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INTERIM REPORT

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

CONTENTS

羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 43, which comprises the interim condensed consolidated statement of financial position of Brightoil Petroleum (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2016 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
24 February 2017

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	(Unaudited) Six months ended 31 December 2016 HK$'million	2015 HK$'million
Revenue	6	**31,257**	21,649
Cost of sales and services	10	**(30,043)**	(20,984)
Gross profit		**1,214**	665
Other income	7	**46**	2
Other gains and losses, net	8	**(193)**	(305)
Distribution and selling expenses	10	**(101)**	(132)
Administrative expenses	10	**(158)**	(138)
Other expenses	10	**(76)**	(120)
Finance costs	9	**(276)**	(405)
Share of profits of joint ventures		**8**	8
Profit/(loss) before taxation		**464**	(425)
Income tax expense	11	**(52)**	(98)
Profit/(loss) for the period		**412**	(523)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company for the period			
– Basic (HK cents)	13	**4.07**	(5.17)
– Diluted (HK cents)	13	**4.07**	(5.17)

The notes on pages 11 to 43 are an integral part of this interim financial information

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	(Unaudited) Six months ended 31 December 2016 HK$'million	2015 HK$'million
Profit/(loss) for the period		**412**	(523)
Other comprehensive loss for the period			
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(236)**	(162)
Other comprehensive loss for the period		**(236)**	(162)
Total comprehensive income/(loss) for the period attributable to owners of the Company		**176**	(685)

The notes on pages 11 to 43 are an integral part of this interim financial information

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	(Unaudited) 31 December 2016 HK$'million	(Audited) 30 June 2016 HK$'million
Non-current assets			
Mining interests	14	**4,263**	4,504
Property, plant and equipment	15	**11,984**	12,078
Prepaid lease payments		**456**	483
Investment property	16	**47**	47
Interests in joint ventures		**680**	702
Non-current other receivables		**81**	94
		17,511	17,908
Current assets			
Inventories		**615**	533
Trade debtors	17	**13,161**	8,827
Prepayments and other receivables		**466**	584
Derivative financial instruments	21	**206**	165
Financial assets at fair value through profit or loss		**62**	70
Pledged bank deposits	18	**808**	424
Bank balances and cash	18	**446**	4,471
		15,764	15,074
Current liabilities			
Trade creditors	19	**4,462**	5,277
Other creditors and accrued charges		**1,931**	1,987
Bank and other borrowings	20	**7,545**	4,861
Loans from a related company	24	**364**	1,334
Derivative financial instruments	21	**280**	311
Income tax liabilities		**156**	152
		14,738	13,922
Net current assets		**1,026**	1,152
Total assets less current liabilities		**18,537**	19,060

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	(Unaudited) 31 December 2016 HK$'million	(Audited) 30 June 2016 HK$'million
Non-current liabilities			
Convertible bonds	23	**1,412**	1,332
Bank and other borrowings	20	**5,410**	6,247
Provision for restoration and environmental costs	25	**264**	235
Deferred tax liabilities		**51**	41
		7,137	7,855
Net assets		**11,400**	11,205
Capital and reserves			
Equity attributable to the owners of the Company			
Share capital	22	**254**	254
Reserves		**11,146**	10,951
Total equity		**11,400**	11,205

The notes on pages 11 to 43 are an integral part of this interim financial information

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'million	Share premium HK$'million	Capital redemption reserves HK$'million	Special reserve HK$'million (Note a)	Shareholder's contribution HK$'million (Note b)	Translation reserve HK$'million	Employees share-based compensation reserve HK$'million	Shares held for share award scheme HK$'million	Retained profits HK$'million	Total HK$'million
At 1 July 2016 (audited)	254	6,801	3	1	424	(82)	17	(101)	3,888	11,205
Profit for the period	–	–	–	–	–	–	–	–	412	412
Other comprehensive loss for the period	–	–	–	–	–	(236)	–	–	–	(236)
Total comprehensive income for the period	–	–	–	–	–	(236)	–	–	412	176
Conversion of convertible notes (note 23)	–	15	–	–	–	–	–	–	–	15
Recognition of equity-settled share-based payments – share award	–	–	–	–	–	–	4	–	–	4
At 31 December 2016 (unaudited)	254	6,816	3	1	424	(318)	21	(101)	4,300	11,400
At 1 July 2015 (audited)	254	6,799	3	1	424	74	3	(81)	3,249	10,726
Loss for the period	–	–	–	–	–	–	–	–	(523)	(523)
Other comprehensive loss for the period	–	–	–	–	–	(162)	–	–	–	(162)
Total comprehensive loss for the period	–	–	–	–	–	(162)	–	–	(523)	(685)
Shares purchased for share award scheme	–	–	–	–	–	–	–	(22)	–	(22)
Recognition of equity-settled share-based payments – share award	–	–	–	–	–	–	8	–	–	8
Dividend paid	–	–	–	–	–	–	–	–	(203)	(203)
At 31 December 2015 (unaudited)	254	6,799	3	1	424	(88)	11	(103)	2,523	9,824

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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.

The notes on pages 11 to 43 are an integral part of this interim financial information

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) Six months ended 31 December 2016 HK$'million	2015 HK$'million
Cash flows from operating activities		
Profit/(loss) before taxation	**464**	(425)
Adjustments for:		
Finance costs	**276**	405
Depletion and depreciation of property, plant and equipment	**446**	353
Amortisation of mining interests	**241**	346
Amortisation of deferred loss on conversion component of convertible bonds	**8**	–
Share of profits of joint ventures	**(8)**	(8)
Recognition of impairment on mining interests	**–**	450
Recognition of impairment on property, plant and equipment	**–**	169
Unrealised net gains on fuel, gas and crude oil inventories, except for those produced from upstream crude oil business	**(22)**	(16)
Fair value loss on conversion option derivatives embedded in convertible bonds	**21**	61
Loss on issue of convertible bonds	**–**	36
Net losses on financial assets at fair value through profit or loss	**8**	50
Net losses/(gains) on derivative financial instruments	**171**	(494)
Others	**9**	8
	1,614	935
Changes in working capital:		
(Increase)/decrease in inventories	**(60)**	442
(Increase)/decrease in trade debtors	**(4,334)**	2,582
Decrease/(increase) in prepayments and other receivables	**131**	(3,019)
Decrease in financial assets at fair value through profit or loss	**–**	5
(Increase)/decrease in derivative financial instruments	**(243)**	415
Decrease in trade creditors	**(815)**	(908)
(Decrease)/increase in other creditors and accrued charges	**(56)**	230
Cash (used in)/generated from operations	**(3,763)**	682
Income tax paid	**(38)**	(189)
Net cash (used in)/generated from operating activities	**(3,801)**	493

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	(Unaudited) Six months ended 31 December 2016 HK$'million	2015 HK$'million
Cash flows from investing activities			
Purchases of property, plant and equipment		**(489)**	(260)
Placement of pledged bank deposits		**(384)**	(2,846)
Withdrawal of pledged bank deposits		**–**	3,427
Decrease in bank deposits with original maturity over three months		**86**	78
Settlement of other payables in relation to purchase of property, plant and equipment in prior years		**–**	(421)
Deposits paid for acquisition of property, plant and equipment		**–**	(1,016)
Advance to a related party		**–**	(223)
Others		**8**	2
Net cash used in investing activities		**(779)**	(1,259)
Cash flows from financing activities			
Bank and other borrowings raised		**7,037**	12,876
Repayment of bank and other borrowings		**(5,234)**	(10,695)
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		**–**	(22)
Repayment of loans from a related company		**(970)**	(1,934)
Interest paid		**(237)**	(217)
Dividend paid		**–**	(203)
Net cash generated from financing activities		**596**	1,053
Net (decrease)/increase in cash and cash equivalents		**(3,984)**	287
Cash and cash equivalents at beginning of the period		**4,310**	857
Effect of foreign exchange rate changes		**63**	(10)
Cash and cash equivalents at end of the period		**389**	1,134
Analysis of cash and cash equivalents:			
Cash and cash equivalents	18	**440**	1,134
Bank overdrafts	20	**(51)**	–
		389	1,134

The notes on pages 11 to 43 are an integral part of this interim financial information

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 an executive 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".

