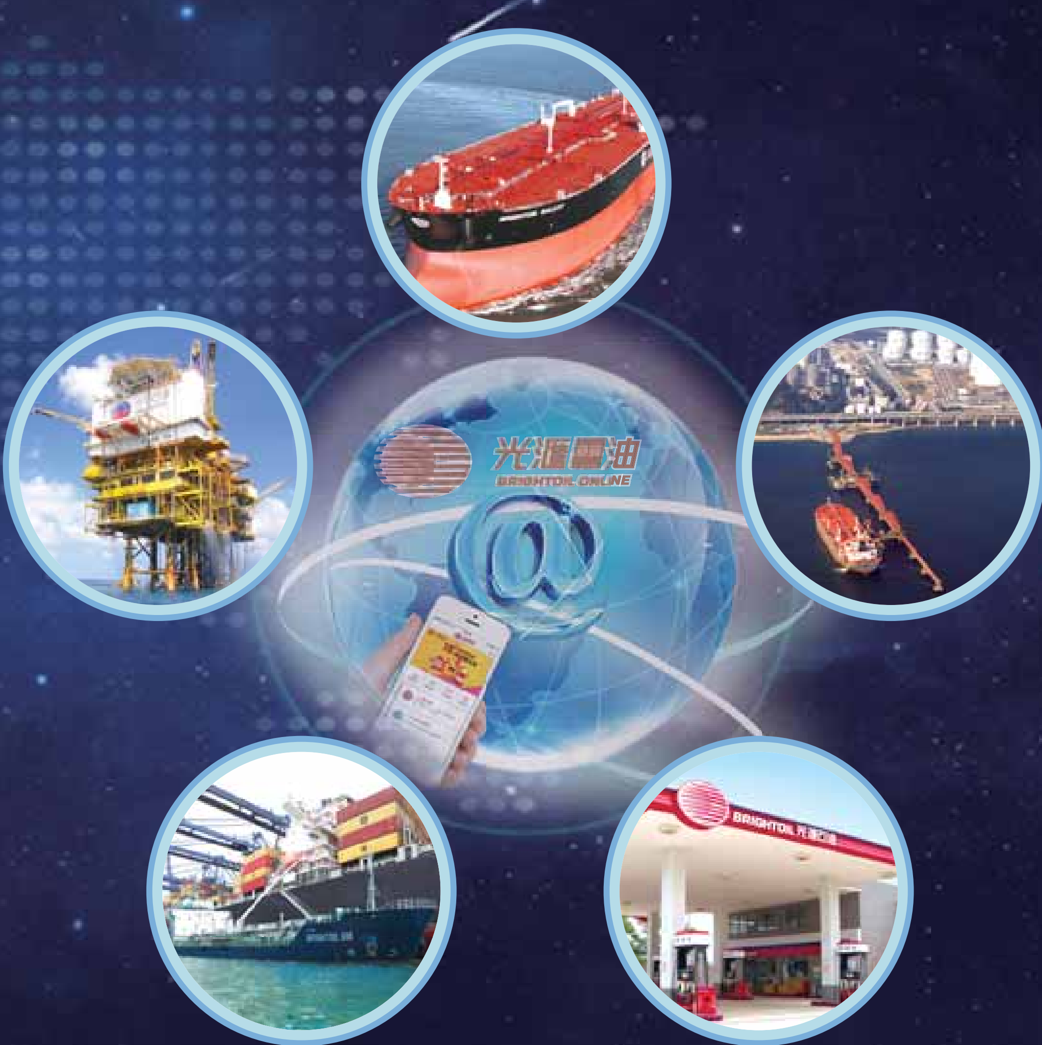
2016

www.brightoil.com.hk
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**") is listed on the Main Board of The Stock Exchange of Hong Kong Limited, (Stock Code: 933.HK). The Group is principally engaged in oil and gas exploration, development and production, international trading and marine bunkering, marine transportation, oil storage and terminal facilities as well as e-commerce business. The Group has successfully established an industrial chain which integrates resources of both upstream and downstream businesses in the energy sector. Leveraging on its sound profit model and extensive industry experience, the Group innovatively launched the nation's first "Petroleum Industrial Chain + Internet" e-commerce platform – Brightoil Online, to provide innovative petroleum consumption experience to corporate and individual users.

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 FY2016 (from 1 July 2015 to 30 June 2016), the total production of the two gas fields reached 885 million cubic meters and the net profit amounted to approximately HK$287 million. The Group also owns participating interests in two offshore producing oilfield blocks in Caofeidian, Bohai Bay, China. In FY2016, the production from this project totaled 13.10 million barrels.

According to the latest reports by DeGolyer and MacNaughton ("D&M"), a renowned reserves evaluation company in the United States, the aggregate proven and probable ("2P") reserves to which the Group is entitled amount to approximately 95 million barrels of oil equivalent ("boe"). Further exploration of the Dina 1 Gas Field and the Tuzi Deep Gas Field has shown good prospects of additional reserves. After the Group obtains approvals from relevant authorities, commences production and with the implementation of new ODAP for the Caofeidian project, the reserves as well as production of oil and gas are expected to grow multiple folds and the Group's upstream business would achieve leapfrog development. As upstream business is a long term strategic focus the Group would gradually expand internationally.

International Trading and Bunkering

International trading of oil combines procurement, storage, blending and sales into a full supply chain integrated business model with an extensive and stable supply and distribution channels in the international market with leading trading volume. In FY2016, the sales volume increased to 21.77 million metric tonnes, and net profit HK$661 million. The Group possesses licenses to conduct marine bunkering business and has become one of the major bunker fuel suppliers in China and Singapore.

Marine Transportation

The Group has a modern oil tanker fleet with 5 Very Large Crude Carriers (VLCCs), 4 Aframax oil tankers and 3 bunker barges which aggregate capacity exceeded 2 million deadweight tonnages ("DWT"). The Group's marine transportation business has experienced strong revenue growth, with a net profit of HK$531 million and became 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 DWT, is expected to commence operation in the first half of 2017. Phase 2 facilities will be completed and operational by the end of 2017. 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 oil storage capacity is expected to reach 10.35 million cubic meters and become one of the world's top 10 oil storage service providers. Both projects are expected to generate long-term stable earnings to the Group.

E-commerce

The Group rides on the trend of Chinese government's encouragement and support for the development of the Internet economy. Through combining our domestic and international resources, the integration of online and offline businesses and the provision of Internet and financial services would release our core competitiveness to its fullest potential in the energy sector. This is a new form of "Internet+" which evolves from our concrete industrial chain – "Brightoil Online". Through the utilization of Internet technology, the Group is able to optimize the current business, assets and resources to maximise its potential. Concurrently it will propel the Group's downstream revenue growth including international trading and bunkering business and further benefits the Group.

"Brightoil Online" provides innovative petroleum financial products, which would transform the traditional petroleum industry distribution system. With innovative products, services and oil consumption patterns, it aims to solve the cost control difficulties for Chinese car owners who consume expensive oil products, and to effectively break the monopoly and allow consumers to experience fair, just and reasonable prices under the market economy. Through the model of "online storage, offline refueling", the Group will be able to realize its industrial chain and supply chain advantages, and via the Internet to reach individual consumers with its services which were previously provided to corporate customers.

"Brightoil Online" has gained recognition from users especially car owners since its launch in mid January 2016 with fast pace growth in the number of registered user and turnover. In the future the platform will provide customers with more diversified consumption solutions and experiences, through our operational competencies and generate values for our customers.

The Group hopes to realize sustainable developments through the resources integration of various business segments, creating additional value for shareholders and 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. Lau Hon Chuen
Mr. Kwong Chan Lam
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

PricewaterhouseCoopers

LEGAL ADVISERS ON BERMUDA LAW

Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

33/F
118 Connaught Road West
Sheung Wan
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 Development Bank Corporation
China Minsheng Banking Corp., Ltd.
China CITIC Bank International Limited
Citibank, N.A.
Credit Agricole Corporate & Investment Bank
Credit Suisse AG
DBS Bank Ltd
Emirates NBD PJSC
ICICI Bank
ING Bank N.V.
Rabobank International
Societe Generale
Unicredit Bank
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

- According to the latest valuation by D&M, the gross 2P oil reserves was approximately 119 million barrels, and the gross 2P gas reserves reached approximately 18.6 billion cubic meters. The net present value at a discount rate of 10% for the Group's total upstream assets reached US$2 billion.
- **Offshore oil production remained stable**
  - On 8 August 2014, the Group successfully completed the acquisition of two offshore oil-producing blocks in Bohai Bay, China from Anadarko Petroleum Corporation of the United States. After the acquisition, the Group owns approximately 35% interest in the two blocks joint development with China National Offshore Oil Corporation ("CNOOC"). The current gross daily production of the two blocks is approximately 35,000 boe.
  - Since January 2015, the Group has been working with CNOOC to control the operating expenses for the oilfield, and has since reduced to less than US$20 per barrel.
- **New gas reserve has been discovered, considerable increase of reserves and production of natural gas can be expected**
  - In response to a strong domestic demand for clean energy, the Group increased investment in natural gas projects. Gas production for FY2016 reached 885 million cubic meters, maintaining at approximate the same level as previous year.
  - The Group further explored and discovered new resources at the Tuzi Deep Gas Field.
  - Revenue of HK$2.1 billion was recorded for the oil and gas businesses.

INTERNATIONAL TRADING AND BUNKERING

The International Trading and Bunkering segment continued to realize stable growth during the Year. The total sales volume increased by 26%, reaching 21.77 million tonnes. The sales volume of crude oil increased by 9% over the same period, reaching 13 million tonnes.

MARINE TRANSPORTATION

- **The tanker freight market rebounded, triggering freight rates increased. The Group seized the opportunity of rising freight and significantly enhanced the revenue from the marine transportation business.**
  - Revenue from the marine transportation business grew by 2% to HK$2.085 billion. A net profit of HK$531 million was recorded. The business has become a new contributor to the Group's profit growth.
  - Utilization rates for 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 commission operations in the first half of 2017. Construction of the Phase 2, with a capacity of 1.22 million cubic meters, started in June 2015. Phase 2 is expected to be completed and to commission operations by the end of 2017.
- Construction of the terminals and ancillary facilities commenced 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 accommodate vessels of 300,000 DWT, the facilities are mostly completed and expected to commence operation in the first half of 2017.

E-COMMERCE PLATFORM

- As oil prices are at a historical low, the market has widely recognized the business model of "online storage, offline refueling" of the C2B Brightoil Online platform and the unique core competencies of our offline operations. Since its launch on 12 January 2016, Brightoil Online has gained registered users from major cities nationwide.
- Since the B2B platform commenced operation in February 2016, the number of users has further increased in leading sales areas of southern and southwestern China, while corporate customers extended to vehicle fleet of logistics companies. Through our marketing activities, B2B storage and sales have expanded to the northwest and north China.
- The marine bunkering e-commerce platform is the first in the world to provide marine bunkering data online, as well as full coverage of electronic settlement at global service ports, greatly enhanced our competitiveness in terms of supply efficiency and service quality.
- **Innovative marine bunkering service**
  - Quote service for forward trades which synchronizes with international oil prices has been launched in August 2016, offering more competitive bunkering service to ship owners.
- **Online storage service**
  - With mobile technologies, Brightoil Online has developed a real time inventory management system, which is based on real time statistics of storage, terminal facilities and bunker barges. The system has commenced operation at the end of July 2016, providing online inventory inquiry and dynamic management services to global ship owners and customers. The application of this technology will further enhance the inventory management level and service quality of Brightoil Online.
- The acquisition of a domestic third-party payment company is going through relevant procedures. With a third-party payment license, Brightoil Online will be able to provide more diversified consumption solutions, to integrate banking, insurance and other services, and ultimately to create a new ecosystem of petroleum consumption for car owners, which has enormous market potential.

CHAIRMAN'S STATEMENT

In FY2016, the pace of economic recovery continued to slow down. Generally speaking, the economy of China operated steadily but was still challenged with downward pressure. The international oil prices remained at low levels with weak demand and severe competitions existed in oil and gas market. In FY2016, the domestic market demand for refined products was relatively stable and the supply continued to be excessive, with a loose supply and demand balance and a significant increase in the exportation of refined products. While the domestic demand for natural gas kept increasing relatively fast in general despite a significant seasonal variance. The domestic output of natural gas increased steadily but in a slower pace than the import of natural gas.

Facing the tangled and complicated situation of economic development in domestic and International market, the Group seized opportunities in the low oil price environment, tight controlled over operating costs from upstream business, and adopted a "twin-engine" model which brings synergy effect of upstream and downstream businesses, ensuring the steady development of our overall business and generating a satisfactory return in FY2016.

The stable development of the Group is attributable firstly to the smooth operation of the Group's upstream production. The daily productions of the Tuzi and the Dina 1 Gas Fields have been stabilized at 3.05 million cubic meters in FY2016 and the daily production of the Contract Areas 04/36 and 05/36 in Caofeidian remained at a steady level of 35,000 barrels after resumption of production on 20 August 2014. The Group and its partners are currently finalizing a new ODAP for the new oil assets. It is expected that with the new ODAP offshore oil production, the Group will commence a new phase of development.

Facing severe pressure from the low global oil prices, the crude trading team continued to work with Chinese oil majors to develop long-term supply contracts. The international trading and bunkering business of the Group developed steadily, with sales volume increase of 26% over last year. From the perspective of marine bunkering, the Group expanded its business to meet market demand in Singapore by purchasing five bunker barges, among which three 7,000 DWT barges were awarded the certification of Mass Flow Meter ("MFM") by Maritime and Port Authority of Singapore ("MPA"). This achievement is widely recognized by world class ship owners as it would enhance bunkering efficiency and significantly reduced complaints and disputes arising from quantity differential.

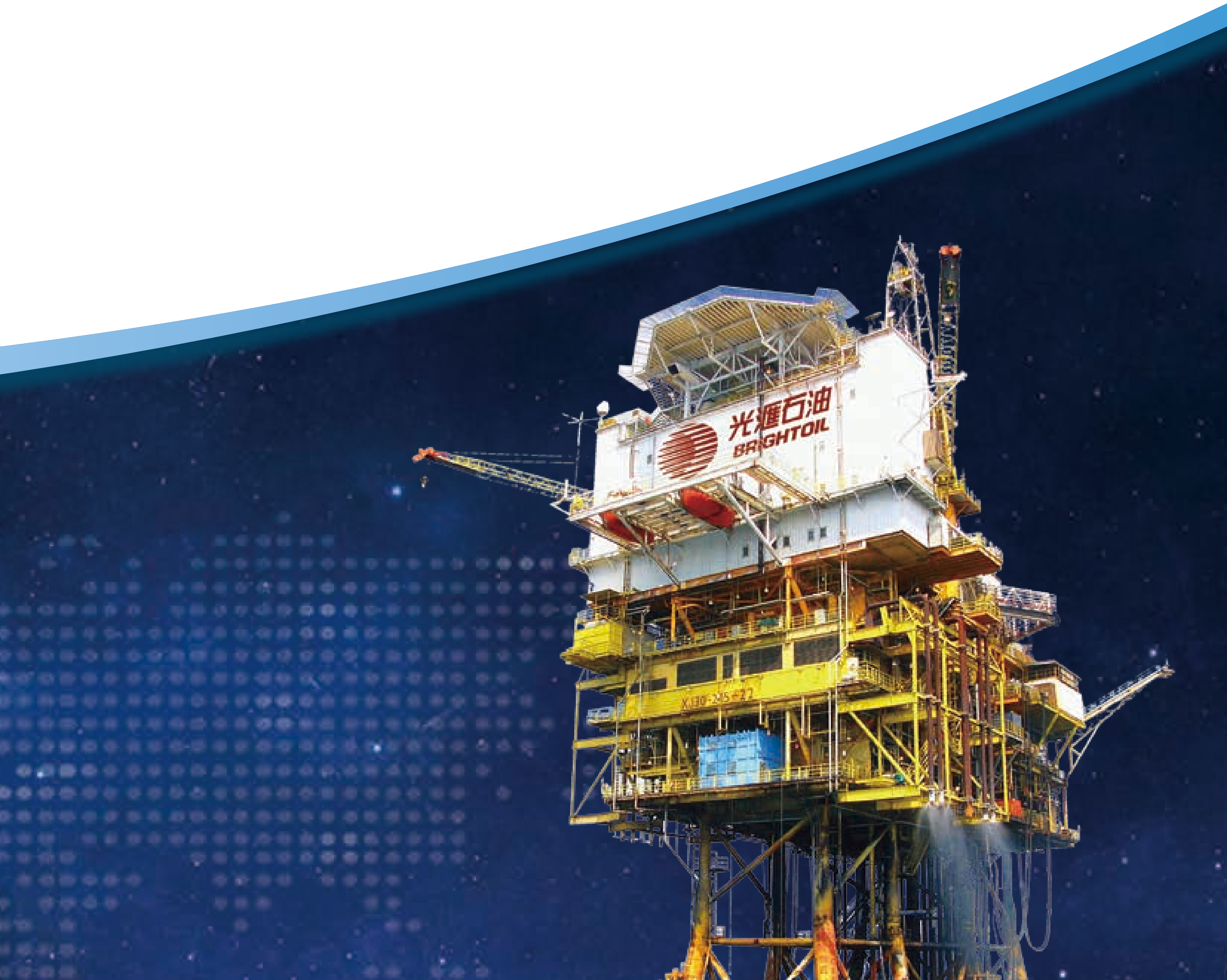
Dr. Sit Kwong Lam
Chairman

The stable development of the marine bunkering business is attributable to the Group's marine bunkering e-commerce Platform. Benefited from the synergy effects by combining online and offline business through the Internet, our customers can enjoy instant, convenient, efficient and transparent oil consumption experience, at the same time tremendous value and business opportunities would be brought to the Group and customers with its accumulated big data.

Brightoil's shipping division delivered another strong financial performance in FY 2016. Our fleet's net profit grew by an impressive 150% to HK$530 million in FY2016. After acquisition of another 2 new bunker barges from China, our fleet has been expanded to 14 ships, and this expansion further strengthened both our economy of scale and operational flexibility.

In addition, the construction of Zhoushan oil storage facilities are mostly completed. As the storage leasing arrangements progress smoothly, the Group has signed agreements of intent with several international commercial customers. A new form of "Internet+" which evolves from the Group's concrete industrial chain – "Brightoil Online" has been well received by the market since its launch in January 2016, with rapid growth in the number of registered user and turnover.

Looking forward, facing the complicated and severe global and industrial situations as well as all kinds of challenges, the Group will continue to adhere to its business philosophy that organically combines "risk control and profit maximization", and further capitalize on its advantage of fully integrated industrial chain operation, in order to realize the joint development of online and offline business.



Firstly, through the operation in the past half year, Brightoil Online platform has established a favorable customer base in the market. Multiple products launched have been well recognized by the market. We will continue to leverage on the advantaged "online storage, offline refueling" model as well as the Group's core competitiveness of offline operations, to complete the acquisition of third-party payment license, and to integrate banking, insurance and other services. Through enhanced product experience and marketing promotion, Brightoil Online will be able to provide more diversified consumption solutions to consumers, as well as more convenient and cost effective oil products and services to car owners, so as to realize explosive growth, bringing the Group impressive financial and social benefit.

Secondly, the Phase 1 storage facilities of the Zhoushan project is expected to be completed and become operational in the first half of 2017, which carries a total capacity of 1.94 million cubic meters. The Group will further confirm the official cooperation with the interested customers, ensuring both storage utilization and economic efficiency. Besides, the capacities of 1.22 million cubic meters from Phase 2 of the Zhoushan project will also be completed at the end of 2017, which indicates an overall harvest stage of the Group's oil storage business. This not only brings impressive financial benefit to the Group, but also strongly drives the development of the Group's integrated business model, bringing synergy effects and strengthening overall competitiveness.

Thirdly, with development at the Tuzi Deep Gas Field and the implementation of new ODAP for the Caofeidian project, the reserves as well as production of oil and gas are expected to grow multiple folds.

Fourthly, the Group will seize the opportunity in the low oil price environment, actively participate in the merger and acquisition of the international oil and gas projects, in order to achieve leapfrog development and globalization of the Group's upstream business.

To sum up, in FY2017, the Group will enter a stage of comprehensive development for all business segments, where both operating scale and performance will be substantially enhanced, generating greater value and return for investors and shareholders.

I would like to express my sincere gratitude to our investors and the society at large, for your kind support to the Group.

Sit Kwong Lam
Chairman

26 September 2016

FINANCIAL REVIEW

During the year ended 30 June 2016 ("FY2016" or "the period under review"), the Group recorded increase in gross profit of HK$114.9 million or 6.1% increase as compared with the previous year. The increased gross profit was mainly attributed from the Group's core business segment which is Marine Transportation.

During the period under review, the total revenue of the Group decreased by HK$26,033.0 million compared with the previous year. The decrease in revenue was mainly due to the decrease of global oil prices. Meanwhile, the increase in revenue from Marine Transportation compensated the decrease in revenue attributed to decrease in global oil.

The Group recorded a profit and EBITDA for the year ended 30 June 2016 of HK$844.0 million and HK$3,082.3 million respectively. Marine Transportation business recorded a profit of HK$547.0 million and an EBITDA of HK$824.6 million, representing an increase of 79.3% and 62.5% respectively. ITB business recorded a profit and an EBITDA of HK$727.0 million and HK$764.3 million respectively, representing a decrease of 4.1% and 18.8%. Upstream Oil and Gas business recorded a profit and an EBITDA of HK$347.0 million and HK$1,545.2 million respectively, representing a decrease of 54.5% and 30.6%.

