2017 Annual Report

www.brightoil.com.hk

光滙石油
BRIGHTOIL

BRIGHTOIL PETROLEUM (HOLDINGS) LIMITED

光滙石油(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 933.HK)

** For identification purpose only*

CONTENTS

CORPORATE PROFILE

Brightoil Petroleum (Holdings) Limited (the "Company", together with its subsidiaries, the "Group") is listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 933.HK). During the period under review, the Group is principally engaged in oil and gas exploration, development and production, international trading and marine bunkering, marine transportation, oil storage and terminal facilities.

UPSTREAM BUSINESS

The Group possesses and operates two producing gas fields, the Tuzi Gas Field and the Dina 1 Gas Field, in Xinjiang, China. The Group also owns participating interests in two offshore producing oilfield blocks in Caofeidian, Bohai Bay.

Upstream business is a long term strategic focus that the Group would gradually expand internationally.

INTERNATIONAL TRADING AND BUNKERING

International trading of oil combines procurement, storage, blending and sales into a full supply chain integrated business model with an extensive and stable supply and distribution channels in the international market.

MARINE TRANSPORTATION

During the period under review, the Group owned 15 vessels including 5 VLCCs, 4 Aframax vessels and 6 bunker barges to provide marine transportation and bunkering services.

OIL STORAGE AND TERMINAL FACILITIES

The Group is constructing the oil storage and terminal facilities with a capacity of 3.16 million cubic meters on Waidiao Island in Zhoushan, a city in Zhejiang Province, the Yangtze River Delta region, China. Phase 1 of the oil storage with a capacity of 1.94 million cubic meters and terminal facilities with 13 berths, which can accommodate vessels from 1,000 to 300,000 DWT. Phase 2 facilities with a capacity of 1.22 million cubic meters.

The Group hopes to attain sustainable developments through the resources integration among various business segments, to create additional return for shareholders and investors.

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Bo (Chairman and acting Chief Executive Officer with effect from 3 May 2019)
Mr. Xie Wenyan (appointed on 3 May 2019 and resigned on 11 October 2019)
Dr. Sit Kwong Lam (Chairman and Chief Executive Officer) (resigned on 11 April 2019)
Mr. Tan Yih Lin (resigned on 25 May 2019)
Mr. Wang Wei (retired on 18 April 2018)

Non-executive Directors

Mr. Dai Zhujiang
Mr. Zhao Liguo (appointed on 28 June 2019)

Independent Non-executive Directors

Mr. Lo Wing Yan William, JP (appointed on 28 June 2019)
Mr. Wang Tian (appointed on 28 June 2019)
Mr. Chan Wai Leung (appointed on 28 June 2019)
Mr. Lau Hon Chuen (resigned on 19 June 2019)
Professor Chang Hsin Kang (resigned on 19 June 2019)
Mr. Kwong Chan Lam (resigned on 19 June 2019)

AUDIT COMMITTEE

Mr. Chan Wai Leung (Chairman) (appointed on 28 June 2019)
Mr. Lo Wing Yan William, JP (appointed on 28 June 2019)
Mr. Wang Tian (appointed on 28 June 2019)
Mr. Kwong Chan Lam (Chairman) (resigned on 19 June 2019)
Mr. Lau Hon Chuen (resigned on 19 June 2019)
Professor Chang Hsin Kang (resigned on 19 June 2019)

REMUNERATION COMMITTEE

Mr. Lo Wing Yan William, JP (Chairman) (appointed on 28 June 2019)
Mr. Wang Tian (appointed on 28 June 2019)
Mr. Chan Wai Leung (appointed on 28 June 2019)
Mr. Tang Bo (appointed on 3 May 2019)
Professor Chang Hsin Kang (Chairman) (resigned on 19 June 2019)
Mr. Lau Hon Chuen (resigned on 19 June 2019)
Mr. Kwong Chan Lam (resigned on 19 June 2019)
Dr. Sit Kwong Lam (resigned on 11 April 2019)
Mr. Tan Yih Lin (resigned on 25 May 2019)

NOMINATION COMMITTEE

Mr. Wang Tian (Chairman) (appointed on 28 June 2019)
Mr. Lo Wing Yan William, JP (appointed on 28 June 2019)
Mr. Chan Wai Leung (appointed on 28 June 2019)
Mr. Tang Bo (appointed on 3 May 2019)
Mr. Lau Hon Chuen (Chairman) (resigned on 19 June 2019)
Mr. Kwong Chan Lam (resigned on 19 June 2019)
Professor Chang Hsin Kang (resigned on 19 June 2019)
Dr. Sit Kwong Lam (resigned on 11 April 2019)
Mr. Tan Yih Lin (resigned on 25 May 2019)

COMPANY SECRETARY

Mr. Chiang Chi Kin (appointed on 28 June 2019)
Mr. Tan Yih Lin (resigned on 25 May 2019)

AUDITORS

HLB Hodgson Impey Cheng Limited (appointed on 23 January 2020)
PricewaterhouseCoopers (resigned on 23 January 2020)

LEGAL ADVISERS ON BERMUDA LAW

Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

33/F
118 Connaught Road West
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th floor North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China Limited
China Development Bank Corporation
China Minsheng Banking Corp., Ltd.
China CITIC Bank International Limited
Credit Suisse AG
ICICI Bank

STOCK CODE

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

WEBSITE

www.brightoil.com.hk

Trading of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 3 October 2017. The Company is required by the Stock Exchange to fulfil all the Resumption Conditions to the Stock Exchange's satisfaction and resume trading of its Shares by 31 January 2020 (the "Resumption Deadline").

Upon suspension on 3 October 2017, the Board started preparation of the resumption without delay. However, due to certain unexpected events including (i) extensive time required to determine the scope and complete of forensic investigation which was just concluded; (ii) postponement of audit work pending for the result of the forensic investigation; (iii) the resignation of PricewaterhouseCoopers as auditors of the Company; (iv) substantial time spent in negotiation with creditors in debt restructuring; and (v) longer than expected lead time in going through the High Court of Singapore auction process for disposal of the Group's vessels and purchaser seeking approval for acquisition of the Zhoushan Oil Storage and Terminal Facilities, the resumption was expected to take longer time than originally contemplated, as such, the Company submitted a resumption plan on 31 January 2020, which included an application to seek an extension of the Resumption Deadline to 29 May 2020 (the "Extension Application").

On 24 February 2020, the Listing Department informed the Company that they are of the view that the Company has failed to fulfil all the resumption conditions/guidance by the Resumption Deadline of 31 January 2020 and has not demonstrated that it falls within the "exceptional circumstances" in which an extension of time may be given as described in paragraph 19 of the Guidance Letter (GL95-18), and as a matter of courtesy, informed the Company that they would recommend the Listing Committee to cancel the listing of the Company on 27 February 2020 under Rule 6.01A of the Listing Rules (the "Listing Department Recommendation").

On 3 March 2020, the Company has made a formal request to the Stock Exchange for a review of the Listing Committee's decision by the Listing Review Committee. The hearing of the Listing Review Committee is scheduled to be held on 18 September 2020.

The Company has taken various remedial actions to address the Resumption Conditions. Upon completion of the remedial actions, the Company should be entitled to have its Shares resume trading on the Stock Exchange:–

(i) Forensic Investigation – RSM Corporate Advisory (Hong Kong) Limited has issued the investigation report, detailing the findings of their investigation on the events which have led to suspension in trading. Details of the investigation report, impacts of operation and financial position and remedial actions had been announced by the Company to the Shareholders on 31 January 2020;

(ii) Outstanding Financials Results – The Company has published the management accounts for the financial years ended 30 June 2017, 2018 and 2019, and for the six months ended 31 December 2017 and 2018 on 31 January 2020. The Company announced its annual results for the financial year ended 30 June 2017 on 13 August 2020 and expects all the outstanding audited annual results and unaudited interim results to be published in due course; and

(iii) Debt Restructuring and Discharge of Winding-up Petitions – Upon completion of the debt restructuring, the total debt amount would be substantially reduced with various loans have been extended for 1 to 12 years and the winding-up petitions are expected to be discharged.

However, although due to certain unexpected events as stated above, the Board targets all the Resumption Conditions imposed by the Stock Exchange can be properly addressed in due course.

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

Tang Bo
Chairman

13 August 2020

FINANCIAL REVIEW

During the year ended 30 June 2017 ("FY2017" or "the period under review"), the Group recorded increase in gross profit of HK$365 million or 18% increase as compared with the previous year. The increased gross profit was mainly attributed from the Group's core business segment which is International Trading and Bunkering.

During the period under review, the total revenue of the Group increased by HK$15,615 million compared with the previous year. The increase in revenue was mainly due to the stabilization of global oil prices. Meanwhile, sales volume of International Trading and Bunkering business recorded considerable growth in FY2017.

The Group recorded a profit and EBITDA for the year ended 30 June 2017 of HK$1,139 million and HK$3,178 million respectively.

Profit attributable to the owners of the Company during the period under review amounted to HK$1,139 million which is an increase of approximately 35% compared with the profit of HK$844 million in the previous year.

During the period under review, the Group recorded basic and diluted earnings per share of HK11.2 cents and HK11.2 cents respectively (2016: basic and diluted earnings per share of HK8.3 cents and HK8.3 cents respectively).

BUSINESS REVIEWS

Upstream Business

In FY2017, our upstream production continued to operate smoothly. The daily productions of the Tuzi and Dina 1 Gas Fields was stabilized at 3.40 million cubic meters in FY2017, representing a year-on-year increase of 500,000 cubic meters per day. The daily production of the Contract Areas 04/36 and 05/36 in Caofeidian remained at a steady level of 34,000 barrels after resumption of production on 20 August 2014.

The Tuzi Luoke Gas Field (the "Tuzi Gas Field") and the neighbouring Dina 1 Gas Field (the "Dina 1 Gas Field") maintained stable production during the year. According to the reports by D&M, a renowned reserves evaluation company in the United States, the combined 2P reserves of the Dina 1 Gas Field and the Tuzi Gas Field to which the Group is entitled amounted to 53.85 million boe. Both of them are located in the gas-rich Tarim Basin in Xinjiang. Commercial gas produced there was sold to China National Petroleum Corporation ("CNPC") and transported to Shanghai and other eastern cities of China through the West-East Natural Gas Pipeline.

The Group had partnered with CNPC to jointly develop the Dina 1 Gas Field. The daily production was approximately 1.17 million cubic meters of natural gas and 60.4 tonnes of condensate. The total productions of gas and condensate in FY2017 were 410 million cubic meters and 20,989 tonnes, respectively. The Group continued to optimize its operations based on industry best practices, in order to maximize production without compromising safety. As at 30 June 2017, the 2P reserves of the Tuzi Gas Field to which the Group is entitled amounted to 24.89 million boe calculated based on the contract period.

The Tuzi Gas Field, jointly developed by the Group and CNPC, commenced commercial production in December 2013. With the overall development plan of 19 wells approved by the National Development and Reform Commission, all of the planned 19 wells completed drilling in December 2016 and were in production with a total daily production rate of approximately 2.15 million cubic meters of natural gas and 8.06 tonnes of condensate, representing an increase of 230,000 cubic meters per day of natural gas over the previous financial year. Total natural gas and condensate production in FY2017 amounted to 755.4 million cubic meters and 1,584 tonnes, respectively. As at 30 June 2017, the 2P reserves of the Tuzi Gas Field to which the Group entitled amounted to 28.97 million be calculated based on the contract period. Given the full completion and commencement of commercial production of the Tuzi Gas Field at the end of 2016, the Dina 1 and Tuzi Gas Fields were able to produce 1.16 billion cubic meters of natural gas and 22,500 tonnes of condensate annually.

BUSINESS REVIEWS *(continued)*

Upstream Business *(continued)*

The Group completed the acquisition of the Caofeidian oilfields from Anadarko at a net consideration of US$946 million (equivalent to approximately HK$7.33 billion) in 2014. The Caofeidian oilfields are situated approximately 90 km offshore in western Bohai Bay and lie in shallow waters at a depth of 25 meters. The Group holds a 40.0909% non-operated interest (up until the contract expiry date of 14 January 2025 for CFD 11-1 & CFD 11-2, up until the contract expiry date of 31 December 2020 for CFD 11-3/5) in the CFD 11-1, CFD 11-2, CFD 11-3/5 oilfields of Contract Area 04/36, covering an area of 90.57 square kilometres. It also holds a 29.1773% non-operated interest (with a contract expiry date of 12 June 2026) in the CFD 11-6, CFD 12-1 and CFD 12-1S oilfields located in Contract Area 05/36, covering an area of 87.42 square kilometres. Daily production was approximately 27,000 boe. Oil production at this project totalled 10.99 million barrels in FY2017.

The Group and its partners had entered into a new ODAP for the Caofeidian oil assets which would take the production of these fields into a new phase during the next decade of the Production Sharing Contract period. The plan centered on the installation of two additional platforms and the drilling of 89 new wells. The planned peak level of daily production under this new ODAP could reach 55,000-56,000 barrels per day. It was expected that with the new ODAP, offshore oil production of the Group will enter a new phase of development.

The management expects that the upstream business would continue to be the primary focus of the Company's development.

International Trading and Bunkering

During the period under review, the Group's international trading and bunkering business sold 15.62 million tonnes of crude oil and 7.19 million tonnes of fuel oil. The total sale volume amounted to 23.14 million tonnes, representing a year-on-year increase of 6%.

From 1 January 2017 onward, the Port of Singapore had fully implemented the Mass Flow Metering ("MFM") system for marine fuel oil delivery and the TR48 bunkering procedures, in order to regulate bunkering operations in the Port of Singapore and prevent various illegal practices during the bunkering process. The new regulations provided legitimate marine bunkering suppliers such as Brightoil an operating environment for fair competition while giving significant support for an elevated bunker margin in Singapore.

In FY2017, 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 certification of MFM system by the Maritime and Port Authority of Singapore. The remaining 4,100 DWT barge was used as a marine diesel fuel bunker barge. The delivery of high-quality oil under the MFM system was well received and highly recognized by world class ship owners for the enhanced bunkering efficiency, which has significantly reduced complaints and disputes arising from quantitative differences and also increased the Group's revenue from Singapore bunkering business.

Marine Transportation

In FY2017, the Group owned 15 vessels in total, including 5 VLCCs, 4 Aframax vessels and 6 bunker barges. Attributable to the burgeoning crude oil transportation market, the Group's marine transportation business delivered a solid performance in FY2016. After years of moderate growth, however, the global VLCC and Aframax fleets experienced a tonnage expansion of 7.1% and 5.6%, respectively. In 2017, the freight market continued to be affected by accelerated expansion of fleets. Statistics showed that a cumulative total of 29 VLCCs and 33 Aframax vessels were delivered during the period from January to June, 2017. The Company decisively responded to market movements, and capitalized on the high tide of the peak season and focused on long hauls to maintain relatively high profits for the fleet in the first half of FY2017. The freight market pulled back in the second half of FY2017 due to collective delivery of newly built ships. Prior to that, we had been watching the market closely and taken action to mitigate the impacts. In addition, as vessels were scheduled for dry-docking once every five years, we took advantage of the low tide period to perform dry-docking, thereby reducing costs.

BUSINESS REVIEWS *(continued)*

Marine Transportation *(continued)*

During the period under review, we adopted different short-term strategies for VLCCs and Aframax vessels, under which VLCCs catered to the dispatch of vessels and the combination of long and short hauls, whereas Aframax vessels minimized the waiting days during the voyage to enhance efficiency. We had also participated in time charter business and had achieved a higher return compared to the spot market, which was also one of our key tactics in FY2017. Moreover, we had stepped up our efforts in cost control. Due to the depreciation of RMB, the average port cost in China was reduced by around 7%. In addition, the costs of hull and machinery insurance and protection and indemnity insurance were lowered by approximately 9%.

Oil Storage and Terminal Facilities

During the period under review, the oil storage and terminal facilities were under construction in Zhoushan.