This interim financial information is presented in million of unit of Hong Kong dollars (HK$' million), unless otherwise stated.

2 BASIS OF PREPARATION

This interim financial information for the six months ended 31 December 2016 has been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim Financial Reporting'. The interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2016, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the six months ended 31 December 2016.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3 ACCOUNTING POLICIES (CONTINUED)

(a) The following new and amended standards and interpretations are mandatory for the Group's financial year beginning on 1 July 2016 and have been adopted in the preparation of this interim financial information.

Amendment to HKAS 1	Disclosure initiative
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
HKFRS 14	Regulatory deferral accounts
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendment to HKAS 27	Equity method in separate financial statement
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKFRSs	Annual improvements 2012-2014 cycle

The adoption of the above new and amended standards and interpretations has had no material effect on the preparation of the Group's interim financial information.

(b) The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning on 1 July 2016 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendment to HKAS 7	Statement of cash flows	1 January 2017
Amendment to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 28 and HKFRS 10	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendment to HKFRS 2	Share-based payment	1 January 2018
Amendment to HKFRS 15	Clarifications to HKFRS 15	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

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

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2016.

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 30 June 2016.

There have been no changes in the risk management policies since year end.

(b) Liquidity risk

Compared to the last year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

(c) Fair value estimation

(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.

5 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)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Financial assets	(Unaudited) Fair value as at 31 December 2016				Valuation techniques and inputs	Significant unobservable inputs
	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million		
Non-derivative Financial assets at fair value through profit or loss	62	-	-	62	Quoted bid prices in an active market	N/A
Oil and gasoline futures and swap contracts	97	-	-	97	Difference between contractual strike prices and prevailing futures/ swaps prices which are derived from relevant exchange markets	N/A
Petroleum related forward contracts in relation to physical delivery directly dealt with counterparties	-	109	-	109	Difference between contractual prices and forward prices which are derived from applicable forward curve for remaining duration of the investment	N/A
Total	159	109	-	268		

5 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)

Financial liabilities	(Unaudited) Fair value as at 31 December 2016				Valuation techniques and inputs	Significant unobservable inputs
	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million		
Oil and gasoline futures and swaps contracts	224	-	-	224	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	-	56	-	56	Difference between contractual 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	-	-	298	298	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	224	56	298	578		

5 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)

Financial assets	(Audited) Fair value as 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 an active market	N/A
Oil and gasoline futures and swap 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 directly dealt with counterparties	-	88	-	88	Difference between contractual prices and forward prices which are derived from applicable forward curve for remaining duration of the investment	N/A
Total	147	88	-	235		

5 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)

Financial liabilities	(Audited) Fair value as 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 swap 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 directly dealt with counterparties	-	109	-	109	Difference between contractual 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		

There is no transfer between different levels of fair value hierarchy during the period.

5 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 condensed consolidated statement of financial position.

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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

At 31 December 2016

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

	(Unaudited)		
	Gross amounts of recognised financial assets HK$'million	Gross amounts of recognised financial assets set off in the condensed consolidated statement of financial position HK$'million	Net amounts of financial assets presented in the condensed consolidated statement of financial position HK$'million
Receivable from brokers	298	–	298
Derivative financial assets			
– futures	4	–	4
– swaps	93	–	93
	395	–	395

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

At 31 December 2016 (continued)

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

	(Unaudited)		
	Gross amounts of recognised financial liabilities HK$'million	Gross amounts of recognised financial liabilities set off in the condensed consolidated statement of financial position HK$'million	Net amounts of financial liabilities presented in the condensed consolidated statement of financial position HK$'million
Derivative financial liabilities			
– futures	(1)	–	(1)
– swaps	(223)	–	(223)
	(224)	–	(224)

Net financial assets subject to the Netting Agreements by counterparty

	(Unaudited)				
	Net amounts of financial assets presented in the condensed consolidated statement of financial position			Related amounts not set off in the condensed consolidated statement of financial position	
	Receivables from brokers HK$'million	Derivative financial assets HK$'million	Total HK$'million	Derivative financial liabilities HK$'million	Net amounts HK$'million
Counterparty A	298	74	372	(185)	187
Counterparty B	–	23	23	(39)	(16)
Total	298	97	395	(224)	171

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

At 31 December 2016 (continued)

Net financial liabilities subject to the Netting Agreements by counterparty

	(Unaudited)		
	Net amounts of financial assets presented in the condensed consolidated statement of financial position HK$'million	Related amounts not set off in the condensed consolidated statement of financial position HK$'million	Net amounts HK$'million
Counterparty A	(185)	185	–
Counterparty B	(39)	39	–
Total	(224)	224	–

At 30 June 2016

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

	(Audited)		
	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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

At 30 June 2016 (continued)

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

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

Net financial assets subject to the Netting Agreements by counterparty

	(Audited)				
	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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

At 30 June 2016 (continued)

Net financial liabilities subject to the Netting Agreements by counterparty

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

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

6 REVENUE AND SEGMENT INFORMATION

The Group is 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 period comprises the following:

	(Unaudited) Six months ended 31 December	
	2016	2015
	HK$'million	HK$'million
Sales of petroleum products from international trading	**27,685**	17,249
Revenue from marine bunkering	**2,008**	2,539
Sales of crude oil from upstream business	**720**	776
Sales of natural gas from upstream business	**361**	376
Marine transportation income	**480**	708
Others	**3**	1
	31,257	21,649

The chief operating decision-maker has been identified as the Executive Directors of the Company (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 six months ended 31 December 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.

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

EBITDA or LBITDA is defined as profit/loss before taxation, finance costs, depletion and depreciation and amotisation. EBITDA or LBITDA has been included in the Group's interim financial information as it has been used by the Group as a measure of business performance from financial year 2017 onwards. The changes in presentation have been adopted retrospectively, and certain comparative figures have been restated.

The CODM assesses the performance of the operating segments based on a measure of the EBITDA or LBITDA results of reportable segments. Segment results represent the profit earned by each segment without allocation of, depletion depreciation and amortisations of property, plant and equipment and mining interests, other income, other gains and losses, net share of profits of joint ventures, finance costs and income tax expense. 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.

Information regarding the Group's reportable segments as provided to the CODM for the purpose of resources allocation and assessment of segment performance for the six months ended 31 December 2016 and 2015 is set out below.