Profit attributable to the owners of the Company during the period under review amounted to HK$844.0 million which is a decrease of approximately 39.1% compared with the profit of HK$1,386.7 million in the previous year.

During the period under review, the Group recorded basic and diluted earnings per share of HK8.3 cents and HK8.3 cents respectively (2015: basic and diluted earnings per share of HK15.6 cents and HK14.7 cents respectively).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group had pledged bank deposits, bank balances and cash of approximately HK$424 million and HK$4,471 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 2016, the Group had bank borrowings and charges on its assets of approximately HK$11,108 million and HK$14,493 million respectively.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities.

CAPITAL STRUCTURE

As at 30 June 2016, the Company had 10,157,114,647 shares (the "Shares") in issue with total share capital of approximately HK$254 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group employed approximately 450 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 and share award scheme. For the year ended 30 June 2016, total employees' remuneration, including directors' remuneration, was approximately HK$210.0 million (2015: HK$204.9 million).

BUSINESS REVIEWS AND OUTLOOK

Upstream Business

In FY2016, our upstream production continued to operate smoothly. The daily productions of the Tuzi and Dina 1 Gas Fields have been stabilized at 3.05 million cubic meters in FY2016. Meanwhile, the daily production of the Contract Areas 04/36 and 05/36 in Caofeidian remained at a steady level of 35,000 barrels after resumption of production on 20 August 2014.

The Tuzi Gas Field (the “Tuzi Gas Field”) and the neighboring Dina 1 Gas Field (the “Dina Gas Field”) maintained stable production during the year. According to renowned American valuer D&M, as at 30 June 2016, the combined 2P reserves of the Dina 1 Gas Field and the Tuzi Gas Field amounted to 57.24 million boe. 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.

The Group has partnered with CNPC to jointly develop the Dina 1 Gas Field. The current daily production is approximately 1.05 million cubic meters of natural gas and 55 tonnes of condensate. The total productions of gas and condensate production in FY2016 were 371 million cubic meters and 18,800 tonnes, respectively. The Group is exploring ways to optimize its operations based on industry best practices, in order to maximize production without compromising safety. As at 30 June 2016, the net 2P oil and gas reserves of the Dina 1 Gas Field amounted to 25.96 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 drilling work of a new well Dina 1-3 is in progress with a depth of 5,070 meters.

The Tuzi Gas Field, jointly developed by the Group and CNPC, commenced commercial production in December 2013. With the overall development plan of 19 wells approved by the National Development and Reform Commission, 14 of the planned 19 wells are currently in production with a total daily production rate of approximately 2 million cubic meters of natural gas and 9.8 tonnes of condensate. Total natural gas and condensate production in FY2016 amounted to 514 million cubic meters and 2,185 tonnes, respectively. The Group will complete the drilling of the remaining 5 wells by the end of 2016, when daily production is expected to increase to 2.75 million cubic meters. As at 30 June 2016, the net 2P oil and gas reserves of the Tuzi Gas Field amounted to 31.28 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 1.5 billion cubic meters of natural gas and 30,000 tonnes of condensate annually. The Group is currently carrying out drilling works at the Tuzi 4 Deep Drilling Well. During the drilling process, two new gas layers have been found which indicate good oil and gas prospects. The combined geological reserves of the target layer and the two newly-discovered layers are expected to be three to four times 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) in 2014. 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 35,000 boe. Oil production at this project totaled 14 million barrels in FY2016.

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 during the next 10 years of the Production Sharing Contract period. The plan centers on the installation of two additional platforms and the drilling of 89 new wells. The planned peak level of daily production under this new ODAP could reach 45,700 boe per day. It is expected that with the new ODAP offshore oil production of the Group will enter a new phase of development.

BUSINESS REVIEWS AND OUTLOOK *(continued)*

International Trading and Bunkering

In FY2016, as the global economy experienced moderate recovery, oil prices remained low with greater volatility, which has created tremendous operating pressure to upstream and downstream oil enterprises as well as international transportation companies. Despite the adverse market environment, international trading and bunkering business of the Group maintained steady growth. Through consolidation of the existing operations and development of additional sales channels and new customers, sales volume recorded a year-on-year increase of 26%.

Crude trading team continued to work with Chinese oil majors to develop long-term supply contracts where sales volume growth of 9% was achieved over the previous year. In addition, as the Chinese government has gradually raised crude oil import quota, the Group has actively maintained contact with the local refineries in China, providing reasonable solutions based on in-depth understanding of their raw material demand and bottlenecks, so as to build up sales channels and profitability. The Group was among the first enterprises to offer direct sales of crude oil to local refineries in China's Shandong province. In terms of resources procurement, continuing efforts are undertaken to uphold a good sourcing channel in the Middle East, South America and West Africa.

The Group's core business in fuel oil and marine bunkering continued to advance steadily during the year. Through its preceding policy adjustments, the Group is focusing on Singapore, China, Taiwan, Korea, Japan and other Asia-Pacific markets.

The Group expanded its marine bunkering business to meet market demand in Singapore by purchasing five bunker barges, among which three 7,000 DWT barges were awarded the certification of MFM by MPA. This achievement received praise and recognition from world class ship owners which enhanced bunkering efficiency and significantly reduced complaints and disputes arising from quantitative differences. The Group is anticipating the approval of certification for another 2 barges from the Singapore authority which will further strengthen the Group's supply capability.

With the rapid development of mobile network and terminal equipment, and the changing lifestyle brought by the Internet, the Group has developed and launched a marine bunkering e-commerce platform to keep up with times. The platform enables customers to enjoy instant, convenient, efficient and transparent bunkering experience, at the same time bringing tremendous value and business opportunities to the Group and its customers with its accumulated large data set.

Looking ahead, the Group will continue to expand its international trading and marine bunkering business of crude oil, fuel oil and other products. Leveraging on the advantages of its Zhoushan oil storage facilities, the Group will lower costs, enhance competitiveness and market share through economies of scale and in-storage blending. In addition, with internet technologies, the Group will continue to develop its maritime business e-commerce platform, delivering one-stop solutions to ship owners.

Marine Transportation

The tanker shipping market's pace of recovery continued through 2015. Benefit from the favorable external trade pattern development and the improved internal management, Brightoil's shipping division was able to deliver another strong financial performance in FY2016. After acquiring 2 additional bunker barges in China, our fleet has expanded to 14 ships, and this expansion further strengthened both our economy of scale and operational flexibility.

BUSINESS REVIEWS AND OUTLOOK *(continued)*

Marine Transportation *(continued)*

The tanker freight market, especially the crude tanker freight market, has experienced an optimal trade pattern and generated high return through 2015, driven by the strong demand and relatively limited tonnage supply. The overall VLCC freight movements in 2015 have stayed in owners' favor, and at the end of 2015, the daily return of VLCC reached the highest level since 2010. Our fleet net profit grew by an impressive 150% to HK$530 million in FY2016. Our strategy of focusing on Chinese imports and the Chinese state-owned oil companies continues to pay dividends. In FY2016 more than 80% of our total revenue was derived from spot voyages fixed for transporting cargoes to China and this ratio increases to over 90% for our VLCC fleet. The EBITDA of Marine Transportation business improved by HK$320 million in FY2016.

In consequence of the short order book left from previous years when freight market was dismal, the total crude tanker tonnage supply in 2015 did not increase substantially. As the newbuildings ordered in 2014 started to be delivered, the tanker tonnage supply sped up in 2016, but the net increase still stays at a relatively moderate level comparing with historical records. As per market report, the capacity of global crude tanker fleet recorded a net increase of about 2.7% in the first half 2016. Based on the currently reported order book, the estimated VLCC newbuilding delivery in 2016 will reach a peak of recent years, but will drop by about 30% in 2017 and further drop by over 50% in 2018. Meanwhile, about 24 ships are turning over 20 years old in 2016. The old ships may retire from the market due to industrial regulations and limited trading flexibility. The exit of old ships may take away about 3.5% of the total capacity of the current global VLCC fleet and ease the growth of tonnage supply.

The demand of crude tanker has increased as the world oil consumption grew well above trend in 2015. Other than the consumption sparked by lower fuel prices in the U.S and Europe, the key driver throughout the year was the consumption growth in China, South Korea and in particular India. Asia's key role in the demand picture is reflected in the rise in the region's share of global oil trade. The VLCC demand continued experiencing the optimal trade pattern development as Asia's consumption growth has been covered by barrels imported from the Atlantic basin rather than the Middle East. The Atlantic basin to the Far East voyages have been tonnage intensive and favourable for the ship owners as the voyage distance from Latin/South America and West Africa to Far East is much longer than those to U.S. Meanwhile, the global onshore storages have been at high level utilization, causing port delays and ullage issues, which prolongs ships' stay in ports and indirectly increased the demand for tonnage.

Looking back, our financial performance in FY2016 has proved our forecast correct about the strengthening market last year. We are pleased to see the freight market has been driven up and maintained at high level in most of the time throughout 2015, jointly supported by various positive factors. Although the large-scale floating storages of crude oil on VLCC did not happen as we have expected, mainly because the contango price spread did not catch up with the increased ship hire rates, crude tanker freight market stayed firm under the increased demand from the spot trading market and owners sentiments. Extraordinary events like the unusual volatility of oil prices and the extreme weather patterns influenced by El Nino last year also brought positive surprise to the crude tanker shipping market, but overall, we still attribute the market development to the functionally healthy shape of the supply and demand balance.

BUSINESS REVIEWS AND OUTLOOK *(continued)*

Marine Transportation *(continued)*

Our trading strategy of focusing on Chinese business continued to deliver satisfactory results. As the world's largest crude oil importer, China also plays a central role in VLCC chartering. We are pleased to see our business grows as Chinese market share increases. The Middle East to Asia remains by far the biggest VLCC trade, accounting for 47% of the total VLCC ton-miles. Nearly one third of the VLCC cargoes lifting on this trade ended in China last year. Moreover, China also accounted for the majority of the cargo lifting from West Africa and Americas to Asia. Benefit from the close cooperation with Chinese charterers, we are able to optimize our VLCC fleet' commercial utilization and generate rates above market assessment. Our Aframax fleet still trades in East Suez where we have seen business patterns changes in recent years. The traditional fuel oil cargo liftings from Middle East to Singapore have faded and the crude oil exports from Vietnam and Russian Far East to China is booming. Our cooperation with Chinese charterers has extended to new trades and strengthened fleet profitability. Nearly 90% of our VLCC voyages and about 55% of our Aframax voyages fixed in FY2016 were with Chinese charterers. Our policy of focusing on Chinese business will continue and meanwhile we will maintain good relationship with other international oil majors and traders to secure more business opportunities.

Addition to close cooperation with Chinese major charterers, business synergy within the Brightoil Group brings us another competitive advantage. Comparing with other ship owners, Brightoil Shipping has dual identity. One is independent shipping company and the other is the Group's shipping arm which is continuously receiving internal supports from the Group's petroleum trading and marine bunkering business. The internal cooperation has led to win-win results shared among the subsidiaries under the Group. On one hand, the internal shipping demands generated by the Group's ITB segment can help improve our fleet's utilization rate and profitability. On the other hand, our own fleet ensured enough and timely tonnage supply to meet the internal demands and helped optimize the transportation costs. In FY2016, about 10% of the voyages performed by our Aframax fleet were for our own Group cargoes, mainly fixed for the regular delivery of fuel oil from Singapore to Shenzhen and Shanghai to support the Group marine bunkering business in China. When the Group's oil storage project in Zhoushan starts operation, we will see more internal demands on VLCC ships as well.

The bunker barge market in Singapore is experiencing restructuring driven by the new governmental regulations. All the bunker barges running in Singapore are compulsively requested to have MFM installed and certified by January 2017, otherwise will be regarded as unqualified and forced to quit the market. We take it as opportunity to expand bunker tankers fleet in the niche market. We are the pioneer in Singapore to follow the governmental regulation to install MFM on the bunker tankers. So far, 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. We have been entitled by China Classification Society in 2014 to directly provide technical services, and approved by MPA in 2015 to directly provide crew manning services to tanker fleet. Currently, all the five of our existing bunker tankers are under our own technical management.

Looking to the future, we can see short term fluctuation risks in freight market, driven by seasonal demand changes and the sped-up newbuilding deliveries, particularly in the second half of 2016. But overall our prospects in next few years are optimistic, based on quite a few positive factors. IEA's medium-term oil market forecast suggested that 79% of all new worldwide oil production through 2020 would be supplied by Atlantic basin oil suppliers. Meanwhile about 60% of the new refinery capacity and not least more than 80% of the new oil demand through 2020 would emerge East of Suez. Based on its forecast, the global trade of oil will reach a peak in 2017 with the long-term eastwards drift continuing. The global onshore storages are still at high utilization and the current low oil price may lead to a wide enough contango for incentives of floating storage. In China, new demands appear from the independent teapot refineries, as some of these have been granted direct import licenses for crude oil. All those give a solid outlook for tanker shipping from the demand side.

BUSINESS REVIEWS AND OUTLOOK *(continued)*

Marine Transportation *(continued)*

In addition to the traditional business, we are seeking new business opportunities in E-commerce segment, aiming to restructure the value chain of the traditional tramp shipping industry with the new technology and new business model developed in the era of internet. We are working on an integrated E-Commerce platform to provided low costs, convenience and efficiency to all users, including but not limited to ship owners, charterers, ship agents, marine chandlers, crew and other shipping-related service providers. We will run this platform as an independent third party to provide integrated shipping related services, with the vision to create a new ecosphere to make all tramp shipping players both beneficiaries and contributors. A team consists of professionals with backgrounds of shipping and IT has been set up in Singapore and is working together with our IT experts in China on the product development. Once the platform is brought online, we expect it will become a new profits centre in our shipping segment.

We will continue optimizing costs and improve financial and operational efficiency via further improvement on the daily management. We are managing all cost categories more effectively via adoption of daily monitoring processes and other fuel saving initiatives. Our efforts have brought the fleet's daily operating costs down. For instance, the crewing costs of our bunker barges decreased by about 10% since we took the management back in house. Our fleet is modern, young and well maintained. All VLCC ships have been modified for lower bunker fuel consumption when they were under construction in shipyard, to ensure competitive operational earnings. Moreover, our VLCC ships are unique in the respect that each vessel is additionally equipped with an onboard blending facility and heating coils, enabling them to blend different grades of cargo while at sea, thereby minimizing costs of shore. With the efficient fleet and the solid platform we have established, we are confident to weather storms and maintain profitability in FY2017 with the continuous focus on providing value-creation services to clients.

Oil Storage and Terminal Facilities

The oil storage and terminal facilities under construction in Zhoushan and Dalian are located in China's primary deep-water harbors and large-scale commodity trading centers. 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 economic-development zone, 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 facility provides storage service of petroleum products including crude oil, gas oil, diesel, aviation kerosene, fuel oil and petrochemicals. The terminal facility will be equipped with 13 berths which can accommodate vessels ranging from 3,000 to 300,000 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 importing fuel oil.

BUSINESS REVIEWS AND OUTLOOK *(continued)*

Oil Storage and Terminal Facilities *(continued)*

The Phase 1 storage facilities of the Zhoushan project are being developed, with 70% of construction work. Phase 1 is expected to be completed by the end of 2016 and become operational in the first half of 2017. The hydraulic works of the terminal, which will have 13 berths capable of handling vessels from 3,000 to 300,000 DWT, have been completed. The related ancillary facilities are being developed and are expected to be completed by the end of 2016 and commence operation in the first half of 2017. The completion and operation of Zhoushan facilities will greatly enhance the Group's capability to integrate resources, providing not only competitive storage services to customers, but also value-added services such as spot trading, blending and arbitrage of crude oil, fuel oil and other products.

The oil storage and terminal facilities in Dalian are located in the government-approved petrochemical industry base on Changxing Island, Dalian. This is an essential district 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 3,000 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.

E-Commerce Platform

A review of the domestic e-commerce market development indicates that the focus of major e-commerce platforms has changed from platform operations to reinforcing offline logistics and supplementary storage services, while the business model of these e-commerce platforms is transforming from consumer-oriented to industry-integrated, so as to provide customers with better consumption experience and greater value. The market-proven business model further demonstrates the Internet+ core competitive advantage of Brightoil Online which integrates quick online access with competent supplementary storage and supply services.

In the next phase of development Brightoil Online will further enhance its online customer conversion rate, strengthen the innovative experience of customer services, and improve the operational efficiency of online ordering and offline supplementary services. Consumer-end branding and promotional activities have been implemented nationwide, which provides more extensive offline applications of bunkering and consumption to customers. Meanwhile, Brightoil Online has collaborated with multiple banks to launch co-branded credit cards, which offers a more comprehensive offline system and greater support in the consumer and financial sectors.

Brightoil Online will carry out comprehensive corporate-end and consumer-end promotions, to integrate resources of sales channels that connect to car owners, including logistics, Internet of Things as well as other internet channels. By providing bunkering and electronic settlement alternatives to enterprises, Brightoil Online is committed to delivering lower fuel costs and optimal experience to customers.

EXECUTIVE DIRECTORS

Dr. Sit Kwong Lam ("Dr. Sit"), Ph.D., aged 49, 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 深圳光滙石油集團股份有限公司 (Shenzhen Brightoil Group Co., Ltd.*) 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. 深圳光滙石油集團股份有限公司 (Shenzhen Brightoil Group Co., Ltd.*) is also licensed to issue single-purpose commercial prepaid cards in the PRC. 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 40.

Mr. Tang Bo ("Mr. Tang"), aged 48, has been an executive Director of the Company since June 2008 and is mainly responsible for project construction and business development. He graduated from the business school of Nanjing University in 1992 with a master degree in economics.

Mr. Tang had in the past held various positions in the Shenzhen Brightoil Group. He was responsible for external investment and business development and has over 18 years of experience in the oil industry, during the time when he was the Vice President of Shenzhen Brightoil Group. He also serves as a director of certain subsidiaries of the Group.

Mr. Tan Yih Lin ("Mr. Tan"), aged 44, has been an executive Director and 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 and Master of Business Administration (Executive) from City University of Hong Kong with distinction in 2015.

Before joining the Group, Mr. Tan had been responsible for managing the financial matters of the Shenzhen Brightoil Group and its subsidiaries. Mr. Tan also serves as a director of certain subsidiaries of the Group. 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. Wang Wei ("Mr. Wang"), aged 58, 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 30 years experience in 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.

* *For identification purpose only*

NON-EXECUTIVE DIRECTOR

Mr. Dai Zhujiang ("Mr. Dai"), aged 64, 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 69, 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 China Jinmao Holdings Group Limited (formerly known as 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, Cinda Financial Holdings Co., Limited, OCBC Wing Hang Bank (formerly known as Wing Hang Bank Limited, delisted from the Stock Exchange with effect from 16 October 2014), OCBC Wing Hang Bank (China) Limited (formerly known as 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 76, 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 the 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 the 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 68, 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.

The board of directors (the "Board") present its annual report and the audited consolidated financial statements of Brightoil Petroleum (Holdings) Limited (the "Company") together with subsidiaries of the Company (the "Group") for the year ended 30 June 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are 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.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2016 are set out in the consolidated statement of comprehensive income on page 52.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 30 June 2016 (for the year ended 30 June 2015: HK2 cents per share).

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2016 AGM

For determining the entitlement to attend and vote at the annual general meeting of the Company scheduled to be held on Monday, 28 November 2016 (the "2016 AGM"), the register of members of the Company will be closed from Friday, 25 November 2016 to Monday, 28 November 2016, 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 2016 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, 24 November 2016.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the year ended 30 June 2016, total additions to property, plant and equipment were approximately HK$1,452 million, which mainly include additions to construction in progress of approximately HK$1,253 million. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

The Group's investment property was revalued at 30 June 2016. 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 17 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 144 of this report.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 33 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year as well as prospects of the Group's business are provided in the "Chairman's Statement" and "Management Discussion and Analysis" respectively from pages 8 to 10 and pages 11 to 17 of this Annual Report.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of factors affecting the results and business operations of the Group. The major risks and the uncertainties facing the Group's business operations are set out in the "Chairman's Statement" from pages 8 to 10. The Group's other financial risks and uncertainties are provided in note 3 to the consolidated financial statements.

PARTICULARS OF IMPORTANT EVENTS

No important events affecting the Group have occurred since the end of the financial year.

FINANCIAL KEY PERFORMANCE INDICATORS

Certain financial key performance indicators which complement and supplement the financial disclosures are set out in the "Chairman's Statement" and "Notes to the Consolidated Financial Statements" on pages 8 to 10 and 58 to 143, respectively, of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to achieve the development of sustainability of communities and encourages environmental protection, promotes awareness towards environmental protection and implements green office practices to its employees, e.g. using recycled paper and double-sided printing and copying, promoting energy saving by encouraging its staff to switch off all air-conditioners and lightings before leaving the office. The Group will continuously review the environmental policy and will consider implementing further environmentally friendly measures and practices in the operation of the Group's businesses.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 30 June 2016, the Company was not aware of any non-compliance with any relevant laws and regulations that have a significant impact on the Group.

KEY RELATIONSHIPS WITH STAKEHOLDERS

Recognising the employees are one of the most valuable assets of the Group, the Group has created a desirable work environment and provided a variety of benefits and career development to its employees. The Group strives to be a caring employer and encourages work-life balance, and communicates with staff to enhance their sense of belonging and morale.

The Group has developed long-standing and good relationships with its customers and suppliers and serves the customers and suppliers as business partners. During the reporting year, there was no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

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 2016, the Company's reserves available for distribution to Shareholders consisted of contributed surplus of approximately HK$7,147 million and accumulated losses of approximately HK$1,450 million.