The project at Zhoushan Waidiao Island is located in the Zhoushan Island District, Zhejiang Province. The remarkable location at the centre of Yangtze River Delta region, with close proximity to metropolises such as Shanghai, Hangzhou and Ningbo, provides geographical advantages. The Zhoushan Island District is the fourth state-level new economic-development zone, following Pudong in Shanghai, Binhai in Tianjin and Liangjiang in Chongqing. It is a pilot region where the government will focus on developing the maritime economy and leading regional development. Particularly in August 2016, the state approved the establishment of China (Zhejiang) Pilot Free Trade Zone in Zhoushan, which was designed to be an important demonstration area in the opening-up of ocean gateways, a pioneering area for trade liberalization of international bulk commodities, and an internationally influential base for the allocation of resources such as oil. As a result, Zhoushan is set to become a hub for processing, transshipment, warehousing and trading of oil. The Zhoushan project carries a total capacity of 3.16 million cubic meters in which phase 1 offers a capacity of 1.94 million cubic meters while phase 2 offers a capacity of 1.22 million cubic meters. The facilities, when completed, would provide storage service for petroleum products including crude oil, gas oil, diesel, aviation kerosene, fuel oil and petrochemicals. The terminal facilities would be equipped with 13 berths which could accommodate vessels ranging from 3,000 to 300,000 DWT. The terminal would have the ability to accommodate vessels of up to 300,000 DWT, which would result in a reduction in freight costs associated with importing oil. The storage facilities of the Zhoushan project are under construction, with 80% of construction work finished.

Reference is made to the Company's announcement on 30 July 2018, in relation to, among other things, the Company's engagement in preliminary commercial negotiations with potential investors for the intended sale of the assets and/or shareholding of oil storage and terminal facilities in Zhoushan. On 7 January 2020, the Company signed a non-binding "Zhoushan Project Cooperation Framework Agreement"with one of the potential buyers. The Company is currently working closely with the buyer and targets to sign a binding agreement in the near future and will make further announcement as and when appropriate.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group had pledged bank deposits, bank balances and cash of approximately HK$445 million and HK$623 million respectively.

The Group considers that its foreign currency exposure mainly arises from its dealings in Hong Kong dollars, Singapore dollars, Renminbi and United States dollars. The Group manages its exposures to foreign currency transactions by periodically monitoring the level of foreign currency receipts and payments and by ensuring that the net exposure to foreign exchange risk is maintained at an appropriate level.

As at 30 June 2017, the Group had bank and other borrowings and charges on its assets of approximately HK$10,844. As at 30 June 2017, the carrying amounts of vessels and leasehold land and building to the extent of approximately HK$5,047 million and HK$522 million respectively were pledged as securities for bank borrowing of approximately HK$2,738 million. Furthermore, the investment property was pledged as security for bank borrowing of approximately HK$180 million.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities.

CAPITAL STRUCTURE

As at 30 June 2017, the Company had 10,175,301,974 shares (the "Shares") in issue with total share capital of approximately HK$254 million.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group employed approximately 439 full time employees. The Group remunerates its directors and employees by reference to their performance, experience and prevailing industry practice. Employee benefits provided by the Group include provident fund scheme, medical schemes, discretionary performance-related bonuses and share award scheme. For the year ended 30 June 2017, total employees' remuneration, including directors' remuneration, was approximately HK$202 million (2016: HK$210 million).

DIVIDEND

The Board of Directors did not recommend the payment of a final dividend for the year ended 30 June 2017 (2016: Nil).

SUSPENSION OF TRADING

On 3 October 2017, at the request of the Company, trading in the shares of the Company on the Main Board of the HKEx was suspended with effect from 9:00 a.m. (Hong Kong time) on 3 October 2017 pending the release of the Group's annual results for the year ended 30 June 2017.

CONDITIONS FOR RESUMPTION OF TRADING OF SHARES OF THE COMPANY

At the request of the Company, trading in the shares of the Company on the HKEx was suspended with effect from 9:00 a.m. (Hong Kong time) on 3 October 2017.

Reference is made to the announcement of the Company dated 28 December 2017 and 15 November 2019 in relation to the resumption conditions. As at the date of this annual report, outstanding financial results (i.e. for the 6 months ended 31 December 2017, the 12 months ended 30 June 2018, the 6 months ended 31 December 2018, the 12 months ended 30 June 2019, the 6 months ended 31 December 2019) as required under the Hong Kong Listing Rules are pending to be published by the Company. Trading in the shares of the Company on the HKEx will remain suspended pending the publication of the remaining outstanding financial results. Please refer to the Chairman's Statement for progress of the resumption of the Company.

DISCLAIMER OF OPINION FROM THE AUDITORS OF THE COMPANY

The auditors of the Company (the "Auditors") had issued disclaimer of opinion on the consolidated financial statements of the Group for the year ended 30 June 2017 (the "Disclaimer of Opinion"). Details and basis for the Disclaimer of Opinion were disclosed in the Independent Auditors' Report of this Annual Report. The Board wishes to provide shareholders of the Company with further information in relation to the Disclaimer of Opinion as below.

During the course of the preparation of the consolidated financial statements of the Group for the year ended 30 June 2017, the Company had been engaged in active cooperation with the Auditors and had addressed the audit issues raised by the Auditors as best it could. The management of the Company including the Audit Committee of the Company was also aware of the possibility of the Disclaimer of Opinion due to various limitations faced by the management of the Company. Nevertheless, there were no major judgmental areas where the management's view was significantly different from that of the Auditors. Plans had been devised and on-going actions were being undertaken with a view to satisfactorily addressing the Disclaimer of Opinion. With the plan already put in place and continuing efforts of the management of the Company, we are of the view that most of the Disclaimer of Opinion could be removed upon successful implementation of our plans.

Majority of the Disclaimer of Opinion arose primarily due to the lack of sufficient appropriate audit evidence relating to, among others, i) occurrence of recorded transactions, ii) opening balances, iii) carrying value of mining interests, property, plant & equipment and prepaid lease payments, iv) carrying value of joint ventures, v) carrying amount of inventories, vi) related party transactions and balances, and vii) contingent liabilities and commitments. The lack of sufficient appropriate audit evidence was caused by a number of factors including the departure of key employees and cessation of certain business divisions etc. Other Disclaimer of Opinion arose due to the on-going but not yet fully completed debt restructuring exercise of the Group which had taken much longer than expected due to the widespread delays in all general business activities in the PRC, Hong Kong and Singapore caused by the Coronavirus pandemic.

The management of the Company had carefully reviewed and considered each of the Disclaimer of Opinion and was of the view that there was no evidence to suggest that the Disclaimer of Opinion would give rise to actual or potential significant adverse impact to the Group's financial position. The management of the Company had also gained valuable insight and guidance from the Audit Committee of the Company throughout the process of preparing the consolidated financial statements of the Group for the year ended 30 June 2017. Throughout the process there was no major difference between the Audit Committee and the management of the Company concerning major judgmental areas in so far as the audit of the Group's financial statements are concerned.

The Company has been publishing up-to-date announcements regularly to provide its shareholders with material information to appraise major progress of various key aspects of the Group. The Company will continue to publish announcements to update its shareholders of any development concerning the Group as and when appropriate. In particular, in relation to the progress of the holistic debt restructuring and the related legal actions. The Company will also use its best endeavours to continue to finalise and release the outstanding financial information in compliance with the requirements under the Listing Rules as soon as practicable.

EXECUTIVE DIRECTOR

Mr. Tang Bo ("Mr. Tang"), aged 52, has been an executive Director of the Company since June 2008 and is mainly responsible for project construction and business development on storage and transportation. He has been a Chairman and Chief Executive Officer of the Company since 3 May 2019. Mr. Tang is also a member of the Remuneration Committee and Nomination Committee of the Company. He graduated from the business school of Nanjing University in 1992 with a master degree in economics. He also serves as a director of certain subsidiaries of the Group. He has over 23 years of experience in the oil industry.

NON-EXECUTIVE DIRECTORS

Mr. Dai Zhujiang ("Mr. Dai"), aged 68, a non-executive Director, Mr. Dai studied in Beijing Foreign Language Institute（北京外國語學院）(now known as Beijing Foreign Studies University（北京外國語大學）, from 1971 to 1975 and graduated with a bachelor degree. In 1990, he served as a senior management of China Resources Textile Materials Co. Ltd.（華潤紡織原料有限公司）. He has been the financial adviser and senior business manager of two large insurance companies (AIA and Prudential) in Hong Kong since 2000. Mr. Dai is a Registered Financial Planner of the Registered Financial Planners Institute since 2005. Mr. Dai joined the Group in June 2008.

Mr. Zhao Liguo ("Mr. Zhao"), aged 67, a non-executive Director, Mr. Zhao worked in China National Offshore Oil Corporation ("CNOOC") from 1983 to June 2015. He served as Head of Contract Division and Deputy General Manager of Contract Law Department, and General Manager of Legal Department of CNOOC. He also served as the General Counsel of CNOOC and CNOOC Limited (Stock Code: 883). Mr. Zhao is a professor-level senior economist. He graduated from the Faculty of Law, Peking University in 1983 with a bachelor of laws degree. In 1988, he studied at the Law School of Niigata University in Japan for a year. Mr. Zhao was granted PRC lawyer qualification in 1987 and corporate counsel qualification in 1998. Mr. Zhao was an Arbitrator of China International Economic & Trade Arbitration Commission and a member of China Maritime Arbitration Commission during 2005 to 2015, and has been an Arbitrator of China Maritime Arbitration Commission since 2017. Mr. Zhao joined the Group in June 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lo Wing Yan William, JP ("Dr. Lo"), aged 59, an independent non-executive Director, the chairman of Remuneration Committee, a member of Audit Committee and Nomination Committee of the Company. Dr. Lo joined the Group in June 2019. Dr. Lo is currently the Chairman of Captcha Media Ltd, a digital marketing & strategy agency, as well as that of a new retail advisory platform, OtoO Academy Limited & Strategenes Limited, a financial & strategy advisory firm in HK. Dr. Lo is a Founding Governor of the Charles K Kao Foundation for Alzheimer's Disease as well as The Independent Schools Foundation Academy, one of the most well known independent schools in HK. He has also been the Chairman of Junior Achievement Hong Kong since 2013. Dr. Lo started his business career at McKinsey & Company and had subsequently held various top management posts at HK Telecom, Cable & Wireless plc, Citibank, WPP plc, China Unicom, I.T Limited, South China Media Group and Kidsland International Holdings Ltd. He is renown for being the founder of Netvigator, the largest Internet business in Hong Kong, as well as iTV (the predecessor of NowTV), the first interactive and on-demand TV service in the world.

Dr. Lo obtained a MPhil degree in Molecular Pharmacology and a PhD degree in Genetic Engineering/Neuroscience, both from Cambridge University, UK. In 1996, he was selected as a "Global Leader for Tomorrow" by the Davos-based renowned global organization World Economic Forum. In 2000, he was selected as one of the top 25 Asia's Digital Elites by the Asia Week magazine. Dr. Lo has held a number of Government appointments during his career and is currently a member of the Cyberport Advisory Panel and a Member of the Hospital Governing Committee of HK Red Cross Blood Transfusion Service. He was a board member of the Broadcasting Authority as well as the ASTRI and the Science Park. He was also a founding member of the Stock Exchange of Hong Kong's Growth Enterprise Market (GEM) Listing Committee. In 1999, Dr. Lo was appointed a Justice of the Peace (JP) of HKSAR Government for his contribution to the city of Hong Kong. During the period 2003-2016, Dr. Lo was a Committee Member of Shantou People's Political Consultative Conference. In 2019, Dr. Lo has been invited by the United Nations ESCAP to lead a task force for its Substainable Business Network Committee to look at financial inclusion leveraging fintech in the region and also has been appointed as an expert member by Shanghai GP Capital's research institution. Dr. Lo serves as an independent non-executive director on the board of a number of publicly listed companies in HK, including Television Broadcasts Ltd (Stock Code: 511), CSI Properties Ltd (Stock Code: 497), SITC International Holdings Company Ltd (Stock Code: 1308), JingRui Holdings Ltd (Stock Code: 1862) and South Shore Holdings Limited (SEHK: 577). He is also an independent non-executive director of the New York Stock Exchange listed Nam Tai Property, Inc. (NYSE: NTP).

Dr. Lo was the Vice Chairman of Kidsland International Holdings Limited (Stock Code: 2122), the independent non-executive director of BOE Varitronix Limited (Stock Code: 710), International Housewares Retail Company Limited (Stock Code: 1373), Ronshine China Holdings Limited (Stock Code: 3301) and Hsin Chong Group Holdings Limited (Stock Code: 404), the shares of all of which are listed on the Stock Exchange.

Mr. Wang Tian ("Mr. Wang"), aged 64, an independent non-executive Director, the Chairman of Nomination Committee, a member of Audit Committee and Remuneration Committee of the Company. Mr. Wang has extensive experience in the field of financial management. Mr. Wang acted as an Executive Director of Shougang Concord Grand (Group) Limited (Stock Code: 730) from March 2004 to June 2017 and was the Deputy Managing Director and a member of the Executive Committee of that company. Mr. Wang is a senior economist and holds a PhD degree in economics. Mr. Wang had been awarded certificate and special allowance from the Government of the People's Republic of China as a commendation for his outstanding contribution in developing the financial business in Mainland China. Mr. Wang joined the Group in June 2019.

Mr. Chan Wai Leung ("Mr. Chan"), aged 49, an independent non-executive Director, the chairman of Audit Committee, a member of Remuneration Committee and Nomination Committee of the Company. Mr. Chan is currently working as the chief financial officer of Vantage Asset Management Limited. Mr. Chan acted as the chief financial officer, chief risk officer, and Vice President of corporate investment and financing in two listed companies during April 2016 to April 2019. Mr. Chan has over 20 years working experience in leading international accounting firms and has extensive experience in assisting clients on internal controls review and accounting compliance review. Mr. Chan graduated with a Bachelor of Business Administration degree and he has obtained a Master degree of Global Business Management and E-Commerce from the University of Hong Kong. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. Mr. Chan was awarded the China Economic 100 Outstanding Person Award in 2011 in recognition of the significant contributions made to the domestic economy and in taxation for many years. Mr. Chan joined the Group in June 2019.

The board of directors (the "Board") present its annual report and the audited consolidated financial statements of Brightoil Petroleum (Holdings) Limited (the "Company") together with subsidiaries of the Company (the "Group") for the year ended 30 June 2017.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2017 are set out in the consolidated statement of comprehensive income on page 49.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 30 June 2017 (for the year ended 30 June 2016: Nil).

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the year ended 30 June 2017, total additions to property, plant and equipment were approximately HK$442 million, which mainly include additions to construction in progress of approximately HK$283 million. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

The Group's investment property was revalued at 30 June 2017. Fair value gain of HK$23 million was recognised during the year ended 30 June 2017. Details of investment property of the Group as of 30 June 2017 are set out in note 19 to the consolidated financial statements.

FINANCIAL SUMMARY

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

SHARE CAPITAL

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

BUSINESS REVIEW

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year as well as prospects of the Group's business are provided in the "Chairman's Statement" and "Management Discussion and Analysis" respectively on page 5 and pages 6 to 10 of this Annual Report.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of factors affecting the results and business operations of the Group. The major risks and the uncertainties facing the Group's business operations are set out in the "Chairman's Statement" on page 5. The Group's other financial risks and uncertainties are provided in note 5 to the consolidated financial statements.

PARTICULARS OF IMPORTANT EVENTS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

Details of the Group's ESG Report for the year ended 30 June 2017 had been published on website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in August 2018.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 30 June 2017, the Company was not aware of any non-compliance with any relevant laws and regulations that have a significant impact on the Group.

