usage fee shall be cost recovery oil for the recovery of operating expenses according to participating interests of the Interest Owners in the Contract Areas. The remainder of Recovery Oil shall be investment recovery oil which shall be taken by the operator and other Interest Owners to recover the Investment Costs 3 in the Contract Areas.

32.5% of the annual gross production and remainder of 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 CNOOC 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 interests 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 year ended 30 June 2015 were sold to CNOOC.

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

	2015 HK$'000	2014 HK$'000
Assets (Note i)	**7,062,664**	–
Liabilities (Note ii)	**(652,075)**	–
Income	**1,832,637**	–
Expenses (Note iii)	**(1,598,445)**	–

Notes:

(i) Included in the Group's share of the assets of Bohai Bay oil field are (1) property, plant and equipment, of approximately HK$1,859,270,000 (2014: nil) which includes oil properties of approximately HK$1,576,509,000 (2014: nil), (2) mining interests of approximately HK$5,050,590,000 (2014: nil) and (3) trade debtor of HK$143,016,000 (2014: nil).

(ii) Included in the Group's share of liabilities of Bohai Bay oil field are amounts due to interest owners, other payables and accrued charges to independent third parties for purchase of property, plant and equipment and provision for restoration and environmental costs of HK$208,328,000 (2014: nil), HK$62,948,000 (2014: nil) and HK$210,523,000 (2014: nil) respectively.

(iii) Included in the Group's share of expenses of Bohai Bay oil field are amortisation of mining interests of approximately HK$505,889,000 (2014: nil), impairment loss of mining interests of approximately HK$78,475,000 (2014: nil) and impairment loss of oil properties of approximately HK$28,889,000 (2014: nil).

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25. MINING INTERESTS

	HK$'000
At 1 July 2014	–
Acquired in acquisition of a subsidiary (note 48)	5,633,398
Amortisation	(505,889)
Impairment loss recognised	(78,475)
Exchange realignment	1,556
At 30 June 2015	5,050,590

Mining interests represent the interest of the Group for extraction of crude oil from the contract areas 04/36 and 05/36 (see note 24(b)(3)) until September 2024 and January 2026 (the "Contract Periods") respectively, the time which all oil reserves are expected to be extracted, respectively. The mining interests recognised upon the acquisition of a subsidiary in current year (see note 48) have useful life covering the Contract Periods. The mining interests are amortised on a unit-of-production method utilising the proved and probable reserves that are expected to be extracted during the Contract Period as the depletion base.

The recoverable amount of the CGU, which constitutes the upstream crude oil operating segment of the Group to which the mining interests and property, plant and equipment relating to the upstream crude oil business belong, is determined based on a value-in-use calculation which use cash flow projections based on financial budgets (including capital expenditure) approved by the JMC covering a period until the end of the Contract Periods (see note 24(b)(3)) at a discount rate of 12.86% which reflects the current market assessment at 30 June 2015 on time value of money and risks specific to upstream crude oil business. Cash flow projections during the production period are based on development plan and production volume estimated by the independent competent person at 1 January 2014 and future crude oil prices based on the management's expectations of price in the global petroleum markets. The expectations of the future crude oil prices are developed by reference to the market prices of Brent crude oil futures at 30 June 2015, which ranged from US$64.33 to US$67.66 per barrel with expiry dates from July 2015 to December 2016 and the average of the future oil prices forecast quoted from research reports released by international oil brokers and consultants, which range from US$69.85 per barrel for year 2017 to US$91.13 per barrel for the year 2025 (collectively referred to "Forecasted Oil Prices"). The CGU has limited contractual life and the projection period is based on the remaining contractual life. The key parameters applied in this projection could not be estimated simply based on the forecast period of five years and adjusted with the expected growth rate as the cycle of oil price fluctuations is more than five years and the construction of wells for this CGU is planned for particular periods of time, rather than evenly throughout the remaining contractual period. The expected extraction of crude oil is budgeted based on the overall plan of the future construction of wells. Accordingly, the directors of the Company consider that its forecasting methods, projection period based on remaining contractual life, is more reliable than a five-year-projection model method.

During the year ended 30 June 2015, in view of continuous downward tendency of global oil price and uncertainty about oil price in future, the directors of the Company had determined that the present value of the future cash flows expected to be generated from the CGU were approximately HK$6,793,879,000, which is less than its carrying amount, and an impairment loss of HK$107,364,000 has been recognised for the CGU with amounts of HK$28,889,000 allocated to oil properties and HK$78,475,000 allocated to mining interests. These impairment losses are included in "other gains and losses, net" line item in the consolidated statement of profit or loss and other comprehensive income.

The sensitivity analysis below has been determined by the directors of the Company based on the exposure of changes in the discount rate and Forecast Oil Prices to the recoverable amount of the CGU at 30 June 2015. A 50 basis point increase and US$5 decrease are used which represent directors of the Company's assessment on reasonably possible changes in discount rate and Forecast Oil Prices respectively.

For the year ended 30 June 2015

25. MINING INTERESTS *(continued)*

If the discount rate had been 50 basis point higher and all other key assumptions were held constant, the recoverable amount of the CGU at 30 June 2015 would be decreased by approximately HK$112,493,000 and impairment loss allocated to mining interests and oil properties would be increased by approximately HK$82,224,000 and HK$30,269,000 respectively. If the Forecasted Oil Prices had been US$5 lower and all other key assumptions were held constant, the recoverable amount of the CGU at 30 June 2015 would be decreased by approximately HK$556,459,000 and impairment loss allocated to mining interests and oil properties would be increased by approximately HK$406,729,000 and HK$149,730,000 respectively.

26. INVENTORIES

	2015 HK$'000	2014 HK$'000
Fuel, gas and crude oil (except for those produced from upstream crude oil business), stated at fair value less costs to sell	**764,211**	1,933,041
Crude oil (produced from upstream crude oil business), stated at lower of cost and net realisable value	**7,047**	–
Consumables, stated at lower of cost and net realisable value	**61,973**	125,254
	833,231	2,058,295

At 30 June 2015, included in the carrying amount of fuel, gas and crude oil (except for those produced from upstream crude oil business), there is an amount of approximately HK$763,314,000 (2014: HK$1,930,107,000) which has been pledged as security, by way of floating charges, for short-term credit facilities granted to the Group.