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	
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"), Dr. Sit Kwong Lam, Mr. Tang Bo, Mr. Dai Zhujiang and Mr. Lau Hon Chuen shall retire from office as Directors by rotation at the 2016 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"). 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 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 2016, 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	7,268,103,999 (Note 2)	71.557%
Professor Chang Hsin Kang ("Professor Chang")	The Company	Beneficial owner	380,000 (Note 3)	0.004%
Mr. Tang Bo	The Company	Beneficial owner	1,185,000 (Note 4)	0.012%
Mr. Tan Yih Lin	The Company	Beneficial owner	1,185,000 (Note 4)	0.012%
Mr. Wang Wei ("Mr. Wang")	The Company	Beneficial owner	385,000 (Note 5)	0.004%
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%

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 10,157,114,647 Shares in issue as at 30 June 2016.

(2) These 7,268,103,999 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) 4,073,926,039 Shares held by Canada Foundation Limited ("Canada Foundation"), which is wholly and beneficially owned by Dr. Sit; (c) 196,318,000 Shares held by Brightoil Welfare Ltd. which is wholly and beneficially owned by Dr. Sit; and (d) 79,771,000 Shares held by Harvest Energy Investments Ltd. ("Harvest Energy"), which is wholly and beneficially owned by Dr. Sit.

The Company has been notified by Canada Foundation on 20 June 2016 that, a total amount of 2,934,755,552 Shares out of those Shares held by Canada Foundation has been pledged in favour of a number of financial institutions as security for a certain number of facilities granted to Canada Foundation, Harvest Energy and Shenzhen Brightoil, details of which are set out in the announcement of the Company dated 20 June 2016.

The Company has been notified by Energy Empire on 20 June 2016 that, a total amount of 350,000,000 Shares out of those Shares held by Energy Empire has been pledged in favour of two financial institutions as security for the credit facilities granted to Shenzhen Brightoil, details of which are set out in the announcement of the Company dated 20 June 2016.

(3) These 380,000 Shares refer to (a) 190,000 Shares jointly held by Professor Chang and his spouse; (b) an aggregate of 68,000 Shares vested to Professor Chang on 12 June 2015 and 12 June 2016 under the share award scheme adopted by the Company on 14 May 2014 (the "Share Award Scheme"); and (c) an aggregate of 122,000 Shares granted to Professor Chang on 13 June 2014 and 13 June 2015 subject to relevant vesting periods under the Share Award Scheme.

(4) These 1,185,000 Shares refer to (a) an aggregate of 357,000 Shares vested to the respective Directors on 12 June 2015 and 12 June 2016 under the Share Award Scheme; and (b) an aggregate of 828,000 Shares granted to the respective Directors on 13 June 2014 and 13 June 2015 subject to relevant vesting periods under the Share Award Scheme.

(5) These 385,000 Shares refer to (a) 77,000 Shares vested to Mr. Wang on 12 June 2016 under the Share Award Scheme; and (b) 308,000 Shares granted to Mr. Wang on 13 June 2015 subject to relevant vesting periods under the Share Award Scheme.

(6) These 190,000 Shares refer to (a) an aggregate of 68,000 Shares vested to the respective Directors on 12 June 2015 and 12 June 2016 under the Share Award Scheme; and (b) an aggregate of 122,000 Shares granted to the respective Directors on 13 June 2014 and 13 June 2015 subject to relevant vesting periods under the Share Award Scheme.

Further details of the movements in the Share Award Scheme during the year are set out in the "Share Award Scheme" section in page 26.

Save as disclosed above, as at 30 June 2016, 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 AWARD SCHEME

On 14 May 2014, the Board approved the adoption of 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 the number of Award Shares is limited to 2% of the issued share capital of the Company as at the adoption date of the Share Award Scheme.

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 ("First Grant"). 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 ("Second Grant"). 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 ("Third Grant"). 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 2016, no 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)	Number of Award Shares: As at 1.7.2015	Granted during the year	Vested during the year	Forfeited during the year	As at 30.6.2016	Vesting period
Executive Directors							
Mr. Tang Bo	(i) 13.6.2014 (ii) 13.6.2015	(i) 480,000 (ii) 585,000	–	(i) (120,000) (ii) (117,000)	–	828,000#	(i) 12.6.2015–12.6.2019 (Note 1) (ii) 12.6.2016–12.6.2020 (Note 3)
Mr. Tan Yih Lin	(i) 13.6.2014 (ii) 13.6.2015	(i) 480,000 (ii) 585,000	–	(i) (120,000) (ii) (117,000)	–	828,000#	(i) 12.6.2015–12.6.2019 (Note 1) (ii) 12.6.2016–12.6.2020 (Note 3)
Mr. Wang Wei	13.6.2015	385,000	–	(77,000)	–	308,000#	12.6.2016–12.6.2020 (Note 3)
Dr. Yung Pak Keung Bruce (Note 4)	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) 120,000 (ii) 40,000	–	(i) (30,000) (ii) (8,000)	–	122,000#	(i) 12.6.2015–12.6.2019 (Note 1) (ii) 12.6.2016–12.6.2020 (Note 3)
Independent Non-executive Directors							
Mr. Kwong Chan Lam	(i) 13.6.2014 (ii) 13.6.2015	(i) 120,000 (ii) 40,000	–	(i) (30,000) (ii) (8,000)	–	122,000#	(i) 12.6.2015–12.6.2019 (Note 1) (ii) 12.6.2016–12.6.2020 (Note 3)
Mr. Lau Hon Chuen	(i) 13.6.2014 (ii) 13.6.2015	(i) 120,000 (ii) 40,000	–	(i) (30,000) (ii) (8,000)	–	122,000#	(i) 12.6.2015–12.6.2019 (Note 1) (ii) 12.6.2016–12.6.2020 (Note 3)
Professor Chang Hsin Kang	(i) 13.6.2014 (ii) 13.6.2015	(i) 120,000 (ii) 40,000	–	(i) (30,000) (ii) (8,000)	–	122,000#	(i) 12.6.2015–12.6.2019 (Note 1) (ii) 12.6.2016–12.6.2020 (Note 3)
Others							
Employees	(i) 13.6.2014 (ii) 9.2.2015 (iii) 13.6.2015	8,965,000	–	(1,437,100)	(3,374,100)	4,153,800#	(i) 12.6.2015–12.6.2019 (Note 1) (ii) 12.6.2015–12.6.2019 (Note 2) (ii) 12.6.2016–12.6.2020 (Note 3)
Total		12,320,000	–	(2,140,100)	(3,574,100)	6,605,800#	

Total number of Award Shares granted to the eligible grantees (excluded the Award Shares which were vested to the relevant grantees).

SHARE AWARD SCHEME *(continued)*

Notes:

1. These Award Shares were granted to eligible grantees under the First Grant which is subject to vesting period in five tranches of 20% each on 12 June 2015, 2016, 2017, 2018 and 2019 respectively.

2. These Award Shares were granted to eligible grantees under the Second Grant which is subject to vesting period in five tranches of 20% each on 12 June 2015, 2016, 2017, 2018 and 2019 respectively.

3. These Award Shares were granted to eligible grantees under the Third Grant which is subject to vesting period in five tranches of 20% each on 12 June 2016, 2017, 2018, 2019 and 2020 respectively.

4. 200,000 Award Shares were granted to Dr. Yung Pak Keung Bruce and such Award Shares were forfeited upon his resignation as an executive Director and chief executive officer.

Further details of the Share Award Scheme are set out in note 34 to the consolidated financial statements of this annual report.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, any of its holding companies or their respective subsidiaries a party to any arrangements to enable the Directors or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors nor chief executive of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year save for any entitlements under the Share Award 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 2016 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 risk management 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 14 January 2013, Brightoil Grace Tanker Ltd., an indirect wholly-owned subsidiary of the Company, as borrower (the "Borrower II"), Credit Suisse AG as lender (the "Lender II"), and the Company, as guarantor, entered into a loan agreement (the "Brightoil Grace Loan Agreement") pursuant to which the Lender II has agreed to grant a loan of up to US$65,000,000 to the Borrower II to partly 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 II"). It will constitute an event of default if the Specific Performance Obligation II is breached whereupon the Lender II 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.

(3) On 2 July 2013, Brightoil Gem Tanker Ltd., an indirect wholly-owned subsidiary of the Company, as borrower (the "Borrower III"), China Development Bank Corporation Hong Kong Branch (the "Lender III"), and the Company, as guarantor, entered into a loan agreement (the "Brightoil Gem Loan Agreement") pursuant to which the Lender III has agreed to grant a loan of up to US$50,000,000 to the Borrower III 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 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 Gem Loan; and/or (ii) declare that all or part of the loan together with accrued interest and all other amounts accrued or owing under the Brightoil Gem Loan Agreement be immediately due and payable; and/or (iii) declare that all or part of the loan be payable on demand and immediately become payable on demand.

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

(4) On 28 October 2013, Brightoil Glory Tanker Ltd., an indirect wholly-owned subsidiary of the Company, as borrower (the "Borrower IV"), China Development Bank Corporation Hong Kong Branch (the "Lender IV"), and the Company, as guarantor, entered into a facility agreement (the "Brightoil Glory Facility Agreement") pursuant to which the Lender IV has agreed to grant a loan of up to US$50,000,000 to the Borrower IV 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 IV"). It will constitute an event of default if the Specific Performance Obligation IV is breached whereupon the Lender IV 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.

(5) 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 V"), and Credit Suisse AG as lender (the "Lender V"), entered into a facility agreement (the "Facility Agreement V") pursuant to which the Lender V has agreed to grant a loan of up to US$120,000,000 to the Joint Borrowers V for refinancing the acquisition costs of two very large crude carriers and three double-hull bunker tankers (the "Facility Agreement Loan V"). In addition, the Company as the guarantor will be required to provide a separate guarantee to secure the liabilities of the Joint Borrowers V under the Facility Agreement V. The Facility Agreement Loan V shall be fully repaid in ten (10) years.

Pursuant to the Facility Agreement V, 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 Facility Agreement Loan V; 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 V 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 V.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken during the year under review are disclosed in note 38 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 38 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 transaction in relation to the acquisition of Vessel 326

On 23 December 2015, Brightoil 326 Oil Tanker Pte. Ltd. ("Subsidiary 326"), 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 326 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 326 has agreed to purchase Vessel 326 for a total cash consideration of US$8,400,000 (equivalent to approximately HK$65,103,024) (the "MOA"). Vessel 326 is built by RIZHAO KINGDA SHIPBUILDING HEAVY INDUSTRIES CO., LTD., CHINA.

Pursuant to the MOA, the delivery of Vessel 326 is expected to take place on 15 January 2016 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 15 March 2016. 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.

(2) Connected transaction in relation to the acquisition of ten Vessels

On 30 December 2015, Brightoil Shipping Singapore Pte. Ltd. ("Singapore Subsidiary"), a wholly-owned subsidiary of the Company incorporated under the Laws of Singapore entered into the Vessels Acquisition Agreement for the sale and purchase of ten Vessels with Shenzhen Brightoil Shipping, pursuant to which Shenzhen Brightoil Shipping has agreed to sell, and Singapore Subsidiary has agreed to purchase ten Vessels for a total cash consideration of US$84,000,000 (equivalent to approximately HK$651,030,240) (the "Vessels Acquisition Agreement"). The Vessels will be built by Rizhao Kingda or such other qualified shipyards mutually agreed by Singapore Subsidiary and Shenzhen Brightoil Shipping.

Pursuant to the Vessels Acquisition Agreement, the consideration for each Vessel will be payable in the amount of US$8,400,000 (equivalent to approximately HK$65,103,024). A deposit of 80% of the total consideration of the ten Vessels, i.e. US$67,200,000 (equivalent to approximately HK$520,824,192), which shall be payable to Shenzhen Brightoil Shipping within 5 days from the date of the Vessels Acquisition Agreement and Singapore Subsidiary shall pay the rest 20% of the consideration in the amount of US$1,680,000 (equivalent to approximately HK$13,020,605) to Shenzhen Brightoil Shipping within 30 days after delivery, subject to the satisfactory documentary closing.

Pursuant to the Vessels Acquisition Agreement, the expected delivery dates and cancellation dates for completion of the ten Vessels were: for the first two Vessels, on 31 March 2016 and 30 April 2016, respectively; for the subsequent two Vessels, on 30 June 2016 and 31 July 2016, respectively; for the subsequent three Vessels, on 30 September 2016 and 31 October 2016, respectively; and for the last three Vessels, on 30 November 2016 and 31 December 2016, respectively. The completions are expected to take place on the abovementioned dates for the relevant Vessels in Rizhao, the PRC or such other places as the parties may mutually agree. 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.

* for identification purpose only

CONNECTED TRANSACTIONS *(continued)*

Connected transaction *(continued)*

(2) Connected transaction in relation to the acquisition of ten Vessels *(continued)*

On 29 April 2016, due to the unexpected length of time required for obtaining the necessary certificates, approvals and permits from the governmental authorities, delay is expected to occur to the delivery schedule. Singapore Subsidiary and Shenzhen Brightoil Shipping have entered into an amendment to the Vessels Acquisition Agreement to extend the expected delivery dates and cancellation dates for completion of the Vessels (the "Amendment"). Pursuant to the Amendment, the amended expected delivery dates and cancellation dates for completion of the ten Vessels were: for the first two Vessels, the expected delivery dates are 31 May 2016 and 31 August 2016 and the cancellation dates for completion are 30 June 2016 and 30 September 2016, respectively; for the subsequent two Vessels, the expected delivery date and cancellation date for completion are 31 December 2016 and 31 January 2017, respectively; for the subsequent three Vessels, the expected delivery date and cancellation date for completion are 30 April 2017 and 31 May 2017, respectively; and for the last three Vessels, the expected delivery date and cancellation date for completion are 31 July 2017 and 31 August 2017, respectively.

On 30 June 2016, Singapore Subsidiary and Shenzhen Brightoil Shipping entered into a termination agreement (the "Termination Agreement"), pursuant to which the Vessels Acquisition Agreement as amended by the Amendment on 29 April 2016 was terminated. The reason for entering into the Termination Agreement was that although the outlook for marine bunkering business in Singapore is still very positive and the Company would require additional bunker barges to meet the demand in the future, to optimize the existing fleet of 5 bunker barges operating in Singapore market and consider better utilization of the Company's working capital, the management decided to be more conservative towards increasing of the size of the fleet at this stage and would buy additional bunker barges from Shenzhen Brightoil Shipping on a more moderate pace.

In pursuance to the Vessels Acquisition Agreement, the total consideration payable for the ten Vessels under the Vessels Acquisition Agreement was US$84,000,000 (equivalent to approximately HK$652,531,320) and the consideration for each Vessel will be payable in the amount of US$8,400,000 (equivalent to approximately HK$65,253,132). The Singapore Subsidiary had paid a deposit of 80% of the total consideration of the ten Vessels, i.e. US$67,200,000 (equivalent to approximately HK$522,025,056) to Shenzhen Brightoil Shipping. As a condition to the Termination Agreement, Shenzhen Brightoil Shipping shall, on or before 29 July 2016, pay to Singapore Subsidiary the sum of US$67,200,000 (equivalent to approximately HK$522,025,056), being the refund of the deposit as security for the due and timely fulfillment of the Vessels Acquisition Agreement, together with interest thereon at the rate of 5% per annum for the period from the date of Singapore Subsidiary's payment of the deposit until the date of Singapore Subsidiary's receipt of Shenzhen Brightoil Shipping's payment of the refund of the deposit.

CONNECTED TRANSACTIONS *(continued)*

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

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

On 12 May 2016, an oil purchase agreement was entered into between Shenzhen Brightoil and the Company for a term of three (3) years commencing from 1 July 2016 to 30 June 2019 with an option to renew for a further term of three (3) years by giving at least thirty (30) days' notice prior to the expiry of the initial term (the "2016 Oil Purchase Agreement") in relation to the purchase of Oil and Oil Prepaid Cards from the Shenzhen Brightoil Group by the Group. On 27 May 2016, Shenzhen Brightoil and the Company entered into an amendment agreement to the 2016 Oil Purchase Agreement (the "Amendment Agreement") to delete all contractual terms in the 2016 Oil Purchase Agreement in relation to the Oil Prepaid Cards and amend the payment terms and the proposed annual caps of the 2016 Oil Purchase Agreement. The transactions contemplated under the 2016 Oil Purchase Agreement (as amended by the Amendment Agreement) and its annual caps were approved by the independent shareholders on 4 July 2016. The maximum aggregate fee payable by the Group under the 2016 Oil Purchase Agreement (as amended by the Amendment Agreement) for each of the three (3) years ending 30 June 2017, 30 June 2018 and 30 June 2019 are US$3,840 million (equivalent to approximately HK$29,764 million), US$5,200 million (equivalent to approximately HK$40,305 million) and US$7,760 million (equivalent to approximately HK$60,148 million) respectively.

Under the 2013 Oil Purchase Agreement, the amount of aggregate Oil purchase price and delivery fees paid and payable during the year ended 30 June 2016 was approximately HK$9,914 million (equivalent to approximately US$1,279 million).

* for identification purpose only

CONNECTED TRANSACTIONS *(continued)*

Continuing connected transaction *(continued)*

(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 been 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.

On 12 May 2016, an oil storage services agreement was entered into between Shenzhen Brightoil and the Company commencing on 1 July 2016 and expiring on 30 June 2019 with an option to renew for a further term of three (3) years by giving at least thirty (30) days' notice prior to the expiry of the initial term (the "2016 Oil Storage Services Agreement"). Pursuant to the 2016 Oil Storage Services Agreement, Shenzhen Brightoil Group shall provide oil storage services to the Group. The maximum aggregate amount of storage services fee payable by the Group under the 2016 Oil Storage Services Agreement for each of the three (3) years ending 30 June 2017, 30 June 2018 and 30 June 2019 are US$18 million (equivalent to approximately HK$140 million), US$22 million (equivalent to approximately HK$171 million) and US$25 million (equivalent to approximately HK$194 million) respectively.

Under the 2013 Oil Storage Services Agreement, the amount of aggregate fuel oil storage fees paid and payable during the year ended 30 June 2016 was approximately HK$61 million (equivalent to approximately US$8 million).

(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.

CONNECTED TRANSACTIONS *(continued)*

Continuing connected transaction *(continued)*

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

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.

On 12 May 2016, a cargo-carrying agreement was entered into between Shenzhen Brightoil and the Company for a term of three (3) years commencing on 1 July 2016 and expiring on 30 June 2019 (the "2016 Cargo-Carrying Agreement"). Pursuant to the 2016 Cargo-Carrying Agreement, the Group agreed to sub-charter and/or sublet any of the vessels to the Shenzhen Brightoil Group and/or carry cargoes of the Shenzhen Brightoil Group in the vessels using all or part of the cargo-carrying space of the vessels. The maximum aggregate amount receivable by the Group from the Shenzhen Brightoil Group for each of the three (3) years ending 30 June 2017, 30 June 2018 and 30 June 2019 under the 2016 Cargo-Carrying Agreement be not higher than the proposed annual caps are US$12.5 million (equivalent to approximately HK$97 million), US$15 million (equivalent to approximately HK$116 million) and US$17.5 million (equivalent to approximately HK$136 million) respectively.

There was no cargo-carrying income received or receivable during the year ended 30 June 2016 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.

On 12 May 2016, a barge services agreement was entered into between Shenzhen Brightoil and the Company for a term of three (3) years commencing on 1 July 2016 and expiring on 30 June 2019 (the "2016 Barge Services Agreement"), pursuant to which the Shenzhen Brightoil Group agreed to provide fuel delivery services to the Group. The maximum aggregate amount payable by the Group to the Shenzhen Brightoil Group for each of the three (3) years ending 30 June 2017, 30 June 2018 and 30 June 2019 are US$15 million (equivalent to approximately HK$116 million), US$18 million (equivalent to approximately HK$140 million) and US$20 million (equivalent to approximately HK$155 million) respectively.

Under the 2013 Barge Services Agreement, the amount of aggregate barge services fees paid and payable during the year ended 30 June 2016 was approximately HK$31 million (equivalent to approximately US$4 million).

CONNECTED TRANSACTIONS *(continued)*

Continuing connected transaction *(continued)*

(5) Continuing connected transaction for the provision of operational e-commerce services

On 8 October 2015, 光滙石油電商（深圳）有限公司 (Brightoil Petroleum E-commerce (Shenzhen) Limited*) ("Brightoil E-commerce"), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company, and Shenzhen Brightoil entered into the E-commerce Exclusive Technical Consultancy and Services Agreement (the "E-commerce Exclusive Technical Consultancy and Services Agreement") for the purpose of governing the provision of operational e-commerce services by Brightoil E-commerce for the single-purpose commercial prepaid cards related to the business of Shenzhen Brightoil for a period of 1 year, starting on 1 January 2016. The maximum aggregate annual amount payable by Shenzhen Brightoil to Brightoil E-commerce for the transactions contemplated under the E-commerce Exclusive Technical Consultancy and Services Agreement for the term is RMB850 million (equivalent to approximately HK$1,044 million).

Under the E-commerce Exclusive Technical Consultancy and Services Agreement, the amount of services fees received or receivable during the year ended 30 June 2016 was approximately HK$24 million (equivalent to approximately RMB20 million).

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.