KEY RELATIONSHIPS WITH STAKEHOLDERS

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

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

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out respectively in the consolidated statement of changes in equity on page 52 and note 41 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

Mr. Tang Bo (Chairman and acting Chief Executive Officer with effect from 3 May 2019)
Mr. Xie Wenyan (appointed on 3 May 2019 and resigned on 11 October 2019)
Dr. Sit Kwong Lam (Chairman and Chief Executive Officer) (resigned on 11 April 2019)
Mr. Tan Yih Lin (Chief Financial Officer and Company Secretary) (resigned on 25 May 2019)
Mr. Wang Wei (retired on 18 April 2018)

Non-Executive Directors:

Mr. Dai Zhujiang
Mr. Zhao Liguo (appointed on 28 June 2019)

Independent Non-Executive Directors:

Mr. Lo Wing Yan William, JP (appointed on 28 June 2019)
Mr. Wang Tian (appointed on 28 June 2019)
Mr. Chan Wai Leung (appointed on 28 June 2019)
Mr. Lau Hon Chuen (resigned on 19 June 2019)
Professor Chang Hsin Kang (resigned on 19 June 2019)
Mr. Kwong Chan Lam (resigned on 19 June 2019)

The Company had not held AGM for 2017, 2018 and 2019. Thus no Director was retired and re-elected after 2016 AGM.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the current independent non-executive Directors, namely Dr. Lo Wing Yan William, JP, Mr. Wang Tian and Mr. Chan Wai Leung for the confirmation of his independence pursuant to the Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") from their appointment date on 28 June 2019 and till 30 June 2020, the Company considers that the current independent non-executive Directors are independent.

The Board does not have information to assess the independence of each of the former independent non-executive Directors, namely Mr. Lau Hon Chuen, Professor Chang Hsin Kang and Mr. Kwong Chan Lam during the tenure of their services from the beginning of FY2017 (i.e. 1 July 2016) to their resignation date on 19 June 2019.

DIRECTORS' SERVICE CONTRACTS

From 1 July 2016 to the date of this report, each of Mr. Tang Bo (being current executive Director) and Dr. Sit Kwong Lam and Mr. Tan Yih Lin (both being resigned executive Directors) had entered into service contract with the Company with a term of three years commencing from 20 June 2017 and Mr. Xie Wenyan (being executive Director appointed on 3 May 2019 and resigned on 11 October 2019) had entered into service contract with the Company with a term of three years commencing from 12 April 2019. Each of the above executive Directors is entitled to a basic salary, which is determined on the basis of his qualification, experience, involvement in and contribution to the Company and by reference to the market rate, and a discretionary management bonus of an amount to be determined by the Board upon completion of every 12 months of service.

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

DIRECTORS' SERVICE CONTRACTS *(continued)*

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

Save as disclosed above, none of the Directors has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of Directors of the Group are set out on pages 11 to 12 of this report.

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

At 30 June 2017, the interests and short positions of the Directors, chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange 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	7,422,153,999 (note 2)	72.94%
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 10,175,301,974 Shares in issue as at 30 June 2017.

(2) These 7,422,153,999 Shares refer to (a) 3,043,838,960 Shares held by Energy Empire Investments Limited ("Energy Empire"), which is wholly and beneficially owned by Dr. Sit; (b) 4,073,926,039 Shares held by Canada Foundation Limited ("Canada Foundation"), which is wholly and beneficially owned by Dr. Sit; (c) 196,318,000 Shares held by Brightoil Welfare Ltd. which is wholly and beneficially owned by Dr. Sit; and (d) 108,071,000 Shares held by Harvest Energy Investments Ltd. ("Harvest Energy"), which is wholly and beneficially owned by Dr. Sit.

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

(4) These 1,485,000 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.

(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 year are set out in the section headed "Share Award Scheme" of this report.

Save as disclosed above, as at 30 June 2017, neither of the Directors nor chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and which were required to be entered into the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE AWARD SCHEME

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

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

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

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

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

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

The Board made its second grant of the Award Shares under the Share Award Scheme on 12 June 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 2016, 12 June 2017, 12 June 2018, 12 June 2019 and 12 June 2020 respectively.

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

SHARE AWARD SCHEME *(continued)*

During the year ended 30 June 2017, no Award Shares had been awarded to the Directors and employees for their services rendered to the Group. Details of which are as follows:

		Number of Award Shares					
	Date of grant (dd/mm/yy)	As at 1.7.2016	Granted during the year	Vested during the year	Forfeited during the year	As at 30.6.2017	Vesting period
Executive Directors							
Mr. Tang Bo	13.6.2014	360,000		(120,000)	–	240,000	12.6.2015-12.6.2019 (note 1)
	13.6.2015	468,000		(117,000)		351,000	12.6.2016-12.6.2020 (note 2)
	25.7.2016	–	300,000	(60,000)		240,000	12.6.2017-12.6.2021 (note 3)
						831,000#	
Mr. Tan Yih Lin	13.6.2014	360,000		(120,000)	–	240,000	12.6.2015-12.6.2019 (note 1)
	13.6.2015	468,000		(117,000)		351,000	12.6.2016-12.6.2020 (note 2)
	25.7.2016	–	800,000	(160,000)		640,000	12.6.2017-12.6.2021 (note 3)
						1,231,000#	
Mr. Wang Wei	13.6.2015	308,000	–	(77,000)	–	231,000#	12.6.2016-12.6.2020 (note 2)
Non-executive Director							
Mr. Dai Zhujiang	13.6.2014	90,000	–	(30,000)	–	60,000	12.6.2015-12.6.2019 (note 1)
	13.6.2015	32,000		(8,000)		24,000	12.6.2016-12.6.2020 (note 2)
						84,000#	
Independent Non-executive Directors							
Mr. Kwong Chan Lam	13.6.2014	90,000	–	(30,000)	–	60,000	12.6.2015-12.6.2019 (note 1)
	13.6.2015	32,000		(8,000)		24,000	12.6.2016-12.6.2020 (note 2)
						84,000#	
Mr. Lau Hon Chuen	13.6.2014	90,000	–	(30,000)	–	60,000	12.6.2015-12.6.2019 (note 1)
	13.6.2015	32,000		(8,000)		24,000	12.6.2016-12.6.2020 (note 2)
						84,000#	
Professor Chang Hsin Kang	13.6.2014	90,000	–	(30,000)	–	60,000	12.6.2015-12.6.2019 (note 1)
	13.6.2015	32,000		(8,000)		24,000	12.6.2016-12.6.2020 (note 2)
						84,000#	
Others							
Employees	13.6.2014	1,277,800	–	(363,600)	(207,000)	707,200	12.6.2015-12.6.2019 (note 1)
	13.6.2015	2,876,000	–	(588,000)	(580,000)	1,708,000	12.6.2016-12.6.2020 (note 2)
	25.7.2016	–	1,520,000	(304,000)	–	1,216,000	12.6.2017-12.6.2021 (note 3)
						3,631,200#	
Total		6,605,800	2,620,000	2,178,600	787,000	6,260,200	

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

SHARE AWARD SCHEME *(continued)*

Notes:

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

2. These Award Shares were granted to eligible grantees under the Second Grant which is subject to vesting period in five tranches of 20% each on 12 June 2016, 2017, 2018, 2019 and 2020 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 2017, 2018, 2019, 2020 and 2021 respectively.

Further details of the Share Award Scheme are set out in note 36 to the consolidated financial statements of this annual report.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises three current independent non-executive Directors, namely, Dr. Lo Wing Yan William, JP; Mr. Wang Tian and Mr. Chan Wai Leung (Chairman of the Audit Committee), has reviewed the audited financial statements of the Company for the year ended 30 June 2017 and discussed with the management and the current auditor of the Company on the accounting principles and practices adopted by the Group and internal controls and risk management and financial reporting matters.

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES

The following information is disclosed pursuant to Rule 13.21 of Chapter 13 of the Listing Rules which reflects the updated circumstances as at the issuance date of this report:

(1) On 26 April 2010, Brightoil Lion Tanker Ltd., an indirect wholly-owned subsidiary of the Company, entered into an 8-year term loan facility agreement with a bank for loan amount which is the lowest of (i) US$31,500,000; (ii) 60% of the market value of the vessel; or (iii) 60% of the contract price payable by it and the facility is guaranteed by the Company.

(2) On 14 January 2013, Brightoil Grace Tanker Ltd., an indirect wholly-owned subsidiary of the Company, entered into an 8-year term loan agreement of a loan up to US$65,000,000 with a bank and the facility is guaranteed by the Company.

(3) 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 entered into a 10-year facility agreement of US$120,000,000 with a bank and the facility is guaranteed by the Company.

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

(4) On 28 July October 2016, Brightoil Gem Tanker Ltd., an indirect wholly-owned subsidiary of the Company, entered into a 7-year term loan agreement of US$52,000,000 with a bank and the facility is guaranteed by the Company.

(5) On 25 January 2017, Brightoil Glory Tanker Ltd., an indirect wholly-owned subsidiary of the Company, entered into a 5-year US$41,600,000 term loan facility agreement with a bank and the facility is guaranteed by the Company.

(6) On 28 June 2017, the Company entered into a 42-month facility agreement of HK$100,000,000 with a bank for working capital.

Pursuant to the provisions of the above facility agreements, if Dr. Sit Kwong Lam, the controlling shareholder of the Company, and/or his descendants, direct or indirect, ceases to remain the majority shareholder of the Company or fails to maintain control (at least 51% of the issued shares of the Company), and/or cease to be the chairman or an executive director of the Company (the "Specific Performance Obligation"), it would constitute an event of default under the facility agreements, whereupon the bank will have the right to declare the commitment under the facility agreements to be cancelled, all outstanding amounts become immediately due and payable and/or demand immediate repayment of all outstanding principal amounts together with interest accrued and all other sums payable under the facility agreements.

On 19 November 2015, the Company successfully issued unlisted convertible bonds with aggregate principal amount of US$50 million (equivalent to approximately HK$388 million) with maturity date on 19 November 2018. On the same date, the Company successfully issued listed convertible bonds with aggregate principal amount of US$12 million (equivalent to approximately HK$93 million), which would be listed on the Stock Exchange with maturity date on 13 November 2018.

On 15 December 2015, the Company successfully issued unlisted convertible bonds with aggregate principal amount of US$100 million (equivalent to approximately HK$775 million) with maturity date on 19 November 2018.

Reference to the Company's announcement dated 15 November 2017, a Relevant Event, pursuant to terms and conditions of the above bonds, occurred, and all bondholders could have the right to early redemption of the bonds.

A "Relevant Event" is where: (i) the Shares cease to be listed or admitted to trading, or when the Shares are suspended from trading for a period equal to or exceeding 30 consecutive trading days; or (ii) there is a change of control.

On 12 February 2018, the Company redeemed all outstanding unconverted listed convertible bonds with a principal amount of US$9.6 million (equivalent to approximately HK$74 million) in full, together with accrued and unpaid interest thereon. The listed convertible bond was withdrawn from the Stock Exchange with effective from the close of business on 21 February 2018.

Thereafter, some creditors had issued statutory demands for payment or had taken legal actions to recover their debts. Pursuant to Company's announcement made on 21 November 2018, under the guidance and coordination of the People's Bank of China, the Company actively pursued a package of financing and debt optimization adjustment plans, which include renewal of existing credit facilities, takeover of existing loans by certain key financiers and/or disposal of assets of the Group for raising funds to pay off a portion of the existing debts and enhancing liquidity of the Group.

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

As at the issuance date of this report, the Group has been in active discussions with lenders on debt restructurings. The Company has entered settlement agreements with several creditors, such as Toyota Tsusho Corporation and Luso International Banking Ltd. In particular, the debts of major creditors including Petco Trading Labuan Company Ltd ("Petco"), Petrolimex Singapore Pte Limited, Qatar National Bank, Haitong Global Investment SPC III under the respective settlement agreements have been fully paid off. On 1 April 2020, the Company and Brightoil Petroleum (S'pore) Pte. Ltd. ("BOPS") have entered into a loan restructuring agreement with Bank of China Limited Shenzhen Branch. The Company and BOPS have also entered into a loan restructuring agreement with TransAsia Private Capital Limited on 15 July 2020 in order to defer the loan for 18 months.

In addition, the Company has successfully reached settlement on the outstanding debts with the Petitioner (Petco) and other interested creditors in the Hong Kong court proceedings (HCCW 147/2019). On 27 July 2020, the High Court of Hong Kong granted the dismissal of the winding-up petition (HCCW 147/2019) filed by Petco against the Company on 17 May 2019.

The Company continues dedicating its best efforts to take forward its debt restructuring exercise with various creditors.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken during the year under review are disclosed in note 40 to the consolidated financial statements. Save as disclosed in "Connected Transactions" below, these related party transactions fall under the definition of connected transaction, but are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 40 to the consolidated financial statements also constituted connected transactions or as the case may be, continuing connected transactions under the Listing Rules and are subject to the reporting requirements in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected persons (as defined in the Listing Rules) and the Group have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in compliance with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Details of those transactions which also constituted connected transaction and continuing connected transactions as follows:

Connected transaction

(1) Acquisition of Vessel 329

On 29 July 2016, Brightoil 329 Oil Tanker Pte. Ltd. ("Subsidiary 329"), a wholly-owned subsidiary of the Company incorporated under the Laws of Singapore, entered into the Memorandum of Agreement for the sale and purchase of Vessel 329 with 珠海經濟特區華電船務有限公司 (ZHU HAI S.E.Z. HUADIAN SHIPPING CO. LTD.*) ("Zhu Hai S.E.Z. Huadian"), a company established in the People's Republic of China ("PRC") with limited liability which is ultimately and beneficially controlled by Dr. Sit (being an executive Director and Chairman of the Company till 11 April 2019), pursuant to which Zhu Hai S.E.Z. Huadian has agreed to sell, and Subsidiary 329 has agreed to purchase Vessel 329 for a total cash consideration of US$8,400,000 (equivalent to approximately HK$65,172,912) (the "Vessel 329 MOA"). Vessel 329 is built by RIZHAO KINGDA SHIPBUILDING HEAVY INDUSTRIES CO., LTD., CHINA. Pursuant to the Vessel 329 MOA, the delivery of Vessel 329 is expected to take place on 1 August 2016 in Rizhao, China or such other place as the parties may mutually agree. The cancellation date for completion (the last date available for completion) was 15 August 2016. Zhu Hai S.E.Z. Huadian is connected person of the Company under the Listing Rules.

CONNECTED TRANSACTIONS *(continued)*

Continuing connected transactions

(1) Fuel oil purchase and delivery

The Oil Purchase Agreement (entered on 12 July 2008), the 2010 Oil Purchase Agreement (entered on 25 May 2010) and the 2013 Oil Purchase Agreement (entered on 8 May 2013) entered by the Group with 深圳光滙石油集團股份有限公司 (Shenzhen Brightoil Group Co., Ltd.*) ("Shenzhen Brightoil"), a company established in the PRC, which is wholly and beneficially controlled by Dr. Sit, in relation to fuel oil purchase and delivery, details can be referred in the Company's annual report for the year ended 30 June 2016.

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

Under the 2016 Oil Purchase Agreement, the amount of aggregate Oil purchase price and delivery fees paid and payable during the year ended 30 June 2017 was approximately HK$20 billion (equivalent to approximately US$2,594 million).

(2) Fuel oil storage

The 2010 Oil Storage Services Agreement (entered on 21 June 2010), the Supplemental Oil Storage Service Agreement (entered on 21 February 2012) and 2013 Oil Storage Services Agreement (entered on 8 May 2013) entered by the Company and Shenzhen Brightoil in relation to oil storage services, under which the Shenzhen Brightoil Group shall provide oil storage services to the Group for the oil purchased by the Group, details can be referred in the Company's annual report for the year ended 30 June 2016.

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

Under the 2016 Oil Storage Services Agreement, the amount of aggregate fuel oil storage fees paid and payable during the year ended 30 June 2017 was approximately HK$97 million (equivalent to approximately US$12.5 million).

* *For identification purposes only*

CONNECTED TRANSACTIONS *(continued)*

Continuing connected transactions *(continued)*

(3) Cargo-carrying income from Shenzhen Brightoil

The 2012 Cargo-Carrying Agreement (entered on 21 February 2012) and the 2013 Cargo-Carrying Agreement (entered on 8 May 2013) entered by Brightoil Shipping Group Ltd. ("Brightoil Shipping"), a direct wholly-owned subsidiary of the Company, and Shenzhen Brightoil in relation to carry cargoes of Shenzhen Brightoil in any vessels owned, controlled, chartered, managed or operated by Brightoil Shipping using all or part of the cargo-carrying space of such vessels, details can be referred in the Company's annual report for the year ended 30 June 2016.