27. TRADE DEBTORS

	2015 HK$'000	2014 HK$'000
Trade debtors	**6,876,805**	7,229,784
Less: Allowance for bad and doubtful debts	**(5,086)**	(2,309)
	6,871,719	7,227,475

The Group allows an average credit period of 30 to 45 days to its customers from international trading and bunkering operation, 60 days to a subsidiary of CNPC on sales of natural gas and condensates, 30 to 90 days to its marine transportation customers and 30 days to the sole customer, CNOOC, on sales of crude oil. CNPC and CNOOC are the Interest Owners of the Group's joint operations at the Tuzi and Dina Natural Gas Projects (see note 24(b)(1) and (b)(2)) and Bohai Bay Oil Project (see note 24(b)(3)) respectively.

For the year ended 30 June 2015

27. TRADE DEBTORS *(continued)*

The following is an aging analysis of trade debtors (net of allowance for bad and doubtful debts) presented based on the revenue recognition date at the end of the reporting period:

	2015 HK$'000	2014 HK$'000
0–30 days	5,008,446	6,582,691
31–60 days	1,803,743	611,722
61–90 days	7,340	24,508
Over 90 days	52,190	8,554
	6,871,719	7,227,475

Before accepting any new customer, the Group performs a credit review to assess the potential customer's credit quality and defines credit limits by customer. Limits and credit rating to customers are reviewed on a regular basis. Over 99% (2014: 98%) of the trade debtors are neither past due nor impaired. These customers have no default of payment in the past and have good credit rating under the credit review procedures adopted by the Group.

Included in the Group's trade debtors balance are debtors with aggregate carrying amount of approximately HK$53,618,000 (2014: HK$85,365,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 117 days (2014: 51 days).

Aging of trade debtors which are past due but not impaired

	2015 HK$'000	2014 HK$'000
31–60 days	1,431	77,639
61–90 days	–	932
91–120 days	5,040	464
Over 120 days	47,147	6,330
	53,618	85,365

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

For the year ended 30 June 2015

27. TRADE DEBTORS *(continued)*

Movement in the allowance for bad and doubtful debts

	2015 HK$'000	2014 HK$'000
Balance at beginning of the year	2,309	2,309
Impairment losses recognised on trade debtors	2,777	–
Balance at end of the year	5,086	2,309

Allowance for bad and doubtful debts included individually impaired trade receivables with an aggregate balance of approximately HK$5,086,000 (2014: HK$2,309,000) which had been in disputes on final settlement and may not be recoverable. The Group does not hold any collateral over these balances.

At 30 June 2015, the carrying amount of trade debtors, which has been pledged as security for short-term credit facilities granted to the Group, is approximately HK$6,479,834,000 (2014: HK$6,980,994,000).

28. SECURITIES HELD-FOR-TRADING

	2015 HK$'000	2014 HK$'000
Equity securities		
listed in Hong Kong	138,916	6,845
listed in the PRC	–	214,735
	138,916	221,580

29. RECEIVABLES FROM BROKERS

Amount represents receivables from brokers for securities and derivatives trading which carried interest rates at prevailing market interest rates ranging from 0.001% to 0.12% (2014: 0.001% to 0.03%) per annum.

30. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

At 30 June 2015, the pledged bank deposits represent the Group's deposits pledged to the banks to secure short-term credit facilities granted to the Group and bear fixed interest with rates ranging from 0.1% to 0.17% (2014: 0.05% to 0.35%) per annum.

Bank balances and cash of the Group comprise cash and short-term bank deposits. At 30 June 2015, the bank balances carried interest at market rates ranging from 0.01% to 1.83% (2014: 0.01% to 3.5%) per annum.

	2015 HK$'000	2014 HK$'000
Cash on hand	9	1
Bank deposits with original maturity within three months or less	857,271	1,610,922
Cash and cash equivalents	857,280	1,610,923
Bank deposits with original maturity over three months	77,520	–
Bank balances and cash	934,800	1,610,923

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30. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH *(continued)*

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

	2015 HK$'000	2014 HK$'000
US$	**175,075**	238,688
HK$	**68,370**	83,823
RMB	**10,025**	57,257
SGD	**8,137**	15,882

31. TRADE CREDITORS

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

	2015 HK$'000	2014 HK$'000
0–30 days	**3,069,184**	5,675,081
31–60 days	**26,734**	441,905
61–90 days	**3,549**	1,381,704
Over 90 days	**10,105**	9,906
	3,109,572	7,508,596

The average credit period for purchase of fuel oil is 30 days. The average credit period for direct costs incurred in the upstream natural gas business is 60 days. The Group has financial risk management policies in place to ensure all payables within the credit time frame.

Apart from the balance disclosed above, the balance of approximately HK$4,785,000 (2014: HK$9,896,000) classified as trade payable to a related company is trade in nature (see note 42). The amount is aged within 45 days at 30 June 2015 and 2014 with credit terms of 45 days granted to the Group.

32. OTHER CREDITORS AND ACCRUED CHARGES

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

	2015 HK$'000	2014 HK$'000
Other payables and accrued charges to independent third parties for purchase of property, plant and equipment (Note a)	**1,391,757**	843,028
Other tax payable for goods and services in relation to sales made in Singapore (Note a)	**11,118**	49,378
Special petroleum levy ("SPL") payable (Note b)	**177**	–
Amounts due to Interest Owners (Note a)	**208,328**	–
Payable to the PRC government (Note c)	**79,876**	79,789
Others	**62,183**	114,077
	1,753,439	1,086,272

For the year ended 30 June 2015

32. OTHER CREDITORS AND ACCRUED CHARGES *(continued)*

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) Amount represents payable to the PRC government for the acquisition of the land use right. The amount is unsecured, non-interest bearing and repayable on demand.

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

	2015 **HK$'000**	2014 HK$'000
US$	**742**	910
HK$	**2,997**	2,542
RMB	**2,002**	2,060
SGD	**18,952**	22,888

33. BANK BORROWINGS

	2015 **HK$'000**	2014 HK$'000
Secured variable-rate bank borrowings	**10,854,548**	5,168,086
Carrying amount payable:		
Within one year	**4,567,341**	2,909,138
More than one year, but not exceeding two years	**1,340,022**	401,504
More than two years, but not exceeding five years	**3,766,162**	712,740
More than five years	**1,181,023**	1,144,704
	10,854,548	5,168,086
Less: Amounts due within one year shown under current liabilities	**(4,567,341)**	(2,909,138)
	6,287,207	2,258,948

Included in the bank borrowings outstanding at 30 June 2015 is an amount of approximately HK$1,085,957,000 (2014: nil) denominated in HK$ and all (2014: all) the remaining balances are denominated in US$.