* for identification purpose only

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, the 2013 Oil Purchase Agreement and the 2016 Oil Purchase Agreement (as amended by the Amendment 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, the 2013 Oil Purchase Agreement and the 2016 Oil Purchase Agreement (as amended by the Amendment 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 2016, to the best knowledge of the Directors, 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 position/Short position

Name of substantial shareholder	Capacity	Long position/ short position	Number of ordinary shares	Approximate percentage of shareholdings
Energy Empire	Beneficial owner (Note 1)	Long position	2,918,088,960	28.73%
Canada Foundation	Beneficial owner (Note 1)	Long position	4,073,926,039	40.11%
CSI Finance Limited (Note 2)	Person having a security interest in shares (Note 2)	Long position	643,390,674 (Note 2)	6.33%
CITIC Securities Company Limited (Note 2)	Interest in a controlled corporation (Note 2)	(i) Long position (ii) Short position	(i) 873,656,674 (Note 2) (ii) 230,266,000	(i) 8.60% (ii) 2.27%
China Insurance Group Finance Company Limited (Note 3)	Person having a security interest in shares (Note 3)	Long position	929,824,667 (Note 3)	9.15%
Taiping Financial Holdings Co. Ltd. (Note 3)	Interest in a controlled corporation (Note 3)	Long position	930,314,667 (Note 3)	9.16%
China Taiping Insurance Holdings Co. Ltd. (Note 3)	Interest in a controlled corporation (Note 3)	Long position	930,314,667 (Note 3)	9.16%

SUBSTANTIAL SHAREHOLDERS AND PERSONS HAVING 5% OR MORE INTERESTS *(continued)*

Long position/Short position *(continued)*

Notes:

1. 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.

2. The Company has been notified by Canada Foundation on 20 June 2016 that, a total amount of 2,934,755,552 Shares out of those Shares held by Canada Foundation has been pledged in favour of a number of financial institutions as security for a certain number of facilities granted to Canada Foundation, Harvest Energy and Shenzhen Brightoil, details of which are set out in the announcement of the Company dated 20 June 2016. An amount of 643,390,674 Shares out of those Shares held by Canada Foundation has been pledged in favour of CSI Finance Limited as security for a loan facility granted to Canada Foundation on 8 April 2016.

3. The Company has been notified by Canada Foundation on 20 June 2016 that, a total amount of 2,934,755,552 Shares out of those Shares held by Canada Foundation has been pledged in favour of a number of financial institutions as security for a certain number of facilities granted to Canada Foundation, Harvest Energy and Shenzhen Brightoil, details of which are set out in the announcement of the Company dated 20 June 2016. An aggregate of 929,824,667 Shares out of those Shares held by Canada Foundation has been pledged in favour of China Insurance Group Finance Company Limited as security for the loan facilities granted to Canada Foundation on 22 March 2016 and 10 May 2016.

Save as disclosed above, as at 30 June 2016, 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, the 2013 Oil Purchase Agreement and the 2016 Oil Purchase Agreement (as amended by the Amendment Agreement), the 2012 Cargo-Carrying Agreement, the 2013 Cargo-Carrying Agreement and the 2016 Cargo-Carrying Agreement, the 2010 Oil Storage Services Agreement, the Supplemental Oil Storage Service Agreement, the 2013 Oil Storage Services Agreement and the 2016 Oil Storage Services Agreement, the 2012 Barge Services Agreement, the 2013 Barge Services Agreement and the 2016 Barge Services Agreement, the E-commerce Exclusive Technical Consultancy and 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 38 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 63% of the Group's revenue for the year ended 30 June 2016, with the largest customer accounted for approximately 56%. The five largest suppliers of the Group together accounted for approximately 49.11% of the Group's total purchases for the year ended 30 June 2016, with the largest supplier accounted for approximately 21.54%.

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. Under the 2016 Oil Purchase Agreement (as amended by the Amendment Agreement), the Group agreed to purchase Oil from the Shenzhen Brightoil Group for a term of three (3) years commencing on 1 July 2016 and ending on 30 June 2019.

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.

CONVERTIBLE BONDS

On 16 November 2015, the Company agreed to privately placed convertible bonds with aggregate principal amount of US$50 million (equivalent to approximately HK$388 million) to two investors with maturity date on 19 November 2018 (the "Unlisted CB1"). On the same date, the Company agreed to issue convertible bonds with aggregate principal amount of US$12 million (equivalent to approximately HK$93 million), which would be listed on the Stock Exchange, to these two financial institutions with maturity date on 13 November 2018 (the "Listed CB").

For the Listed CB and the Unlisted CB1, the gross proceeds were approximately US$62 million (equivalent to approximately HK$481 million) and the net proceeds receivable by the Company were approximately US$60.82 million (equivalent to approximately HK$471 million). During the reporting period, such net proceeds was approximately US$60.82 million (equivalent to approximately HK$471 million), of which approximately US$49.05 million (equivalent to approximately HK$380 million) has been used for the construction of an oil tank in Zhoushan, PRC and approximately US$11.77 million (equivalent to approximately HK$91 million) has been used for the repayment of certain debt, as working capital and general corporate purposes (i.e. for operating and administrative expenses and payment of interests).

On 9 December 2015, the Company agreed to privately placed convertible bonds with aggregate principal amount of US$100 million (equivalent to approximately HK$775 million) to an investor with maturity date on 19 November 2018 (the "Unlisted CB2").

The gross proceeds of the Unlisted CB2 were approximately US$100 million (equivalent to approximately HK$775 million) and the net proceeds receivable by the Company were approximately US$99.84 million (equivalent to approximately HK$774 million). During the reporting period, such net proceeds was approximately US$99.84 million (equivalent to approximately HK$774 million), of which approximately US$77.53 million (equivalent to approximately HK$601 million) has been used for the construction of oil storage and ancillary facilities in Zhoushan, PRC, and upstream natural gas business in Xinjiang, in the PRC; and approximately US$22.31 million (equivalent to approximately HK$173 million) will be used for general corporate purposes (i.e. for operating and administrative expenses and payment of interests).

As at the date of this report, the total outstanding principal amounts of the Listed CB, the Unlisted CB1 and the Unlisted CB2 are US$11.4 million, US$50 million and US$100 million respectively.

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 2016 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 2016, 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 10,000,000 Shares in the Company at a total consideration of approximately HK$24,665,900.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and other officers arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of significant events after the end of the reporting period are set out in note 43 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 2016 AGM to re-appoint PricewaterhouseCoopers as auditor of the Company.

APPRECIATION

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

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

Sit Kwong Lam
Chairman and Chief Executive Officer

Hong Kong, 26 September 2016

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 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 2016, 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 as CEO on 16 July 2014, while Dr. Sit as the chairman of the Company. 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, 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 is comprised of three independent non-executive Directors and one non-executive Director (representing 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 2016.

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 2016 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 2016:

Executive Directors

Dr. Sit Kwong Lam	(Chairman, CEO, Member of Remuneration Committee and Nomination Committee)
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)

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 over 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 2016, 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	1/4	0/1	N/A	1/2	1/2
Mr. Tan Yih Lin	4/4	1/1	N/A	2/2	2/2
Mr. Tang Bo	4/4	1/1	N/A	N/A	N/A
Mr. Wang Wei	3/4	0/1	N/A	N/A	N/A
Dr. Yung Pak Keung Bruce (Note 1)	N/A	N/A	N/A	N/A	N/A
Non-executive Director					
Mr. Dai Zhujiang	4/4	1/1	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Lau Hong Chuen	4/4	1/1	3/4	2/2	2/2
Professor Chang Hsin Kang	3/4	1/1	4/4	1/2	1/2
Mr. Kwong Chan Lam	4/4	1/1	4/4	2/2	2/2

Note:

1. Dr. Yung Pak Keung Bruce resigned as an executive Director and CEO with effect from 21 August 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. 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, 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 is comprised of three independent non-executive Directors and one non-executive Director (representing 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

As at the date of this annual report, each of the non-executive Director and independent non-executive Directors has been appointed for a fixed term of three years. In accordance with the provisions of the Bye-laws, any Director is subject to retirement by rotation once every three years and shall be eligible for re-election in the annual general meeting of the Company.

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

INDUCTION PROGRAMME AND TRAINING FOR BOARD MEMBERS

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

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

TRAINING FOR DIRECTORS

Pursuant to the CG Code, all Directors shall participate in the continuous professional development programme to develop and update their knowledge and skills so that they can contribute to the Board. As at the date of this report, the Company has arranged internal update during meeting in relation to the change in rules and regulations governing the business of the Group. For those who 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 2015 to 30 June 2016, 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	✓
Dr. Yung Pak Keung Bruce (Note 2)	✓
Non-executive Director	
Mr. Dai Zhujiang	✓
Independent Non-executive Directors	
Mr. Lau Hon Chuen	✓
Professor Chang Hsin Kang	✓
Mr. Kwong Chan Lam	✓

Notes:

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

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

(2) 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 2016, the Nomination Committee had conducted two (2) meetings to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors, consider and make recommendations to the Board on the re-appointment of an independent non-executive Director. The attendance record of each Director at the Nomination Committee meetings 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 review and reassess the terms of reference and the effectiveness of the Remuneration Committee, consider and make recommendations to the Board on the renewal of appointment letter of an independent non-executive Director. 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. 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;

- to review the effectiveness of the Company's internal audit function;

- to discuss with the management of the Company on the risk management and internal control systems; 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, systems of internal control and risk management, the appointment of auditor and the update of corporate governance practices at its four (4) 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

Sound and effective internal control and risk management systems are important to safeguard Shareholders' investment and the Group's assets. During the year, the Board reviewed and was satisfied with the effectiveness of the internal control and risk management systems 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 51 to 143 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.

CHANGE IN AUDITOR

As disclosed in the announcement of the Company dated 1 June 2016, Deloitte Touche Tohmatsu resigned as the auditor of the Group with effect from 1 June 2016. The Board has resolved to appoint PricewaterhouseCoopers as the new external auditor on 1 June 2016 and such appointment was approved by the Shareholders at the special general meeting of the Company on 4 July 2016.

PricewaterhouseCoopers will retire and, being eligible, offer themselves for re-appointment at the 2016 AGM. The consolidated financial statements of the Company for the year ended 30 June 2016 have been audited by PricewaterhouseCoopers. A resolution will be submitted to the 2016 AGM to re-appoint PricewaterhouseCoopers as the auditor the Company.

AUDITOR'S REMUNERATION

For the year ended 30 June 2016, the auditor of the Group, PricewaterhouseCoopers, received HK$4,000,000 for audit services. The former auditor of the Group, Deloitte Touche Tohmatsu, received HK$1,020,000 for non-audit services as review services.

COMPANY SECRETARY

Mr. Tan Yih Lin ("Mr. Tan") was appointed as the company secretary of the Company (the "Company Secretary") with effect from 11 May 2015. Mr. Tan 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. Tan had taken no less than 15 hours of relevant professional training for the year ended 30 June 2016.

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 AND INVESTOR RELATIONS

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. At the annual general meeting, the Directors will be available to answer questions raised by the Shareholders.

CONSTITUTIONAL DOCUMENTS

During the year ended 30 June 2016, no amendment has been made to the Company's constitutional documents.

羅兵咸永道

TO THE SHAREHOLDERS 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 set out on pages 52 to 143, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of 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 Companies Act 1981 of Bermuda 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 Company and its subsidiaries as at 30 June 2016, and of their 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.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 26 September 2016

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	**2016 HK$'million**	2015 HK$'million
Revenue	5	**48,071**	74,104
Cost of sales and services	8	**(46,058)**	(72,206)
Gross profit		**2,013**	1,898
Other income		**4**	17
Other gains and losses, net	6	**179**	1,209
Distribution and selling expenses	8	**(290)**	(226)
Administrative expenses	8	**(318)**	(287)
Other expense	8	**(123)**	(208)
Finance costs	7	**(672)**	(655)
Share of profits of joint ventures		**13**	13
Profit before taxation		**806**	1,761
Income tax credit/(charge)	11	**38**	(375)
Profit for the year		**844**	1,386
Other comprehensive (loss)/income for the year			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**–**	3
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(157)**	(1)
Other comprehensive (loss)/income for the year		**(157)**	2
Total comprehensive income for the year attributable to owners of the Company		**687**	1,388
Earnings per share for profit attributable to owners of the Company for the year			
– Basic (HK cents)	13	**8.3**	15.6
– Diluted (HK cents)	13	**8.3**	14.7

The notes on pages 58 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Note	2016 HK$'million	2015 HK$'million
Non-current assets			
Mining interests	14	**4,504**	5,051
Property, plant and equipment	15	**12,078**	11,395
Prepaid lease payments	16	**483**	516
Investment property	17	**47**	42
Interests in joint ventures	18	**702**	739
Non-current other receivables	19	**94**	92
		17,908	17,835
Current assets			
Inventories	20	**533**	833
Trade debtors	22	**8,827**	6,960
Prepayments and other receivables	19	**584**	352
Derivative financial instruments	28	**165**	278
Financial assets at fair value through profit or loss	23	**70**	139
Pledged bank deposits	24	**424**	1,553
Bank balances and cash	24	**4,471**	935
		15,074	11,050
Current liabilities			
Trade creditors	25	**5,277**	3,115
Other creditors and accrued charges	26	**1,987**	1,752
Bank borrowings	27	**4,861**	4,567
Loans from a related company	30	**1,334**	950
Derivative financial instruments	28	**311**	237
Income tax liabilities		**152**	189
		13,922	10,810
Net current assets		**1,152**	240
Total assets less current liabilities		**19,060**	18,075

At 30 June 2016

	Note	**2016 HK$'million**	2015 HK$'million
Non-current liabilities			
Convertible bonds	29	**1,332**	–
Bank borrowings	27	**6,247**	6,287
Loans from a related company	30	**–**	811
Provision for restoration and environmental costs	31	**235**	211
Deferred tax liabilities	32	**41**	40
		7,855	7,349
Net assets		**11,205**	10,726
Capital and reserves			
Equity attributable to the owners of the Company			
Share capital	33	**254**	254
Reserves		**10,951**	10,472
Total equity		**11,205**	10,726

The notes on pages 58 to 143 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 52 to 143 were approved by the Board of Directors on 26 September 2016 and were 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 2016

	Share capital HK$'million	Share premium HK$'million	Capital redemption reserve HK$'million	Special reserve HK$'million (Note a)	Shareholder's contribution HK$'million (Note b)	Translation reserve HK$'million	Convertible notes reserve HK$'million	Other reserve HK$'million (Note c)	Employees share-based compensation reserve HK$'million	Shares held for share award scheme HK$'million	Retained earnings HK$'million	Total HK$'million
At 30 June 2014	219	4,212	3	1	160	73	1,041	(861)	32	(20)	2,689	7,549
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,386	1,386
Other comprehensive income:												
Exchange differences arising on translation to presentation currency	–	–	–	–	–	3	–	–	–	–	–	3
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(1)	–	–	–	–	–	(1)
Other comprehensive income for the year	–	–	–	–	–	2	–	–	–	–	–	2
Total comprehensive income for the year	–	–	–	–	–	2	–	–	–	–	1,386	1,388
Shares purchased for share award scheme (note 34)	–	–	–	–	–	–	–	–	–	(63)	–	(63)
Recognition of equity-settled share-based payments share award (note 34)	–	–	–	–	–	–	–	–	7	–	–	7
Release of deferred tax liability upon early conversion of convertible notes (note 32)	–	–	–	–	–	–	2	–	–	–	–	2
Conversion of convertible notes (note 29)	20	1,309	–	–	–	–	(1,043)	861	–	–	(861)	286
Issue of new shares under placement (note 33)	15	1,283	–	–	–	–	–	–	–	–	–	1,298
Transaction costs attributable to issue of new shares (note 33)	–	(5)	–	–	–	–	–	–	–	–	–	(5)
Recognition of deemed capital contribution from ultimate controlling shareholder (note 30)	–	–	–	–	396	–	–	–	–	–	–	396
Release of deemed capital contribution from ultimate controlling shareholder (note 30)	–	–	–	–	(132)	–	–	–	–	–	–	(132)
Lapsed of share options	–	–	–	–	–	–	–	–	(33)	–	33	–
Transfer upon vested of share award	–	–	–	–	–	–	–	–	(2)	2	–	–
Forfeiture of share award	–	–	–	–	–	–	–	–	(1)	–	1	–
At 30 June 2015	254	6,799	3	1	424	75	–	–	3	(81)	3,248	10,726
At 1 July 2015	254	6,799	3	1	424	75	–	–	3	(81)	3,248	10,726
Profit for the year	–	–	–	–	–	–	–	–	–	–	844	844
Other comprehensive loss:												
Exchange differences arising on translation to presentation currency	–	–	–	–	–	–	–	–	–	–	–	–
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(157)	–	–	–	–	–	(157)
Other comprehensive loss for the year	–	–	–	–	–	(157)	–	–	–	–	–	(157)
Total comprehensive loss for the year	–	–	–	–	–	(157)	–	–	–	–	844	687
Conversion of convertible bonds (note 29)	–	2	–	–	–	–	–	–	–	–	–	2
Shares purchased for share award scheme (note 34)	–	–	–	–	–	–	–	–	–	(25)	–	(25)
Transfer upon vested of share award	–	–	–	–	–	–	–	–	(5)	5	–	–
Recognition of equity-settled share-based payments share award (note 34)	–	–	–	–	–	–	–	–	19	–	–	19
Dividends relating to 2014/15	–	–	–	–	–	–	–	–	–	–	(204)	(204)
At 30 June 2016	254	6,801	3	1	424	(82)	–	–	17	(101)	3,888	11,205

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 million. The gain on disposal of the subsidiaries of approximately HK$34 million was deemed as a shareholder's contribution to the Group and was credited to the equity as a reserve. During the years 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$396 million and HK$93 million was recognised respectively. During the year ended 30 June 2015, an aggregate amount of approximately HK$132 million was released from the shareholder's contribution due to early repayments of loans from a 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$390 million.

c. Other reserve recognised during the year ended 30 June 2013 represents the difference between the redemption consideration allocated from fair value of the 2009 Convertible Notes (as defined in note 29) at 27 October 2012 and the carrying amount of the outstanding options in collection with the Convertible Notes (as defined in note 29) which was supposed to be matured on 27 October 2012 as at the date of redemption. Upon the conversion of the 2012 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 2016

	Note	2016 HK$'million	2015 HK$'million
Cash flows from operating activities			
Profit before taxation		**806**	1,761
Adjustments for:			
Finance costs		**672**	655
Interest income on bank deposits		**(2)**	(4)
Interest income on loans to a joint venture		**–**	(7)
Depletion and depreciation of property, plant and equipment		**941**	567
Amortisation of mining interests		**629**	506
(Reversal)/recognition of impairment loss on trade debtors		**(2)**	3
Amortisation of operating prepaid lease payments		**11**	11
Amortisation of deferred loss on conversion components		**10**	–
Share of profits of joint ventures		**(13)**	(13)
(Reversal)/recognition of recognised on mining interests		**(78)**	78
(Reversal)/recognition of recognised on property, plant and equipment		**(29)**	29
Share-based payments		**19**	7
Unrealised net (gains)/losses on fuel, gas and crude oil inventories, except for those produced from upstream crude oil business		**(64)**	187
Fair value loss on conversion option derivatives embedded in convertible bonds		**5**	–
Fair value gain of investment property		**(5)**	–
Net losses/(gains) on financial assets at fair value through profit or loss		**65**	(62)
Net gains on derivative financial instruments		**(209)**	(1,241)
Others		**–**	(8)
		2,756	2,469
Changes in working capital:			
Decrease in inventories		**364**	1,099
(Increase)/decrease in trade debtors		**(1,865)**	311
(Increase)/decrease in prepayments and other receivables		**(245)**	1,117
Decrease in financial assets at fair value through profit or loss		**4**	145
Decrease in derivative financial instruments		**396**	610
Increase/(decrease) in trade creditors		**2,162**	(1,225)
Decrease in other creditors and accrued charges		**(104)**	(175)
Cash generated from operations		**3,468**	4,351
Income tax paid		**(218)**	(182)
Income tax refund		**220**	–
Dividends received		**–**	6
Net cash generated from operating activities		**3,470**	4,175

For the year ended 30 June 2016

	Note	2016 HK$'million	2015 HK$'million
Cash flows from investing activities			
Interest received from bank deposits		**2**	4
Interest received from loans to a joint venture		**–**	7
Purchases of property, plant and equipment		**(1,493)**	(677)
Placement of pledged bank deposits		**(1,476)**	(8,901)
Withdrawal of pledged bank deposits		**2,605**	7,872
Increase in bank deposits with original maturity over three months		**(14)**	(78)
Settlement of other payables in relation to purchase of property, plant and equipment in prior years		**–**	(286)
Deposits paid for acquisition of property, plant and equipment		**–**	(31)
Acquisition of a subsidiary, net of cash and cash equivalents acquired	40	**–**	(6,017)
Capital contribution to joint ventures		**–**	(124)
Repayment from loans to a joint venture		**–**	87
Net cash used in investing activities		**(376)**	(8,144)
Cash flows from financing activities			
Bank and other borrowings raised		**27,500**	24,790
Repayment of bank and other borrowings		**(27,315)**	(19,139)
Proceeds from issue of convertible bonds		**1,256**	–
Transaction cost attributable to issue of convertible bonds		**(8)**	–
Purchase of the Company's shares for share award scheme		**(25)**	(63)
Loans from a related company		**1,334**	384
Repayment of loans from a related company		**(1,760)**	(3,624)
Interest paid		**(586)**	(426)
Dividend paid		**(204)**	–
Proceeds from issue of new shares		**–**	1,298
Transaction costs attributable to issue of new shares		**–**	(5)
Net cash generated from financing activities		**192**	3,215
Net increase/(decrease) in cash and cash equivalents		**3,286**	(754)
Cash and cash equivalents at beginning of the year		**857**	1,610
Effect of foreign exchange rate changes		**167**	1
Cash and cash equivalents at end of the year		**4,310**	857
Analysis of cash and cash equivalents:			
Cash on hand or at bank	24	**4,379**	857
Bank overdrafts	27	**(69)**	–
		4,310	857

The notes on pages 58 to 143 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Brightoil Petroleum (Holdings) Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is at 33rd Floor, 118 Connaught Road West, Sheung Wan, Hong Kong.