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

There was no cargo-carrying income received or receivable during the year ended 30 June 2017 under the 2016 Cargo-Carrying Agreement.

(4) Barge services

The 2012 Barge Services Agreement (entered on 21 February 2012) and 2013 Barge Services Agreement (entered on 8 May 2013) entered by the Company and Shenzhen Brightoil in relation to Shenzhen Brightoil has agreed to provide fuel delivery services to the Group, details can be referred in the Company's annual report for the year ended 30 June 2016.

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

Under the 2016 Barge Services Agreement, the amount of aggregate barge services fees paid and payable during the year ended 30 June 2017 was approximately HK$23 million (equivalent to approximately US$3 million).

CONNECTED TRANSACTIONS *(continued)*

Continuing connected transaction *(continued)*

(5) Provision of operational e-commerce services

The E-commerce Exclusive Technical Consultancy and Services Agreement (entered on 8 October 2015) entered by 光滙石油電商（深圳）有限公司 (Brightoil Petroleum E-commerce (Shenzhen) Limited*) ("Brightoil E-commerce"), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company, and Shenzhen Brightoil in relation to the provision of operational e-commerce services by Brightoil E-commerce for the single-purpose commercial prepaid cards related to the business of Shenzhen Brightoil, details can be referred in the Company's annual report for the year ended 30 June 2016.

On 23 December 2016, Brightoil E-commerce and Shenzhen Brightoil have entered into the E-commerce Exclusive Technical Consultancy and Services Agreement (the "2017 E-commerce Agreement") for another term of 1 year, from 1 January 2017 to 31 December 2017, for the provision of operational e-commerce services by Brightoil E-commerce to Shenzhen Brightoil Group in relation to the latter's single-purpose commercial prepaid cards related business. The maximum aggregate annual amount payable by Shenzhen Brightoil to Brightoil E-commerce for the transactions contemplated under the 2017 E-commerce Agreement in 2017 is RMB850 million (equivalent to approximately HK$957 million).

Under the 2016 E-commerce Agreement, the amount of services fees received or receivable during the period from 1 July 2016 to 31 December 2016 was approximately HK$37 million (equivalent to approximately RMB33 million). In aggregrate to the amount of services fees received or receivable during the period from 1 January 2016 to 30 June 2016 was approximately HK$24 million (equivalent to approximately RMB20 million), thus the total amount of services fees received or receivable in 2016 was approximately HK$61 million (equivalent to approximately RMB53 million).

Under the 2017 E-commerce Agreement, the amount of services fees received or receivable during the period from 1 January 2017 to 30 June 2017 was approximately HK$59 million (equivalent to approximately RMB51 million).

DIRECTORS' INTEREST IN COMPETING BUSINESS

Dr. Sit, the ultimate controlling shareholder, through his controlled companies (other than the Group), holds 100% interest in Shenzhen Brightoil Group which principally engages in, among others, the supply of duty-free marine bunkering services in the PRC. Shenzhen Brightoil entered into the Oil Purchase Agreement with the Group, the 2010 Oil Purchase Agreement, the 2013 Oil Purchase Agreement and the 2016 Oil Purchase Agreement (as amended by the Amendment Agreement) for the provision of oil and delivery services to the Group or the Group's customers globally at the direction of the Group.

Shenzhen Brightoil, for itself and on behalf of its subsidiaries, has undertaken not to engage in any direct competition with the Group in respect of the international trading and bunkering (including trading of petroleum products) carried out by the Group from time to time in PRC during the term of the Oil Purchase Agreement, the 2010 Oil Purchase Agreement, the 2013 Oil Purchase Agreement and the 2016 Oil Purchase Agreement (as amended by the Amendment Agreement).

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

* *For identification purposes only*

SUBSTANTIAL SHAREHOLDERS AND PERSONS HAVING 5% OR MORE INTERESTS

As at 30 June 2017, to the best knowledge of the Directors, the interests and short positions of every person, other than a Director or chief executive of the Company, in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position/Short position

Name of substantial shareholder	Capacity	Long position/ short position	Number of ordinary shares	Approximate percentage of shareholdings
Energy Empire	Beneficial owner (note 1)	Long position	3,043,838,960	29.91%
Canada Foundation	Beneficial owner (note 1)	Long position	4,073,926,039	40.04%
China Insurance Group Finance Company Limited (note 2)	Person having a security interest in shares (note 2)	Long position	929,824,667 (note 2)	9.14%
Taiping Financial Holdings Co. Ltd. (note 2)	Interest in a controlled corporation (note 2)	Long position	930,314,667 (note 2)	9.14%
China Taiping Insurance Holdings Co. Ltd. (note 2)	Interest in a controlled corporation (note 2)	Long position	930,314,667 (note 2)	9.14%
New Silkroad Investment Holdings Limited (note 3)	Person having a security interest in shares (note 3)	Long position	650,717,704	6.40%
China Huarong Assets Management Co., Limited (note 3)	Interest in a controlled corporation (note 3)	Long position	650,717,704	6.40%

Notes:

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

2. The Company has been notified by Canada Foundation that, some amount of 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, details of which are set out in the announcement of the Company dated 20 June 2016.

3. The Company has been notified by Canada Foundation that, some amount of 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.

Save as disclosed above, as at 30 June 2017, the Company has not been notified of any person (other than a Director or chief executive of the Company) or entity had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

CONTROLLING SHAREHOLDERS'/DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the Vessel 329 MOA, the Oil Purchase Agreement, the 2010 Oil Purchase Agreement, the 2013 Oil Purchase Agreement and the 2016 Oil Purchase Agreement (as amended by the Amendment Agreement), the 2012 Cargo-Carrying Agreement, the 2013 Cargo-Carrying Agreement and the 2016 Cargo-Carrying Agreement, the 2010 Oil Storage Services Agreement, the Supplemental Oil Storage Service Agreement, the 2013 Oil Storage Services Agreement and the 2016 Oil Storage Services Agreement, the 2012 Barge Services Agreement, the 2013 Barge Services Agreement and the 2016 Barge Services Agreement, the 2016 E-commerce Agreement and 2017 E-commerce Agreement (as defined in paragraphs headed "Connected Transactions" above), in which a director of the Company or controlling shareholder (or any of its subsidiaries) has a material interest, as disclosed in note 40 to the consolidated financial statements, no other contracts of significance to which the Company, any of its subsidiaries was a party and in which a Director of the Company or controlling shareholder (or any of its subsidiaries) had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 61% of the Group's revenue for the year ended 30 June 2017, with the largest customer accounted for approximately 35%. The five largest suppliers of the Group together accounted for approximately 70% of the Group's total purchases for the year ended 30 June 2017, with the largest supplier accounted for approximately 34%.

On 12 July 2008, the Group entered into the Oil Purchase Agreement with Shenzhen Brightoil in which Dr. Sit, an executive Director of the Company till 11 April 2019, has controlling interest. The Shenzhen Brightoil Group has become the Group's principal supplier. Pursuant to the 2010 Oil Purchase Agreement, the Shenzhen Brightoil Group will provide fuel oil, gas oil and the related petroleum products for the International Trading and Bunkering Business (including trading of related petroleum products) and delivery services to the Group or the Group's customers globally at the direction of the Group. Under the 2013 Oil Purchase Agreement, the Group agreed to purchase Oil from the Shenzhen Brightoil Group for a term of three (3) years commencing on 1 July 2013 and ended on 30 June 2016. Under the 2016 Oil Purchase Agreement (as amended by the Amendment Agreement), the Group agreed to purchase Oil from the Shenzhen Brightoil Group for a term of three (3) years commencing on 1 July 2016 and ended on 30 June 2019.

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information publicly available to the Company, the Company has maintained a sufficient public float as required under the Listing Rules throughout the year ended 30 June 2017 and as at the latest practicable date prior to the issue of this annual report.

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

During the year ended 30 June 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company (2016: repurchase of 10,000,000 shares with total consideration of HK$24,665,900).

PERMITTED INDEMNITY PROVISION

For the year ended 30 June 2017, the Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and other officers arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of significant events after the end of the reporting period are set out in note 42 to the consolidated financial statements.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

AUDITORS

PricewaterhouseCoopers have tendered their resignation as the auditors of the Company with effect from 23 January 2020. HLB Hodgson Impey Cheng Limited have been appointed as the new auditors of the Company with effect from 23 January 2020 to fill the casual vacancy following the resignation of PricewaterhouseCoopers.

APPRECIATION

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

By Order of the Board of
Brightoil Petroleum (Holdings) Limited
Tang Bo
Chairman

Hong Kong, 13 August 2020

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") is committed to maintain and developed a high standard of corporate governance practicess for the purpose of providing framework and solid foundation for its business operation and development. Effective corporate governance provides "Accountability, Responsibility and Transparency" which contributes to the corporate success and enhancement of shareholder value.

The Company has applied the principles and reviewed all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 30 June 2017.

During the year ended 30 June 2017, the Company complied with all applicable code provisions as set out in the CG Code except the deviation as described in the section headed "Chairman and Chief Executive Officer" of this report, ensuring that all decisions were made on the principles of truest and fairness and in an open and transparent manner so as protect interests of all shareholders. The Company values the importance of corporate governance and in light of the CG Code, the Company set out a summary of the Company's key corporate governance practices during the year ended 30 June 2017 below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code for securities transactions by directors of listed issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by Directors. All the Directors have complied with the required standard as set out in the Model Code throughout the year ended 30 June 2017.

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

BOARD OF DIRECTORS

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

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

DELEGATION BY THE BOARD

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

SUMMARY OF WORK DONE

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

MEETING BETWEEN THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS

There was one meeting between the Chairman and non-executive Directors (including the independent non-executive Directors) held without presence of the executive Directors for the year ended 30 June 2017 pursuant to the code provision A.2.7 of the CG Code. Such code provision requires that, without the presence of the executive directors, the chairman needs to have at least one meeting with non-executive directors including independent non-executive directors each year.

BOARD COMPOSITION

The Board comprises the following Directors as at 30 June 2017:

Executive Directors

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

Non-executive Director

Mr. Dai Zhujiang

Independent Non-executive Directors

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

As at 30 June 2017, the Board was composed of four executive Directors, one non-executive Director and three independent non-executive Directors, biographical details of the current directors are set out in “Biographical Details of Directors” of this annual report. The current independent non-executive Directors are identified in all corporate communications.

As at 30 June 2017, the Board complies with Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors and one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

The Board does not have information to assess the independence of each of the former independent non-executive Directors, namely Mr. Lau Hon Chuen, Professor Chang Hsin Kang and Mr. Kong Chan Lam pursuant to the Rule 3.13 of the Listing Rules during the tenure of their services from the start of the year under review (i.e. 1 July 2016) to their resignation date on 19 June 2019.

As at 30 June 2017, the representation of independent non-executive Directors appointed makes up over one-third of the Board, which complies with Rule 3.10A of the Listing Rules.

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

ATTENDANCE RECORDS

During the year ended 30 June 2017, the following Board meetings, general meetings and relevant committees meetings were held. Details of the Directors' attendance are as follows:

	Board	General Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Dr. Sit Kwong Lam (note 1)	1/7	1/2	N/A	2/2	1/1
Mr. Tang Bo	5/7	2/2	N/A	N/A	N/A
Mr. Tan Yih Lin (note 2)	7/7	2/2	N/A	2/2	1/1
Mr. Wang Wei (note 3)	7/7	2/2	N/A	N/A	N/A
Non-executive Directors					
Mr. Dai Zhujiang	6/7	2/2	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Lau Hong Chuen (note 4)	5/7	2/2	2/2	2/2	1/1
Professor Chang Hsin Kang (note 5)	7/7	2/2	2/2	2/2	1/1
Mr. Kwong Chan Lam (note 6)	7/7	2/2	2/2	2/2	1/1

Notes:

1. Dr. Sit Kwong Lam resigned as an executive Director, Chairman and CEO with effect from 11 April 2019.

2. Mr. Tan Tih Lin resigned as an executive Director with effect from 25 May 2019.

3. Mr. Wang Wei retired as an executive Director on 18 April 2018.

4. Mr. Lau Hong Chuen resigned as an independent non-executive Director with effect from 19 June 2019.

5. Professor Chang Hsin Kang resigned as an independent non-executive Director with effect from 19 June 2019.

6. Mr. Kwong Chan Lam resigned as an independent non-executive Director with effect from 19 June 2019.

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

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

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

For the year ended 30 June 2017, there is in place the Directors' and Officers' Liabilities Insurance coverage in respect of the legal actions against the Directors and senior management arising out of corporate activities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Being aware of the said deviation from code provision A.2.1, but in view of the 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 as at 30 June 2017 (representing half of the Board), the interests of the Shareholders and stakeholders should be adequately and fairly represented.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

NON-EXECUTIVE DIRECTORS

For the year ended 30 June 2017, each of the non-executive Director and independent non-executive Directors has been appointed for a fixed term of three years. In accordance with the provisions of the Bye-laws, any Director is subject to retirement by rotation once every three years and shall be eligible for re-election in the annual general meeting of the Company.

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

INDUCTION PROGRAMME AND TRAINING FOR BOARD MEMBERS

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

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

TRAINING FOR DIRECTORS

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

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

During the period from 1 July 2016 to 30 June 2017, the Directors participated in the following trainings:

	Attending (note 1)
Executive Directors	
Dr. Sit Kwong Lam	✓
Mr. Tang Bo	✓
Mr. Tan Yih Lin	✓
Mr. Wang Wei	✓
Non-executive Director	
Mr. Dai Zhujiang	✓
Independent Non-executive Directors	
Mr. Lau Hon Chuen	✓
Professor Chang Hsin Kang	✓
Mr. Kwong Chan Lam	✓

Notes:

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

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

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

SUPPLY OF AND ACCESS TO INFORMATION

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

BOARD COMMITTEES

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

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") on 18 January 2012. For the year ended 30 June 2017, it comprises a total of five members, being two executive Directors, namely Dr. Sit Kwong Lam and Mr. Tan Yih Lin, and three independent non-executive Directors, namely Mr. Lau Hon Chuen (Chairman of the Nomination Committee), Mr. Kwong Chan Lam and Professor Chang Hsin Kang.

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

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

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

SUMMARY OF WORK DONE

During the year ended 30 June 2017, the Nomination Committee had conducted a meeting to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors, consider and make recommendations to the Board on the re-appointment of an independent non-executive Director. The attendance record of each Director at the Nomination Committee meeting is set out in the section headed "Attendance Records" of this report.

REMUNERATION COMMITTEE

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

A majority of the members of the Remuneration Committee are independent non-executive Directors. For the year ended 30 June 2017, the members are Professor Chang Hsin Kang (Chairman of the Remuneration Committee), Mr. Kwong Chan Lam, Mr. Lau Hon Chuen, Dr. Sit Kwong Lam and Mr. Tan Yih Lin.

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

The Remuneration Committee is primarily responsible for the following duties:

- to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration;

- to review and approve management's remuneration proposal with reference to corporate goals and objectives resolved by the Board from time to time;

- to make recommendations to the Board on the remuneration packages of individual executive Director, non-executive Director and senior management;

REMUNERATION COMMITTEE *(continued)*

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

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

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

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

SUMMARY OF WORK DONE

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

The Remuneration Committee will meet at least once each year. During the year under review, the Remuneration Committee held two meetings to review and reassess the terms of reference, the effectiveness of the Remuneration Committee, grant shares under share award scheme, consider and make recommendations to the Board on the appointment letter of two independent non-executive Directors. The attendance record of each Director at the Remuneration Committee meetings is set out in the section headed "Attendance Records" of this report.