At 30 June 2015, the Group's secured variable-rate bank borrowings carry interest at LIBOR plus 1.50% to 4.08% (2014: LIBOR plus 1.20% to 4.08%) per annum or HIBOR plus 5.20% (2014: nil) per annum.

For the year ended 30 June 2015

33. BANK BORROWINGS *(continued)*

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2015	2014
Effective interest rate:		
Variable-rate borrowings	1.83% – 5.43%	1.49% – 4.32%

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

	2015 HK$'000	2014 HK$'000
Floating rate		
– expiring within one year	12,403,376	10,156,945
– expiring beyond one year	597,520	775,028
	13,000,896	10,931,973

34. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments of the Group comprised of long and short positions in mainly oil and gasoline futures, swaps and forwards contracts, including ICE futures (mainly Brent, Gasoil and WTI), Nymex futures (mainly Gasoline, Heating Oil, WTI), 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 the active markets. Forwards contracts in relation to physical delivery of fuel oil and crude oil (2014: fuel oil, crude oil and petroleum chemicals) are directly dealt with some counterparties.

During the year ended 30 June 2015, the net gain on derivative financial instruments of approximately HK$1,240,981,000 was credited to profit or loss (2014: net loss on derivative financial instruments of approximately HK$227,378,000 was charged to profit or loss).

For the year ended 30 June 2015

34. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Derivative financial instruments of the Group at 30 June 2015 and 2014 comprise of long and short positions in the following derivative contracts:

At 30 June 2015

Type of contracts	Fair value HK$'000	Contractual amount US$'000	Expiry date
Derivative financial assets			
Futures	15,113	116,899	01.07.2015 to 29.02.2016
Swaps	139,270	548,058	01.07.2015 to 31.12.2015
Forwards	123,357	260,729	01.07.2015 to 31.12.2015
	277,740		
Derivative financial liabilities			
Futures	20,306	99,550	01.07.2015 to 29.02.2016
Swaps	113,338	345,573	01.07.2015 to 31.12.2015
Forwards	103,134	159,943	01.07.2015 to 31.12.2015
	236,778		

The major terms of these contracts are as follows:

	Contractual amount US$'000	Expiry date	Strike price
Derivative financial assets			
Futures (long position)			
– Heating oil	26,946	01.12.2015 to 31.01.2016	US$1.9783 to US$1.9967 per gallon
Futures (short position)			
– Gasoil	41,280	01.07.2015 to 31.08.2015	US$562.5000 to US$600.5000 per metric ton
– Crude oil	743	01.08.2015 to 31.08.2015	US$61.8900 per barrel
– Heating oil	47,930	01.12.2015 to 29.02.2016	US$1.7146 to US$1.7857 per gallon
	116,899		

For the year ended 30 June 2015

34. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

At 30 June 2015 *(continued)*

	Contractual amount US$'000	Expiry date	Strike price
Swap (short position)			
– Gasoil	28,248	01.07.2015 to 30.09.2015	US$510.5485 to US$865.1685 per metric ton
– Fuel oil	223,420	01.07.2015 to 31.12.2015	US$330.0000 to US$395.0000 per metric ton
– Crude oil	296,390	01.07.2015 to 31.08.2015	US$58.0600 to US$67.5000 per barrel
	548,058		
Forward (long position)			
– Fuel oil	44,634	01.07.2015 to 31.07.2015	US$342.8300 to US$545.0000 per metric ton
– Crude oil	83,700	01.07.2015 to 31.08.2015	US$60.1300 to US$62.8370 per barrel
Forward (short position)			
– Fuel oil	49,255	01.07.2015 to 31.12.2015	US$343.7500 to US$576.6600 per metric ton
– Crude oil	83,140	01.07.2015 to 31.08.2015	US$61.9150 to US$63.6950 per barrel
	260,729		
Derivative financial liabilities			
Futures (long position)			
– Gasoil	24,600	01.09.2015 to 31.12.2015	US$600.0000 to US$631.7500 per metric ton
– Fuel oil	3,901	01.08.2015 to 31.08.2015	US$466.1465 to US$473.0750 per metric ton
– Crude oil	758	01.08.2015 to 31.08.2015	US$63.1200 per barrel
– Heating oil	39,724	01.12.2015 to 29.02.2016	US$1.9236 to US$2.0207 per gallon
Futures (short position)			
– RBOB gasoline	30,567	01.12.2015 to 29.02.2016	US$1.6790 to US$1.7205 per barrel
	99,550		

For the year ended 30 June 2015

34. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

At 30 June 2015 *(continued)*

	Contractual amount US$'000	Expiry date	Strike price
Swap (long position)			
– Gasoil	18,928	01.07.2015 to 31.07.2015	US$550.5187 to US$587.2835 per metric ton
– Fuel oil	200,785	01.07.2015 to 31.12.2015	US$313.5000 to US$395.7500 per metric ton
– Crude oil	125,860	01.07.2015 to 30.09.2015	US$59.6400 to US$64.1200 per barrel
	345,573		
Forward (long position)			
– Crude oil	68,280	01.07.2015 to 31.08.2015	US$61.8970 to US$64.9370 per barrel
Forward (short position)			
– Fuel oil	91,663	01.07.2015 to 31.12.2015	US$334.0000 to US$549.0000 per metric ton
	159,943		

At 30 June 2014

Type of contracts	Fair value HK$'000	Contractual amount US$'000	Expiry date
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		

For the year ended 30 June 2015

34. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

At 30 June 2014 *(continued)*

The major terms of these contracts are as follows:

	Contractual amount US$'000	Expiry date	Strike price
Derivative financial assets			
Futures (long position)			
– Gasoil	83,225	01.12.2014 to 31.12.2014	US$894.2500 to US$895.7500 per metric ton
– Heating oil	18,742	01.08.2014 to 31.08.2014	US$2.9689 to US$2.9821 per gallon
Futures (short position)			
– Gas oil	97,942	01.07.2014 to 31.12.2014	US$896.7500 to US$931.0000 per metric ton
– Crude oil	354,727	01.09.2014 to 31.12.2014	US$95.5300 to US$112.8800 per barrel
	554,636		
Swap (short position)			
– Gasoil	62,278	01.07.2014 to 31.12.2014	US$929.7500 to US$939.7500 per metric ton
– Fuel oil	393,843	01.07.2014 to 31.12.2014	US$572.5000 to US$622.8000 per metric ton
– Crude oil	835,114	01.07.2014 to 31.12.2014	US$99.8000 to US$107.8010 per barrel
	1,291,235		
Forward (long position)			
– Crude oil	1,382,375	01.07.2014 to 31.08.2014	US$105.6500 to US$121.2200 per barrel
– Fuel oil	337,077	01.07.2014 to 31.07.2014	US$595.6760 to US$620.7500 per metric ton
– Petroleum chemical	34,914	01.07.2014 to 30.09.2014	US$1,080.0000 to US$1,615.5000 per metric ton
Forward (short position)			
– Crude oil	2,172,213	01.07.2014 to 31.12.2014	US$105.6500 to US$110.1600 per barrel
– Fuel oil	316,354	01.07.2014 to 31.07.2014	US$592.0000 to US$632.6667 per metric ton
– Petroleum chemical	21,898	01.08.2014 to 31.08.2014	US$1,458.5000 to US$1,464.5000 per metric ton
	4,264,831		

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34. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

At 30 June 2014 *(continued)*

	Contractual amount US$'000	Expiry date	Strike price
Derivative financial liabilities			
Futures (long position)			
– Gasoil	28,456	01.07.2014 to 31.07.2014	US$894.2500 to US$938.7500 per metric ton
– Crude oil	446,310	01.08.2014 to 31.12.2014	US$91.3800 to US$115.1100 per barrel
– Heating oil	101,405	01.08.2014 to 31.12.2014	US$2.9749 to US$3.0376 per gallon
Futures (short position)			
– RBOB gasoline	61,904	01.08.2014 to 31.08.2014	US$2.9379 to US$2.9462 per barrel
– Crude oil	1,000,730	01.12.2014 to 30.06.2015	US$94.3300 to US$106.6692 per barrel
	1,638,805		
Swap (long position)			
– Gasoil	50,503	01.07.2014 to 30.11.2014	US$915.0000 to US$938.0000 per metric ton
– Fuel oil	279,079	01.07.2014 to 30.09.2014	US$570.5000 to US$629.0000 per metric ton
– Crude oil	186,601	01.07.2014 to 31.12.2014	US$104.2900 to US$110.8000 per barrel
	516,183		
Forward (long position)			
– Crude oil	810,184	01.08.2014 to 31.08.2014	US$109.4800 per barrel
– Petroleum chemical	15,540	01.08.2014 to 30.09.2014	US$1,360.0000 to US$1,468.5000 per metric ton
Forward (short position)			
– Crude oil	123,541	01.07.2014 to 28.02.2015	US$110.2000 to US$122.9200 per barrel
– Petroleum chemical	17,428	01.07.2014 to 31.08.2014	US$1,100.0000 to US$1,464.5000 per metric ton
	966,693		

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35. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.025 each		
Authorised		
At 1 July 2013, 30 June 2014 and 2015	40,000,000,000	1,000,000
Issued and fully paid		
At 1 July 2013 and 30 June 2014	8,766,498,266	219,163
Shares issued under placement (Note a)	590,017,000	14,750
Shares issued upon conversion of New Convertible Notes (as defined in note 37) (Note b)	799,979,333	20,000
At 30 June 2015	10,156,494,599	253,913

Notes:

(a) As disclosed in the announcement of the Company dated 7 May 2015, 590,017,000 ordinary shares of HK$0.025 each were issued through placement to various placees at a price of HK$2.2 per placing share, with gross proceeds of approximately HK$1,298,037,000 and transaction costs of approximately HK$5,407,000 were recognised in equity. All placees are independent and not connected to the Group.

(b) In May 2015, 799,979,333 ordinary shares of the Company of HK$0.025 each were issued to Canada Foundation (as defined in note 37) upon conversion of the New Convertible Notes. The New Convertible Notes with aggregate principal amount of US$38,709,000 (equivalent to approximately HK$299,995,000) were converted into 799,979,333 ordinary shares of the Company at a conversion price of US$0.04839 each.

The Company acquired its own shares at the Stock Exchange through a trustee appointed under the Company's share award scheme. The number of shares acquired, amounts paid for the acquisitions and number of shares vested 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	19,330,000	62,577
Shares vested	(1,017,000)	(2,421)
At 30 June 2015	27,115,000	80,955

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36. DEFERRED TAXATION

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

	Fair value adjustment on property, plant and equipment upon acquisition HK$'000	Convertible notes HK$'000	(Accelerated) decelerated depreciation HK$'000	Mining operations HK$'000 (Note)	Total HK$'000
At 1 July 2013	(34,941)	(12,128)	–	–	(47,069)
Attributable to a change in tax rate (see note 16)	20,965	–	–	–	20,965
Credit (charged) to profit or loss	1,950	4,706	(11,675)	–	(5,019)
Exchange realignment	–	–	35	–	35
At 30 June 2014	(12,026)	(7,422)	(11,640)	–	(31,088)
Acquired on acquisition of a subsidiary (see note 48)	–	–	34,026	1,222	35,248
Attributable to a change in tax rate (see note 16)	–	–	4,763	–	4,763
Credit (charged) to profit or loss	1,780	5,114	(39,947)	(18,675)	(51,728)
Credit to equity upon early conversion of convertible notes	–	2,308	–	–	2,308
Exchange realignment	–	–	2	9	11
At 30 June 2015	(10,246)	–	(12,796)	(17,444)	(40,486)

Note: Mining operations give rise to deferred taxation because (i) cost incurred by KMCPL on crude oil lifted but not yet sold at the end of the reporting period is deductible in the year it was incurred; and (ii) revenue and related cost of sales is taxed using the entitlement method (i.e. based on KMCPL's proportionate share of oil production) instead of sales method.