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 Company and its subsidiaries hereinafter are collectively referred to as the "Group".

These consolidated financial statements are presented in million of unit of Hong Kong dollars (HK$'million), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(i) New and amendments to standards that have been issued and are effective for the periods commencing after 1 July 2015, that are relevant to the Group

There are no new and amendments to standards of HKFRS, which have been published for the periods beginning on or after 1 July 2015, that are relevant to the Group.

(ii) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of preparation *(continued)*

(iii) New standards and amendments to standards have been issued but are not effective and have not been early adopted

The following new standards, amendments to standards and interpretation have been issued but are not effective for the year ended 30 June 2016 and have not been early adopted by the Group:

Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[1]
Amendments to HKAS 27	Equity method in separate financial statement[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
HKFRS 9	Financial instruments[2]
HKFRS 14	Regulatory deferral accounts[1]
HKFRS 15	Revenue from contracts with customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective date to be determined

The Group is assessing the impact of these new standards and will apply them once they are effective.

(b) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Subsidiaries *(continued)*

(i) Business combinations *(continued)*

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(d) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Production sharing contracts constitute joint operations. The Group shall recognise in relation to its interest in joint operations: (i) its assets, including its share of any assets held jointly; (ii) its liabilities, including its share of any liabilities incurred jointly; (iii) its revenue from the sale of its share of the output arising from the joint operations; (iv) its share of the revenue from the sale of the output by the joint operations; and (v) its expenses, including its share of any expenses incurred jointly.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is United States dollars ("US$"). The consolidated financial statements are presented in HK dollars ("HK$"), which is the Company and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

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 nonmonetary 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.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Foreign currency translation *(continued)*

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(g) Property, plant and equipment

Property, plant and equipment comprise mainly leasehold land and buildings, motor vehicles, vessels, oil and gas properties and construction in progress. Accounting policies for oil and gas properties are set out in Note 2(h). All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The principal annual rates are as follows:

Leasehold land	Over the lease term
Leasehold building	Over the shorter of the term of the lease, or 40 years
Others	20% to 33-$^{1}/_{3}$%
Vessels	4% to 6-$^{2}/_{3}$% except for the components under dry-docking. Upon acquisition and completion of construction of a vessel which are required to be replaced at the next dry-docking date i.e. five years. Costs incurred on subsequent dry-docking of vessels are capitalized and depreciated over the period to the next estimated dry-docking date at 20% for annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(l)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Property, plant and equipment *(continued)*

Construction in progress includes property, plant and equipment for production or for its own use purposes. Construction in process in respect of exploratory wells is classified to oil and gas properties when production of oil starts. Construction in progress in respect of other assets is classified to the appropriate category of property, plant and equipment when construction is completed and the asset is ready for intended use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains and losses, net" in the consolidated profit or loss.

(h) Oil and gas properties

The successful efforts method of accounting is used for oil and gas exploration and production activities. Under this method, all costs for development wells, support equipment and facilities, and proved mineral interests in oil and gas properties are capitalised. Geological and geophysical costs are expensed when incurred. Costs of exploratory wells are capitalised as construction in progress pending determination of whether the wells find proved oil and gas reserves. Proved oil and gas reserves are the estimated quantities of crude oil and natural gas, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulation before the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain regardless of whether the estimate is a deterministic estimate or probabilistic estimate. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period before the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. The cost shall be that prevailing at the end of the period.

Exploratory wells in areas not requiring major capital expenditure are evaluated for economic viability within one year of completion of drilling. The related well costs are expensed as dry holes if it is determined that such economic viability is not attained. Otherwise, the related well costs are reclassified to oil and gas properties and are subject to impairment review (note 2(g)). For exploratory wells that are found to have economically viable reserves in areas where major capital expenditure will be required before production can commence, the related well costs remain capitalised only if additional drilling is underway or firmly planned. Otherwise the related well costs are expensed as dry holes. The Group does not have any significant costs of unproved properties capitalised in oil and gas properties.

The cost of oil and gas properties is depleted using the unit of production method by reference to the ratio of production in the year to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers periodically.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuer. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated profit or loss as part of a valuation gain or loss in "Other gains and losses, net".

(j) 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.

(k) Prepaid operating lease payments

Prepaid operating lease payments are lump sum upfront payments to acquire long-term interest in lessee-occupied properties. Prepaid operating lease payments relating to buildings and coasts of the Group under operating lease arrangements are stated at cost and are amortised over the period of the lease on the straight-line basis to the profit or loss.

(l) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade debtors", "prepayments and other receivables" and "cash and cash equivalents" in the consolidated statement of financial position.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the profit or loss within "Other gains and losses, net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss as part of other income when the Group's right to receive payments is established.

(n) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated profit or loss. If a loan or held – to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated profit or loss.

(p) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group's derivative instruments do not qualify for hedge accounting, and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately within "net gains on derivative financial instruments" in the consolidated profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) 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.

(r) Trade debtors and other receivables

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade debtors and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(s) Cash and cash equivalents

Cash and bank balances include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts which are repayable on demand form an integral part of the Group's cash management and often fluctuate from being positive to overdraft. In the consolidated statement of financial position, bank overdrafts are shown within bank borrowings in current liabilities.

(t) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(w) Borrowing costs

General and specific 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 consolidated profit or loss in the period in which they are incurred.

(x) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The derivative component of the convertible bonds is recognised initially at fair value. The liability component is recognised initially at the difference between the fair value of the convertible bonds as a whole and the fair value of the derivative component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The derivative are subsequently measured at fair value and any gains or losses derived from its changes are recognised in the consolidated profit or loss.

The liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group and its joint arrangements operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the joint arrangements' undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Current and deferred income tax *(continued)*

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(z) Employee benefits

(i) Retirement benefit costs

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

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

The Group's subsidiaries in the People's Republic of China ("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.

(ii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

Non-market vesting conditions are included in assumptions about the number of options or restricted shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options or restricted shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated profit or loss, with a corresponding adjustment to equity.

Share option scheme

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Share award scheme

When restricted shares are granted, the fair value of restricted shares are recognised as expense with a corresponding adjustment to equity over the vesting period.

Where the Group purchases the Company's shares from the market, the consideration paid, including any directly attributable incremental costs, is presented as "shares held for award scheme" and deducted from total equity.

The social security contributions payable in connection with the grant of the share options and restricted shares is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ab) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(ac) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Revenue from sales of upstream crude oil and upstream natural gas from the oil and gas 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 and upstream natural gas based on the amount of each product sold. Sales represent the invoiced value of sales of upstream crude oil and upstream natural gas sold by the Group, excluding special petroleum levy tax. Revenue from the sales of upstream crude oil upstream natural gas 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 or the gas has transferred to its customers.

Service income is recognised when services are provided.

Income from time charter is recognised on a straight-line basis over the term of the relevant lease period of each charter.

Income 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ac) Revenue recognition *(continued)*

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).

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

(ad) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(ae) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to prepaid lease payments are included in non-current assets as deferred government grants and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

(af) Dividends distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) Market risk

(1) Currency risk

Certain cash and bank balances, trade debtors, other receivables, trade creditors, other creditors and accrued changes 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 other than the functional currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2016	2015	**2016**	2015
	HK$'million	HK$'million	**HK$'million**	HK$'million
US$	**245**	175	**–**	1
HK$	**115**	68	**2**	3
Renminbi ("RMB")	**5**	10	**3**	2
Singapore Dollars ("SGD")	**16**	9	**28**	19

In addition, at 30 June 2016, the Group's exposure to foreign currency risk also arose from US$ denominated intercompany balances with carrying amount of approximately HK$724 million (2015: HK$483 million), which were not denominated in the RMB functional currency of the respective group entities as the borrowers. These intercompany balances do not form part of the Group's net investment in foreign operations.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2015: 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% (2015: 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 intragroup balances which are denominated in relevant foreign currencies and adjusts its translation at the year end for a 5% (2015: 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% (2015: 5%) against the functional currency of respective group entities. For a 5% (2015: 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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) Market risk *(continued)*

(1) *Currency risk* *(continued)*

Sensitivity analysis (continued)

	2016 HK$'million	2015 HK$'million
Increase/decrease in post-tax profit for the year		
US$ against RMB impact	45	31

(2) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank balances, convertible bonds and loan from a related company. The Group does 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 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 2016 and the reasonably possible change taking place at the beginning of each year and held constant throughout the year. A 10 basis point increase or decrease is used which represents directors of the Company's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2015: 10 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 30 June 2016 would decrease/increase by approximately HK$68 million (2015: HK$11 million). 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 2016 and 2015, 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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) Market risk *(continued)*

(3) Price risk

Price risk on equity securities

The Group is exposed to listed equity securities price risk through its financial assets at fair value through profit or loss. 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.

For the quoted prices of the respective equity instruments at 30 June 2016 and 2015, the directors of the Company consider the Group's exposure to price risk is minimal taking into account the carrying amounts at the end of the reporting period. Accordingly, no sensitivity analysis on interest rate risk is presented.

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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) Market risk *(continued)*

(3) Price risk *(continued)*

Oil price risk (continued)

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.

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% (2015: 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").

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) Market risk *(continued)*

(3) ***Price risk*** *(continued)*

Sensitivity analysis (continued)

If the Quoted Oil Contracts Prices had been 5% (2015: 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% (2015: 5%) lower, there would be an equal and opposite impact on the post-tax profit for the year as set out below:

	2016 **HK$'million**	2015 HK$'million
Increase (decrease) in post-tax profit for the year		
as a result of a 5% in fair value		
– fuel, gas and crude inventories (except for those produced from upstream crude oil business)	**21**	36
– derivative financial instruments	**(144)**	(112)
	(123)	(76)

(ii) 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 trade debtors, amounts due from joint ventures 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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(ii) Credit risk *(continued)*

At 30 June 2016, the Group has concentration of credit risk on receivables from brokers and certain trade debtors. The brokers are with high credit ratings assigned by international credit-rating agencies. The credit risk on cash at banks are limited because the counterparties are banks with high credit-rating assigned by international credited-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 63% and 56% (2015: 87% and 47%) of the total trade debtors at 30 June 2016, 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.

(iii) 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 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 2016, the Group has available unutilised short-term bank loan facilities of approximately HK$11,750 million (2015: HK$13,001 million). Details of the Group's bank borrowings outstanding at 30 June 2016 are set out in note 27.

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.

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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) Liquidity risk *(continued)*

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'million	3 months to 1 year HK$'million	1 year to 5 years HK$'million	Over 5 years HK$'million	Total undiscounted cash flows HK$'million	Total carrying amount HK$'million
2016							
Non-derivative financial liabilities							
Trade creditors	–	5,277	–	–	–	5,277	5,277
Other creditors and accrued charges	–	1,574	–	–	–	1,574	1,574
Bank borrowings	4.46	3,994	1,470	6,725	–	12,189	11,108
Loans from a related company	10	–	1,378	–	–	1,378	1,334
Convertible bonds (Note c)	11	–	–	1,422	–	1,422	1,063
		10,845	2,848	8,147	–	21,840	20,356
Derivatives – net settlement							
Futures contracts							
– financial assets		(22)	–	–	–	(22)	(22)
– financial liabilities		2	–	–	–	2	2
Swaps contracts							
– financial assets		(54)	(1)	–	–	(55)	(55)
– financial liabilities		197	3	–	–	200	200
		123	2	–	–	125	125
Derivatives – gross settlement							
Forwards sales (Note a)							
– inflow (cash)		(4,861)	(2,455)	–	–	(7,316)	(7,316)
– outflow (oil)		4,939	2,467	–	–	7,406	7,406
Forwards purchase (Note b)							
– inflow (oil)		(3,269)	(2,371)	–	–	(5,640)	(5,640)
– outflow (cash)		3,212	2,358	–	–	5,570	5,570
		21	(1)	–	–	20	20

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) Liquidity risk *(continued)*

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'million	3 months to 1 year HK$'million	1 year to 5 years HK$'million	Over 5 years HK$'million	Total undiscounted cash flows HK$'million	Total carrying amount HK$'million
2015							
Non-derivative financial liabilities							
Trade creditors	–	3,115	–	–	–	3,115	3,115
Loans from a related company	10.00	–	1,004	930	–	1,934	1,761
Other creditors and accrued charges	–	890	–	–	–	890	890
Bank borrowings	3.08	3,967	802	5,558	1,253	11,580	10,854
		7,972	1,806	6,488	1,253	17,519	16,620
Derivatives – net settlement							
Futures contracts							
– financial assets		(5)	(10)	–	–	(15)	(15)
– financial liabilities		10	10	–	–	20	20
Swaps contracts							
– financial assets		(125)	(14)	–	–	(139)	(139)
– financial liabilities		100	13	–	–	113	113
		(20)	(1)	–	–	(21)	(21)
Derivatives – gross settlement							
Forwards sales (Note a)							
– inflow (cash)		(5,675)	(191)	–	–	(5,866)	(5,866)
– outflow (oil)		5,601	191	–	–	5,792	5,792
Forwards purchase (Note b)							
– inflow (oil)		(5,080)	–	–	–	(5,080)	(5,080)
– outflow (cash)		5,133	–	–	–	5,133	5,133
		(21)	–	–	–	(21)	(21)

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) 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.

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (the aggregate of bank borrowings and convertible bonds) less receivables from brokers, pledged bank deposits and bank balances and cash.

	2016 HK$'million	2015 HK$'million
Total borrowings	**12,440**	10,854
Less:		
Receivables from brokers (note 19)	**(478)**	(231)
Pledged bank deposits (note 24)	**(424)**	(1,553)
Bank balances and cash (note 24)	**(4,471)**	(935)
Net debt	**7,067**	8,135
Total equity	**11,205**	10,726
Gearing ratio	**63%**	76%

(c) Fair value estimation

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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Fair value estimation *(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 2016 Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million	Valuation techniques and inputs	Significant unobservable inputs
Non-derivative Financial assets at fair value through profit or loss	70	–	–	70	Quoted bid prices in active market	N/A
Oil and gasoline futures and swaps contracts	77	–	–	77	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 dealt with counterparties	–	88	–	88	Difference between contractual prices and forward prices and forward prices which are derived from applicable forward curve for remaining duration of the investment	N/A
Total	147	88	–	235		

Financial liabilities	Fair value at 30 June 2016 Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million	Valuation techniques and inputs	Significant unobservable inputs
Oil and gasoline futures and swaps contracts	202	–	–	202	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 dealt with counterparties	–	109	–	109	Difference between contractual prices and forward prices and forward prices which are derived from applicable forward curve for remaining duration of the investment	N/A
Derivative of convertible bonds' conversion component	–	–	269	269	Reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing model. Inputs to these models are taken from observable markets where possible,, a degree of judgement is required in establishing fair values	N/A
Total	202	109	269	580		

3 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Fair value estimation *(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 2015 Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million	Valuation techniques and inputs	Significant unobservable Inputs
Non-derivative securities held-for-trading	139	–	–	139	Quoted bid prices in active market	N/A
Oil and gasoline futures and swaps contracts	155	–	–	155	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 dealt with counterparties	–	123	–	123	Difference between contractual prices and forward prices and forward prices which are derived from applicable forward curve for remaining duration of the investment	N/A
Total	294	123	–	417		

Financial liabilities	Fair value at 30 June 2015 Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million	Valuation techniques and inputs	Significant unobservable Inputs
Oil and gasoline futures and swaps contracts	134	–	–	134	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 dealt with counterparties	–	103	–	103	Difference between contractual prices and forward prices and forward prices which are derived from applicable forward curve for remaining duration of the investment	N/A
Total	134	103	–	237		

There is no transfer between different levels of fair value hierarchy for the years ended 30 June 2016 and 2015.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Fair value estimation *(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.

(d) Offsetting financial assets and financial liabilities

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

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

At 30 June 2016

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

	Gross amounts of recognised financial assets HK$'million	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'million	Net amounts of financial assets presented in the consolidated statement of financial position HK$'million
Receivables from brokers	407	–	407
Derivative financial assets			
– futures	22	–	22
– swaps	55	–	55
	484	–	484

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

	Gross amounts of recognised financial assets HK$'million	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'million	Net amounts of financial assets presented in the consolidated statement of financial position HK$'million
Derivative financial liabilities			
– futures	(2)	–	(2)
– swaps	(200)	–	(200)
	(202)	–	(202)

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Offsetting financial assets and financial liabilities *(continued)*

At 30 June 2016 *(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$'million	Derivative financial instruments HK$'million	Total HK$'million	derivative financial liabilities HK$'million	Net amounts HK$'million
Counterparty A	407	37	444	(182)	262
Counterparty B	–	40	40	(20)	20
Total	407	77	484	(202)	282

Net financial liabilities subject to the Netting Agreements by counterparty

	Net amounts of financial assets presented in the consolidated statement of financial position HK$'million	Related amounts not set off in the consolidated statement of financial position derivative financial liabilities HK$'million	Net amounts HK$'million
Counterparty A	(182)	182	–
Counterparty B	(20)	20	–
Total	(202)	202	–

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Offsetting financial assets and financial liabilities *(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$'million	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'million	Net amounts of financial assets presented in the consolidated statement of financial position HK$'million
Receivables from brokers	222	–	222
Derivative financial assets			
– futures	15	–	15
– swaps	140	–	140
	377	–	377

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

	Gross amounts of recognised financial assets HK$'million	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'million	Net amounts of financial assets presented in the consolidated statement of financial position HK$'million
Derivative financial liabilities			
– futures	(20)	–	(20)
– swaps	(114)	–	(114)
	(134)	–	(134)

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Offsetting financial assets and financial liabilities *(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				
	Receivables from brokers HK$'million	Derivative financial instruments HK$'million	Total HK$'million	Related amounts not set off in the consolidated statement of financial position derivative financial liabilities HK$'million	Net amounts HK$'million
Counterparty A	34	4	38	(3)	35
Counterparty B	10	6	16	(5)	11
Counterparty C	178	144	322	(125)	197
Counterparty D	–	1	1	(1)	–
Total	222	155	377	(134)	243

Net financial liabilities subject to the Netting Agreements by counterparty

	Net amounts of financial assets presented in the consolidated statement of financial position HK$'million	Related amounts not set off in the consolidated statement of financial position derivative financial liabilities HK$'million	Net amounts HK$'million
Counterparty A	(3)	3	–
Counterparty B	(5)	5	–
Counterparty C	(125)	125	–
Counterparty D	(1)	1	–
Total	(134)	134	–

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimation of crude oil and natural gas reserves and corresponding depletion and depreciation

Estimates of oil and natural gas reserves are key elements in the Group's investment decision-making process. They are also an important element in testing for impairment. Changes in proved oil and natural gas reserves, particularly proved developed reserves, will affect unit-of-production depletion, depreciation, and amortisation recorded in the Group's consolidated financial statements for property, plant and equipment related to oil and gas production activities as well as mining interests. A reduction in proved developed reserves will increase depletion, depreciation and amortisation charges. Proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. During the year ended 30 June 2016, the management has revised the estimates of depletion and depreciation of oil and gas properties resulting in an increase in depletion and depreciation of approximately HK$360 million for the year ended 30 June 2016.

(b) Fair value of convertible bonds and the embedded conversion options

The fair value of convertible bonds and the embedded conversion options are determined using valuation techniques including reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Details of the assumptions used in determining the fair value of the convertible notes and the embedded conversion options have been disclosed in note 29.

(c) 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(d) Estimation of impairment of non-financial assets

The Group tests at least annually whether property, plant and equipment and mining interests has suffered any impairment. It was under reviewed for possible impairments whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates and judgements such as future prices of natural gas and crude oil. However, the impairment reviews and calculations are based on assumptions that are consistent with the Group's business plans. Favourable changes to some assumptions may allow the Group to avoid the need to impair any assets in these years, whereas unfavourable changes may cause the assets to become impaired. During the year ended 30 June 2016, the mining interests of HK$4,504 million and upstream oil and gas properties of HK$2,917 million are subject to the uncertainty risk of impairment.

The Group relied on experts to assess the geological prospects for the discovery of oil in the oil field or gas field and estimated the value of oil and gas to be produced in the future at a suitable discount rate in order to calculate the present value. For drilling costs, the Group determined whether the related well costs are expensed if it is determined that such economic viability is not attained after performing further feasibility studies. Judgement is required by the directors to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

(e) Current and deferred income tax

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed.

5 REVENUE AND SEGMENT INFORMATION

The Group's 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.

Revenue for the year comprises the following:

	2016 **HK$'million**	2015 HK$'million
Sales of petroleum products from international trading	**40,437**	64,084
Revenue from marine bunkering	**4,169**	5,890
Sales of crude oil from upstream business	**1,324**	1,832
Sales of natural gas from upstream business	**798**	1,000
Marine transportation income	**1,338**	1,291
Others	**5**	7
	48,071	74,104

5 REVENUE AND SEGMENT INFORMATION *(continued)*

The chief operating decision-maker has been identified as the Executive Directors of the Group (collectively referred to as the "CODM") that make strategic decisions. The CODM reviews the internal reporting of the Group in order to assess performance and allocate resources.