ACCOUNTABILITY AND AUDIT

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises all independent non-executive Directors who are not involved in the day-to-day management of the Company. The Audit Committee has adopted substantially the same terms of reference, which describes the authority and duties of the Audit Committee, as set out in code provision C.3.3 of the CG Code. For the year ended 30 June 2017, the chairman of the Audit Committee, Mr. Kwong Chan Lam, has appropriate professional qualifications and experience in financial matters and wide experience in business. None of the members of the Audit Committee is a former partner of the Company's existing auditing firm. Minutes of the Audit Committee meetings are circulated to members of the Audit Committee within reasonable time after each meeting. The primary responsibilities of the Audit Committee are:

- to consider the financial reporting matters;

- to assess changes in accounting policies and practices;

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

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

- to discuss with the management of the Company on the risk management and internal control systems; and

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

AUDIT COMMITTEE *(continued)*

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

SUMMARY OF WORK DONE

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

INTERNAL CONTROL

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

FINANCIAL REPORTING

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

The Directors acknowledge their responsibility for (i) overseeing the preparation of the financial statements of the Group with a view to ensuring such financial statements are in accordance with statutory requirements and applicable accounting standards; and (ii) selecting suitable accounting policies and applying them consistently with the support of reasonable and prudent judgments and estimates. The report of the auditor of the Company about its reporting responsibilities on the consolidated financial statements of the Group is set out on pages 38 to 141 of this annual report.

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

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

AUDITORS' REMUNERATION

For the year ended 30 June 2017, the auditor of the Group, HLB Hodgson Impey Cheng Limited, charged HK$3,800,000 for audit services. The former auditor of the Group, PricewaterCoopers, charged approximately HK$6,700,000 for audit services and approximately HK$500,000 for non-audit services as review services.

COMPANY SECRETARY

For the year ended 30 June 2017, Mr. Tan Yih Lin ("Mr. Tan") acted as the company secretary of the Company (the "Company Secretary") with effect from 11 May 2015 and till his resignation with effect from 25 May 2019. Mr. Tan reported to the Chairman directly and was responsible to the Board for ensuring the Board procedures, applicable law, rules and regulations were followed and the Board activities were efficiently and effectively conducted.

According to Rule 3.29 of the Listing Rules, Mr. Tan had taken no less than 15 hours of relevant professional training for the year ended 30 June 2017.

COMPANY SECRETARY *(continued)*

For the year ended 30 June 2017, Mr. Tan was also an executive Director and chief financial officer of the Company.

From 28 June 2019 till the date of this report, Mr. Chiang Chi Kin acted as the Company Secretary.

SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

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

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

PUTTING ENQUIRIES BY SHAREHOLDERS TO THE BOARD

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

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

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

VOTING BY POLL

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

The annual general meeting also provides an important opportunity for constructive communication between the Board and the Shareholders. At the annual general meeting, the Directors will be available to answer questions raised by the Shareholders.

CONSTITUTIONAL DOCUMENTS

During the year ended 30 June 2017, no amendment was made to the Company's constitutional documents.

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF BRIGHTOIL PETROLEUM (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Brightoil Petroleum (Holdings) Limited (the "Company") and its subsidiaries (together with the Company, the "Group") set out on pages 49 to 141, which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

a) Scope limitation in relation to accounting records of, and transactions entered into by, Brightoil Petroleum (S'pore) Pte. Ltd. ("BOPS") and loss of accounting records

As disclosed in note 2 to the consolidated financial statements, the listing of the Company's shares and debt securities on the Stock Exchange has been suspended since 3 October 2017 due to delays in publication of the Company's result announcement for the financial year ended 30 June 2017. PricewaterhouseCoopers, the predecessor auditors of the Company (the "Predecessor Auditors") were engaged to conduct audit of the consolidated financial statements of the Group as of and for the year ended 30 June 2017 (the "2017 Financial Statements"). As disclosed in the Company's announcement dated 23 January 2020, during the course of their audit, they noted that BOPS, an indirect wholly-owned subsidiary of the Company, conducted back-to-back trading of oil product transactions with twelve customers (the "Subject Customers") (the "Subject Transactions"). Seven of these Subject Customers represented new customers to BOPS. The Predecessor Auditors were not indicated that the Subject Customers might themselves be related, however, the Predecessor Auditors became aware that nine of these Subject Customers were owned by certain individual and certain of these Subject Customers have the same registered and/or correspondence addresses. The corresponding purchases for the sales to these Subject Customers were from Shenzhen Brightoil Group Co., Ltd. ("SZBO", a company which is beneficially owned and controlled by Dr. Sit Kwong Lam ("Dr. Sit"), the ultimate controlling shareholder of the Company), three of the Subject Customers and an alleged third-party supplier (the "Suspicious Supplier") (collectively referred to as the "Subject Suppliers"). The Predecessor Auditors also became aware that there were multiple sales transactions of cargos of oil to certain of the Subject Customers which were carried by the same vessel and of same or similar quantities within the same day. The Predecessor Auditors were represented that the nature and terms of these transactions were similar to those commodity trading transactions executed in the market place, however, it came to the attention of the Predecessor Auditors that substantially all of the corresponding purchases for these multiple sale transactions were made from SZBO. The Predecessor Auditors were advised by management that certain of the receivables arising from the Subject Transactions were netted-off with the trade payables to SZBO pursuant to certain tri-parties agreements, while a portion of which were settled by the above-mentioned three Subject Suppliers. As at 30 June 2017, certain outstanding trade receivables from these Subject Customers were overdue but the due dates were extended by BOPS. The Predecessor Auditors' were represented that there were no further cash settlement of the outstanding receivables balance by the Subject Customers from 30 June 2017 to 15 September 2017.

BASIS FOR DISCLAIMER OF OPINION *(continued)*

a) Scope limitation in relation to accounting records of, and transactions entered into by, Brightoil Petroleum (S'pore) Pte. Ltd. ("BOPS") and loss of accounting records *(continued)*

In connection with the above, as communicated to the Board and the Audit Committee of the Company through the Predecessor Auditors' letter dated 15 September 2017 and subsequent follow up letters dated 28 February 2018, 10 May 2018, and 10 December 2018, the Predecessor Auditors have requested to interview the Subject Customers and to obtain full explanation and the necessary information and documentation to substantiate the Subject Transactions, including but not limited to:

(i) the background of the Subject Customers and the relationships among themselves, especially for those with same registered and/or correspondence addresses, and the relationship of the Subject Customers with SZBO and with the Group, if any;

(ii) background checks and credit assessments on the Subject Customers together with the detailed information reviewed by the Group at the time of accepting these Subject Customers and upon the extension of the repayment dates of certain of the receivables from these Customers;

(iii) the occurrence and underlying commercial substance and business reasons of the multiple sales and purchases transactions of cargos of oil carried by the same vessel and of same or similar quantities in one day between the Subject Customers and SZBO;

(iv) the underlying commercial substance and business reasons of the netting off arrangement together with the underlying information;

(v) supporting documents in respect of the settlement transactions between SZBO and the Customers;

(vi) the commercial substance and underlying business reasons of purchases from certain of the Customers;

(vii) the underlying purchase and goods receiving supporting information and documents of SZBO to substantiate its sources of oil supply; and

(viii) management's assessment of the collectability of the outstanding receivables as at 30 June 2017, together with the related evidences and the underlying business reasons of extending the repayment dates of certain of the overdue receivables.

Because of the unusual nature and the significance of the matters noted, the Predecessor Auditors requested the Board to form an independent investigation committee to commission an independent investigation (the "Investigation") in response to those matters.

BASIS FOR DISCLAIMER OF OPINION *(continued)*

a) Scope limitation in relation to accounting records of, and transactions entered into by, Brightoil Petroleum (S'pore) Pte. Ltd. ("BOPS") and loss of accounting records *(continued)*

As disclosed in the Company's announcement dated 31 January 2020, on 27 August 2019, RSM Corporate Advisory (Hong Kong) Limited (the "IFA"), an independent adviser, was engaged and instructed by the Audit Committee to address the abovementioned concerns raised by the Predecessor Auditors' and had the following key observations and conclusion:

1. The IFA was given to understand that the Group had various competent and sophisticated teams as well as appropriate corporate governance including segregation of duties to ensure that credit risk in the trading business should be under control, but the IFA was only able to obtain very limited information to support the Company had performed any credit assessment or had such a process in place for the Subject Customers in question and the most relevant information, i.e. the relevant credit application forms, which were successfully retrieved by the IFA during the Investigation were only created in September 2017 which was subsequent to the default events of the Subject Customers.

   The IFA found no information to support the management's suggestion that the Subject Customers were related to financially strong parties, although that it had no information to reject this suggestion either. It could not ascertain the basis and/or any proper consideration which the Company might have in extending the substantial credit to the Subject Customers.

2. The IFA also noted that SZBO was involved in various back-to-back transactions and provided discount ranging from 3% to 10% in BOPS's purchase transactions, which directly translated to the profit of BOPS. While BOPS's profit retained would be financially beneficial to the Group, the discount given by SZBO did not appear to be at arm's length. The management's explanation was that SZBO would still be profitable through the scrap volume created during the transportation as well as other profit could have been generated through the provision of other 9 services in the long-term basis. However, the IFA cannot ascertain whether such explanation is reasonable.

3. The IFA noted that the Subject Customers, other than SZBO, were also involved in the back-to-back transactions, including the "structured deals" which the relevant parties gained nil or relatively insignificant profit from them. Considering that other than the "structured deal", the transactions involved physical spot trades, the counterparties might have had to take delivery of the goods if they could not find the next buyer in the chain. It might or might not be worth the risk for these counterparties to take part in these transactions.

4. The IFA was uncertain about whether the trades in the structured deals were dealt or negotiated simultaneously, perhaps pre-arranged or pre-matched. If this was not pre-arranged, the counterparties would have the liberty to find the next buyer down the chain, and hence the transactions might not have resulted in circular transactions. If the trades were indeed dealt simultaneously as if planned or pre-arranged, IFA found certain indication during the forensic review which might suggest that the Group or the SZBO Group had managed (or at least had knowledge) to get the counterparties to enter into the trades. Since the Group have ceased or substantially reduced many of its trading business since 2018 and most management of BOPS have resigned, the current management has no knowledge but suggested that this would not be possible and based on the information currently available, the IFA is unable to ascertain or form a conclusive opinion at this stage.

BASIS FOR DISCLAIMER OF OPINION *(continued)*

a) Scope limitation in relation to accounting records of, and transactions entered into by, Brightoil Petroleum (S'pore) Pte. Ltd. ("BOPS") and loss of accounting records *(continued)*

The Investigation carried out by the IFA was restricted due to certain limitations, including but not limited to (i) the Group has ceased to have business relationship with the Subject Customers and the Subject Suppliers. At least eight of the Subject Customers have been dissolved. Except for SZBO which is a related entity, the Subject Customers and the Subject Suppliers are no longer reachable; (ii) most of the key management and operating and accounting personnel of the Company's subsidiaries in Singapore have since left the Group. There were no handover procedures in place, and computers that were previously used by these employees have been reassigned to other employees of the Group or have been re-designated to be used on barges or were being sold; and (iii) the email system had a computer virus infection, all emails therein were lost and there was no backup from which to make a recovery.

As a result of the abovementioned circumstances, the IFA has sought the available information from the current management of the Group to arrive at the findings and observations in the forensic report in the Investigation. The IFA believes these findings and observations did not lead to any conclusive determination and/or comment about the Subject Transactions.

During the course of our audit, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity and occurrence of the recorded transactions in revenue of approximately HK$31,575 million recognised which were related to sales to the Subject Customers for the year ended 30 June 2017; (ii) the validity and occurrence of the recorded transactions of approximately HK$20,151 million, HK$3,314 million and HK$6,749 million included in cost of sales and services which were relating to purchases from SZBO, the Subject Customers and the Suspicious Supplier respectively for the year ended 30 June 2017; (iii) the validity of the commercial terms arrived at for the transactions referred to in (i) and (ii) and whether the Subject Customers or the Subject Suppliers, other than SZBO, were related to related parties of the Group in accordance with HKAS 24; (iv) the basis of derecognition of amounts aggregating to approximately HK$8,099 million of the trade debtors and SZBO during the financial year ended 30 June 2017 pursuant to the tri-parties agreements, which were not made available to us; (v) the basis for the determination that the carrying amount of trade debtors of HK$10,219 million and related settlements and movements as at and for the year then ended 30 June 2017, of which HK$3,894 million is still outstanding as at the date of this report, in relation to the Subject Customers as at 30 June 2017 was recoverable as no supporting documentation on impairment assessment of these trade debtors' balances was made available to us; (vi) the completeness and recording accuracy of trade creditors in relation to the Subject Suppliers of amount approximately HK$2,845 million and related settlements and movements as at and for the year then ended 30 June 2017; (vii) the basis for geographical segmentation of revenue from sales of petroleum products from international trading; and (viii) the validity, completeness and recording accuracy of income tax charges of approximately HK$67 million recorded by BOPS and the related income tax liabilities with carrying amount of approximately HK$Nil as at and for the year ended 30 June 2017.

In addition, included in the consolidated statement of financial position were derivative financial assets and derivative financial liabilities with carrying amounts of approximately HK$216 million and HK$66 million as at 30 June 2017 respectively and related net losses on derivative financial instruments of approximately HK$55 million were recognised in the consolidated statement of comprehensive income for the year then ended. The carrying amounts of related balances of receivables from brokers were approximately HK$10 million as at 30 June 2017. These balances and amounts related to the derivative financial instruments were recorded in the books and records of BOPS. Due to the abovementioned circumstances, we were unable to obtain adequate supporting documentation and explanation in relation to the basis of determining the fair values of the derivative financial instruments and their completeness, recording accuracy and presentation of these balances and amounts related to the derivative financial instruments, and the related disclosures in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION *(continued)*

a) Scope limitation in relation to accounting records of, and transactions entered into by, Brightoil Petroleum (S'pore) Pte. Ltd. ("BOPS") and loss of accounting records *(continued)*

There were no alternative audit procedures that we could perform to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recording accuracy, validity, completeness and appropriateness of the abovementioned transactions and balances included in the management accounts of BOPS for the financial year ended 30 June 2017 included in the consolidated financial statements of the Group and the implications and impacts of these matters on all the elements presented in the 2017 Financial Statements and the comparative figures presented in these consolidated financial statements, including all information disclosed in the notes to the consolidated financial statements.

Under the circumstances as described above, any adjustments that would be required may have consequential significant effects on the net assets of the Group as at 30 June 2017 and the profit and other comprehensive loss and cash flows of the Group for the year then ended and the related disclosures in the consolidated financial statements.

b) Opening balances and the comparative information

The opening balances as at 1 July 2016 and the comparative figures as at and for the year ended 30 June 2016 presented or disclosed in the consolidated financial statements are based on the audited consolidated financial statements of the Group for the year ended 30 June 2016 ("2016 Financial Statements") which the auditors' report issued by the Predecessor Auditors dated 26 September 2016 expressed an unmodified opinion.

Under the circumstances as disclosed in paragraph (a), we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity and occurrence of the recorded transactions of approximately HK$7,694 million included in revenue which were related to sales to the Subject Customers for the year ended 30 June 2016; (ii) the validity and occurrence of the recorded transactions of approximately HK$9,913 million, HK$771 million and HK$1,740 million, included in cost of sales and services, which were related to purchases from SZBO, the Subject Customers and the Suspicious Supplier respectively for the year ended 30 June 2016; (iii) the validity of the commercial terms arrived at for the transactions of BOPS referred to in (i) and (ii), and the identities of the Subject Customers and the Subject Suppliers, other than SZBO, and whether they were related parties of the Group in accordance with HKAS 24; (iv) the basis of derecognition of amounts aggregating to approximately HK$209 million of the Subject Customers and SZBO pursuant to the tri-parties agreements, which were not made available to us; (v) the basis for the determination that the carrying amount of trade debtors of approximately HK$5,288 million as at 30 June 2016, of which HK$Nil is still outstanding as at the date of this report, in relation to the Subject Customers as at 30 June 2016 was recoverable as no supporting documentation on impairment assessment of these trade debtors' balances was made available to us; (vi) the completeness and recording accuracy of trade creditors in relation to the Subject Suppliers of amount approximately HK$2,270 million as at 30 June 2016; (vii) the basis for geographical segmentation of revenue from sales of petroleum products from international trading; and (viii) the validity, completeness and recording accuracy of income tax charges of approximately HK$Nil recorded by BOPS and the related income tax liabilities with carrying amount of approximately HK$Nil as at and for the year ended 30 June 2016.