At 30 June 2015, the Group has estimated unused tax losses of approximately HK$1,139,248,000 (2014: HK$1,296,024,000) available for offset against future profits of which, estimated unused tax losses of approximately HK$61,722,000 (2014: HK$61,094,000), HK$812,128,000 (2014: HK$1,012,610,000) and HK$265,398,000 (2014: HK$222,320,000) are attributable to subsidiaries operating in the PRC, Singapore and other regions respectively. In addition, the Group has deductible temporary differences arising from decelerated depreciation of property, plant and equipment of approximately HK$4,190,000 (2014: HK$7,537,000). No deferred tax asset has been recognised of such losses and deductible temporary differences at 30 June 2015 and 2014 due to the unpredictability of future profit streams.

For the year ended 30 June 2015

36. DEFERRED TAXATION *(continued)*

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

	2015 HK$'000	2014 HK$'000
Tax losses that will		
– expire within 5 years from 31 December 2010	**2,666**	2,666
– expire within 5 years from 31 December 2011	**9,996**	9,996
– expire within 5 years from 31 December 2012	**42,839**	42,839
– expire within 5 years from 31 December 2013	**54**	54
– expire within 5 years from 31 December 2014	**628**	–
– carry forward indefinitely	**1,083,065**	1,240,469
	1,139,248	1,296,024

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by subsidiaries and joint ventures operating in the PRC from 1 January 2008 onwards. No deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences relating to the undistributed profit of certain subsidiaries operating in the PRC amounting to approximately HK$1,431,703,000 (2014: HK$388,506,000), as the Company controls the dividend policy of these subsidiaries and it is probable that the profit will not be distributed in the foreseeable future.

37. CONVERTIBLE NOTES

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

The Convertible Notes were denominated in US$ and are non-interest bearing. The Convertible Notes contained an equity and a liability components. The liability component represented the present value of the contractual stream of future cash flows discounted using the prevailing market interest rate of similar non-convertible debts of 19.49% per annum and carried at amortised costs. 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 the Convertible Notes had not been converted up to the maturity date, the holder could request the Company to redeem the outstanding the Convertible Notes at principal amount upon maturity.

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37. CONVERTIBLE NOTES *(continued)*

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 (the "New Convertible Notes"). The holder of the Convertible Notes can exercise the conversion right at any time up to the New Maturity Date. Other than this, terms and conditions of the New Convertible Notes remain unchanged from the Convertible Notes.

The modification for the New Maturity Date was considered to be a substantial modification of the Convertible Notes and accordingly the original Convertible Notes were derecognised and 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 amounting to approximately HK$1,266,553,000. On initial recognition, the New Convertible Notes were split into liability and equity components. The liability component was 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 rate of similar non-convertible debts of 12.5% per annum and carried at amortised costs. The equity component of approximately HK$1,055,851,000, being the residual amount of the New Convertible Notes after separating the liability component, was presented in equity heading in "Convertible notes reserve". In addition, deferred tax liability of HK$15,012,000 was charged directly to the carrying amount of the equity component.

The movements of the liability component of the New Convertible Notes for the year ended 30 June 2015 and 30 June 2014 are set out below:

	New convertible notes HK$'000
At 1 July 2013	228,182
Interest charged	28,520
Carrying amount at 30 June 2014	256,702
Interest charged (note 12)	29,303
Converted into ordinary shares (Note)	(286,005)
Carrying amount at 30 June 2015	–

Note: In May 2015, the holder of the New Convertible Note exercised the conversion options with principal amount of US$38,709,000 (equivalent to approximately HK$299,995,000). At 30 June 2015, the New Convertible Notes were fully converted into ordinary shares of the Company. Details of the conversion are set out in note 35.

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38. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2015 HK$'000	2014 HK$'000
Within one year	95,676	141,447
In the second to fifth year inclusive	110,960	114,690
More than five years	7,623	24,709
	214,259	280,846

Leases for US office, Singapore office and storage facilities are negotiated for lease term of three to ten years (2014: three to ten years). Lease for Hong Kong office is negotiated for lease term of five years (2014: five years). For other leases, they are negotiated for lease term of one to five years (2014: one to five years). Rentals are fixed over the leased period.

The Group as lessor

At 30 June 2015, leases are negotiated and rentals are fixed for one year. At 30 June 2014, the new lease agreement was under negotiation and no conclusion was reached before prior year end.

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

	2015 HK$'000	2014 HK$'000
Within one year	1,390	–

39. COMMITMENTS

	2015 HK$'000	2014 HK$'000
Capital commitments		
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	2,054,747	1,836,549
Other commitments		
Expenditure contracted for but not provided for in the consolidated financial statements in respect of:		
– prepaid lease payments on leasehold land in the PRC	59,162	59,097
– purchase of an oil tanker (note 42)	63,452	–
	2,177,361	1,895,646

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40. SHARE OPTION AND SHARE AWARD SCHEME

Share option scheme

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

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

The total number of shares in respect of which options may be granted under the Option Scheme is not permitted to exceed 10% of the total number of shares of the Company in issue as at the date of adoption of the Option Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or Independent Non-Executive Directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

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

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

On 22 April 2010, a total of 11,380,000 share options (45,520,000 share options after share subdivision on 28 May 2010 ("Share Subdivision")) were granted to certain directors and employees of the Group entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK$13.60 (HK$3.40 after Share Subdivision).

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

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

Share option scheme *(continued)*

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

Eligible participants	At 1 July 2013	Forfeited during the year (Note)	At 30 June 2014	Lapsed during the year	Outstanding at 30 June 2015
Directors	16,000,000	–	16,000,000	(16,000,000)	–
Employees	5,360,000	(1,520,000)	3,840,000	(3,840,000)	–
	21,360,000	(1,520,000)	19,840,000	(19,840,000)	–

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

At 30 June 2015, no share options are exercisable (2014: 19,840,000) as all outstanding share options are expired on 22 April 2015.

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

The Group recognised the total expense of approximately HK$1,832,000 for the year ended 30 June 2014 in relation to share options granted by the Company.

Share award scheme

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

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

Under the Share Award Scheme, the Award Shares are granted to eligible employees of the Company or any one of its subsidiaries for no consideration but subject to certain conditions to be decided by the Board at the time of grant of the Award Shares under the Share Award Scheme. The Share Award Scheme will remain in force for 15 years from the date of adoption.