The CODM presented the following reportable segments for the year ended 30 June 2016:

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 crude oil business	–	Crude oil development, production and sales operation
Upstream natural gas business	–	Natural gas development, production and sales operation

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

The CODM assesses the performance of the operating segments based on a measure of the results of reportable segments. Segment results represent the profit earned by each segment without allocation of other income, other gains and losses, net (excluding net losses/gains on financial assets at fair value through profit or loss, reversal/recognition of impairment losses 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, finance costs and income tax. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Revenue from external customers is shown after elimination of inter-segment revenue. Sales between segments are carried out at mutually agreed terms. The revenue from external parties reported to CODM is measured in a manner consistent with that in the consolidated profit of loss. The direct investments segment does not meet the quantitative thresholds required by HKFRS 8 for reportable segment, its financial information is included in "Others" segment and the corresponding comparatives have been restated.

5 REVENUE AND SEGMENT INFORMATION *(continued)*

Information regarding the Group's reportable segments as provided to the Executive Directors for the purpose of resources allocation and assessment of segment performance for the years ended 30 June 2016 and 2015 is set out below.

For the year ended 30 June 2016

	International trading and bunkering operation HK$'million	Marine transportation operation HK$'million	Upstream natural gas business HK$'million	Upstream crude oil business HK$'million	All other segment HK$'million	Total HK$'million
Segment revenue and results						
Revenue from external customers	44,606	1,338	798	1,324	5	48,071
Inter-segment sales	262	88	–	–	–	350
	44,868	1,426	798	1,324	5	48,421
Segment results	727	547	347	(71)	80	1,630
Other income and other gains and losses, net						(21)
Unallocated corporate expenses						(106)
Finance costs						(672)
Share of profits of joint ventures						13
Profit before taxation						844
Amounts included in the measure of segment profit or loss:						
Amortisation of mining interests	–	–	–	(629)	–	(629)
Depletion and depreciation of property, plant and equipment	(17)	(218)	(123)	(570)	(13)	(941)
Reversal of impairment loss on mining interests	–	–	–	78	–	78
Reversal of impairment loss on property, plant and equipment	–	–	–	29	–	29
Net gains on derivative financial instruments	209	–	–	–	–	209
Net losses on financial assets at fair value through profit or loss	–	–	–	–	(65)	(65)
Unrealised net gains on fuel, gas and crude oil inventories (except for those produced from upstream crude oil business)	64	–	–	–	–	64

5 REVENUE AND SEGMENT INFORMATION *(continued)*

For the year ended 30 June 2015

	International trading and bunkering operation HK$'million	Marine transportation operation HK$'million	Upstream natural gas business HK$'million	Upstream crude oil business HK$'million	All other segment HK$'million (Restated)	Total HK$'million
Segment revenue and results						
Revenue from external customers	69,974	1,291	1,000	1,832	7	74,104
Inter-segment sales	487	84	–	–	–	571
	70,461	1,375	1,000	1,832	7	74,675
Segment results	758	305	763	657	33	2,516
Other income and other gains and losses, net						21
Unallocated corporate expenses						(134)
Finance costs						(655)
Share of profits of joint ventures						13
Profit before taxation						1,761
Amounts included in the measure of segment profit or loss:						
Amortisation of mining interests	–	–	–	(506)	–	(506)
Depletion and depreciation of property, plant and equipment	(18)	(213)	(80)	(253)	(3)	(567)
Recognition of impairment loss on mining interests	–	–	–	(78)	–	(78)
Recognition of impairment loss on property, plant and equipment	–	–	–	(29)	–	(29)
Net gains on derivative financial instruments	1,078	–	–	163	–	1,241
Net gains on financial assets at fair value through profit or loss	–	–	–	–	62	62
Unrealised net losses on fuel, gas and crude oil inventories (except for those produced from upstream crude oil business)	(187)	–	–	–	–	(187)

5 REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information

The Group's operations are mainly located in the PRC (country of domicile), Oman, Singapore and other countries.

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 crude oil and natural gas 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 excluding interests in joint ventures 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	
	2016	2015	**2016**	2015
	HK$'million	HK$'million	**HK$'million**	HK$'million
The PRC	**9,537**	39,990	**11,676**	11,388
Oman	**26,509**	17,765	**–**	–
Singapore	**5,540**	9,307	**5,428**	5,603
Others	**6,485**	7,042	**102**	105
	48,071	74,104	**17,206**	17,096

For the year ended 30 June 2016, external revenue of approximately HK$19,389 million (2015: HK$38,897 million) is generated from one (2015: two) major customer, each of which accounts for 10% or more of the Group's external revenue. The revenue is attributable to the international trading and bunkering operation segment.

6 OTHER GAINS AND LOSSES, NET

	2016	2015
	HK$'million	HK$'million
Fair value loss on conversion option derivatives embedded in convertible bonds (note 29)	**(5)**	–
Fair value gain on investment property (note 17)	**5**	–
Net foreign exchange (losses)/gains	**(67)**	2
Net (losses)/gains on financial assets at fair value through profit or loss	**(65)**	62
Amortisation of deferred loss on conversion components (note 29)	**(10)**	–
Net gains on derivative financial instruments (note 28)	**209**	1,241
Reversal/(recognition) of impairment loss on mining interests (note 14)	**78**	(78)
Reversal/(recognition) of impairment loss on property, plant and equipment (note 15)	**29**	(29)
Others	**5**	11
Total other gains and losses, net	**179**	1,209

7 FINANCE COSTS

	2016 HK$'million	2015 HK$'million
Interest expense on bank borrowings	448	424
Imputed interest expense on loans from a related company (note 30)	174	185
Interest expense on convertible bonds/notes (note 29)	103	29
Interest expense on other borrowings and factoring arrangements	75	33
Unwinding of discounting effect of provision for restoration and environmental costs (note 31)	15	12
Total	815	683
Less: amounts capitalised to construction in progress	(143)	(28)
Total finance costs	672	655

The weighted average interest rate on capitalised borrowings costs is approximately 4.69% (2015: 1.67%) per annum.

8 EXPENSES BY NATURE

	2016 HK$'million	2015 HK$'million
Cost of inventories recognised as expense	44,249	70,590
Unrealised net (gains)/losses on fuel, gas and crude oil inventories, except for those produced from upstream crude oil business	(64)	187
Port charges	117	109
Depletion and depreciation of property, plant and equipment (note 15)	941	567
Amortisation of mining interests (note 14)	629	506
Operating lease rentals paid in respect of rental premises and oil storage facilities	235	179
Employee benefit expenses (including directors' remuneration) (note 9)	210	201
Brokerage and commission expenses	97	100
Professional fees	9	68
(Reversal)/recognition of impairment loss on trade debtors (note 22)	(2)	3
Amortisation of prepaid operating lease payment (note 16)	11	11
Auditor's remuneration	4	4
Others	353	402
	46,789	72,927

Note: Rentals amounting to approximately HK$2 million (2015: HK$1 million) in respect of accommodation provided to directors are included under staff costs.

9 EMPLOYEES BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2016 HK$'million	2015 HK$'million
Wages, salaries and other benefits	181	182
Share-based payments	19	7
Retirement benefits scheme contributions	10	12
	210	201

(a) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2015: four) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 10(a). The emoluments of the remaining one (2015: one) highest paid individual are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, bonus and other benefits	1,511	3,185
Share-based payments – share award	–	–
Retirement benefit scheme contributions	–	–
	1,511	3,185

The number of employees whose remuneration fell within the following band was as follows:

	No. of individuals 2016	2015
HK$1,500,001 to HK$2,000,000	1	–
HK$3,000,001 to HK$3,500,000	–	1

During the year ended 30 June 2016, no emolument 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 (2015: nil).

(b) Senior management remuneration by band

There were no senior management positions in the Group.

10 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

		Other emoluments			Share-based payments		
	Fee HK$'000	Salaries and other benefits HK$'000	Bonus HK$'000	Retirement benefits scheme contributions HK$'000	Share option HK$'000	Share award HK$'000	Total HK$'000
Year ended 30 June 2016							
Executive Directors:							
Sit Kwong Lam (note a)	–	3,482	–	18	–	–	3,500
Yung Pak Keung, Bruce (note b)	–	557	–	3	–	–	560
Tang Bo	–	3,482	–	18	–	590	4,090
Tan Yih Lin	–	3,482	–	18	–	590	4,090
Wang Wei (note c)	–	1,750	–	–	–	192	1,942
Non-Executive Director:							
Dai Zhujiang	450	–	–	–	–	95	545
Independent Non-Executive Directors:							
Lau Hon Chuen	450	–	–	–	–	95	545
Chang Hsin Kang	450	–	–	–	–	95	545
Kwong Chan Lam	450	–	–	–	–	95	545
Total	1,800	12,753	–	57	–	1,752	16,362
Year ended 30 June 2015							
Executive Directors:							
Sit Kwong Lam (note a)	–	3,482	219	18	–	–	3,719
Yung Pak Keung, Bruce (note b)	–	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

10 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

Notes:

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

(b) 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 include those for services tendered by him as the chief executive officer. On 21 August 2015, Dr. Yung has resigned as an Executive Director and the chief executive officer of the Company.

(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.

During the year ended 30 June 2016, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as a compensation for loss of office as director (2015: nil).

(b) Directors' retirement benefits

During the year ended 30 June 2016, no retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2015: nil).

(c) Directors' termination benefits

During the year ended 30 June 2016, no payment was made to directors as compensation for the early termination of the appointment during the year (2015: nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 30 June 2016, no payment was made to the former employer of directors for making available the services of them as a director of the Company (2015: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 30 June 2016, there are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2015: nil).

(f) Directors' material interests in transactions, arrangements or contracts

During the year ended 30 June 2016, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: nil).

11 INCOME TAX CREDIT/(CHARGE)

	2016 **HK$'million**	2015 HK$'million
Current tax:		
PRC Enterprise Income Tax ("EIT")	**(180)**	(345)
Overprovision in prior years	**220**	16
Deferred taxation (note 32)	**(2)**	(46)
Income tax credit/(charge) for the year	**38**	(375)

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 from Tuzi and Dina gas field 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 rates used in respect of Hong Kong Profits Tax and the Singapore Income Tax are 16.5% (2015: 16.5%) and 17% (2015: 17%) for the year, respectively. Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

No provision for the Hong Kong Profits Tax has been made in these consolidated financial statements as the Group has no estimated assessable profits for the year ended 30 June 2016 (2015: nil).

With the Global Trader Program incentive awarded by the Inland Revenue Authority of Singapore to the Group, certain qualified income (e.g. income from marine bunkering operation and sales of petroleum products) generated during the year from trading fuel oil and crude oil under the international trading and bunkering operation segment of the Group has been charged at a concessionary tax rate of 5% and applied to the Group up to 30 June 2018.

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 exempted from tax.

11 INCOME TAX (CHARGE) CREDIT *(continued)*

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the domestic rate applicable to profits in the country concerned as follows:

	2016 **HK$'million**	2015 HK$'million
Profit before taxation	**806**	1,761
Taxation at the domestic rate applicable to profits in the country concerned	**128**	402
Tax effect of expenses not deductible for tax purpose	**333**	251
Tax effect of income not subject to tax	**(62)**	(39)
Overprovision in respect of prior years	**(220)**	(16)
Effect of tax exemption granted by AIS	**(101)**	(40)
Decrease in opening deferred tax liabilities from a decrease in applicable tax rate	**–**	(5)
Tax effect of tax losses not recognised	**22**	7
Tax effect of deductible temporary differences not recognised	**34**	1
Utilisation of tax losses previously not recognised	**(20)**	(34)
Effect of tax relief granted to the subsidiaries	**(118)**	(125)
Others	**(34)**	(27)
Income tax (credit)/charge for the year	**(38)**	375

12 DIVIDEND

On 26 September 2016, the Board of Directors does not recommend the payment of a dividend in respect of the year ended 30 June 2016.

On 22 September 2015, the Board of Directors proposed, a final dividend of HK2.0 cents per share, totally approximately HK$204 million, in respect of the year ended 30 June 2015. The dividend was paid in 2016.

13 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less shares held under Share Award Scheme during the year.

	2016 **HK$'million**	2015 HK$'million
Profit attributable to owners of the Company	**844**	1,386
Weighted average number of ordinary shares in issue less shares held under Award Scheme during the year	**10,122**	8,903

13 EARNINGS PER SHARE *(continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share award. The convertible bonds are assumed to have been converted into ordinary shares, and the profit attributable to owners of the Company is adjusted to eliminate the interest expense less the tax effect. For the share award, the number of shares that would have been issued assuming the exercise of the share award less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share. The convertible bonds issued during the year ended 30 June 2016 are anti-dilutive, accordingly it is not included in the calculations below for the year ended 30 June 2016.

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

Earnings

	2016 **HK$'million**	2015 HK$'million
Profit attributable to owners of the Company	**844**	1,386
Interest expense on convertible notes (net of tax)	**–**	25
Earnings for the purpose of diluted earnings per share	**844**	1,411

Number of shares

	2016 **'million**	2015 'million
Weighted average number of ordinary shares in issue less shares held under Award Scheme during the year	**10,122**	8,903
Effect of dilutive potential ordinary shares:		
Convertible bonds/notes	**–**	707
Unvested share award	**5**	1
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**10,127**	9,611

14 MINING INTERESTS

	2016 HK$'million	2015 HK$'million
At beginning of the year	5,051	–
Acquisition of a subsidiary (note 40)	–	5,633
Amortisation of mining interests (note 8)	(629)	(506)
Reversal/(recognition) of impairment loss	78	(78)
Exchange realignment	4	2
At end of the year	4,504	5,051

Mining interests represent the interest of the Group for extraction of crude oil from the contract areas 04/36 and 05/36 until September 2024 and January 2026 (the "Contract Periods") respectively, the time which all oil reserves are expected to be extracted, respectively.

As a result of the decrease in forward benchmark crude oil prices in 2016, the directors expect that the deterioration in growth of oil price outlook would continue in the next few years. Should the production plan be taken place in accordance with schedule made in last year, it would not be beneficial to the Group. Accordingly, the directors decided to change the Group's overall production plan. As a result, the directors conducted a review of the Group's oil production plan and determined that the Group's mining interests as well as oil properties whether should be further impaired.

The above changes in future oil price outlook and the Group's change in the production plan would have a significant impact to the timing and amount of expected future cash flows from the operation and the recoverable amount of the mining interests as well as oil properties of the Group.

An impairment test on the Group's mining interests as well as oil properties was performed as at 30 June 2016. The recoverable amount of mining interests as well as oil properties is determined at the fair value less costs of disposal using a discounted cash flow method and is assessed at the cash generating unit ("CGU") level. The fair value measurement of the Group's mining interests as well as oil properties is designated Level 3 on the fair value hierarchy.

The key assumptions for the calculation are those regarding the discount rates, and expected changes in future oil prices. The expected future oil prices range from US$57.5 per barrel in 2017 to US$100.0 per barrel in 2025. Forecast benchmark crude oil price assumptions tend to be stable because short-term increases or decreases in prices are not considered indicative of long-term price levels, but are nonetheless subject to change.

The Group used a pre-tax discount rates was 14% to discount future cash flows from the Group's CGU.

As at 30 June 2016, the Group determined that the fair value less costs of disposal exceeded the carrying amounts of the CGU by approximately HK$1,112 million. Accordingly, the entire impairment losses recognised on the mining interests as well as oil properties were reversed during the year ended 30 June 2016.

Changes in any of the key judgements and assumptions, such as a downward revision in reserves, a decrease in forecast benchmark crude oil prices, changes in foreign exchange rates, an increase in royalties or an increase in operating costs would decrease the recoverable amounts of the CGU. Since the carrying amount of the CGU is not sensitive to the changes in assumption, no sensitivity analysis is disclosed.

As at 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 recoverable amount of the CGU were less than its carrying amount by approximately HK$107 million and an impairment loss of the same amount was recognised for the CGU with amounts of approximately HK$29 million (notes 6 and 15) allocated to oil properties and approximately HK$78 million allocated to mining interests.

The key assumptions for the calculation are those regarding the discount rates, and expected changes in future oil prices. The expected future oil prices for the next ten years which range from US$69.85 per barrel in 2016 to US$91.13 per barrel in 2025. Forecast benchmark crude oil price assumptions tend to be stable because short-term increases or decreases in prices are not considered indicative of long-term price levels, but are nonetheless subject to change.

The Group used a pre-tax discount rates was 13% to discount future cash flows from the Group's CGU.

14 MINING INTERESTS *(continued)*

The sensitivity analysis below was 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 were used which represented directors of the Company's assessment on reasonably possible changes in discount rate and forecast oil prices respectively.

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 million and impairment loss allocated to mining interests and oil properties would be increased by approximately HK$80 million and HK$30 million 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 million and impairment loss allocated to mining interests and oil properties would be increased by approximately HK$407 million and HK$150 million respectively.

The reversal/recognition of impairment losses were included in "other gains and losses, net" in the consolidated profit or loss.

15 PROPERTY, PLANT AND EQUIPMENT

	Vessels HK$'million	Oil and gas properties HK$'million	Leasehold land and building HK$'million	Others HK$'million	Construction in progress HK$'million	Total HK$'million
Cost						
At 1 July 2014	6,141	1,601	64	114	1,619	9,539
Exchange realignment	2	2	–	–	2	6
Acquisition of a subsidiary (note 40)	–	1,241	–	2	536	1,779
Transfer	–	610	–	–	(610)	–
Additions	165	8	–	26	1,253	1,452
Disposals	–	–	–	(2)	–	(2)
At 30 June 2015	6,308	3,462	64	140	2,800	12,774
Exchange realignment	(3)	(92)	–	–	(170)	(265)
Transfer	–	310	–	–	(310)	–
Additions	142	403	470	16	808	1,839
At 30 June 2016	6,447	4,083	534	156	3,128	14,348
Accumulated depreciation and depletion						
At 1 July 2014	532	153	3	95	–	783
Exchange realignment	–	1	–	–	–	1
Provided for the year	222	333	1	11	–	567
Recognition of impairment loss (note 14)	–	29	–	–	–	29
Eliminated on disposals	–	–	–	(1)	–	(1)
At 30 June 2015	754	516	4	105	–	1,379
Exchange realignment	(7)	(14)	–	–	–	(21)
Provided for the year	235	693	1	12	–	941
Reversal of impairment loss (note 14)	–	(29)	–	–	–	(29)
At 30 June 2016	982	1,166	5	117	–	2,270
Carrying amounts						
At 30 June 2016	5,465	2,917	529	39	3,128	12,078
At 30 June 2015	5,554	2,946	60	35	2,800	11,395

15 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depletion and depreciation expenses of HK$941 million (2015: HK$567 million) has been charged in “cost of sales and services”.

As of 30 June 2016, the carrying amount of vessels to the extent of approximately HK$5,233 million (2015: HK$5,505 million) (note 27) was pledged as securities for bank borrowing of approximately HK$2,284 million.

16 PREPAID LEASE PAYMENTS

	2016 HK$'million	2015 HK$'million
Leasehold land and coast in the PRC with medium lease:		
As at 1 July	**528**	539
Amortisation for the year (note 8)	**(11)**	(11)
Exchange realignment	**(34)**	–
As at 30 June	**483**	528
Analysed for reporting purpose as:		
Current assets	**–**	12
Non-current assets	**483**	516
	483	528

During the year ended 30 June 2015, included in prepaid lease payments is an amount of approximately HK$75 million which is in the process of obtaining the land use rights certificate.

In previous years, the Group received government grants of approximately RMB286 million (equivalent to approximately HK$357 million) 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 2016, an accumulated amount of approximately HK$33 million (2015: HK$28 million) has already been credited to the consolidated profit or loss in the form of reduced charge of amortisation of the prepaid lease payments for land over the lease terms.

17 INVESTMENT PROPERTY

	2016 HK$'million	2015 HK$'million
At beginning of the year	42	42
Fair value gain (note 6)	5	–
At end of the year	47	42

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 2016 and 2015 has been arrived at on the basis of a valuation carried out on the respective date by Jones Lang LaSalle Limited, an independent qualified professional valuer. 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. The revaluation gains or losses is included in "other gains and losses, net" in the consolidated profit or loss.

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.

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 2016 HK$'million	2015 HK$'million	Fair value hierarchy	Valuation technique and key inputs
Commercial property unit located in Hong Kong	47	42	Level 3	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 3 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.

There were no transfers between Levels 1, 2 and 3 during the year.

Bank borrowings are secured on the investment property with for a value of HK$180 million (note 27).

18 INTERESTS IN JOINT VENTURES AND JOINT OPERATIONS

(a) Joint ventures

	2016 HK$'million	2015 HK$'million
At beginning of the year	719	601
Capital injection	–	124
Share of profits for the year	13	13
Exchange realignment	(30)	1
At end of the year	702	739

At 30 June 2016 and 2015, the Group had interests in the following joint ventures:

Name of entity	Form of business structure	Place of incorporation	Class of share held	Proportion of nominal value of registered capital held by the Group 2016 and 2015	Principal activity
Zhoushan Brightoil Terminal Co., Ltd. ("Zhoushan Terminal") (note 1)	Foreign owned enterprise	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	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 joint venture partner 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 joint venture partner 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.