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	International trading and bunkering operation HK$'million	Marine transportation operation HK$'million	Upstream natural gas business HK$'million	Upstream crude oil business HK$'million	Others HK$'million	Total HK$'million
For the six months ended 31 December 2016 (Unaudited)						
Segment revenue and results						
Revenue from external customers	29,693	480	361	720	3	31,257
Inter-segment sales	162	391	–	–	–	553
Segment revenue	29,855	871	361	720	3	31,810
Segment results	488	216	279	512	(30)	1,465
Unallocated corporate expenses						(46)
Depletion and depreciation of property, plant and equipment						(446)
Amortisation of mining interests						(241)
Finance costs						(276)
Share of profits of joint ventures						8
Profit before taxation						464
For the six months ended 31 December 2015 (Unaudited)						
Segment revenue and results						
Revenue from external customers	19,788	708	376	776	1	21,649
Inter-segment sales	127	41	–	–	–	168
Segment revenue	19,915	749	376	776	1	21,817
Segment results (Restated)	232	433	249	(69)	(84)	761
Unallocated corporate expenses						(90)
Depletion and depreciation of property, plant and equipment						(353)
Amortisation of mining interests						(346)
Finance costs						(405)
Share of profits of joint ventures						8
Loss before taxation						(425)

7 OTHER INCOME

	(Unaudited) Six months ended 31 December 2016 HK$'million	2015 HK$'million
E-commerce service fee income from a related company (note 28)	**37**	–
Interest income from bank deposits	**9**	2
	46	2

8 OTHER GAINS AND LOSSES, NET

	(Unaudited) Six months ended 31 December 2016 HK$'million	2015 HK$'million
Loss on issue of convertible bonds (note 23)	**–**	(36)
Fair value loss on conversion option derivatives embedded in convertible bonds (note 23)	**(21)**	(61)
Net losses on financial assets at fair value through profit or loss	**(8)**	(50)
Amortisation of deferred loss on conversion components (note 23)	**(8)**	–
Net (losses)/gains on derivative financial instruments	**(171)**	494
Net foreign exchange gains/(losses)	**15**	(37)
Recognition of impairment loss on mining interests (note and note 14)	**–**	(450)
Recognition of impairment loss on property, plant and equipment (note and note 15)	**–**	(169)
Others	**–**	4
	(193)	(305)

Note:

During the six months ended 31 December 2015, in view of continuous downward tendency of global oil price and uncertainty about oil price in future, the directors of the Company, after considering the results of valuation performed by the valuer, had determined that the present value of the future cash flows expected to be generated from the Upstream Crude Oil Business CGU was approximately HK$5,633 million which is less than its carrying amount, and an impairment loss of HK$619 million has been recognised for the Upstream Crude Oil Business CGU with amount of HK$450 million (note 14) allocated to mining interests and HK$169 million (note 15) allocated to oil properties. These impairment losses are included in "other gains and losses, net" line item in the condensed consolidated statement of profit or loss.

9 FINANCE COSTS

	(Unaudited) Six months ended 31 December	
	2016	2015
	HK$'million	HK$'million
Interest expense on bank borrowings	**250**	239
Imputed interest expense on loans from a related company	**–**	174
Imputed interest expense on convertible bonds (note 23)	**96**	9
Unwinding of discounting effect of provision for restoration and environmental costs (note 25)	**8**	6
Interest expense on other borrowings	**2**	–
Total	**356**	428
Less: amount capitalised to construction in progress	**(80)**	(23)
Total finance costs	**276**	405

Borrowing costs capitalised during the six months ended 31 December 2016 of approximately HK$80 million (six months ended 31 December 2015: HK$23 million) arose on the general borrowing pool calculated by applying a capitalisation rate of 4.98% (six months ended 31 December 2015: 1.63%) per annum to the expenditure on qualifying assets. Borrowing costs were capitalised as part of the construction in progress in respect of oil storage facilities, gas properties and building.

10 EXPENSES BY NATURE

	(Unaudited) Six months ended 31 December 2016 HK$'million	2015 HK$'million
Cost of inventories recognised as expense	**29,092**	20,025
Unrealised net gains on fuel, gas and crude oil inventories, except for those produced from upstream crude oil business	**(22)**	(16)
Port charges	**66**	58
Depletion and depreciation of property, plant and equipment (note 15)	**446**	353
Amortisation of mining interests (note 14)	**241**	346
Operating lease rentals paid in respect of rental premises and oil storage facilities	**84**	113
Employee benefit expenses (including directors' remuneration)	**95**	80
Brokerage and commission expenses	**46**	50
Others	**330**	365
	30,378	21,374

11 INCOME TAX EXPENSE

	(Unaudited) Six months ended 31 December 2016 HK$'million	2015 HK$'million
Current tax expense for the period:		
– PRC Enterprise Income Tax ("EIT")	**27**	92
– Singapore Income Tax	**15**	1
Deferred taxation	**10**	5
Income tax expense for the period	**52**	98

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 fields which enjoy the concessionary tax rate of 15% (six months ended 31 December 2015: 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% (six months ended 31 December 2015: 16.5%) and 17% (six months ended 31 December 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 this interim financial information as the Group has no assessable profits for the six months ended 31 December 2016 (six months ended 31 December 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 period 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.

12 DIVIDEND

On 24 February 2017, the Board of Directors does not recommend the payment of an interim dividend for the six months ended 31 December 2016 (six months ended 31 December 2015: Nil).

13 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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.

	(Unaudited) Six months ended 31 December	
	2016	2015
	'million	'million
Profit/(loss) attributable to owners of the Company (HK$)	**412**	(523)
Weighted average number of ordinary shares in issue less shares held under Award Scheme during the year	**10,126**	10,120

(b) Diluted

Diluted earnings/(loss) 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 are anti-dilutive to the earnings per share of the six months ended 31 December 2016 and 2015, accordingly it is not included in the calculations below.

13 EARNINGS/(LOSS) PER SHARE (CONTINUED)

(b) Diluted (continued)

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

	(Unaudited) Six months ended 31 December	
	2016	2015
	'million	'million
Profit/(loss) attributable to owners of the Company (HK$)	**412**	(523)
Weighted average number of ordinary shares in issue less shares held under Award Scheme during the year	**10,126**	10,120
Effect of dilutive potential ordinary shares:		
Unvested share award	**5**	1
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**10,131**	10,121

14 MINING INTERESTS

	(Unaudited) Six months ended 31 December	
	2016	2015
	HK$'million	HK$'million
Opening net book amount as at 30 June (audited)	**4,504**	5,051
Amortisation (note 10)	**(241)**	(346)
Impairment loss recognised (note 8)	**–**	(450)
Exchange realignment	**–**	(1)
Closing net book amount as at 31 December (unaudited)	**4,263**	4,254

Amortisation expenses of HK$241 million (2015: HK$346 million) has been charged in "cost of sales and services".

15 PROPERTY, PLANT AND EQUIPMENT

	(Unaudited) Six months ended 31 December	
	2016	2015
	HK$'million	HK$'million
Opening net book amount as at 1 July	**12,078**	11,394
Additions	**555**	433
Depletion and depreciation (note 10)	**(446)**	(353)
Recognition of impairment loss (note 8)	**–**	(169)
Exchange realignment	**(203)**	(163)
Closing net book amount as at 31 December (Unaudited)	**11,984**	11,142

Depletion and depreciation expenses of HK$446 million (2015: HK$353 million) has been charged in "cost of sales and services".

16 INVESTMENT PROPERTY

	(Unaudited) Six months ended 31 December	
	2016	2015
	HK$'million	HK$'million
Fair value balance of the investment property	**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.

17 TRADE DEBTORS

	(Unaudited) 31 December 2016 HK$'million	(Audited) 30 June 2016 HK$'million
Trade debtors	13,164	8,830
Less: Allowance for bad and doubtful debts	(3)	(3)
	13,161	8,827

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

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.

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

	(Unaudited) 31 December 2016 HK$'million	(Audited) 30 June 2016 HK$'million
0–30 days	9,880	8,720
31–60 days	2,508	9
61–90 days	726	14
Over 90 days	47	84
	13,161	8,827

18 PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	(Unaudited) 31 December 2016 HK$'million	(Audited) 30 June 2016 HK$'million
Cash on hand and at bank	440	4,379
Bank deposits with original maturity over three months	6	92
Bank balances and cash	446	4,471
Pledged bank deposits	808	424
	1,254	4,895

19 TRADE CREDITORS

	(Unaudited) 31 December 2016 HK$'million	(Audited) 30 June 2016 HK$'million
Third parties	4,402	5,234
A related party	60	43
	4,462	5,277

The carrying amounts of trade creditors approximate their fair values.