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

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

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

Share award scheme *(continued)*

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

The Board made its second grant of the Award Shares under the Share Award Scheme on 9 February 2015. Such Award Shares are subject to resting period in five tranches of 20% each of its awarded shares granted from the grant date to 12 June 2015, 12 June 2016, 12 June 2017, 12 June 2018 and 12 June 2019 respectively.

The Board made its third grant of Award Shares under the Share Award Scheme on 13 June 2015. Such Award Shares are subject to vesting period in five tranches of 20% each of its awarded shares granted from the grant date to 12 June 2016, 12 June 2017, 12 June 2018, 12 June 2019 and 12 June 2020 respectively.

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

Eligible participants

	At 1 July 2013	Shares awarded during the year (Note a)	Share vested during the year (Note b)	At 30 June 2014	Transfer (Note d)	Shares awarded during the year (Note a)	Forfeited during the year (Note c)	Shares vested during the year	At 30 June 2015
Directors	–	2,000,000	–	2,000,000	200,000	1,715,000	(200,000)	(360,000)	3,355,000
Employees	–	5,765,000	–	5,765,000	(200,000)	6,570,000	(2,513,000)	(657,000)	8,965,000
	–	7,765,000	–	7,765,000	–	8,285,000	(2,713,000)	(1,017,000)	12,320,000

Notes:

(a) The awarded shares were granted on 13 June 2014, 9 February 2015 and 13 June 2015 respectively.

(b) There were no awarded shares being vested during the year ended 30 June 2014.

(c) The awarded shares were forfeited due to resignation of directors and employees during the year.

(d) Transfer was due to appointment of Dr. Yung as an executive director during the year.

During the year ended 30 June 2015, 19,330,000 (2014: 8,802,000) shares of the Company were acquired at a total cost of HK$62,577,000 (2014: HK$20,799,000) of which, 6,570,000 (2014: 5,765,000) and 1,715,000 (2014: 2,000,000) shares had been awarded to employees and directors respectively for their services rendered to the Group and 2,713,000 awarded shares (2014: nil) were forfeited by the Group due to resignation of the participants. The outstanding 14,795,000 (2014: 1,037,000) shares are held under the Award Scheme and are available for future award and/or disposal pursuant to the Scheme Rules.

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

The estimated fair value of the share award granted on 9 February 2015 was approximately HK$305,000 based on the market price of HK$1.84 per share at the date of grant.

The estimated fair value of the shares award granted on 13 June 2015 was approximately HK$36,292,000 based on the market price of HK$4.47 per share at the date of grant.

The Group recognised the total expense of approximately HK$6,623,000 (2014: HK$390,000) for the year ended 30 June 2015 in relation to share award granted by the Company.

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41. RETIREMENT BENEFITS SCHEME

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

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

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

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

During the year ended 30 June 2015, the total costs charged to profit or loss in the sum of approximately HK$12,161,000 (2014: HK$13,922,000) represents contributions payable to these schemes by the Group.

42. RELATED PARTY TRANSACTIONS

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

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

	Year ended 30 June	
	2015	2014
	HK$'000	HK$'000
Purchase of fuel oil from a related company	**9,279,466**	8,657,736
Fuel oil storage fee paid or payable to a related company	**12,937**	11,266
Barge service fee paid or payable to a related company	**9,040**	14,496

Trade payable to a related company as set out in note 31 is unsecured and non-interest bearing. The credit term granted to the Group is 45 days and the whole balance aged within 45 days at 30 June 2015 and 2014.

During the year ended 30 June 2014, the Group and a joint venture signed a renewal agreement and, in pursuant to which, a loan of RMB50,000,000 (approximately HK$62,460,000) made to the joint venture (the "JV loan 1") was extended from 28 January 2014 to 28 January 2015. The JV loan 1 was unsecured and bearing fixed interest at 6.0% per annum.

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

For the year ended 30 June 2015

42. RELATED PARTY TRANSACTIONS *(continued)*

Both JV loan 1 and JV loan 2 were settled in full during the year ended 30 June 2015.

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

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

At 30 June 2014, New Convertible Notes were held by Canada Foundation and details of which are set out in note 37.

During the year ended 30 June 2014, the Group disposed its entire interest in an associate, 浙江舟山大宗商品交易所有限公司, to a related company for a consideration of RMB9,000,000 (equivalent to approximately HK$11,243,000) and a gain of HK$971,000 was recognised in profit or loss.

On 14 August 2014, two subsidiaries of the Group entered into memorandum of agreements (the "MOA 1") for sales and purchase of two oil tankers with two related companies. Pursuant to the MOA 1, the Group agreed to purchase and the related companies agreed to sell the two oil tankers at US$9,000,000 (equivalent to approximately HK$69,750,000) each. On 24 November 2014, the parties entered into a supplemental agreement to the MOA 1 under which the consideration for each oil tanker was reduced to US$8,950,000 (equivalent to approximately HK$69,408,000) each. These two oil tankers were delivered to the Group in December 2014. On 4 May 2015, the Group entered into another memorandum of agreement (the "MOA 2"), for sales and purchase of an oil tanker with a related company. Pursuant to the MOA 2, the Group agreed to purchase and the related company agreed to sell an oil tanker at US$8,400,000 (equivalent to approximately HK$65,110,000). This oil tanker has yet been delivered to the Group and a deposit of approximately HK$1,658,000 has been paid by the Group at 30 June 2015.

Such transaction constitutes a connected transaction under the Listing Rules.

Compensation of key management personnel

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

	2015 HK$'000	2014 HK$'000
Salaries and other short-term employee benefits	18,736	20,667
Retirement benefits costs	72	56
Share-based payments		
– share options	–	704
– share award	1,479	65
	20,287	21,492

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

43. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

At 30 June 2014, the amount represented a deposit of US$107,500,000 (equivalent to approximately HK$833,155,000) paid for acquisition of a subsidiary in upstream crude oil business. The acquisition was completed subsequently on 8 August 2014. Details about acquisition of the subsidiary are set out in note 48.

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44. PROVISION FOR RESTORATION AND ENVIRONMENTAL COSTS

	HK$'000
At 1 July 2014	–
Acquired in acquisition of a subsidiary (note 48)	192,349
Provision for the period	7,343
Unwinding of discounting effects for the period	10,787
Exchange realignment	44
At 30 June 2015	210,523

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.