BASIS FOR DISCLAIMER OF OPINION *(continued)*

b) Opening balances and the comparative information *(continued)*

In addition, included in the consolidated statement of financial position were derivative financial assets and derivative financial liabilities with carrying amounts of approximately HK$165 million and HK$311 million as at 30 June 2016 respectively and related net gain on derivative financial instruments of approximately HK$209 million were recognised in the consolidated statement of comprehensive income for the year then ended. The carrying amounts of related balances of receivables from brokers were approximately HK$478 million as at 30 June 2016. These balances and amounts related to the derivative financial instruments were recorded in the books and records of BOPS. Due to the abovementioned circumstances, we were unable to obtain adequate supporting documentation and explanation in relation to the basis of determining the fair values of the derivative financial instruments and their completeness, recording accuracy and presentation of these balances and amounts related to the derivative financial instruments, and the related disclosures in the consolidated financial statements.

In view of the matters described above, we were unable to determine the nature and amounts of adjustments that might have been necessary in respect of the opening balances as at 1 July 2016 and the comparative figures presented in the consolidated financial statements and the possible effects of these matters on the comparability of the current year's figures and the comparative figures.

Furthermore, the opening balances as at 1 July 2016 of the assets and liabilities of the Group entered into the determination of the financial performance and cash flows of the Group for the current financial year ended 30 June 2017 and may have carry forward effects to the closing balances of the assets and liabilities of the Group as at 30 June 2017. Consequently, any adjustments found to be necessary to the closing balances as at 30 June 2016 due to the existence of material misstatements in these balances may significantly affect the balance of retained earnings of the Group as at 1 July 2016, the Group's results and cash flows for the year ended 30 June 2017, the closing balances of assets and liabilities as at 30 June 2017 and related disclosures in the notes to the consolidated financial statements of the Group in respect of the year ended 30 June 2017. Accordingly, we were unable to determine whether adjustments might have been necessary in respect of the financial performance of the Group for the year ended 30 June 2017 reported in the consolidated statement of comprehensive income, the cash flows for the year ended 30 June 2017 reported in the consolidated statement of cash flows for the year ended 30 June 2017 and the financial position of the Group as at 30 June 2017 reported in the consolidated statement of financial position.

c) Scope limitations on mining interests, property, plant and equipment and prepaid lease payments

Included in the consolidated statement of financial position were mining interests with the carrying amount of approximately HK$4,093 million, property, plant and equipment of amount approximately HK$11,649 million and prepaid lease payments with carrying amount of approximately HK$483 million as at 30 June 2017 (2016: HK$4,504 million, HK$12,078 million and HK$483 million) respectively, details of which are disclosed in notes 16, 17 and 18 to the consolidated financial statements respectively.

We were unable to satisfy ourselves as to whether the carrying amounts of the mining interests, property, plant and equipment and prepaid lease payments and the impairment loss recognised as at and for the years ended 30 June 2017 and 2016 were free from material misstatements because we were not provided with supporting documentation in relation to the Group's basis of conducting the impairment assessment of the mining interests, property, plant and equipment and prepaid lease payments as at 30 June 2017 and 2016, including those attributable to the Group's joint operations disclosed in note 20 to the consolidated financial statements, and the supporting bases for the key inputs and assumptions used in the impairment assessments.

BASIS FOR DISCLAIMER OF OPINION *(continued)*

c) Scope limitations on mining interests, property, plant and equipment and prepaid lease payments *(continued)*

In addition, included in the property, plant and equipment in the consolidated statement of financial position were construction in progress with net carrying amount of HK$2,995 million (2016: HK$3,128 million) and included in other creditors and accrued charges in the consolidated statement of financial position were related outstanding payables in respect of the additions of construction in progress of approximately HK$1,118 million (2016: HK$1,730 million) as at 30 June 2017.

We were unable to obtain relevant contracts and progress reports to ascertain the progress of construction projects and hence we were also unable to ascertain the amounts of completed assets that should have been transferred to appropriate classes of property, plant and equipment during the years ended 30 June 2017 and 2016 in accordance with HKAS 16 Property, plant and equipment. Consequently, we have been unable to ascertain the extent of works done and the estimated value of the construction in progress and the relevant payables as at that dates.

Further, we were also not provided with supporting documentation in relation to the Group's basis and calculation of capitalising borrowing costs of approximately HK$167 million in construction in progress during the year ended 30 June 2017 and whether the borrowing costs capitalised were in accordance with HKAS 23 Borrowing Costs.

Any adjustments found to be necessary to these carrying amounts, movements and impairment loss may have a consequential significant impact on the profit and other comprehensive income and cash flows of the Group for the year ended 30 June 2017 and 2016, the Group's net assets as at 30 June 2017 and 2016 and the related disclosures thereof in the consolidated financial statements.

d) Scope limitation on interest in joint ventures

Included in the consolidated statement of financial position were interests in joint ventures of approximately HK$696 million as at 30 June 2017 (2016: HK$702 million). We were unable to obtain sufficient appropriate audit evidence in relation to the carrying amounts of the interest in joint ventures because (i) we were unable to obtain relevant contracts and progress reports to ascertain the progress of construction projects included in the property, plant and equipment of the statements of financial position of the joint ventures as at 30 June 2017 and 2016 with carrying amount of approximately HK$845 million and HK$827 million respectively, thus we were unable to ascertain the extent of works done and the relevant payables as at those dates; and (ii) we were unable to carry out audit procedures on the financial statements of the Group's joint ventures, including effective confirmation procedures on receivables and payables. Therefore, we were unable to satisfy ourselves as to whether the carrying amounts of the joint ventures and the Group's share of profits as at and for the years ended 30 June 2017 and 2016 were free from material misstatements. Adjustments found to be necessary to these carrying amounts and impairment loss may have a consequential significant impact on the profit and other comprehensive income and cash flows of the Group for the years ended 30 June 2017 and 2016, the Group's net assets as at 30 June 2017 and 2016 and the related disclosures thereof in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION *(continued)*

e) Scope limitation on inventories

Included in the consolidated statement of financial position were inventories with gross and net carrying amount of approximately HK$566 million as at 30 June 2017 (2016: HK$533 million). We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the existence of the inventories because we were unable to attend the physical inventory count conducted by the Group for its inventories as at 30 June 2017 and 2016; and (ii) the basis of determining the fair values of inventories with carrying amount of approximately HK$445 million (2016: HK$453 million) and the unrealised net losses of approximately HK$35 million (2016: unrealised net gains of HK$64 million) in relation to fuel, gas and crude oil inventories, except for those produced from upstream crude oil business as at and for the years ended 30 June 2017 and 2016. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the carrying amounts of inventories, the amount of write down of inventories and the cost of inventories recognised as expenses as at and for the years ended 30 June 2017 and 2016 were free from material misstatement. Any adjustments found to be required may have consequential significant effects on these account balances as at 30 June 2017 and 2016 and profit and other comprehensive income and cash flows of the Group for the years ended 30 June 2017 and 2016,and hence on the net assets of the Group as at 30 June 2017 and 2016 and related disclosures thereof in the consolidated financial statements.

f) Scope limitation on related party transactions and balances

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the balances with related party included in trade debtors, trade creditors and other creditors and accrued charges with carrying amounts of approximately HK$44 million, HK$53 million and HK$43 million (2016: HK$23 million, HK$43 million and HK$Nil) respectively were free from material misstatement because (i) inadequate supporting documentation was available to us for the validity, completeness and recording accuracy of the movements which constituting these balances; and (ii) we were unable to assess whether these transactions would result in any non-compliance with the Listing Rules, including the disclosure requirements and the shareholders' approval requirements under Chapter 14 and Chapter 14A under the Listing Rules. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the transactions recorded, the carrying amounts and the presentations of these balances with related party as at the year ended 30 June 2017 and were free from material misstatements. Further, we were unable to satisfy ourselves as to whether there existed material related transactions and balances which require disclosure in the consolidated financial statements. Any adjustments, undisclosed transactions or balances found to have occurred or existed may have a consequential significant effect on the fair presentation of the net assets of the Group as at 30 June 2017 and 2016 and of the profit and other comprehensive income for the years ended 30 June 2017 and 2016, and related disclosures thereof in the consolidated financial statements.

g) Contingent liabilities and commitments

Due to the circumstances as described in paragraph (a), we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the contingent liabilities and commitments, including operating lease commitments, of the Group were properly recorded and account for in the consolidated financial statements. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether there existed material amounts of contingent liabilities and commitments of the Group as at 30 June 2017 and 2016 which were not accounted for or disclosed in the consolidated financial statements. Any undisclosed material amounts of contingent liabilities and commitments found to be in existence may have a consequential significant effect on the fair presentation of the net assets of the Groups as at 30 June 2017 and 2016 and of the profit and total other comprehensive income and cash flows for the year then ended, or the fair presentation thereof, and the related disclosures thereof in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION *(continued)*

h) Events after the reporting period

Due to the circumstances as described in paragraph (a), we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the events and transactions after reporting period of the Group were properly recorded and accounted for in the consolidated financial statements. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether there had occurred significant events or transactions during the period from 1 July 2017 to the date of this auditors' report which require disclosure in or adjustments to the consolidated financial statements. Any undisclosed material amounts of contingent liabilities and commitments found to be in existence may have a consequential significant effect on the fair presentation of the net assets of the Groups as at 30 June 2017 and of the profit and total other comprehensive income and cash flows for the year then ended and the related disclosures thereof in the consolidated financial statements.

i) Compliance with HKFRSs and applicable laws and regulations

Due to the circumstances as described in paragraph (a), the consolidated financial statements of the Group have been prepared by the directors of the Company under the circumstances of limited financial information and supporting documents concerning the books and records of BOPS. The directors of the Company believed it was not practicable to ascertain the correct amounts and balances of BOPS and its related transactions with the Group's entities. Hence, the directors of the Company were unable to represent that the consolidated financial statements comply with HKFRSs, or that the disclosure requirements of the Hong Kong Companies Ordinance and the Hong Kong Listing Rules have been complied with in the consolidated financial statements. Accordingly, the notes to the consolidated financial statements do not contain the statement of compliance with HKFRSs and these disclosure requirements. This constitutes a non-compliance with the relevant disclosure requirements to state such compliance in the consolidated financial statements.

There were no practicable alternative procedures that we could perform to determine the amounts to which the non-compliance with HKFRSs and these disclosure requirements related. Any adjustments found to be necessary may have a consequential significant effect on the net assets of the Group as at 30 June 2017 and 2016 and the profit and other comprehensive loss and cash flows of the Group for the years then ended and the related disclosures in the consolidated financial statements.

j) Going concern basis of accounting

The Group is facing multiple material uncertainties related to events and conditions which may cast significant doubts about the Group's ability to continue as a going concern, including but not limited to, the followings:

(1) The Group had operating cash outflows of approximately HK$1,218 million. In addition, the Group had bank and other borrowings of approximately HK$10,844 million and outstanding convertible bonds of approximately HK$1,305 million as at 30 June 2017;

(2) the Company's shares have been suspended from trading on the Stock Exchange of Hong Kong Limited with effect from 3 October 2017;

(3) any adjustments found to be necessary to the Group's results for the year ended 30 June 2017 and closing balances of its assets and liabilities as at 30 June 2017 of the matters described in the paragraphs above may cause the operating results, liquidity position and financial position of the Group as presented in the consolidated financial statements for the year ended 30 June 2017 to be adversely affected;

BASIS FOR DISCLAIMER OF OPINION *(continued)*

j) Going concern basis of accounting *(continued)*

(4) Marine transportation operation of the Group was suspended and ceased because the Group's vessels were seized by creditors and were sold by auction through judicial sale of which details were set out in the Company's announcements dated 31 January 2019, 6 May 2019, 11 June 2019, 30 July 2019, 1 November 2019, 4 February 2020, 29 April 2020, 4 May 2020 and 31 July 2020;

(5) The Company and BOPS received a winding up petition from a creditor in the High Court of the Republic of Singapore ("High Court of Singapore") in November 2018 of which details were set out in the Company's announcement dated 18 January 2019;

(6) Brightoil Petroleum Storage (Zhoushan) Co., Ltd. ("Zhoushan Storage"), wholly-owned subsidiary of the Company, and SZBO, as the guarantor, received a subpoena issued by Intermediate People's Court of Zhoushan City, Zhejiang Province ("Zhoushan Court"), which the plaintiffs are China Petroleum Pipeline Engineering Co., Ltd. and China Petroleum Pipeline Engineering Co., Ltd., Third Engineering Branch. The claim is related to the outstanding construction costs, interests, loss and legal costs under the termination of certain constructions contracts（《建設工程施工合同》and《委託代建施工協定》）entered into between the China Petroleum Pipeline Engineering Co., Ltd., China Petroleum Pipeline Engineering Co., Ltd., Third Engineering Branch and Zhoushan Storage pertaining to the building and construction of the Zhoushan Waidiao Island Brightoil Storage and Transportation Base for an aggregate sum of approximately RMB1,130 million (equivalent to HK$1,301 million) as disclosed in the Company's announcement dated 1 November 2019;

(7) Dr. Sit is a guarantor of certain borrowings pursuant to loan agreements in respect of the Group's borrowing of approximately US$1,362 million and amount of approximately US$76 million due to three trading partners. However, Dr Sit was adjudged bankrupt by the High Court of Hong Kong on 11 April 2019 as disclosed in the Company's announcements dated 16 April 2019 and 6 May 2019. The lenders have the power to request the Group to transfer the title of the underlying assets, to provide additional guarantee, cease negotiation in any progress borrowing transactions and request remediation proposal within a specific period of time, in addition to demand on immediate full repayment of outstanding interest and corresponding fee; and

(8) On 29 July 2020, a winding up petition was filed by a creditor in relation to an alleged unpaid amount in the sum of US$268,095.42, together with default interest in the sum of US$8,739.42, pursuant to a deed of guarantee signed by the Company.

These conditions indicate the existence of material uncertainties which the directors of the Company, in making their assessment of the Group's ability to continue as a going concern have considered the Group's plans on debt restructuring and to obtain sufficient fund from its lenders.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to successfully operate in the future and generate adequate cash flows.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 30 June 2016 were audited by another auditors who expressed an unmodified opinion on those statements on 26 September 2016.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditors' report. This report is made solely to you, as a body, in accordance with section 90 of Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

REPORT ON OTHER MATTERS UNDER SECTIONS 407(2) AND 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the items stated under Basis for Disclaimer of Opinion for the year ended 30 June 2017,

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

- we were unable to determine whether proper books of account had been kept for the year ended 30 June 2017.