18 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

	2016 HK$'million	2015 HK$'million
Non-current assets	905	711
Current assets	15	67
Current liabilities	(242)	(51)
Net assets	678	727
Other income and other gains and losses, net	1	1
Expenses	(1)	–
Profit and total comprehensive income for the year	–	1

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

	2016 HK$'million	2015 HK$'million
Net assets of Zhoushan Terminal	678	727
Proportion of the Group's ownership interest in Zhoushan Terminal	55%	55%
Carrying amount of the Group's interest in Zhoushan Terminal	373	400

18 INTERESTS IN JOINT VENTURES AND JOINT OPERATIONS *(continued)*

(a) Joint ventures *(continued)*

Summarised financial information of joint ventures *(continued)*

Dalian Terminal

	2016 HK$'million	2015 HK$'million
Non-current assets	23	29
Current assets	526	538
Current liabilities	(1)	(2)
Net assets	548	565
Other income and other gains and losses, net	21	22
Expenses	–	–
Profit and total comprehensive income for the year	21	22

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

	2016 HK$'million	2015 HK$'million
Net assets of Dalian Terminal	548	565
Proportion of the Group's ownership interest in Dalian Terminal	60%	60%
Carrying amount of the Group's interest in Dalian Terminal	329	339

18 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 ("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 Win Business GD and CNPC with a maximum of 4 members. The committee makes decisions on financial budgets and production plans which are considered as the relevant activities that may significantly affect the returns of Tuzi Natural Gas Project. These decisions require unanimous consent from both parties. As such, the Tuzi Natural Gas Project is jointly operated by the 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 55% and 49% by Win Business GD before and after full recovery of the Investment Costs 1 spent by Win Business GD respectively (the "Sharing Ratio 1").

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

65% of the revenue from sale of natural gas and condensate produced from the Tuzi gas field, representing the recovery gas (the "Recovery Gas 1"), would be initially shared by Win Business GD and CNPC in proportion to the sharing of costs for the recovery of operating expenses and the 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 sale of natural gas and condensate produced from the Tuzi gas field and the remainder of the Investment Recovery Gas 1 after all cost recovery, representing share gas, would be shared according to the Sharing Ratio 1.

During the year ended 30 June 2016, the Investment Costs 1 spent by Win Business GD have yet been recovered, therefore Win Business GD is currently adopting 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:

	2016 HK$'million	2015 HK$'million
Gas properties	**970**	816
Other property, plant and equipment	**347**	347
Other assets	**108**	107
Total assets	**1,425**	1,270
Total liabilities	**(460)**	(387)
Revenue	**492**	518
Expenses	**(267)**	(194)

18 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 ("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 Win Business Group and CNPC with a maximum of 4 members. The committee makes decisions on financial budgets and production plans which are considered as the relevant activities that may significantly affect the returns of Dina Natural Gas Project. These decisions require unanimous consent from both parties. As such, the Dina Natural Gas Project is jointly operated by 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 55% and 49% by Win Business Group before and after full recovery of the Investment Costs 2 spent by Win Business Group respectively (the "Sharing Ratio 2").

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

65% of the revenue from sale of natural gas and condensate from Dina Gas field, representing the recovery gas (the "Recovery Gas 2"), would be initially shared by Win Business Group and CNPC 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 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 Cost 2 incurred in the Dina Natural Gas Project. The remaining 35% of the revenue from sale of natural gas and condensate produced from the Dina Gas field and the remainder of the Investment Recovery Gas 2 after all cost recovery, representing share gas, would be 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 2014, therefore Win Business Group is currently adopting 49% to the Sharing Ratio 2.

18 INTERESTS IN JOINT VENTURES AND JOINT OPERATIONS *(continued)*

(b) Joint operations *(continued)*

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

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

	2016 HK$'million	2015 HK$'million
Gas properties	**379**	440
Other property, plant and equipment	**47**	–
Other assets	**63**	77
Total assets	**489**	517
Total liabilities	**(61)**	(85)
Revenue	**306**	492
Expenses	**(189)**	(172)

(3) Joint operations in the Bohai Bay oil field

Win Business Energy Caofeidian Limited ("Win Business CFD"), a subsidiary of the Group, 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%
Win Business CFD	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.

18 INTERESTS IN JOINT VENTURES AND JOINT OPERATIONS *(continued)*

(b) Joint operations *(continued)*

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

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, Win Business CFD, SPC and Newfield. 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 Win Business CFD, SPC and Newfield, 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. Win Business CFD was the operator when the PCs were set up. On 1 January 2013, the operatorships of Contract Areas were handed over to CNOOC.

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

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

62.5% of the annual gross production shall be recovery oil ("Recovery Oil"). Mining usage fee at progressive ad valorem rate, depending on annual gross production, shall be taken by PRC government from the Recovery Oil. Recovery Oil after mining usage 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 according to their participating interests in the Contract Areas.

32.5% of the annual gross production and remainder of the Recovery Oil after all cost recovery shall be remainder oil, which is further divided into profit sharing oil and allocable remainder oil. The profit sharing oil is taken by the 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.

18 INTERESTS IN JOINT VENTURES AND JOINT OPERATIONS *(continued)*

(b) Joint operations *(continued)*

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

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 2016 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:

	2016 HK$'million	2015 HK$'million
Oil properties	**1,397**	1,577
Mining interests	**4,505**	5,051
Other assets	**228**	433
Total assets	**6,130**	7,067
Liabilities	**(571)**	(660)
Revenue	**1,324**	1,832
Expenses	**(1,859)**	(1,598)

19 PREPAYMENTS AND OTHER RECEIVABLES

	2016 HK$'million	2015 HK$'million
Receivables from brokers (note a)	**478**	231
Prepayments and other receivables (note b)	**200**	213
	678	444
Less: Amounts due within one year shown under current assets	**(584)**	(352)
Non-current other receivables	**94**	92

Notes:

(a) Amount represents receivables from brokers for securities and derivatives trading which carried interest rates at prevailing market interest rates ranging from 0.002% to 0.14% (2015: 0.001% to 0.12%) per annum.

(b) Included in the balance at 30 June 2016 mainly is a prepaid amount of approximately HK$53 million (2015: HK$57 million) for acquisition of equipment to be used for the construction of oil storage facilities.

20 INVENTORIES

	2016 HK$'million	2015 HK$'million
Fuel, gas and crude oil (except for those produced from upstream crude oil business)	453	764
Crude oil (produced from upstream crude oil business)	26	7
Consumables	54	62
	533	833

At 30 June 2016, included in the carrying amount of fuel, gas and crude oil (except for those produced from upstream crude oil business), there was an amount of approximately HK$453 million (2015: HK$764 million) which was pledged as securities, by way of floating charges, for short-term credit facilities granted to the Group (Note 27).

21 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables HK$'million	Assets at fair value through the profit or loss HK$'million	Total HK$'million
30 June 2016			
Assets as per statement of financial position			
Trade and other receivables excluding prepayments	9,211	–	9,211
Derivative financial instruments	–	165	165
Financial assets at fair value through profit or loss	–	70	70
Pledged bank deposits	424	–	424
Bank balances and cash	4,471	–	4,471
	14,106	235	14,341

	Liabilities at fair value through the profit or loss HK$'million	Other financial liabilities at amortised cost HK$'million	Total HK$'million
Liabilities as per statement of financial position			
Bank borrowings	–	11,108	11,108
Derivative financial instruments	311	–	311
Trade and other payables excluding non-financial liabilities	–	7,264	7,264
Loan from a related company	–	1,334	1,334
Convertible bonds	269	1,063	1,332
	580	20,769	21,349

21 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	Loans and receivables HK$'million	Assets at fair value through the profit or loss HK$'million	Total HK$'million
30 June 2015			
Assets as per statement of financial position			
Trade and other receivables excluding prepayments	7,099	–	7,099
Derivative financial instruments	–	278	278
Financial assets at fair value through profit or loss	–	139	139
Pledged bank deposits	1,553	–	1,553
Bank balances and cash	935	–	935
	9,587	417	10,004

	Liabilities at fair value through the profit or loss HK$'million	Other financial liabilities at amortised cost HK$'million	Total HK$'million
Liabilities as per statement of financial position			
Bank borrowings	–	10,854	10,854
Derivative financial instruments	237	–	237
Trade and other payables excluding non-financial liabilities	–	4,867	4,867
Loans from a related company	–	1,761	1,761
	237	17,482	17,719

22 TRADE DEBTORS

	2016 HK$'million	2015 HK$'million
Trade debtors	**8,830**	6,965
Less: Allowance for bad and doubtful debts	**(3)**	(5)
	8,827	6,960

The carrying values of the Group's trade debtors approximate their fair value.

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 customer on sale of natural gas and condensates, 30 to 90 days to its marine transportation customers and 30 days to the sole customer on sale of crude oil.

As at 30 June 2016, the trade receivables from top five customers accounted for approximately 56% (2015: 47%) of the total trade receivable. The Group's credit risk management is disclosed in note 3.

22 TRADE DEBTORS *(continued)*

The following is an ageing 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:

	2016 HK$'million	2015 HK$'million
0–30 days	**8,720**	5,096
31–60 days	**9**	1,804
61–90 days	**14**	7
Over 90 days	**84**	53
	8,827	6,960

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% (2015: 99%) of the trade debtors are neither past due nor impaired. These customers have no default of payment in the past and have good credit rating under the credit review procedures adopted by the Group.

Included in the Group's trade debtors balance are debtors with aggregate carrying amount of approximately HK$87 million (2015: HK$53 million) 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.

Ageing of trade debtors which are past due but not impaired

	2016 HK$'million	2015 HK$'million
31–60 days	**27**	1
61–90 days	**5**	–
Over 90 days	**52**	52
	84	53

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.

22 TRADE DEBTORS *(continued)*

Movement in the allowance for bad and doubtful debts

	2016 HK$'million	2015 HK$'million
At beginning of the year	5	2
(Reversal)/recognition of impairment loss on trade debtors (note 8)	(2)	3
At end of the year	3	5

Allowance for bad and doubtful debts included individually impaired trade debtors with an aggregate balance of approximately HK$3 million (2015: HK$5 million) 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 2016, the carrying amount of trade debtors, which has been pledged as security for short-term credit facilities granted to the Group, is approximately HK$8,336 million (2015: HK$6,480 million) (note 27).

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'million	2015 HK$'million
Equity securities listed in Hong Kong	70	139

Financial assets at fair value through profit or loss are presented within "operating activities" as part of change in working capital in the statement of cash flows.

Financial assets at fair value through profit or loss are denominated in HK$.

24 PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2016 HK$'million	2015 HK$'million
Cash on hand or at bank (note a)	**4,379**	857
Bank deposits with original maturity over three months	**92**	78
Bank balances and cash	**4,471**	935
Pledged bank deposits (notes b and 27)	**424**	1,553
Total	**4,895**	2,488

Notes:

(a) The balance comprises cash and short-term bank deposits. At 30 June 2016, the bank balances carried interest at market rates ranging from 0.01% to 1.57% (2015: 0.01% to 1.83%) per annum.

Included in bank deposits, bank balances and cash are amounts of approximately HK$513 million (2015: HK$596 million) which are deposited with banks in Mainland China. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of Mainland China is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

(b) At 30 June 2016, 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 0.18% (2015: 0.1% to 0.17%) per annum.

The bank balances and cash that are denominated in the following currencies:

	2016 HK$'million	2015 HK$'million
US$	**4,329**	2,047
HK$	**222**	77
RMB	**330**	354
Others	**14**	10
	4,895	2,488

25 TRADE CREDITORS

	2016 HK$'million	2015 HK$'million
Third parties	5,234	3,110
A related party	43	5
	5,277	3,115

The carrying amounts of trade creditors approximate their fair values.

At 30 June 2016 and 2015, the ageing analysis of the trade creditors based on invoice date is as follow:

	2016 HK$'million	2015 HK$'million
0–30 days	5,195	3,074
31–60 days	41	27
61–90 days	4	4
Over 90 days	37	10
	5,277	3,115

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 credit period for trading with a related company is 45 days. The Group has financial risk management policies in place to ensure all payables within the credit time frame.

26 OTHER CREDITORS AND ACCRUED CHARGES

	2016 HK$'million	2015 HK$'million
Payables for purchase of property, plant and equipment	**1,730**	1,392
Amounts due to Interest Owners	**187**	208
Payable to the PRC government (note b)	**–**	79
Others	**70**	73
	1,987	1,752

Notes:

(a) The carrying amount of other creditors and accrued charges are denominated in the following currencies:

	2016 HK$'million	2015 HK$'million
US$	**166**	353
HK$	**15**	8
RMB	**1,805**	1,391
Other	**1**	–
	1,987	1,752

(b) As at 30 June 2015, the balance represented payable to the PRC government for the acquisition of the land use right certification. The amount is unsecured and non-interest bearing.

(c) The carrying amounts of other creditors and accrued charges approximate their fair values.

27 BANK BORROWINGS

	2016 HK$'million	2015 HK$'million
Secured variable-rate bank borrowings	**11,039**	10,854
Bank overdrafts	**69**	–
	11,108	10,854

27 BANK BORROWINGS *(continued)*

	2016 HK$'million	2015 HK$'million
Carrying amount payable:		
Within one year	**4,861**	4,567
Between one to two years	**1,825**	1,340
Between two to five years	**3,603**	3,766
Over five years	**819**	1,181
	11,108	10,854
Less: amounts due within one year classified under current liabilities	**(4,861)**	(4,567)
	6,247	6,287

Except for the bank borrowings to the extent of approximately HK$1,158 million (2015: HK$1,086 million), which are denominated in HK$, and all other bank borrowings are denominated in US$.

At 30 June 2016, the Group's secured variable-rate bank borrowings carry interest at LIBOR plus 2.25% to 5.2% (2015: LIBOR plus 1.50% to 4.08%) per annum or HIBOR plus 1.5% to 5.2% (2015: HIBOR plus 5.20%) per annum.

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

	2016	2015
Effective interest rate:		
Variable-rate borrowings	**1.50% – 5.39%**	1.83% – 5.43%

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

	2016 HK$ million	2015 HK$ million
Floating rate		
– expiring within one year	**10,757**	12,403
– expiring beyond one year	**993**	598
	11,750	13,001

Total borrowings include secured liabilities (bank and collateralised borrowings). Bank borrowings are approximately secured by the investment property of approximately HK$47 million (2015: Nil) (note 17), vessels of the Group of approximately HK$5,233 million (2015: HK$5,505 million) (note 15), trade debtors of approximately HK$8,336 million (2015: HK$6,480 million) (note 22), bank deposits of approximately HK$424 million (2015: HK$1,553 million) (note 24) and inventories of approximately HK$453 million (2015: HK$764 million) (note 20).

28 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments of the Group comprise 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 are directly dealt with some counterparties.

The Group manages the amount of inventories with the use of derivative financial instruments to manage their price risk arising from future commercial transactions and are not designated as hedges. The Group has not changed the processes used from previous periods. During the year ended 30 June 2016, the gain on fair value change of derivative financial instruments of approximately HK$209 million (2015: HK$1,241 million) are recorded in "net gains on derivative financial instruments" in the consolidated profit or loss (note 6).

Derivative financial instruments of the Group at 30 June 2016 and 2015 comprise of long and short positions in the following derivative contracts:

	2016		2015	
	Assets HK$'million	Liabilities HK$'million	Assets HK$'million	Liabilities HK$'million
Futures	22	(2)	15	(20)
Swaps	55	(200)	140	(114)
Forwards	88	(109)	123	(103)
	165	(311)	278	(237)

The contractual amount of the derivative financial instruments as at 30 June 2016 and 2015 are stated in the following:

	2016		2015	
	Assets US$'million	Liabilities US$'million	Assets US$'million	Liabilities US$'million
Futures	4	(97)	117	(100)
Swaps	394	(294)	548	(346)
Forwards	69	(99)	261	(160)
	467	(490)	926	(606)

29 CONVERTIBLE BONDS

(i) New convertible bonds issued this year

On 16 November 2015, the Company, Haitong International Capital Management Limited and Cheer Hope Holdings Limited entered into a convertible bonds subscription agreement and pursuant to which the Company agreed to privately placed convertible bonds with aggregate principal amount of approximately US$50 million (equivalent to approximately HK$388 million) to these two investors with maturity date on 19 November 2018 (the "Unlisted CB1"). The issue of the Unlisted CB1 was completed on 19 November 2015.

On 16 November 2015, the Company and two financial institutions entered into a convertible bonds supplemental subscription agreement and pursuant to which the Company agreed to issue convertible bonds with aggregate principal amount of approximately US$12 million (equivalent to approximately HK$93 million), which would be listed on the Stock Exchange, to these two financial institutions with maturity date on 13 November 2018 (the "Listed CB") and the two financial institutions agreed to subscribe and pay for or procure other subscribers to subscribe and pay for the Listed CB. The issue of the Listed CB was completed on 19 November 2015. Based on the initial Conversion Price of HK$2.50 per Share (subject to adjustments) and assuming full conversion of the Listed CB and the Unlisted CB1, these bonds will be convertible into approximately 192 million new shares.

On 9 December 2015, the Company and an investor Huangpu Investment Holding Limited entered into a convertible bonds subscription agreement and pursuant to which the Company agreed to privately placed convertible bonds with aggregate principal amount of approximately US$100 million (equivalent to approximately HK$775 million) to this investor with maturity date on 19 November 2018 (the "Unlisted CB2"). The issue of the Unlisted CB2 was completed on 15 December 2015. Based on the initial Conversion Price of HK$2.50 per Share (subject to adjustments) and assuming full conversion of the Unlisted CB2, the Unlisted Bonds will be convertible into approximately 310 million new shares.

As disclosed in the announcements of the Company dated 16 November 2015 and 9 December 2015, assuming conversion of the Listed CB, the Unlisted CB1 and the Unlisted CB2 (collectively referred to as the "Convertible Bonds") into new shares in full at the initial conversion price, the net price per new share to the Company (after deducting the relevant fees and expenses) is HK$2.45, HK$2.45 and HK$2.496, respectively.

The directors were of the view that the Convertible Bonds subscriptions represented a good opportunity for the Company to raise additional capital, and would allow the Company to increase its capital base and widen its shareholder base, if the holders of the Convertible Bonds convert their Convertible Bonds into the new shares.

All the investors, subscribers and financial institutions mentioned above are independent and not connected to the Group.

The Convertible Bonds were issued at par and carried a fixed interest rate of 5% per annum, which was payable semi-annually in arrear from the date of issue. The holders of the Convertible Bonds have the option to convert them into the Company's ordinary shares at a conversion price of HK$2.50 per share, subject to conversion price adjustments detailed below, at any time after the date of issue and 7 days prior to their respective maturity date. The converted shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion.

No early redemption at the option of the holders of the Convertible Bonds is allowed except when (i) the shares of the Company cease to be listed or admitted to trading, or when the shares of the Company are suspended from trading for a period equal to or exceeding 30 consecutive trading days; or (ii) there is a change of control over the Company as set out in the respective subscription agreements and trust deed. The Convertible Bonds can be redeemed by the Company at an early redemption amount, which represents a gross yield of 9% per annum calculated in accordance with terms and conditions as set out in the respective subscription agreements and trust deed, together with interest accrued but unpaid on the redemption date. Therefore, the issuer's early redemption option is accounted for as not closely related to the liability host component.

29 CONVERTIBLE BONDS *(continued)*

(i) New convertible bonds issued this year *(continued)*

The initial conversion price of the Convertible Bonds is subject to anti-dilutive adjustments 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 respective subscription agreements). Furthermore, if the volume weighted average price of the shares of the Company for each trading day during a period of any 20 consecutive trading days on or after a predefined date (i.e. 13 May 2016 for the Listed CB and 19 May 2016 for the Unlisted CB1 and Unlisted CB2) is less than the applicable conversion price, the conversion price shall be reset downwards to the average market price (the "Conversion Price Reset Option"), subject to the minimum floor price of HK$2.216 (subject to adjustment for dilutive events). Any reset to the conversion price shall be downward only and the conversion price may be reset multiple times.

Save as disclosed above, the terms and definitions of the Convertible Bonds are set out in the respective subscription agreements and disclosed in the Company's announcements dated 6 November 2015, 16 November 2015, 19 November 2015, 9 December 2015 and 15 December 2015.

In the presence of the Conversion Price Reset Option, the Convertible Bonds may not exchange a fixed number of the Company's own equity instrument for a fixed amount of cash. Therefore, the components of the Convertible Bonds are accounted for separately as host liability component, issuer's early redemption option not closely related to the liability host component and conversion option derivative. The fair values of the host liability component and the issuer's early redemption option and conversion option derivative of the Convertible Bonds were determined at the respective date of issue. The host 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 instruments and carried at amortised cost. The effective interest rates of the liability component of the Listed CB, the Unlisted CB1 and the Unlisted CB2 are 11.1%, 11.1% and 12.0% respectively. Subsequent to the initial recognition, the liability component is carried at amortised cost while the issuer's early redemption option and the conversion option derivative embedded in the Convertible Bonds are measured at fair value, with changes in fair value recognised in profit or loss.

The components for the issue of the Convertible Bonds and their movements for the period are set out below:

	Financial liabilities at amortised cost – debt portion HK$'million	**Financial liabilities at fair value through profit or loss – derivative portion** HK$'million	**Total** HK$'million
At 1 July 2015			
Issuance of convertible bonds issued	1,176	318	1,494
Deferred losses upon issuance	(176)	(62)	(238)
Fair value loss recognised (note 6)	–	5	5
Issuance cost	(6)	(2)	(8)
Interest expense (note 7)	103	–	103
Interest payment	(32)	–	(32)
Amortisation of deferred loss on conversion component (note 6)	–	10	10
Conversion during the year (note 33)	(2)	–	(2)
At 30 June 2016	1,063	269	1,332

29 CONVERTIBLE BONDS *(continued)*

(ii) Old convertible notes issued in 2009 and amended in 2012

Pursuant to the subscription agreement dated 25 June 2009 and the supplemental deed signed on 2 September 2009, convertible notes (the "2009 Convertible Notes") with aggregate principal amount of approximately US$120 million 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 2009 Convertible Notes was adjusted to US$0.04839.