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

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

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

For the year ended 30 June 2015

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

At 30 June 2015

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

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000
Receivables from brokers	221,453	–	221,453
Derivative financial assets			
– futures	15,113	–	15,113
– swaps	139,270	–	139,270
	375,836	–	375,836

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

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000
Derivative financial liabilities			
– futures	(20,306)	–	(20,306)
– swaps	(113,338)	–	(113,338)
	(133,644)	–	(133,644)

For the year ended 30 June 2015

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

At 30 June 2015 *(continued)*

Net financial assets subject to the Netting Agreements by counterparty

	Net amounts of financial assets presented in the consolidated statement of financial position			Related amounts not set off in the consolidated statement of financial position	
	Receivables from brokers HK$'000	Derivative financial instruments HK$'000	Total HK$'000	Derivative financial liabilities HK$'000	Net amounts HK$'000
Counterparty A	33,346	3,939	37,285	(3,475)	33,810
Counterparty B	10,050	5,982	16,032	(5,381)	10,651
Counterparty C	178,057	143,704	321,761	(124,424)	197,337
Counterparty D	–	758	758	(364)	394
Total	221,453	154,383	375,836	(133,644)	242,192

Net financial liabilities subject to the Netting Agreements by counterparty

	Net amounts of financial liabilities in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position Derivative financial assets HK$'000	Net amounts HK$'000
Counterparty A	(3,475)	3,475	–
Counterparty B	(5,381)	5,381	–
Counterparty C	(124,424)	124,424	–
Counterparty D	(364)	364	–
Total	(133,644)	133,644	–

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

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

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

For the year ended 30 June 2015

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

At 30 June 2014 *(continued)*

Net financial assets subject to the Netting Agreements by counterparty

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

Net financial liabilities subject to the Netting Agreements by counterparty

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

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

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

For the year ended 30 June 2015

46. LOANS FROM A RELATED COMPANY

In June 2013, a related company controlled by Dr. Sit 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$542,929,000) (the “Long Term Loan 1”) was 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 year ended 30 June 2015 and 2014, imputed interests of approximately HK$2,592,000 and HK$31,109,000 arising from the Long Term Loan 1 were charged 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”) was 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.

During the year ended 30 June 2015, the Short Term Loan 2 and the Long Term Loan 2 amounting to approximately HK$1,452,632,000 in total were fully repaid and the imputed interests of approximately HK$52,936,000 arising from the Long Term Loan 2 was charged to profit or loss. As the Group early repaid the principal amount of US$120,000,000 and US$30,000,000 of the Long Term Loan 2 in December 2014 and June 2015 respectively, imputed interests of approximately HK$40,060,000 was debited to equity as release of deemed capital contribution from the ultimate controlling shareholder.

In August 2014, the related company made a loan with principal amount of US$49,500,000 (equivalent to approximately HK$383,827,000), 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$51,118,000 was credited to equity as deemed capital contribution from the ultimate controlling shareholder. During year ended 30 June 2015, the Related Party Loan 3 was fully repaid and imputed interests of HK$31,239,000 and was charged to profit or loss. As the Group early repaid the entire amount of the Related Party Loan 3 in June 2015, imputed interests of approximately HK$19,879,000 was debited to equity as release of deemed capital contribution from the ultimate controlling shareholder.

In December 2014, the related company re-arranged certain trade payable, with a principal amount of US$290,000,000 (equivalent to approximately HK$2,248,683,000), 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$220,537,000 was credited to equity as deemed capital contribution from ultimate controlling shareholder. During the year ended 30 June 2015, imputed interests of HK$93,733,000 regarding the Related Party Loan 4 was charged to profit or loss. Out of the Related Party Loan 4, a principal amount of US$160,500,000 (equivalent to approximately HK$1,244,530,000) was early repaid and imputed interests of approximately HK$72,514,000 was debited to equity as release of deemed capital contribution from the ultimate controlling shareholder.

For the year ended 30 June 2015

46. LOANS FROM A RELATED COMPANY *(continued)*

In May 2015, the related company re-arranged certain trade payable, with a principal amount of US$70,000,000 (equivalent to approximately HK$542,785,000), owed by the Group to it as an unsecured loan to the Group (the "Related Party Loan 5"). The Related Party Loan 5 was unsecured, interest free and repayable on 30 November 2016. On initial recognition, the Related Party Loan 5 was discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating and imputed interest of approximately HK$72,288,000 was credited to equity as deemed capital contribution from ultimate controlling shareholder. During the year ended 30 June 2015, the imputed interest of HK$4,079,000 was charged to profit or loss.

On 30 June 2015, the related company re-arranged certain trade payable, with a principal amount of US$50,000,000 (equivalent to approximately HK$387,598,000), owed by the Group to it as an unsecured loan to the Group (the "Related Party Loan 6"). The Related Party Loan 6 was unsecured, interest free and repayable on 31 December 2016. On initial recognition, the Related Party Loan 6 was discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating and imputed interest of approximately HK$51,634,000 was credited to equity as deemed capital contribution from ultimate controlling shareholder.

At 30 June 2015, the outstanding amount of loans from a related company that will be repayable in twelve months was approximately HK$949,588,000 (2014: approximately HK$829,852,000) and the remaining balance of approximately HK$810,391,000 (2014: HK$1,069,546,000) will be repayable over twelve months.

47. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 June 2015, trade payables owed to a related company of approximately HK$3,179,066,000 (2014: HK$1,457,053,000) in total were re-arranged as loans to the Group. Details are set out in note 46.

At 30 June 2015, amounts of approximately HK$1,391,757,000 (2014: HK$843,028,000) in relation to purchase of property, plant and equipment were not yet settled and were included in other creditors and accrued charges. Details are set out in note 32. Besides, the Group utilised approximately HK$42,944,000 (2014: HK$4,866,000) of deposits paid for acquisition of property, plant and equipment.

48. ACQUISITION OF A SUBSIDIARY

On 8 August 2014, the Group acquired the 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).

The Bohai Bay Project is a joint operation with three other Interest Owners (Details are set out in note 24(b)). It is the Group's strategic vision to increase its footprint in the upstream crude oil and natural 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 25 for details), thus enabling the Group to further diversify its business in the oil industry. The mining interests arising as a result of the acquisition was amounted to approximately HK$5,633,398,000.

For the year ended 30 June 2015

48. 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$4,313,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "other expenses" line item in the 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

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.