At 31 December 2016 and 30 June 2016, the ageing analysis of the trade creditors based on invoice date were as follows:

	(Unaudited) 31 December 2016 HK$'million	(Audited) 30 June 2016 HK$'million
0–30 days	4,358	5,195
31–60 days	13	41
61–90 days	13	4
Over 90 days	78	37
	4,462	5,277

20 BANK AND OTHER BORROWINGS

	(Unaudited) 31 December 2016 HK$'million	(Audited) 30 June 2016 HK$'million
Non-current	**5,410**	6,247
Current	**7,545**	4,861
	12,955	11,108
Secured variable-rate bank borrowings	**12,517**	11,039
Other financial institution	**387**	–
Bank overdrafts	**51**	69
	12,955	11,108

Except for the bank borrowings to the extent of approximately HK$1,537 million (30 June 2016: HK$1,158 million), which are denominated in HK$, all other bank borrowings are denominated in US$.

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

	(Unaudited) 31 December 2016 HK$'million	(Audited) 30 June 2016 HK$'million
Floating rate		
– expiring within one year	**8,862**	10,757
– expiring beyond one year	**35**	993
	8,897	11,750

Total borrowings include secured liabilities (bank and collateralised borrowings). Bank borrowings are secured by the investment property of approximately HK$47 million (30 June 2016: HK$47 million) (note 16), vessels to the extent of approximately HK$5,123 million (30 June 2016: 5,233 million) (note 15), trade debtors to the extent of approximately HK$12,744 million (2016: HK$8,336 million) (note 17), bank deposits of approximately HK$808 million (30 June 2016: HK$424 million) (note 18) and inventories to the extent of approximately HK$550 million (2016: HK$453 million).

21 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 six months ended 31 December 2016, the loss on fair value change of derivative financial instruments of approximately HK$171 million (six months ended 31 December 2015: gain of HK$494 million) are recorded in "Other gains and losses, net"in the condensed consolidated profit or loss (note 8).

Derivative financial instruments of the Group at 31 December and 30 June 2016 comprise of long and short positions in the following derivative contracts:

	(Unaudited) 31 December 2016		(Audited) 30 June 2016	
	Assets HK$'million	**Liabilities HK$'million**	Assets HK$'million	Liabilities HK$'million
Futures	**4**	**(1)**	22	(2)
Swaps	**93**	**(223)**	55	(200)
Forwards	**109**	**(56)**	88	(109)
	206	**(280)**	165	(311)

The contractual amount of the derivative financial instruments as at 31 December and 30 June 2016 are stated in the following:

	(Unaudited) 31 December 2016		(Audited) 30 June 2016	
	Assets US$'million	**Liabilities US$'million**	Assets US$'million	Liabilities US$'million
Futures	**2**	**(19)**	4	(97)
Swaps	**329**	**(193)**	394	(294)
Forwards	**112**	**(455)**	69	(99)
	443	**(667)**	467	(490)

22 SHARE CAPITAL

	Number of shares 'million	Share capital HK$'million
Ordinary shares of HK$0.025 each		
Authorised:		
At 1 July 2015, 31 December 2015, 30 June 2016 and 31 December 2016	40,000	1,000
Issued and fully paid:		
At 1 July 2015 and 31 December 2015 (unaudited)	10,156	254
At 1 July 2016	10,157	254
Conversion of convertible bond	7	–
At 31 December 2016	10,164	254

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

	Number of shares 'million	Amount paid HK$'million
At 30 June 2016 and 31 December 2016	35	101

There were no shares vested during the six months ended 31 December 2016.

23 CONVERTIBLE BONDS

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 2016	1,063	269	1,332
Fair value loss recognised (note 8)	–	21	21
Imputed interest expense (note 9)	96	–	96
Interest payment	(30)	–	(30)
Amortisation of deferred loss on conversion component (note 8)	–	8	8
Conversion during the year (note b)	(15)	–	(15)
At 31 December 2016 (Unaudited)	1,114	298	1,412
At 1 July 2015			
Issuance of convertible bonds issued	1,016	240	1,256
Losses upon issuance (note 8)	–	36	36
Fair value loss recognised (note 8)	–	61	61
Issuance cost	(8)	–	(8)
Imputed interest expense (note 9)	9	–	9
At 31 December 2015 (Unaudited)	1,017	337	1,354

23 CONVERTIBLE BONDS (CONTINUED)

Notes:

a. As the volume weighted average price of the shares of the Company for each of the 20 consecutive trading days ended on 9 August 2016 was less than the minimum floor price of HK$2.216, the conversion price of the Listed Convertible Bonds and the Unlisted Convertible Bonds has been adjusted to HK$2.216 per share with effect from 10 August 2016.

b. On 30 August and 27 September 2016, approximately 1 million and 6 million ordinary shares of HK$0.025 each were issued to a holder of the listed convertible bond at a conversion price of HK$2.216, respectively.

24 LOANS FROM A RELATED COMPANY

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. During six months ended 31 December 2016, the entire outstanding balance was fully settled.

In December 2016, the related company made a loan with principle amount of approximately US$47 million (equivalent to approximately HK$364 million) to the Group. The loan was unsecured, interest free and repayable on 31 May 2017.

25 PROVISION FOR RESTORATION AND ENVIRONMENTAL COSTS

	(Unaudited) Six months ended 31 December	
	2016	2015
	HK$'million	HK$'million
At beginning of the period	**235**	210
Additions	**21**	–
Unwinding of discounting effects for the year (note 9)	**8**	6
At end of the period	**264**	216

26 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:

	(Unaudited) 31 December 2016 HK$ million	(Audited) 30 June 2016 HK$ million
Within one year	61	53
In the second to fifth year inclusive	84	90
	145	143

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

27 COMMITMENTS

	(Unaudited) 31 December 2016 HK$' million	(Audited) 30 June 2016 HK$' million
Capital commitments		
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	1,275	1,865
Other commitments		
Expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of:		
– prepaid lease payments on leasehold land in the PRC	59	59
– purchase of an oil tanker (note 28)	65	–
	1,399	1,924

28 RELATED PARTY TRANSACTIONS

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

During the period, the Group entered into the following transactions with a related company, which are also continuing connected transactions as defined under Listing Rules:

	(Unaudited) Six months ended 31 December	
	2016	2015
	HK$'million	HK$'million
Purchase of fuel oil from a related company	**10,821**	3,540
Fuel oil storage fee paid or payable to a related company	**49**	29
Barge service fee paid or payable to a related company	**12**	13
E-commerce service fee income from a related company	**37**	–
Commission fee received from a related company in relation to oil derivative trading	**–**	1

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.

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).

Such transactions constitute connected transactions under the Listing Rules.

28 RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

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

	(Unaudited) Six months ended 31 December	
	2016	2015
	HK$'million	HK$'million
Salaries and other short-term employee benefits	**8**	8
Share-based payments		
– share award	**–**	2
	8	10

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

29 EVENTS AFTER THE REPORTING PERIOD

On 25 January 2017, the Group entered into a loan facility agreement with two banks with a principal amount of US$41.6 million for a term of five years.

FINANCIAL REVIEW

During the six months ended 31 December 2016 ("the period under review"), the total revenue of the Group increased by approximately 44% from HK$21,649 million to HK$31,257 million for the same period last year. The increase in revenue was mainly due to the growth in sales volume of International Trading and Bunkering ("ITB") business as well as the recovery of oil price.

The Group recorded a gross profit of HK$1,214 million as compared to HK$665 million for the same period last year. Adjusted gross profit, which takes into consideration of the fair value change of derivative financial instruments used for hedging of oil price, remain stable at HK$1,043 million for the period under review compared to HK$1,159 million for the same period last year.

EBITDA contribution to the Group for this period increased from HK$761 million to HK$1,465 million, representing an increase of 93% compared to same period last year.