The engagement director on the audit resulting in this independent auditors' report is Yu Chi Fat.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practicing Certificate Number: P05467

Hong Kong, 13 August 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Notes	**2017 HK$'million**	2016 HK$'million
Revenue	7	**63,686**	48,071
Cost of sales and services	10	**(61,308)**	(46,058)
Gross profit		**2,378**	2,013
Other income	8	**110**	4
Other gains and losses, net	8	**71**	179
Distribution and selling expenses	10	**(213)**	(290)
Administrative expenses	10	**(310)**	(318)
Other expenses	10	**(153)**	(123)
Finance costs	9	**(603)**	(672)
Share of profits of joint ventures		**4**	13
Profit before taxation		**1,284**	806
Income tax (charge)/credit	13	**(145)**	38
Profit for the year attributable to owners of the Company		**1,139**	844
Other comprehensive loss for the year			
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(125)**	(157)
Other comprehensive loss for the year		**(125)**	(157)
Total comprehensive income for the year attributable to owners of the Company		**1,014**	687
Earnings per share			
– Basic (HK cents)	15	**11.2**	8.3
– Diluted (HK cents)	15	**11.2**	8.3

The accompanying notes form integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	2017 HK$'million	2016 HK$'million
Non-current assets			
Mining interests	16	**4,093**	4,504
Property, plant and equipment	17	**11,649**	12,078
Prepaid lease payments	18	**483**	483
Investment property	19	**70**	47
Interests in joint ventures	20	**696**	702
Non-current other receivables	21	**85**	94
		17,076	17,908
Current assets			
Inventories	22	**566**	533
Trade debtors	24	**13,359**	8,827
Prepayments and other receivables	21	**127**	584
Derivative financial instruments	30	**216**	165
Financial assets at fair value through profit or loss	25	**69**	70
Pledged bank deposits	26	**445**	424
Bank balances and cash	26	**623**	4,471
		15,405	15,074
Current liabilities			
Trade creditors	27	**6,109**	5,277
Other creditors and accrued charges	28	**1,368**	1,987
Bank and other borrowings	29	**6,665**	4,861
Loan from a related company	32	**–**	1,334
Derivative financial instruments	30	**66**	311
Income tax liabilities		**197**	152
		14,405	13,922
Net current assets		**1,000**	1,152
Total assets less current liabilities		**18,076**	19,060

At 30 June 2017

	Notes	**2017 HK$'million**	2016 HK$'million
Non-current liabilities			
Bank and other borrowings	29	**4,179**	6,247
Convertible bonds	31	**1,305**	1,332
Provision for restoration and environmental costs	33	**268**	235
Deferred tax liabilities	34	**61**	41
		5,813	7,855
Net assets		**12,263**	11,205
Capital and reserves			
Equity attributable to the owners of the Company			
Share capital	35	**254**	254
Reserves		**12,009**	10,951
Total equity		**12,263**	11,205

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 49 to 141 were approved by the Board of Directors on 13 August 2020 and were signed on its behalf by:

Tang Bo
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Share capital	Share premium	Capital redemption reserve	Special reserve	Shareholder's contribution	Translation reserve	Employee share-based compensation reserve	Shares held for share award scheme	Retained earnings	Total
	HK$'million	HK$'million	HK$'million	HK$'million (note a)	HK$'million (note b)	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
At 1 July 2015	254	6,799	3	1	424	75	3	(81)	3,248	10,726
Profit for the year	–	–	–	–	–	–	–	–	844	844
Other comprehensive loss:										
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(157)	–	–	–	(157)
Total comprehensive income for the year	–	–	–	–	–	(157)	–	–	844	687
Conversion of convertible bonds (note 31)	–	2	–	–	–	–	–	–	–	2
Shares purchased for share award scheme (note 36)	–	–	–	–	–	–	–	(25)	–	(25)
Transfer upon vested of share award	–	–	–	–	–	–	(5)	5	–	–
Recognition of equity-settled share-based payments share award (note 36)	–	–	–	–	–	–	19	–	–	19
Dividends relating to 2014/15	–	–	–	–	–	–	–	–	(204)	(204)
At 30 June 2016	254	6,801	3	1	424	(82)	17	(101)	3,888	11,205
At 1 July 2016	254	6,801	3	1	424	(82)	17	(101)	3,888	11,205
Profit for the year	–	–	–	–	–	–	–	–	1,139	1,139
Other comprehensive loss:										
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(125)	–	–	–	(125)
Total comprehensive income for the year	–	–	–	–	–	(125)	–	–	1,139	1,014
Conversion of convertible bonds (note 31)	–	36	–	–	–	–	–	–	–	36
Transfer upon vested of share award	–	–	–	–	–	–	(7)	6	1	–
Recognition of equity-settled share-based payments share award (note 36)	–	–	–	–	–	–	8	–	–	8
At 30 June 2017	254	6,837	3	1	424	(207)	18	(95)	5,028	12,263

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.

For the year ended 30 June 2017

	Notes	**2017 HK$'million**	2016 HK$'million
Cash flows from operating activities			
Profit before taxation		**1,284**	806
Adjustments for:			
Finance costs		**603**	672
Interest income on bank deposits		**(9)**	(2)
Depletion and depreciation of property, plant and equipment		**853**	941
Amortisation of mining interests		**438**	629
Recognition/(reversal) of impairment loss on trade debtors		**30**	(2)
Amortisation of prepaid lease payments		**10**	11
Amortisation of deferred loss on conversion component		**16**	10
Share of profits of joint ventures		**(4)**	(13)
Reversal of impairment on mining interests		**–**	(78)
Reversal of impairment on property, plant and equipment		**–**	(29)
Share-based payments		**8**	19
Unrealised net losses/(gains) on fuel, gas and crude oil inventories, except for those produced from upstream crude oil business		**35**	(64)
Provision for inventories produced from upstream crude oil business		**4**	–
Fair value (gain)/loss on conversion option derivatives embedded in convertible bonds		**(141)**	5
Fair value gain of investment property		**(23)**	(5)
Net losses on financial assets at fair value through profit or loss		**–**	65
Net losses/(gains) on derivative financial instruments		**55**	(209)
		3,159	2,756
Changes in working capital:			
(Increase)/decrease in inventories		**(80)**	364
Increase in trade debtors		**(4,528)**	(1,865)
Decrease/(increase) in prepayments and other receivables		**461**	(245)
Decrease in financial assets at fair value through profit or loss		**–**	4
(Increase)/decrease in derivative financial instruments		**(360)**	396
Increase in trade creditors		**828**	2,162
Decrease in other creditors and accrued charges		**(618)**	(104)
Cash (used in)/generated from operations		**(1,138)**	3,468
Income tax paid		**(80)**	(218)
Income tax refund		**–**	220
Net cash (used in)/generated from operating activities		**(1,218)**	3,470

For the year ended 30 June 2017

	Notes	2017 HK$'million	2016 HK$'million
Cash flows from investing activities			
Interest received from bank deposits		**9**	2
Purchases of property, plant and equipment		**(276)**	(1,493)
Placement of pledged bank deposits		**(196)**	(1,476)
Withdrawal of pledged bank deposits		**175**	2,605
Decrease/(increase) in bank deposits with original maturity over three months		**92**	(14)
Net cash used in investing activities		**(196)**	(376)
Cash flows from financing activities			
Bank and other borrowings raised		**12,352**	27,500
Repayment of bank and other borrowings		**(12,759)**	(27,315)
Proceeds from issue of convertible bonds		**–**	1,256
Transaction cost attributable to issue of convertible bonds		**–**	(8)
Purchase of the Company's shares for share award scheme		**–**	(25)
Loans from a related company		**364**	1,334
Repayment of loans from a related company		**(1,698)**	(1,760)
Interest paid		**(580)**	(586)
Dividend paid		**–**	(204)
Net cash (used in)/generated from financing activities		**(2,321)**	192
Net (decrease)/increase in cash and cash equivalents		**(3,735)**	3,286
Cash and cash equivalents at beginning of the year		**4,310**	857
Effect of foreign exchange rate changes		**(44)**	167
Cash and cash equivalents at end of the year		**531**	4,310
Analysis of cash and cash equivalents:			
Cash and cash equivalents	26	**623**	4,379
Bank overdrafts	29	**(92)**	(69)
		531	4,310

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

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

The Company's immediate and ultimate holding company is Canada Foundation Limited ("Canada Foundation"), a limited company incorporated in the British Virgin Islands in which Canada Foundation is ultimately owned by Dr. Sit Kwong Lam ("Dr. Sit") who is also the chairman and director of the Company till 11 April 2019.

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".

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. The consolidated financial statements are rounded to the nearest millions (HK$'million), unless otherwise stated.

2. BASIS OF PREPARATION

Back-to-back transactions conducted by Brightoil Petroleum (S'pore) Pte. Ltd. ("BOPS")

During the course of audit for the year ended 30 June 2017, from PricewaterhouseCoopers, the predecessor auditors of the Company (the "Predecessor Auditors"), issued a letter dated 15 September 2017 (the "Management Letter") to the board of directors (the "Directors") and the Audit Committee of the Company. The Management Letter expressed the Predecessor Auditor's concerns in relation to BOPS, a wholly-owned subsidiary of the Company, conducted trading of oil product transactions with twelve customers (the "Subject Customers") (the "Subject Transactions"). Seven of these Subject Customers represented new customers to BOPS. The Subject Customers might themselves be related and nine of these Subject Customers were owned by certain individual and certain of these Subject Customers have the same registered and/or correspondence addresses. The corresponding purchases for the sales to these Subject Customers were from Shenzhen Brightoil Group Co., Ltd. ("SZBO", a company which is beneficially owned and controlled by Dr. Sit Kwong Lam ("Dr. Sit"), the ultimate controlling shareholder of the Company), three of the Subject Customers and an alleged third-party supplier (the "Subject Suppliers"). The Predecessor Auditors also became aware that there were multiple sales transactions of cargos of oil to certain of the Subject Customers which were carried by the same vessel and of same or similar quantities within the same day. The Predecessor Auditors were represented that the nature and terms of these transactions were similar to those commodity trading transactions executed in the market place, however, it came to the attention of the Predecessor Auditors that substantially all of the corresponding purchases for these multiple sale transactions were made from SZBO. The Predecessor Auditors were advised that certain of the receivables arising from the Subject Transactions were netted off with the trade payables to SZBO pursuant to certain tri-parties agreements, while a portion of which were settled by the above-mentioned three Subject Suppliers. As at 30 June 2017, certain outstanding trade receivables from these Subject Customers were overdue but the due dates were extended by BOPS. The Predecessor Auditors' were represented that there were no further cash settlement of the outstanding receivables balance by the Subject Customers from 30 June 2017 to 15 September 2017.

2. BASIS OF PREPARATION *(continued)*

Back-to-back transactions conducted by Brightoil Petroleum (S'pore) Pte. Ltd. ("BOPS") *(continued)*

In connection with the above, as communicated to the Board and the Audit Committee of the Company through the Management Letter and subsequent follow up letters dated 28 February 2018, 10 May 2018, and 10 December 2018, the Predecessor Auditors have requested to interview the Subject Customers and to obtain full explanation and the necessary information and documentation to substantiate the Subject Transactions, including but not limited to:

(i) the background of the Subject Customers and the relationships among themselves, especially for those with same registered and/or correspondence addresses, and the relationship of the Subject Customers with SZBO and with the Group, if any;

(ii) background checks and credit assessments on the Subject Customers together with the detailed information reviewed by the Group at the time of accepting these Subject Customers and upon the extension of the repayment dates of certain of the receivables from these Customers;

(iii) the occurrence and underlying commercial substance and business reasons of the multiple sales and purchases transactions of cargos of oil carried by the same vessel and of same or similar quantities in one day between the Subject Customers and SZBO;

(iv) the underlying commercial substance and business reasons of the netting off arrangement together with the underlying information;

(v) supporting documents in respect of the settlement transactions between SZBO and the Customers;

(vi) the commercial substance and underlying business reasons of purchases from certain of the Customers;

(vii) the underlying purchase and goods receiving supporting information and documents of SZBO to substantiate its sources of oil supply; and

(viii) management's assessment of the collectability of the outstanding receivables as at 30 June 2017, together with the related evidences and the underlying business reasons of extending the repayment dates of certain of the overdue receivables.

The Predecessor Auditors also requested the Board to form an independent investigation committee to commission an independent investigation (the "Investigation") on the abovementioned matters. In response to the Predecessor Auditors' request, the Board engaged an independent professional adviser, KPMG Services Pte. Ltd., to carry out forensic technology and investigation services to assist the Investigation.

As disclosed in the Company's announcements dated 26 September 2017, 3 October 2017 and 10 November 2017, the Company announced that that it was unable to publish the result announcement of the Company for the year ended 30 June 2017 (the "2017 Annual Results Announcement") as the Company was still in process of providing all information requested by the Predecessor Auditors. The Company's shares and debt securities on the Stock Exchange has been suspended since 3 October 2017.

2. BASIS OF PREPARATION *(continued)*

Back-to-back transactions conducted by Brightoil Petroleum (S'pore) Pte. Ltd. ("BOPS") *(continued)*

As disclosed in the Company's announcement dated 31 October 2018, a meeting between the Predecessor Auditors, KPMG Services Pte. Ltd. and the Audit Committee was held and the board was informed that the next stage of work to be performed by KPMG Services Pte. Ltd. would involve more detailed analysis into the background and commercial rationales for conducting and continuing the Subject Transactions, and analysis of the relevant transactional records, documents and communications, and computer forensic work. Legal advice was then obtained by the Audit Committee in relation to the work done by the KPMG Services Pte. Ltd. thus far, information and documents to provide to the Predecessor Auditors, and the Audit Committee's intention to have further meetings with the Predecessor Auditors. As disclosed in the Company's announcement dated 31 January 2019, the Board has been informed by the Audit Committee that these works have not yet commenced because the Audit Committee was given to understand that the estimated costs and expenses involved were unexpectedly high, in particular as substantial sums have already been incurred.

As disclosed in the Company's announcements dated 28 June 2019 and 30 July 2019, Mr. Lau Hon Chuen, Professor Chang Hsin Kang and Mr. Kwong Chan Lam (collectively referred to as the "Resigned Directors") had jointly resigned as independent non-executive directors with effect from 19 June 2019 and the Company appointed Dr. Lo Wing Yan William, JP, Mr. Chan Wai Leung and Mr. Wang Tian as independent non-executive directors to fill the vacancies and an Independent Control Committee (the "ICC") was formed to oversee the Investigation.

As disclosed in the Company's announcement dated 1 November 2019, the ICC has engaged another independent professional advisor, RSM Corporate Advisory (Hong Kong) Limited (the "IFA"), on 27 August 2019 to replace KPMG Services Pte. Ltd. to carry out the Investigation.

As disclosed in the Company's announcement dated 31 January 2020, a forensic report (the "Forensic Report") was prepared by the IFA. The management understand that the IFA had exploited all means for the Investigation but was restricted in their ability to identify with certainty the cause of the issues relating to the Subject Transactions due to the reluctance of relevant third parties, previous management members and former employees to cooperate and assist in the investigation and unavailability of sufficient supporting documents and information to understand the commercial bases and decision making process associated with the Subject Transactions. After having sought the available information from the current management of the Group to arrive at the findings and observations discussed in the Forensic Report, the IFA had the following key observations:

- the IFA was given to understand that the Group had various competent and sophisticated teams as well as appropriate corporate governance including segregation of duties to ensure that credit risk in the trading business should be under control, but the IFA was only able to obtain very limited information to support that the Group had performed any credit assessment or had such a process in place for the Subject Customers in question and the most relevant information, i.e. the relevant credit application forms, which were successfully retrieved by the IFA during the review were only created in September 2017, which was subsequent to the default events of the Subject Customers.

  the IFA found no information to support the management's suggestion that the Subject Customers were related to financially strong parties despite that it had no information to reject this suggestion either. It could not ascertain the basis and/or any proper consideration which the Company might had in extending the substantial credit to the Subject Customers.

- Second, the IFA also noted that SZBO was involved in various back-to-back transactions and provided discount ranging from 3% to 10% in BOPS's purchase transactions, which directly translated to the profit of BOPS. While BOPS's profit retained would be financially beneficial to the Group, the discount given by SZBO did not appear to be at arm's length. The management's explanation was that SZBO would still be profitable through the scrap volume created during the transportation as well as other profit could have been generated through the provision of other services in the long term basis. However, the IFA could not ascertain whether such explanation was reasonable.

2. BASIS OF PREPARATION *(continued)*

Back-to-back transactions conducted by Brightoil Petroleum (S'pore) Pte. Ltd. ("BOPS") *(continued)*

- In addition, other than SZBO, the IFA noted that the Subject Customers were also involved in the back-to-back transactions including the "structured deals" which the relevant parties gained nil or relatively insignificant profit from them. Considering that other than the "structured deal", the transactions involved physical spot trades, the counterparties might have had to take delivery of the goods if they could not find the next buyer in the chain. It might or might not be worth the risk for these counterparties to take part in these transactions.