For the year ended 30 June 2015

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES

All the following subsidiaries are operating principally in Hong Kong except otherwise indicated. Details of the Company's principal subsidiaries at 30 June 2015 and 2014 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ registration	Issued and fully paid ordinary/ registered share capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2015	2014	Principal activities
Brightoil Property (HK) Ltd.*	British Virgin Islands	US$1	100%	100%	Property holding
Brightoil Marine Bunkering Group Ltd.#	British Virgin Islands	US$1	100%	100%	Investment holding
Brightoil Petroleum (S'pore) Pte. Ltd.*	Singapore (Note 2)	US$5,000,000	100%	100%	Trading of fuel and oil and provision of marine bunkering services
Brightoil Petroleum Group Limited*	Hong Kong	HK$2	100%	100%	Investment holding
Brightoil Shipping Group Ltd. #	British Virgin Islands	US$1	100%	100%	Investment holding
Brightoil 688 Oil Tanker Pte. Ltd.*	Singapore (Note 2)	US$50,000	100%	100%	Provision of marine bunkering and transportation services
Brightoil 666 Oil Tanker Pte. Ltd.*	Singapore (Note 2)	US$50,000	100%	N/A	Provision of marine bunkering and transportation services
Brightoil 639 Oil Tanker Pte. Ltd.*	Singapore(Note 2)	US$50,000	100%	N/A	Provision of marine bunkering and transportation services
Brightoil Investment Group Ltd.#	British Virgin Islands	US$1	100%	100%	Investment holding
Brightoil Property Ltd.*	British Virgin Islands	US$1	100%	100%	Property holding
Win Capital Investments Limited*	British Virgin Islands	US$1	100%	100%	Proprietary trading in securities and service company
Win Business Petroleum Group Limited# (Formerly known as Win Business Petroleum Group (Grand Desert) Limited)	British Virgin Islands	US$1	100%	100%	Investment holding

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49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ establishment/ registration	Issued and fully paid ordinary/ registered share capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2015	2014	Principal activities
Win Business Petroleum (Grand Desert) Limited*	Hong Kong (Note 3)	HK$1	100%	100%	Natural gas development and production
Win Business Petroleum Group (Dina) . Ltd.*	British Virgin Islands	US$1	100%	100%	Investment holding
Win Business Petroleum Group Limited *	Hong Kong (Note 3)	HK$2	100%	100%	Natural gas development and production
Brightoil Petroleum Storage (Zhoushan) Co. Ltd.*	PRC (Note 1)	US$156,206,010	100%	100%	Provision of fuel oil storage services
Win Business Energy Foundation Ltd.*	Cayman Islands	US$1	100%	100%	Investment holding
Win Business Energy (Caofeidian) Limited*	British Virgin Islands	US$1	100%	100%	Investment holding
Kerr-McGee China Petroleum Ltd.*	Bahamas (Note 3)	£10,000	100%	N/A	Crude oil development and production
Brightoil Petroleum Storage (Dalian) Co. Ltd.*	PRC (Note 1)	US$100,500,000	100%	100%	Provision of fuel oil storage services
Brightoil Legend Tanker Ltd.*	British Virgin Islands (Note 2)	US$1	100%	100%	Marine transportation
Brightoil Lion Tanker Ltd.*	British Virgin Islands (Note 2)	US$1	100%	100%	Marine transportation
Brightoil Lucky Tanker Ltd.*	British Virgin Islands (Note 2)	US$1	100%	100%	Marine transportation
Brightoil League Tanker Ltd.*	British Virgin Islands (Note 2)	US$1	100%	100%	Marine transportation
Brightoil Shipping Singapore Pte. Ltd.*	Singapore (Note 2)	US$50,000	100%	100%	Marine Transportation
Brightoil Glory Tanker Ltd.*	British Virgin Islands (Note 2)	US$1	100%	100%	Marine Transportation

For the year ended 30 June 2015

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ establishment/ registration	Issued and fully paid ordinary/ registered share capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2015	2014	Principal activities
Brightoil Grace Tanker Ltd.*	British Virgin Islands (Note 2)	US$1	**100%**	100%	Marine Transportation
Brightoil Gravity Tanker Ltd.*	British Virgin Islands (Note 2)	US$1	**100%**	100%	Marine Transportation
Brightoil Galaxy Tanker Ltd.*	British Virgin Islands (Note 2)	US$1	**100%**	100%	Marine Transportation
Brightoil Gem Tanker Ltd.*	British Virgin Islands (Note 2)	US$1	**100%**	100%	Marine Transportation

Subsidiaries directly held by the Company

* Subsidiaries indirectly held by the Company

Notes:

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

(2) The subsidiaries are operating in Singapore.

(3) These subsidiaries are operating in the PRC.

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

None of the subsidiaries had issued any debt securities outstanding during the year or at 30 June 2015 and 2014.

50. EVENTS AFTER THE REPORTING PERIOD

In view of the significant drop in global oil price from the end of the reporting period and until the date of consolidated financial statements authorised for issue, the fair value of the Group's fuel, gas and crude oil inventories (except for those produced from upstream crude oil business), the derivative financial instruments and the recoverable amounts of the CGU represented by KMCPL would be affected. As a result, further fair value loss on inventories and further impairment loss on the CGU may have to be recognised in future periods.

FINANCIAL SUMMARY

RESULTS

	Year ended 30 June				
	2011 HK'000	2012 HK'000	2013 HK'000	2014 HK'000	**2015** **HK'000**
Revenue	39,533,108	69,949,215	55,448,813	84,505,413	**74,103,929**
Profit (loss) before taxation	1,378,245	309,677	(697,264)	589,508	**1,761,332**
Income tax credit (charge)	(107,847)	(3,961)	(24,386)	9,792	**(374,600)**
Profit (loss) for the year	1,270,398	305,716	(721,650)	599,300	**1,386,732**

ASSETS AND LIABILITIES

	At 30 June				
	2011 HK'000	2012 HK'000	2013 HK'000	2014 HK'000	**2015** **HK'000**
Total assets	18,668,713	24,189,824	19,302,529	24,473,304	**28,884,838**
Total liabilities	(12,377,700)	(16,691,020)	(12,405,504)	(16,923,028)	**(18,158,662)**
Equity attributable to equity holders	6,291,013	7,498,804	6,897,025	7,550,276	**10,726,176**