The 2009 Convertible Notes were denominated in US$ and are non-interest bearing. The 2009 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 2009 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 2009 Conversion Shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion. If the 2009 Convertible Notes had not been converted up to the maturity date, the holder could request the Company to redeem the outstanding 2009 Convertible Notes at principal amount upon maturity.

Pursuant to the resolution passed by independent shareholders of the Company on 14 August 2012, the maturity date of the 2009 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 ("2012 Convertible Notes"). The holder of the 2012 Convertible Notes can exercise the conversion right at any time up to the New Maturity Date. Other than this, terms and conditions of the 2012 Convertible Notes remain unchanged from the 2009 Convertible Notes.

The modification for the New Maturity Date was considered to be a substantial modification of Convertible Notes and accordingly the original 2009 Convertible Notes were derecognised and 2012 Convertible Notes were recognised. The fair value of the 2012 Convertible Notes with principal amount of approximately US$39 million (approximately HK$300 million) as at 27 October 2012 amounting to approximately HK$1,267 million. On initial recognition, the 2012 Convertible Notes were split into liability and equity components. The liability component was measured at fair value of approximately HK$211 million 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$1,056 million, being the residual amount of the 2012 Convertible Notes after separating the liability component, was presented in equity heading in "Convertible notes reserve". In addition, deferred tax liability of approximately HK$15 million was charged directly to the carrying amount of the equity component.

29 CONVERTIBLE BONDS *(continued)*

(ii) Old convertible notes issued in 2009 and amended in 2012 *(continued)*

The movements of the liability component of the 2012 Convertible Notes for the year ended 30 June 2015 are set out below:

	2015 HK$'million
At beginning of the year	257
Imputed interest expense (note 7)	29
Converted into ordinary shares (note)	(286)
At end of the year	–

Note:

In May 2015, the holder of the 2012 Convertible Note exercised the conversion options with principal amount of US$39 million (equivalent to approximately HK$300 million). At 30 June 2016, the 2012 Convertible Notes were fully converted into ordinary shares of the Company. Details of the conversion are set out in note 33.

30 LOANS FROM A RELATED COMPANY

In June 2013 and June 2014, a related company controlled by Dr. Sit re-arranged certain trade payable, with aggregate principal amounts of approximately US$378 million (equivalent to approximately to HK$2,931 million) of which approximately US$133 million (equivalent to approximately to HK$1,031 million) had been repaid by the Group up to 30 June 2014, owed by the Group to it as unsecured loans to the Group. The loans were unsecured, interest-free and repayable on 26 July 2014 and 30 July 2015 respectively. During the year ended 30 June 2015, the remaining principal amounts totaling of approximately US$245 million (equivalent to approximately HK$1,900 million) were fully repaid. The imputed interests arise thereon of approximately HK$55 million and HK$4 million were charged to profit or loss and debited to equity as release of deemed capital contribution from ultimate controlling shareholder for early repayment.

In August 2014, December 2014, May 2015 and June 2015, the related company made further loans with principal amounts totaling of approximately US$460 million (equivalent to approximately HK$3,564 million) owed by the Group to it as unsecured loans to the Group. The loans were unsecured, interest-free and repayable on 5 August 2016, 31 January 2016 and 31 July 2016 respectively. On initial recognition, these loans were discounted using the prevailing market rate of interest for a similar instruments with similar credit ratings and imputed interests of approximately HK$396 million was credited to equity as deemed capital contribution from ultimate controlling shareholder. During the year ended 30 June 2015, the imputed interests charged to profit or loss approximately HK$130 million. The Company repaid the loans with aggregate principal amounts of approximately US$210 million (equivalent to approximately HK$1,628 million), of which approximately, respectively US$160 million (equivalent to HK$1,244 million) being early repayment and corresponding imputed interests of approximately HK$92 million was debited to equity as release of deemed capital contribution from ultimate controlling shareholder.

During the year ended 30 June 2016, remaining loans totally of approximately US$250 million (equivalent to approximately HK$1,761 million) were fully repaid and imputed interests arise there on awarded to approximately HK$174 million was charged to profit or loss.

In June 2016, the related company made a loan with principal amount of approximately US$172 million (equivalent to approximately HK$1,334 million) to the Group. The loan was unsecured, interest-free and repayable on 30 September 2016.

31 PROVISION FOR RESTORATION AND ENVIRONMENTAL COSTS

	2016 HK$'million	2015 HK$'million
At beginning of the year	**211**	–
Acquisition of a subsidiary (note 40)	**–**	192
Provision for the year	**8**	7
Unwinding of discounting effects for the year (note 7)	**15**	12
Exchange realignment	**1**	–
At end of the year	**235**	211

Pursuant to the relevant PRC regulations, parties operating mining in certain geographical location in the PRC are required to restore the mining areas back to certain acceptable conditions. Win Business CFD is the only entity of the Group which is subject to these PRC regulations.

Provision for the restoration and environmental costs is estimated based on the proportion of obligation that Win Business CFD is required to bear after the petroleum contracts expire in 2026. 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 works are expected to be carried out when the operations in the Contract Areas cease at the end of the Contract Periods and the duration of works is expected to be around one year. The amounts provided in relation to restoration and environmental 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.

32 DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax recoverable against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	2016 HK$'million	2015 HK$'million
Deferred income tax liabilities to be settled after more than 12 months	**41**	40

32 DEFERRED TAXATION *(continued)*

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

	Fair value adjustment on property, plant and equipment upon acquisition HK$'million	Convertible notes HK$'million	(Accelerated)/ decelerated depreciation HK$'million	Others HK$'million	Total HK$'million
At 1 July 2014	(12)	(7)	(12)	–	(31)
Acquisition of a subsidiary (note 40)	–	–	34	1	35
Credit (charged) to profit or loss (note 11)	2	5	(35)	(18)	(46)
Credit to equity upon early conversion of convertible notes	–	2	–	–	2
At 30 June 2015	(10)	–	(13)	(17)	(40)
Credit (charged) to profit or loss (note 11)	1	–	(20)	17	(2)
Exchange realignment	–	–	1	–	1
At 30 June 2016	(9)	–	(32)	–	(41)

At 30 June 2016, the Group has estimated unused tax losses of approximately HK$1,155 million (2015: HK$1,139 million) available for offset against future profits of which, estimated unused tax losses of approximately HK$43 million (2015: HK$62 million), HK$800 million (2015: HK$812 million) and HK$225 million (2015: HK$265 million) 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 million (2015: HK$4 million). No deferred tax asset has been recognised of such losses and deductible temporary differences at 30 June 2016 and 2015 due to the unpredictability of future profit streams.

The expiry of unrecognised tax losses are as follows:

	2016 HK$'million	2015 HK$'million
Without expiry date	**1,078**	1,081
Expiring within five years	**68**	48
Expiring after five years	**9**	10
	1,155	1,139

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries and joint ventures 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 PRC subsidiaries amounting to approximately HK$769 million (2015: HK$577 million), 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.

33 SHARE CAPITAL

	Number of shares 'million	Share capital HK$'million
Ordinary shares of HK$0.025 each'		
Authorised:		
At 1 July 2014, 30 June 2015 and 2016	40,000	1,000
Issued and fully paid:		
At 1 July 2014	8,766	219
Shares issued under conversion of 2009 Convertible Note (note a)	800	20
Shares issued under placement (note b)	590	15
At 30 June 2015	10,156	254
Conversion of convertible bond (note c)	1	–
At 30 June 2016	10,157	254

Notes:

(a) In May 2015, approximately 800 million ordinary shares of the Company of HK$0.025 each were issued to Canada Foundation upon conversion of the 2012 Convertible Note with aggregate principal amount of approximately US$39 million (equivalent to approximately HK$300 million) were converted at a conversion price of US$0.04839 each.

(b) On 18 May 2015, approximately 590 million 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 million and transaction costs of approximately HK$5 million were recognised in equity. All placees are independent and not connected to the Group.

(c) On 21 April 2016, approximately 1 million ordinary shares of HK$0.025 each were issued to a holder of the Listed CB of a conversion price of HK$2.5.

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

	Number of shares 'million	Amount paid HK$'million
At 1 July 2014	9	21
Shares purchased	19	63
Shares vested	(1)	(3)
At 30 June 2015	27	81
Shares purchased	10	25
Shares vested	(2)	(5)
At 30 June 2016	35	101

34 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 million must be approved in advance by the Company's shareholders.

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

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

On 22 April 2010, a total of approximately 11 million share options (46 million 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.

34 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 2014 'million	Forfeited during the year 'million	At 30 June 2015 'million
Directors	16	(16)	–
Employees	4	(4)	–
	20	(20)	–

The share options were forfeited due to resignation of employees during the year.

At 30 June 2016, no share options are exercisable (2015: nil) as all outstanding share options are expired on 22 April 2015.

The Group recognised the total expense of approximately HK$2 million for the year ended 30 June 2015 in relation to share options granted by the Company.

Share award scheme

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

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

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

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

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

34 SHARE OPTION AND SHARE AWARD SCHEME *(continued)*

Share award scheme *(continued)*

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

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 2014 'million	Shares awarded during the year 'million (Note a)	Forfeited during the year 'million (Note c)	Share vested during the year 'million (Note b)	At 30 June 2015 'million	Shares vested during the year 'million	Forfeited during the year 'million (Note c)	At 30 June 2016 'million
Directors	2	2	–	–	4	(1)	–	3
Employees	6	6	(3)	(1)	8	(1)	(3)	4
	8	8	(3)	(1)	12	(2)	(3)	7

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.

During the year ended 30 June 2016, approximately 10 million (2015: 19 million) shares of the Company were acquired at a total cost of approximately HK$38 million (2015: HK$63 million) of which, approximately nil shares had been awarded to employees (2015: 0.1 million shares had been awarded to the directors and employees) for their services rendered to the Group and approximately 4 million awarded shares (2015: 3 million) were forfeited by the Group due to resignation of the participants. The outstanding approximately 29 million (2015: 23 million) shares are held under the Award Scheme and are available for future award and/or disposal pursuant to the Award Scheme Rules.

34 SHARE OPTION AND SHARE AWARD SCHEME *(continued)*

Eligible participants *(continued)*

The estimated fair value of the share award granted on 13 June 2014 was approximately HK$18 million 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$0.3 million based on the market price of HK$1.84 per share at the date of grant.

The Group recognised the total expense of approximately HK$19 million (2015: HK$7 million) for the year ended 30 June 2016 in relation to share award granted by the Company.

35 RETIREMENT BENEFITS SCHEME

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

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

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

The employees of the Group's subsidiaries in Singapore 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 2016, the total costs charged to profit or loss in the sum of approximately HK$10 million (2015: HK$12 million) represents contributions payable to these schemes by the Group.

36 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:

	2016 HK$'million	2015 HK$'million
Within one year	53	96
In the second to fifth year inclusive	90	111
More than five years	–	7
	143	214

The Group leases various offices and storage facilities under non-cancellable operating lease agreements. The lease terms are between one to ten years.

The Group as lessor

At 30 June 2016, leases are negotiated and rentals are fixed for one year. At 30 June 2015, 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:

	2016 HK$'million	2015 HK$'million
Within one year	–	1

37 COMMITMENTS

	2016 HK$'million	2015 HK$'million
Capital commitments		
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	1,865	2,055
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	59
– purchase of an oil tanker (note 38)	–	62
	1,924	2,176

38 RELATED PARTY TRANSACTIONS

Dr. Sit, an Executive Director and the ultimate controlling shareholder of the Company, controlled the below related companies.

Save as disclosed elsewhere to these consolidate financial statements, 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	
	2016	2015
	HK$'million	HK$'million
Purchase of fuel oil from a related company	**9,913**	9,277
Fuel oil storage fee paid or payable to a related company	**61**	13
Barge service fee paid or payable to a related company	**31**	9
E-commerce service fee paid or payable to a related company	**21**	–

The above transactions were carried out in the normal course of the Group's business and conducted at terms mutually agreed between the Group and related companies.

During the year ended 30 June 2015, 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 approximately RMB9 million (equivalent to approximately HK$11 million) and a gain of approximately HK$1 million 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 approximately US$9 million (equivalent to approximately HK$70 million) each. On 24 November 2014, the parties entered into a supplemental agreement to MOA 1 under which the consideration for each oil tanker was reduced to approximately US$9 million (equivalent to approximately HK$69 million). 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 tankers 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 approximately US$8 million (equivalent to approximately HK$65 million). On 30 June 2016, the MOA 2 was terminated and the prepayment was returned by the related party.

Such transaction constitutes a connected transaction under the Listing Rules.

38 RELATED PARTY TRANSACTIONS *(continued)*

Compensation of key management personnel

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

	2016 HK$'million	2015 HK$'million
Salaries and other short-term employee benefits	**12**	19
Share-based payments		
– share options	**–**	–
– share award	**2**	1
	14	20

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.

39 MAJOR NON-CASH TRANSACTIONS

During the year ended 30 June 2015, trade creditors owed to a related company of approximately HK$3,179 million in total were re-arranged as loans to the Group. Details are set out in note 30.

40 ACQUISITION OF A SUBSIDIARY

The Group did not acquire any subsidiary during the year ended 30 June 2016.

On 8 August 2014, the Group acquired the entire issued share capital of Win Business CFD, which is principally engaged in development, production and sales of crude oil, at an adjusted cash consideration of approximately US$946 million (equivalent to approximately HK$7,332 million).

The Bohai Bay Project is a joint operation with three other Interest Owners (Details are set out in note 18(b)). It is the Group's strategic vision to increase its footprint in the upstream crude oil and natural gas industry. The acquisition of Win Business CFD, 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.

40 ACQUISITION OF A SUBSIDIARY *(continued)*

The purpose of the acquisition of Win Business CFD was to obtain the mining interests for development, production and sales of crude oil extracted from specified contract areas, 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 million.

	HK$'million
Cash	6,499
Deposit paid during the year ended 30 June 2014	833
Total consideration transferred	7,332

Acquisition-related costs amounting to approximately HK$4 million have been excluded from the consideration transferred and were recognised as an expense within the "other expenses" in the consolidated profit or loss for the year ended 30 June 2015.

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

	HK$'million
Mining interests (note 14)	5,633
Property, plant and equipment (note 15)	1,779
Deferred tax assets (note 32)	35
Inventories	65
Other debtors, prepayment and deposits	6
Bank balances and cash	481
Other creditors and accrued charges	(433)
Profits tax liabilities	(42)
Provision for restoration and environmental costs (note 31)	(192)
Total consideration transferred	7,332

	HK$'million
Total cash consideration paid	7,332
Less: Deposit paid during the year ended 30 June 2014	(834)
Less: Bank balances and cash acquired	(481)
Net cash outflow on acquisition of Win Business CFD	6,017

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. 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.

41 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2016 HK$'million	2015 HK$'million
Non-current assets			
Investments in subsidiaries	(a)	**5**	5
Contributions to subsidiaries		**8,800**	8,451
		8,805	8,456
Current assets			
Other receivables		**2**	–
Bank balances and cash		**21**	19
		23	19
Current liabilities			
Loans from a related company		**1,334**	950
Other payables		**31**	1
Bank borrowings		**180**	155
		1,545	1,106
Net current liabilities		**(1,522)**	(1,087)
Total assets less current liabilities		**7,283**	7,369
Non-current liabilities			
Convertible bonds		**1,332**	–
Loans from a related company		**–**	811
		1,332	811
Net assets		**5,951**	6,558

41 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

	Note	2016 HK$'million	2015 HK$'million
Capital and reserves			
Equity attributable to the owners of the Company			
Share capital		**254**	254
Reserves	(b)	**5,697**	6,304
Total equity		**5,951**	6,558

The statement of financial position of the Company was approved by the Company's Board of Directors on 26 September 2016 and were signed on its behalf.

Sit Kwong Lam
Director

Tan Yih Lin
Director

Notes:

(a) Investments in subsidiaries

Details of the Company's principal subsidiaries at 30 June 2016 and 2015 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 2016	2015	Principal activities
Brightoil Property (HK) Ltd.*	British Virgin Islands ("BVI")	US$1	**100%**	100%	Property holding
Brightoil Property Ltd.*	BVI	US$1	**100%**	100%	Property holding
Brightoil Investment Group Ltd.#	BVI	US$1	**100%**	100%	Investment holding
Brightoil Marine Bunkering Group Ltd.#	BVI	US$1	**100%**	100%	Investment holding
Brightoil Petroleum Group Limited*	Hong Kong	HK$2	**100%**	100%	Investment holding
Brightoil Shipping Group Ltd.#	BVI	US$1	**100%**	100%	Investment holding
Brightoil Petroleum Storage (Dalian) Co. Ltd.*	PRC (Note 1)	US$100,500,000	**100%**	100%	Provision of fuel oil storage services
Brightoil Petroleum Storage (Zhoushan) Co. Ltd.*	PRC (Note 1)	US$279,680,000	**100%**	100%	Provision of fuel oil storage services

41 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes: *(continued)*

(a) Investments in 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 2016	2015	Principal activities
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 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%	100%	Provision of marine bunkering and transportation services
Brightoil 639 Oil Tanker Pte. Ltd.*	Singapore (Note 2)	US$50,000	100%	100%	Provision of marine bunkering and transportation services
Brightoil Shipping Singapore Pte Ltd.*	Singapore (Note 2)	US$50,000	100%	100%	Marine transportation
Brightoil Legend Tanker Ltd.*	BVI (Note 2)	US$1	100%	100%	Marine transportation
Brightoil Lion Tanker Ltd.*	BVI (Note 2)	US$1	100%	100%	Marine transportation
Brightoil Lucky Tanker Ltd.*	BVI (Note 2)	US$1	100%	100%	Marine transportation
Brightoil League Tanker Ltd.*	BVI (Note 2)	US$1	100%	100%	Marine transportation
Brightoil Glory Tanker Ltd.*	BVI (Note 2)	US$1	100%	100%	Marine transportation
Brightoil Grace Tanker Ltd.*	BVI (Note 2)	US$1	100%	100%	Marine transportation
Brightoil Gravity Tanker Ltd.*	BVI (Note 2)	US$1	100%	100%	Marine transportation
Brightoil Galaxy Tanker Ltd.*	BVI (Note 2)	US$1	100%	100%	Marine transportation
Brightoil Gem Tanker Ltd.*	BVI (Note 2)	US$1	100%	100%	Marine transportation

41 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes: *(continued)*

(a) Investments in 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 2016	2015	Principal activities
Win Capital Investments Limited*	BVI	US$1	100%	100%	Proprietary trading in securities and service company
Win Business Petroleum Group Ltd.	BVI	US$1	100%	100%	Investment holding
Win Business Petroleum Group (Dina) Ltd.*	BVI	US$1	100%	100%	Investment holding
Win Business Energy (Caofeidian) Limited*	BVI	US$1	100%	100%	Investment holding
Win Business Energy Foundation Ltd.*	Cayman Islands	US$1	100%	100%	Investment holding
Win Business Petroleum (Grand Desert) Limited*	Hong Kong (Note 3)	HK$1	100%	100%	Natural gas development and production
Win Business Petroleum Group Limited*	Hong Kong (Note 3)	HK$2	100%	100%	Natural gas development and production
Win Business Energy Caofeidian Limited* (Formerly known as Kerr-McGee China Petroleum Ltd.)	Bahamas (Note 3)	£10,000	100%	100%	Crude oil development and production

\# 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) These 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 years or at 30 June 2016 and 2015.

41 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes: *(continued)*

(b) Reserves of the Company

	2016 HK$'million	2015 HK$'million
At beginning of the year	**6,304**	4,797
Loss for the year	**(399)**	(247)
Shares purchased for share award scheme	**(25)**	(63)
Recognition of equity-settled share-based payments – share award	**19**	7
Release of deferred tax liability upon early conversion of convertible notes	**–**	2
Conversion of convertible notes	**2**	266
Issue of new shares under placement	**–**	1,283
Transaction costs attributable to issue of new shares	**–**	(5)
Recognition of deemed capital contribution from ultimate controlling shareholder	**–**	396
Release of deemed capital contribution from ultimate controlling shareholder	**–**	(132)
Dividend paid	**(204)**	–
At end of the year	**5,697**	6,304

42 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm to current year's presentation.

43 EVENTS AFTER THE REPORTING PERIOD

On 29 July 2016, the Group entered into the memorandum of agreement with Zhu Hai S.E.Z. Huadian, a limited liability company established under the law of the PRC and beneficially owned by Dr. Sit, to purchase a vessel for a total cash consideration of US$8 million (equivalent to approximately HK$65 million).

FINANCIAL SUMMARY

RESULTS

	Year ended 30 June				
	2012 HK$'million	2013 HK$'million	2014 HK$'million	2015 HK$'million	**2016** **HK$'million**
Revenue	69,949	55,449	84,505	74,104	**48,071**
Profit/(loss) before taxation	310	(697)	589	1,761	**806**
Income tax credit/(charge)	(4)	(24)	10	(375)	**38**
Profit/(loss) for the year	306	(721)	599	1,386	**844**

ASSETS AND LIABILITIES

	At 30 June				
	2012 HK$'million	2013 HK$'million	2014 HK$'million	2015 HK$'million	**2016** **HK$'million**
Total assets	24,190	19,302	24,473	28,885	**32,982**
Total liabilities	(16,691)	(12,405)	(16,923)	(18,159)	**(21,777)**
Equity attributable to owners of the Company	7,499	6,897	7,550	10,726	**11,205**