The increase mainly arises from ITB and Upstream business segment, where ITB business recorded an increase of 110% EBITDA from HK$232 million to HK$488 million and Upstream Oil and Gas business recorded an EBITDA of 339% to HK$791 million from HK$180 million for the same period last year. The increase was due to an increase in the sales volume for ITB, increased upstream oil and gas assets production and the recovery of oil price, together with the recognition of the impairment loss of Caofeidian oil fields in China of HK$619 million for the same period last year. However due to the freight rates not as good as last year, our Marine Transportation business recorded an EBITDA of HK$216 million, representing a decrease of 50% from the HK$433 million for the same period last year.

Profit after tax for the period amounted to HK$412 million compared to a loss of HK$523 million for the same period last year, and the Group recorded basic and diluted earnings per share of HK4.07 cents and HK4.07 cents respectively.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2016, the Group had total cash and bank and including pledged bank deposits of approximately HK$1,254 million. The bank balance and cash decreased by HK$4,025 million compared to 30 June 2016 as a result of timing difference in receiving the trade debtors.

Total bank borrowings of HK$12,955 million, which mainly included loans for oil tankers of HK$2,249 million, loans for upstream assets of HK$4,493 million, trade financing trust receipts and loans for ITB business of HK$5,594 million and loans for holding company of HK$619 million.

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

CONTINGENT LIABILITIES

At 31 December 2016, the Group did not have any significant contingent liabilities.

CAPITAL STRUCTURE

As at 31 December 2016, the company had 10,164,109,773 shares in issue with total share capital of approximately HK$254 million.

GEARING RATIO

As at 31 December 2016, the Group's gearing ratio was approximately 79% calculated as the Group's net borrowing divided by Shareholders' equity. Net borrowing of HK$8,994 million was calculated as total borrowings (i.e. the aggregate of bank and other borrowings (exclude TR loan), payable to a broker and convertible bonds of HK$10,598 million) less receivables from brokers, pledged bank deposits and bank balances and cash of approximately HK$1,604 million.

BUSINESS REVIEWS AND OUTLOOK

Upstream Business

The Group's upstream business consists of three oil and gas production projects, two of which are natural gas development projects, namely the Dina 1 Gas Field and the Tuzi Gas Field in the Tarim Basin, Xinjiang, China. We operate these two gas fields with a 49% working interest, and the partner is China National Petroleum Corporation. The Group also owns an offshore oil development project located at Caofeidian in Bohai Bay. It is developed in partnership with China National Offshore Oil Corporation, which is the operator. The Caofeidian Oil Field is composed of two conventional shallow water blocks – contract area 04/36 and contract area 05/36 – with a working interest of 40.09% and 29.18% for the Group respectively.

As at 30 June 2016, according to the evaluation by the American petroleum consulting firm D&M, the total proven and probable reserves ("2P") for each project are as follows. The 2P reserves of the Dina block are 8.75 billion cubic meters of natural gas and 495,000 tons of condensate, out of which the Group's share is 4.1 billion cubic meters of natural gas and 233,000 tons of condensate with an a net present value (NPV10) of US$470 million. The Tuzi block contains 2P reserves of 9.8 billion cubic meters of natural gas and 64,000 tons of condensate. Within this total, the Group owns 5.27 billion cubic meters of natural gas and 34,000 tons of condensate with a net present value of US$531 million. Caofeidian oil field has 2P reserves of 115 million barrels of oil equivalent ("boe"), and the portion owned by the Group is 37.61 million boe with a net present value of US$1.07 billion.

BUSINESS REVIEWS AND OUTLOOK (CONTINUED)

Upstream Business (Continued)

During the first half of the financial year 2017 ("FY2017"), the production of our upstream projects continued to run smoothly. Dina 1 Gas Field had two wells in production with a daily production of approximately 1.1 million cubic meters. Tuzi Gas Field had a daily production of approximately 2 million cubic meters with 14 wells in production. During the period under review, the natural gas production of the above two gas fields was 540 million cubic meters in total, with an average selling price of RMB1.0265 per cubic meter and the total cost including tax ranging between RMB0.46 and RMB0.65 per cubic meter. The two natural gas projects contributed HK$280 million in earnings before interest, tax, depreciation and amortization ("EBITDA") and HK$145 million in net profit after tax ("NPAT"). In the oil segment, the daily production of Caofeidian oil field in Bohai Bay was about 35,000 boe. During the period under review, crude oil production reached 5.96 million barrels of oil equivalent, with an average selling price of US$44.7 per barrel. The corresponding total cost including tax was approximately US$50 per barrel; the total cash cost is about US$20 per barrel, which is made up of an operating cost of US$12 per barrel and a financing cost of US$8 per barrel. The Caofeidian project brought HK$512 million in EBITDA and HK$110 million in net loss after tax.

Looking ahead to the second half year of FY2017 and the near future, all the upstream projects will achieve considerable increase in production. The overall development plan of the Dina project consists of three wells, among which one well (Dina 1-3) is still under construction. It is expected to be completed in March 2017 and is planned to put into production in July 2017. At that time, the daily production of Dina block will increase to 1.7 million cubic meters. According to the technical information provided by the joint management committee in the second half of 2016, the gas-water interface in Dina Gas Field is found to be about 80 meters below the previous forecast level, which provides a scientific basis for the future production and reserve increase of Dina Gas Field. In Tuzi Gas Field, 5 new wells were completed in December 2016 and two of which were successfully put into production in January 2017. The preparatory work of production is also complete in the remaining new wells. Once all of them are put into operation, Tuzi Gas Field will have 19 operating wells and the daily natural gas production can reach 2.75 million cubic meters. Moreover, the Tuzi 4 deep exploration well completed in 2016 has discovered new gas layers at 3,100 meters, 3,800 meters and 4,300 meters underground, and has already obtained commercial airflow. The contingent natural gas resources are estimated at 38 billion cubic meters. This discovery of new reserves will drive the future commercial development in the Tuzi block. As for our oil production business, Caofeidian Oilfield is about to implement the adjusted overall development plan. A total number of 89 new drilling rigs will be put into operation gradually over time by May 2019, and the daily production of Caofeidian Oilfield will then reach 60,000 boe.

BUSINESS REVIEWS AND OUTLOOK (CONTINUED)

Upstream Business (Continued)

At the macro level, Chinese oil and gas demand has experienced rapid growth. In 2016, China's crude oil import stood at 380 million tons at a 13.6% YoY increase. The supply-demand gap of natural gas is even more pronounced. In 2016, natural gas consumption grew by 6.6% YoY to 210 billion cubic meters, which far exceeded China's own production volume of 140 billion cubic meters. This caused the import volume to increase 17.4% YoY to 72 billion cubic meters. Against the background of industrial gas power generation, urban haze pollution management and a growing demand of clean energy, it is foreseeable that China will continue to develop natural gas with full effort. According to China Natural Gas Report 2016 issued by National Energy Administration, natural gas only accounts for 10% of the industrial fuel usage at the present. The Chinese government has made natural gas one of the national key energy sources following coal and oil, and strives to increase the proportion of natural gas consumption to reach 15% in 2030. As a reference, the corresponding current ratio is 40-50% for developed countries.

As natural gas will gradually replace part of the coal consumed in the areas of industrial production, urban gas supply, and natural gas power generation, natural gas outpaces oil in demand growth in China. As a result, the price of natural gas is expected to rise faster than that of oil. To promote the development of natural gas, the Chinese government will implement an open competitive pricing system in accordance under the principle to "control the middle section and deregulate both ends" where gas prices, city-level gate prices and customer-end sales prices are determined by free market mechanism. The aforementioned demand increase and industry reform are conducive to a long-term rise of natural gas price, supporting the sustainable development and profit growth of the Group's upstream business. The Group anticipates that our existing Dina-Tuzi Gas Field and Caofeidian Oilfield will stand to achieve higher economic returns under the favorable environment of sustainable oil and gas demand in China.

International Trading and Bunkering

International trading and bunkering was historically the first business segment of the Group. As for international trading, our crude trading team has long been working with the Chinese oil majors to develop long-term supply contracts. As the Chinese government has further raised its crude oil import quota, the Group has actively cooperated with the local refineries in China, providing a rationalized procurement solution to address their bottlenecks in raw material demand, so as to expand sales channels and profitability. For resources procurement, the Group continued to maintain purchasing advantage in the Middle East and South America while actively involved in the procurement and allocation of resources in West Africa.

BUSINESS REVIEWS AND OUTLOOK (CONTINUED)

International Trading and Bunkering (Continued)

Our fuel oil and marine bunkering business has continued to be active in Asia Pacific markets such as Singapore, China, Taiwan, Korea and Japan. In recent years, considerable savings in operating costs and increase in profit margins have been achieved through light asset operation resulted from resource optimization as well as the cooperation of our experienced trading and execution teams. The Group has also purchased six bunker barges to meet the bunkering demand in Singapore, among which three 7,000 DWT barges and two 4,100 DWT barges were awarded the certification of the Mass Flow Meter ("MFM") system by Maritime and Port Authority of Singapore. The remaining 4,100 DWT barge is used as marine diesel fuel bunker barges. This achievement has received praise and recognition from world class ship owners due to the enhanced bunkering efficiency and significantly reduced complaints and disputes arising from quantitative differences and also laid a solid foundation of full implementation of MFM in Singapore Port after 1 January 2017.

Furthermore, the Group launched an e-commerce platform for marine bunkering in January 2016. On this platform, not only can customers inquire and manage orders, but also receive the latest information through mobile devices, including shipping market news, the international oil market trend, oil prices among different oil supply ports, and the current nine-month forward fixed price. The e-commerce platform made a great convenience to the ship owners and gained numerous sticky users in more than twenty countries and regions.

During the period under review, there was a divergence in economic performances among different regions. In particular, the US economy showed good growth with strong stock markets and interest rates, while China faced downward pressure on the economy and the government continued to implement the Belt and Road initiative as well as supply side reform to offset the pessimism in the market. Against this background, the international shipping market was still under pressure, leading to bankruptcies, restructuring, mergers and acquisitions and integration between large ship owners. This situation represents a future with ample opportunities in the shipping market. In this same period, Brent crude oil prices fluctuated in a range of US$42-58 per barrel. A series of geopolitical events – Brexit, the US presidential election, the agreement to cut oil production between OPEC and part of the non-OPEC oil producers – has caused significant volatility in international crude oil prices and also pushed up the market expectation for future oil prices. The pronounced volatility in oil prices has brought new trading opportunities in the market. Through macroeconomic analysis and massive data-based research, the Group's trading team has actively captured market opportunities and created profits for the Group.

During the first half year of FY2017, the Group's international trading and bunkering business sold 59.8 million barrels of crude oil and 3.6 million tons of fuel oil, with the sales volume increase of 60% and 38%, at the average selling price of US$46 per barrel and US$280 per ton respectively. The EBITDA of this segment reached HK$600 million; and the NPAT was HK$500 million. Looking ahead to the second half year of FY2017, profits are expected to grow further due to oil price recovery and continued sales increase.

BUSINESS REVIEWS AND OUTLOOK (CONTINUED)

International Trading and Bunkering (Continued)

In the future, the Group will continue to develop its international trading of crude oil, fuel oil and other products as well as the marine bunkering business. With commissioning of Zhoushan oil storage and terminal facilities, the Group will enjoy more high value-added trading opportunities and will be able to transport crude oil with VLCC's to the storage depot directly. Through the oil pipeline network connected to our Zhoushan storage depot, our crude oil can be delivered to all the refineries located in Eastern China, which facilitates the operation of existing and potential customers and optimizes the efficiency of the entire supply chain. Leveraging on the advantages of our Zhoushan oil storage facilities, the Group will enhance our regional competitiveness and expand our market share through procurement of VLCC-sized arbitrage cargo and in-storage blending. The expected cost reduction will translate to a 1% sale margin improvement based on the current bunker price level. Under the full implementation of flow meter for fuel oil supply on 1 January 2017, Singapore – the world's largest offshore oil supply port – has set up a common supply standard which regulates the market operating environment. Thus, the Group's six bunker barges are expected to operate with improved utilization and efficiency.

The Group will also continue to build out and develop a comprehensive e-commerce platform for maritime transportation, by way of new technology and the Industrial Internet. We will also launch an upgraded marine bunkering platform alongside an energy information platform on which customers can not only receive the latest information about shipping market news and international oil market trend via mobile devices, but also experience a one-stop solution for shipping. Furthermore, based on the world's strong demand for clean energy in future, especially from China, the Group will actively participate in the international trade of liquefied natural gas and supply it to the end customers in the Chinese market.

Marine Transportation

The Group currently owns 15 vessels in total, including 5 VLCC's, 4 Aframax vessels and 6 bunker barges, with a total tonnage of more than 2 million tons. The Group is committed to providing customers with safe and efficient ocean shipping services for crude oil and fuel oil transportation, participating in the long route to the Middle East, West Africa, and the Far East as well as the short route to the Far East and Southeast Asia region. We continue to adhere to our China-focus strategy, with target customers being large-scale Chinese oil enterprises such as UNIPEC and PetroChina. In the first half of FY2017, almost one hundred percent of cargos were covered by Chinese charterers.

BUSINESS REVIEWS AND OUTLOOK (CONTINUED)

Marine Transportation (Continued)

During the period under review, the fleet transported 7 million tons of crude oil and the revenue of marine transportation business was HK$530 million. The corresponding EBITDA was HK$240 million; and an NPAT of HK$84 million was recorded. The average time charter equivalent ("TCE") of the Aframax vessel reached US$14,000, while the average TCE of VLCC was around US$32,000. We have managed the business with diversified strategies for VLCC and Aframax: VLCC vessels focus on repositioning and short-long haul combination; while Aframax vessels pursue efficiency by minimizing the waiting days of the voyage. Time charter business has also been applied and has achieved a higher return compared to the spot market, which will also be one of our key tactics in 2017. Moreover, we have also made our best effort in cost control. Due to the tight control over expenses and the depreciation of RMB, the average port cost in China reduced by around 7% in 2016. In the meanwhile, the insurance cost for Hull and Machinery insurance and Protection and Indemnity insurance was brought down by about 9%.

As predicted, the freight market fluctuated in the second half of 2016 with a slightly lower performance compared to the same period in 2015, mainly driven by the sped-up fleet expansion. After years of mild growth, the global VLCC and Aframax fleets experienced a tonnage expansion of 7.1% and 5.6% in 2016 respectively. However, on the positive side, the total volume of crude and fuel oil lifted by VLCCs grew by 6.6% in 2016, which has effectively eased the tonnage supply surplus. The outage in Nigeria during Q2-Q3 was another major factor which reduced the ton-miles demand. But after Nigeria exports recovered in Q4, the daily return on VLCC has climbed back in a short time, reaching close to the Q1 averages. Moreover, the port congestion in China at the end of the year also supported the freight market by cutting tonnage supply indirectly. All in all, the average freight of crude tank in second half of 2016 continued to maintain at a healthy level.

Looking into the second half year of FY2017, the average TCE of our VLCC's is expected to rise, while the Aframax rent is forecast to stay at the current level. These expectations are based on the following positive factors at play.

The average crude oil price in 2016 was approximately 16% lower than that in 2015, but it kept firming up throughout the year, from about $30 USD/bbl to the $60 USD/bbl level. A volatile crude market usually creates more opportunities for oil trading houses as well as ship owners. In the past year, various major world events had an impact on the oil price. In particular, the OPEC and non-OPEC countries struck a landmark deal to cut production. We believe that crude oil price will continue to fluctuate in 2017, which will be a positive sign for traders and ship owners.

BUSINESS REVIEWS AND OUTLOOK (CONTINUED)

Marine Transportation (Continued)

According to the International Energy Agency, a positive oil demand growth is expected in 2017, which will be around 1.3 million bpd. Approximately 0.9 million bpd of this growth is seen originating from Asia-Pacific. In Asia, China and India still play the key role as the major oil import countries. On a related note, the Baltic Dry Index has also added a new route called TD3C (the Middle East-China) as a benchmark. China's import for the purpose of building its strategic petroleum reserve averaged near 1 million bpd in 2016, which was an important part of VLCC demand growth for the year. At the same time, the demand from Chinese local refineries has been on the rise and several such refineries have already started chartering in VLCC's on their own since the second half of 2016. Moreover, there will be further expansions of state-owned refineries in production capacity in 2017.

Although the next 2 years will be the high tide of new-build delivery, the aging structure of global fleet should not be ignored. For instance, there are now about 157 VLCC vessels over 15 years old, which accounts for more than 20% of the current global VLCC fleet. The two regulations that have recently been approved by the Marine Environment Protection Committee of the International Maritime Organization – namely the Ballast Water Convention and the 0.5% sulfur cap for bunker fuels starting in 2020 – are expected to marginally encourage fleet removal of older tonnage. It will also make an impact on the cost of bunkers, crude price and product trade in the long run. As such, the next few years will present great opportunities in the tanker transportation market.

Besides the traditional shipping business, our innovative marine e-commerce project is progressing as planned. The platform is to provide integrated marine services to shipping players including but not limited to ship owners, charterers, ship agents, shipping chandlers, crew managers, seamen, etc. A dedicated team consisting of shipping and IT professionals has been set up and working together on an integrated e-commerce platform for marine transportation, with the target online date set for the first half of 2017. The whole development process is divided into three stages and we are currently in the final stage before the launch of the platform. The development of some of the product modules have been completed and passed tests in the second half of 2016. The team is currently working hard on the remaining modules and the integration of all the modules.

When the final product is put online, our work focus will move to daily commercial operation, sales and marketing, in attempt to attract and guide potential clients. Meanwhile, an offline service team is being set up and trained to provide professional marine related services to support the online business. Like all other new products, our e-commerce platform is expected to face challenges when they enter the market, but our team is confident because our E-commerce platform is specifically designed and developed to meet the potential demands in the traditional shipping through providing convenience and efficiency. We are looking forward to making E-commerce another profit center to support the sustainable development of our shipping segment.

BUSINESS REVIEWS AND OUTLOOK (CONTINUED)

Oil Storage and Terminal Facilities

Given economic and population growth as well as fuel consumption of the transport and chemical industries, oil will still be one of the world's major energy sources, accounting for one-third of global energy demand. Chinese oil consumption will maintain growth, albeit at a slow pace, and the foreign-trade dependence ratio will exceed 65%. As import increases, large storage facilities have become highly required. Oil tanks in combination with large terminal facilities are scarce in China.

Addressing the above demand-supply gap, the Group's oil storage and terminal facilities in Zhoushan and Dalian are advantageously positioned at China's deep water harbors and commodity trading centers, with its connection to national oil pipelines and nearby refineries by virtue of their leading scale and design throughput. Our terminal facilities with berths for up to the 300,000 DWT VLCC vessels will be a distinct competitive advantage to our oil storage and terminal business in China.

The Zhoushan project is located at Waidiao Island in the Zhoushan Archipelago area of the Zhejiang Province. The remarkable location at the center of Yangtze River Delta region, which includes metropolises such as Shanghai, Hangzhou and Ningbo, provides distinct geographical advantages 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 and is developed in two phrases. Phase 1 offers a capacity of 1.94 million cubic meters while Phase 2 has a capacity 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. After the completion of both phases, our Zhoushan project will be the largest oil depot by throughput capability in the Zhoushan Archipelago area. More importantly, it will be one of the two largest oil depots which are equipped with VLCC-sized berths and rent storage space to third parties simultaneously.

The construction of Phase 1 of the Zhoushan project is currently close to completion. It is expected to finish in the second half of 2017 and become operational by the end of 2017. Phase 2 is expected to open to business in the first half of 2018. The construction of the terminal with 13 berths is complete, with the related ancillary facilities being developed. The terminal is expected to commence operation in the second half of 2017 together with Phase 1 of the storage facilities.

The commissioning of the Zhoushan project will greatly enhance the Group's capability to integrate our resources. In addition to providing customers with competitive storage and transport services, the Zhoushan oil depot will become a great aid in our spot trading of crude oil and fuel oil and the provision of value-added services such as blending and arbitrage. It will also provide strong support to our marine bunkering and our e-commerce platform – Brightoil Online – and forge a strong synergy with the other business segments of the Group.

BUSINESS REVIEWS AND OUTLOOK (CONTINUED)

Oil Storage and Terminal Facilities (Continued)

The Dalian project is located in the government-approved petrochemical industry base on Changxing Island, Dalian, which is one of the key such bases set out in the national planning. As a major piece of the logistics infrastructure there, our Dalian storage and terminal facilities will emerge as a center for trading, storage and transshipment of oil products such as crude oil and fuel oil in the Bohai Bay region and even Northeast Asia. The oil storage facilities in Dalian will be built in two phases, with a total design capacity of 7.19 million cubic meters. Phase 1 and 2 can hold 3.51 million cubic meters and 3.68 million cubic meters respectively. The terminal facilities will be equipped with 13 berths capable of accommodating tanker vessels from 3,000 to 300,000 DWT. Currently the site leveling work has been completed and the preliminary work of construction is under way. The Group will devise the construction plan and proposal at a suitable time depending on the market conditions and the progress of the project procedures.

E-Commerce Platform

The Group's oil e-commerce platform – Brightoil Online – was launched at the beginning of 2016. After one year of development, we have already developed refueling and oil storage functions as well as diversified card products, in order to meet the different consumption and investment needs of users. Through innovations in products, business models, and the industry landscape, Brightoil Online has built a foothold in the oil consumption market with a remarkable competitive edge, amassing close to two million registered users already. In the meanwhile, convenient refueling for Brightoil Online users has materialized through a combination of swift refueling operations, a mobile payment settlement system and a large network of petrol stations. Brightoil Online is built on the model of the internet plus core competitiveness, by integrating instant online access with our superb storage and supply capabilities.

In the next phase of development, Brightoil Online will create a car owner ecosystem for fuel consumption step by step. It will further enhance its online customer conversion rate, strengthen the innovative customer experience, and improve the operational efficiency of online ordering and offline services. In conjunction with nationwide consumer-end branding and promotional activities, the network of offline gas stations has been fully expanded, extending our coverage to the whole of China. Besides the improvement in the offline system, Brightoil Online has collaborated with multiple banks to launch co-branded credit cards and is planning to add car insurance products. Hence in the fields of petroleum consumption and finance, our platform will be strengthened by a more comprehensive offline system and a more robust backstage support.

In a market of more than 100 million car owners and transport operators with an annual spending of RMB4,000 billion on oil products, Brightoil Online sets out to remake the traditional petroleum consumption mode and consumer experience. We are committed to delivering lower fuel costs and optimal experience to our customers. Propelling the synergistic growth in our physical supply chain, Brightoil Online will create new momentum for the future development of the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed approximately 493 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 mandatory provident fund scheme, medical schemes, discretionary performance-related bonuses and share award scheme. For the six months ended 31 December 2016, total employees' remuneration, including Directors' remuneration, was approximately HK$91.8 million.

SUBSTANTIAL SHAREHOLDERS AND PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("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 Investments Limited ("Energy Empire")	Beneficial owner (Note 1)	Long position	3,022,338,960	29.74%
Canada Foundation Limited ("Canada Foundation")	Beneficial owner (Note 1)	Long position	4,073,926,039	40.08%
CSI Finance Limited (Note 2)	Person having a security interest in shares (Note 2)	Long position	470,163,636 (Note 2)	4.63%
CITIC Securities Company Limited (Note 2)	Interest in a controlled corporation (Note 2)	(i) Long position (ii) Short position	(i) 700,429,636 (Note 2) (ii) 230,266,000	(i) 6.89% (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)	9.15%
China Taiping Insurance Holdings Co. Ltd. (Note 3)	Interest in a controlled corporation (Note 3)	Long position	930,314,667 (Note 3)	9.15%

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

Long position/Short position (Continued)

Notes:

1. As Dr. Sit Kwong Lam 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 Investments Ltd. ("Harvest Energy") and 深圳光滙石油集團股份有限公司 (Shenzhen Brightoil Group Co., Ltd.*) ("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 to Canada Foundation on 8 April 2016 (the "Pledged Shares"), and an amount of 173,227,038 Shares out of the Pledged Shares was released on 26 October 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 31 December 2016, the Company has not been notified of any person (other than a Director or chief executive of the Company) or entity who 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.

* *for identification only*

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

At 31 December 2016, the interests and short positions of the Directors, chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed 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	7,400,653,999 (Note 2)	72.81%
Professor Chang Hsin Kang ("Professor Chang")	The Company	Beneficial owner	380,000 (Note 3)	0.004%
Mr. Tang Bo ("Mr. Tang")	The Company	Beneficial owner	1,485,000 (Note 4)	0.015%
Mr. Tan Yih Lin ("Mr. Tan")	The Company	Beneficial owner	1,985,000 (Note 5)	0.020%
Mr. Wang Wei ("Mr. Wang")	The Company	Beneficial owner	385,000 (Note 6)	0.004%
Mr. Dai Zhujiang	The Company	Beneficial owner	190,000 (Note 7)	0.002%
Mr. Kwong Chan Lam	The Company	Beneficial owner	190,000 (Note 7)	0.002%
Mr. Lau Hon Chuen	The Company	Beneficial owner	190,000 (Note 7)	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 10,164,109,773 Shares in issue as at 31 December 2016.

(2) These 7,400,653,999 Shares refer to (a) 3,022,338,960 Shares held by Energy Empire, which is wholly and beneficially owned by Dr. Sit; (b) 4,073,926,039 Shares held by Canada Foundation, which is wholly and beneficially owned by Dr. Sit; (c) 196,318,000 Shares held by Brightoil Welfare Ltd., which is wholly and beneficially owned by Dr. Sit; and (d) 108,071,000 Shares held by 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. 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 to Canada Foundation on 8 April 2016 (the "Pledged Shares"), and an amount of 173,227,038 Shares out of the Pledged Shares was released on 26 October 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) and 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 1,485,000 Shares refer to (a) an aggregate of 357,000 Shares vested to Mr. Tang on 12 June 2015 and 12 June 2016 under the Share Award Scheme; and (b) an aggregate of 1,128,000 Shares granted to Mr. Tang on 13 June 2014, 13 June 2015 and 25 July 2016 subject to relevant vesting periods under the Share Award Scheme.

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: (Continued)

(5) These 1,985,000 Shares refer to (a) an aggregate of 357,000 Shares vested to Mr. Tan on 12 June 2015 and 12 June 2016 under the Share Award Scheme; and (b) an aggregate of 1,628,000 Shares granted to Mr. Tan on 13 June 2014, 13 June 2015 and 25 July 2016 subject to relevant vesting periods under the Share Award Scheme.

(6) 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.

(7) 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 period under review are set out in the "Share Award Scheme" section.

Save as disclosed above, as at 31 December 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.

SHARE AWARD SCHEME (CONTINUED)

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.

The Board made its fourth grant of Award Shares under the Share Award Scheme on 25 July 2016 ("Fourth 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 2017, 12 June 2018, 12 June 2019, 12 June 2020 and 12 June 2021 respectively.

SHARE AWARD SCHEME (CONTINUED)

Movements of the Award Shares during the period under review are as follows:

	Number of Award Shares				
	As at 1 July 2016	Granted during the period under review	Vested during the period under review	Forfeited during the period under review	As at 31 December 2016
Directors (Notes 1, 3 and 4)	2,452,000	1,100,000	–	–	3,552,000#
Employees (Notes 1, 2, 3 and 4)	4,153,800	1,740,000	–	(10,000)	5,883,800#
Total	6,605,800	2,840,000	–	(10,000)	9,435,800#

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

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. These Award Shares were granted to eligible grantees under the Fourth Grant which is subject to vesting period in five tranches of 20% each on 12 June 2017, 2018, 2019, 2020 and 2021 respectively.

As at 31 December 2016, 18,890,000 Award Shares had been granted under the Share Award Scheme, representing approximately 0.22% of the issued shares capital of the Company as at the adoption date of the Share Award Scheme.

BOARD COMPOSITION

As at 31 December 2016, the Board consists of a total of eight Directors, comprising four Executive Directors, one Non-executive Director and three Independent Non-executive Directors.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 31 December 2016, the Company was in compliance with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code Provision A.2.1

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

The position of both chairman and CEO have been held by Dr. Sit Kwong Lam ("Dr. Sit") since 21 August 2015.

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 the CEO in due course.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

The Company has adopted 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 during the period under review.

AUDIT COMMITTEE

As at 31 December 2016, the audit committee of the Company (the "Audit Committee") comprises three Independent Non-executive Directors namely Mr. Kwong Chan Lam ("Mr. Kwong"), Mr. Lau Hon Chuen and Professor Chang Hsin Kang. Mr. Kwong, being a certified public accountant, is the chairman of the Audit Committee.

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

AUDIT COMMITTEE (CONTINUED)

The unaudited interim condensed consolidated financial information for the six months ended 31 December 2016 has been reviewed by the Audit Committee.

PricewaterhouseCoopers, the external auditor of the Company, have reviewed the interim financial information for the six months ended 31 December 2016 in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

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

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

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES

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

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

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

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

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES (CONTINUED)

(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 part finance the acquisition of one very large crude carrier (the "Brightoil Grace Loan"). The Brightoil Grace Loan shall be fully repaid in eight (8) years.

Pursuant to the Brightoil Grace Loan Agreement, Dr. Sit and his descendants shall remain at all times in control (at least 51% of the issued shares of the Company) and management of the Company (the "Specific Performance Obligation 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. The Brightoil Gem Loan has been fully repaid in November 2016.

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.

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES (CONTINUED)

(6) On 28 October 2016, Brightoil Gem Tanker Ltd., an indirect wholly-owned subsidiary of the Company, as borrower (the "Borrower VI"), BNP Paribas (the "Lender VI"), and the Company, as guarantor, entered into a facility agreement (the "Brightoil Gem Loan Agreement II") pursuant to which the Lender VI has agreed to grant a loan of up to US$52,000,000 to the Borrower VI (the "Brightoil Gem Loan II"). The Brightoil Gem Loan II shall be fully repaid in seven (7) years.

Pursuant to the Brightoil Gem Loan Agreement II, Dr. Sit and his descendants shall remain at all times in control (at least 51% of the issued shares of the Company) and management of the Company (the "Specific Performance Obligation VI"). It will constitute an event of default if the Specific Performance Obligation VI is breached whereupon the Lender VI may, (i) cancel the Brightoil Gem Loan II; 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 II 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.

By order of the Board
Brightoil Petroleum (Holdings) Limited
Sit Kwong Lam
Chairman and Chief Executive Officer

Hong Kong, 24 February 2017

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

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
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Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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Hong Kong

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Ordinary Share (Stock Code: 00933)

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