- This leads to the next matter as to whether the trades in the structured deals were dealt or negotiated simultaneously, perhaps pre-arranged or pre-matched. If this was not pre-arranged, the counterparties would have the liberty to find the next buyer down the chain, and hence the transactions might not have resulted in circular transactions. If the trades were indeed dealt simultaneously as if planned or pre-arranged, the IFA found certain indication during the forensic review which might suggest that the Group or the SZBO Group had managed (or at least had knowledge) to get the counterparties to enter into the trades. Since the Group have ceased or substantially reduced many of its trading business since 2018 and most management of BOPS have resigned. The current management has no knowledge but suggested that this would not be possible and based on the information currently available, the IFA was unable to ascertain or form a conclusive opinion at this stage.

The Investigation carried out by the IFA was restricted due to certain limitations, including but not limited to (i) the Group has ceased to have business relationship with the Subject Customers and the Subject Suppliers. At least eight of the Subject Customers have been dissolved. Except for SZBO which is a related entity, the Subject Customers and the Subject Suppliers are no longer reachable; (ii) most of the key management and operating and accounting personnel of the subsidiaries in Singapore have since left the Group. There were no handover procedures in place, and computers that were previously used by these employees have been reassigned to other employees of the Group or have been re-designated to be used on barges or were being sold; and (iii) the email system had a computer virus infection, all emails therein were lost and there was no backup from which to make a recovery.

Thus, the IFA believed these findings and observations did not lead to any conclusive determination and/or comment about the Subject Transactions.

Given the abovementioned circumstances, the ICC is of the view that any further investigations are not expected to provide any additional findings for the result of the Investigations due to the abovementioned circumstances.

Going concern basis

In preparing these consolidated financial statements, the Directors had given careful consideration to the impact of the matters described above on the current and anticipated future liquidity of the Group and the Company and the ability of the Group and the Company to generate a profit and attain positive cash flows from operations in the immediate and longer term. In making this assessment, the Directors are aware that there are material multiple uncertainties related to events and conditions which cast significant doubt upon the Company and the Group's ability to continue as a going concern. These events and circumstances which give rise to material uncertainties are disclosed below, together with information concerning the potential debt restructure plan, which, if successful, may enable the Company and the Group to continue as a going concern for the foreseeable future.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify the non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2. BASIS OF PREPARATION *(continued)*

Going concern basis *(continued)*

Suspension of trading in shares of the Company

As disclosed in the Company's announcement dated 3 October 2017, the listing of the Company's shares and debt securities on the Stock Exchange has been suspended since then due to a delay in publication of the 2017 Annual Results Announcement.

As disclosed in the Company's announcement dated 13 July 2018, pursuant to the amendments to the delisting framework under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under Rule 6.01A(2)(b)(i) which became effective on 1 August 2018, the Stock Exchange is able to cancel the Company's listing if trading in the Company's shares has remained suspended for 18 continuous months from 1 August 2018.

Winding up petition and other legal cases

BOPS and the Company had been subject to winding-up proceedings in Hong Kong and Singapore respectively since June 2019. Since then, the Company had made extensive efforts to (i) negotiate with creditors to restructure their debts; and (ii) obtain further financing from various financiers in order to strengthen the Company's financial condition.

These efforts were successful and the response from the creditors and financiers was very positive. The Company has begun to repay its creditors by instalment in accordance with the respective settlement terms. The Company's financial condition has also significantly improved. The efforts made by the Company culminated in the successful applications for a moratorium of the Singapore winding-up proceedings and the dismissal of the petition (HCCW 147/2019) presented by Petco Trading Labuan Company Ltd. by the Hong Kong High Court on 27 July 2020. The Company and BOPS have also entered into a loan restructuring agreement with TransAsia Private Capital Limited on 15 July 2020 in order to defer the loan for 18 months.

Brightoil Petroleum Storage (Zhoushan) Co., Ltd. ("Zhoushan Storage"), wholly-owned subsidiary of the Company, and SZBO, as the guarantor, received a subpoena issued by Intermediate People's Court of Zhoushan City, Zhejiang Province ("Zhoushan Court"), which the plaintiffs are China Petroleum Pipeline Engineering Co., Ltd. and China Petroleum Pipeline Engineering Co., Ltd., Third Engineering Branch. The claim is related to the outstanding construction costs, interests, loss and legal costs under the termination of certain constructions contracts (《建設工程施工合同》and《委託代建施工協定》) entered into between the China Petroleum Pipeline Engineering Co., Ltd., China Petroleum Pipeline Engineering Co., Ltd., Third Engineering Branch and Zhoushan Storage pertaining to the building and construction of the Zhoushan Waidiao Island Brightoil Storage and Transportation Base for an aggregate sum of approximately RMB1,130 million (equivalent to HK$1,301 million) as disclosed in the Company's announcement dated 1 November 2019.

On 29 July 2020, a winding up petition was filed by a creditor in relation to an alleged unpaid amount in the sum of US$268,095.42, together with default interest in the sum of US$8,739.42, pursuant to a deed of guarantee signed by the Company.

Financial performance and financial position

The Group current liabilities exceeded it current assets by approximately HK$306 million and had operating cash outflows of approximately HK$1,218 million. In addition, the Group had bank and other borrowings of approximately HK$10,844 million and outstanding convertible bonds of approximately HK$1,305 million as at 30 June 2017.

The Group had defaulted in payment of certain borrowings or breached certain undertakings and some creditors had issued statutory demands for payment or had taken legal actions to recover their debts.

2. BASIS OF PREPARATION *(continued)*

Going concern basis *(continued)*

Financial performance and financial position *(continued)*

Marine transportation operation of the Group was suspended and ceased because the Group's vessels were seized by creditors and were sold by auction through judicial sale.

Further, Dr. Sit, who was a guarantor of various borrowing agreements and a finance lease agreement, was adjudged bankrupt by the High Court of Hong Kong on 11 April 2019. The creditors negotiated with the Company to transfer the title of the underlying assets, to provide additional guarantee, stop undrawn facilities for drawing and request remediation proposal within a specific period of time, in addition to demand on full repayment of outstanding amounts due to them. The aggregate borrowings amounted to approximately USD1,362 million. Apart from these aforesaid borrowing transactions with financial institutions, there are outstanding amounts, totally USD76.15 million due to major trading partners, which are also guaranteed by Dr. Sit.

Debt restructuring

In view of such circumstances, which indicate the existence of uncertainties that may cast doubt about the Group's ability to continue as a going concern, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Certain measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position up to the issuance date of this report which include, but not limited to, the followings:

(i) On 27 December 2018, a major cooperative partner, CNOOC has provided the Company a total amount of approximately USD700 million in financing and capital support through two of the subsidiaries of the CNOOC Group. The funding includes refinancing of approximately USD400million for the Company's Caofeidian Oilfield, and additionally an advanced payment arrangement of approximately USD300 million to ensure the smooth implementation of the Overall Development Adjustment Plan.

(ii) On 19 December 2019, another major cooperative partner, China Huarong Overseas Investment Holding Co., Ltd. through its subsidiary (the "Lender") has provided the Company with a total amount of approximately USD413 million in loan financing/refinancing and working capital support for a period of five to twelve years, including approximately USD362 million for restructuring the Company's existing debts and additional loans of no more than USD50.5 million to the Company for the purposes of capital expenditure of the Company's Xinjiang Dina project and general working capital under the premise that the Company can meet certain conditions. Pursuant to this debt restructuring, the Company enjoys the benefit of waiver of certain interest expenses.

(iii) With the view to exploring settlement options and seeking creditors' support to reorganize the Group's debts, the Group has been in active discussions with lenders on debt restructurings. The Company has entered settlement agreements with several creditors, such as Toyota Tsusho Corporation and Luso International Banking Ltd. In particular, the debts of major creditors including Petco Trading Labuan Company Ltd ("Petco"), Petrolimex Singapore Pte Limited, Qatar National Bank, Haitong Global Investment SPC III under the respective settlement agreements have been fully paid off. On 1 April 2020, the Company and Brightoil Petroleum (S'pore) Pte. Ltd. ("BOPS"), which is a wholly-owned subsidiary of the Company, have entered into a loan restructuring agreement with Bank of China Limited Shenzhen Branch. The Company and BOPS have also entered into a loan restructuring agreement with TransAsia Private Capital Limited on 15 July 2020 in order to defer the loan for 18 months.

2. BASIS OF PREPARATION *(continued)*

Going concern basis *(continued)*

Debt restructuring *(continued)*

(iv) In addition, the Company has successfully reached settlement on the outstanding debts with the Petitioner (Petco) and other interested creditors in the Hong Kong court proceedings (HCCW 147/2019). On 27 July 2020, the High Court of Hong Kong granted the dismissal of the winding-up petition (HCCW 147/2019) filed by Petco against the Company on 17 May 2019.

(v) Further, BOPS applied and was granted for a moratorium under section 211B of the Singapore Companies Act (the "Moratorium") to restrain legal action or proceedings. It has made good progress in reaching legally binding settlements with major trade creditors. The moratorium was extended subsequently up to 31 October 2020 as at the date of this report. The continuing moratoria would provide the Group with the necessary protection against any effort to frustrate its ongoing debt restructuring efforts.

(vi) The Group has been actively considering other plans to improve liquidity to allow the Group to protect its business, meet the creditor claims, and pursue future business opportunities, including sale of assets. On 7 January 2020, the Company signed a non-binding "Zhoushan Project Cooperation Framework Agreement" with one of the potential buyers for proposed sale of 90% of the Company's interest on Zhoushan Project. The Company will remain responsible to complete all the remaining construction and the buyer will pay the sale price by instalments according to the progress of the construction. The Company is currently working closely with the buyer and targets to sign a binding agreement in the near future.

(vii) The Company has received certain proceeds from judicial sale of vessels and settled the outstanding debts attached directly to the relevant vessels, the remaining proceeds are currently being processed by both courts in Singapore and Hong Kong although it would take longer time than the usual court processing timeframe due to the outbreak of COVID-19. Therefore, the sale proceeds (which are in the custody of the respect Courts) of the vessels have not yet been fully distributed. The Company is closely following up with the courts for the final distribution and is expecting the remaining proceeds to be received by the Company gradually during this year.

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

The following new and amendments to HKFRSs and Hong Kong Accounting Standards ("HKAS") issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA") have been adopted by the Group for the first time for the financial year beginning on or after 1 July 2016. The adoption of these amendments did not have any significant impact to the results and financial position of the Group:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 cycle
Amendments to HKAS 27	Equity method in separate financial statements
HKFRS14	Regulatory deferral accounts

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS *(continued)*

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ended 30 June 2017 and have not been early adopted by the Group:

Amendments to HKFRSs	Annual Improvements to HKFRSs to 2014-2016 Cycle relating to Amendments to HKFRS 12 *Disclosure of Interests in Other Entities*[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[8]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 16	Property, plant and equipment – Proceeds before Intended Use[8]
Amendments to HKFRS 1 and HKAS 28	As part of the Annual Improvement to HKFRSs 2014-2016 Cycle[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[8]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[7]
Amendments to HKAS 40	Transfers of Investment Property[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*[2]
HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with customers[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[2]
HKFRS 16	Leases[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[3]
Amendments to HKFRS 16	COVID-19-Related Rent Concession[9]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRS 3	Reference to the Conceptual Framework[8]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture[6]
Amendments to HKAS 1 and HKAS 8	Definition of Material[7]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[7]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after 1 January 2021
5 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
6 Effective for annual periods beginning on or after a date to be determined
7 Effect for annual periods beginning on or after 1 January 2020
8 Effect for annual periods beginning on or after 1 January 2022
9 Effect for annual periods beginning on or after 1 June 2020

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS *(continued)*

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets. Key requirements of HKFRS 9 which are relevant to the Group are:

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

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

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

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 30 June 2017, application of HKFRS 9 in the future may have an impact on the measurement of the Group's financial assets. The directors of the Company anticipate that the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS *(continued)*

HKFRS 15 *Revenue from Contracts with Customers*

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

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company have preliminarily assessed the application of HKFRS 15 and anticipate that it is unlikely to have an impact on the timing and amounts of revenue recognised in the respective reporting period.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS *(continued)*

HKFRS 16 *Leases* *(continued)*

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned. In contrast to lessee accounting, HKFRS 16 substantially carries forward of the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, the Group as leasee has non-cancellable operating lease commitments of HK$63 million as disclosed in note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

HKFRS 7 *Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as described above, the directors of the Company do not anticipate that the application of other new and amendments to HKFRSs will have no material impact on the Group's performance and position and/or the disclosures set out in the consolidated financial statements when they become effective.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as disclosed in note 2 to the consolidated financial statements, the consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinances.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

(a) Subsidiaries

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

Changes in ownership interests in subsidiaries without change of control

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Separate financial statements

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

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

(d) Joint arrangements

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

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

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

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

(e) Segment reporting

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Foreign currency translation *(continued)*

(iv) Disposal of foreign operation and partial disposal

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

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

(g) Property, plant and equipment

Property, plant and equipment comprise mainly leasehold land and buildings, vessels, oil and gas properties and construction in progress. Accounting policies for oil and gas properties are set out in note 4(h). All other property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

(h) Oil and gas properties

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

Exploratory wells in areas not requiring major capital expenditure are evaluated for economic viability within one year of completion of drilling. The related well costs are expensed as dry holes if it is determined that such economic viability is not attained. Otherwise, the related well costs are reclassified to oil and gas properties and are subject to impairment review (note 4(g)). For exploratory wells that are found to have economically viable reserves in areas where major capital expenditure will be required before production can commence, the related well costs remain capitalised only if additional drilling is underway or firmly planned. Otherwise the related well costs are expensed as dry holes. The Group does not have any significant costs of unproved properties capitalised in oil and gas properties.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Investment property

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

(j) Mining interest

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

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

(k) Prepaid operating lease payments

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

(l) Impairment of non-financial assets

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Financial assets

(i) Classification

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

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

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

(2) Loans and receivables

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

(ii) Recognition and measurement

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

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

(n) Offsetting financial instruments

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Impairment of financial assets

Assets carried at amortised cost

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

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

Objective evidence of impairment could include:

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

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

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

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

(p) Derivative financial instruments

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Inventories

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

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

Crude oil inventories produced from upstream crude oil business are stated at the lower of cost and net realisable value. Costs of inventories represent relevant production costs and are determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(r) Trade debtors and other receivables

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

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

(s) Cash and cash equivalents

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

(t) Share capital

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

(u) Trade creditors

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Borrowings

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

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

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

(w) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(x) Compound financial instruments

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

(iii) Offsetting

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Employee benefits

(i) Retirement benefit costs

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

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

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

The employees of the Group's subsidiaries in Singapore and the United States are participated in the national pension scheme. The relevant subsidiaries in Singapore and the United States are required to contribute certain percentages of the monthly salaries of their current employees to the Central Provident Fund and Roth IRA and 401(k) respectively.

(ii) Profit-sharing and bonus plans

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

(iii) Employee leave entitlements

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Share-based payments

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

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

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

Share award scheme

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

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

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

(ab) Provisions

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ac) Revenue recognition

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

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

E-commerce service income fee is recognised when services are provided.

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ad) Leases

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

(ae) Government grants

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

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

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

(af) Dividends distribution

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

5. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

5. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) Market risk

(1) Currency risk

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

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

	Assets		Liabilities	
	2017	2016	**2017**	2016
	HK$'million	HK$'million	**HK$'million**	HK$'million
US$	**258**	245	**1**	–
HK$	**–**	115	**2**	2
Renminbi ("RMB")	**1**	5	**–**	3
Singapore Dollars ("SGD")	**6**	16	**39**	28

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in the functional currency of respective group entities against the relevant foreign currencies and all other variables were held constant 5% (2016: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items which are denominated in relevant foreign currencies and adjusts its translation at the year end for a 5% (2016: 5%) change in the relevant foreign currencies exchange rates.

5. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) Market risk *(continued)*

(1) Currency risk (continued)

Sensitivity analysis (continued)

A positive number below indicates an increase in post-tax profit where the relevant foreign currencies strengthens (2016: 5%) against the functional currency of respective group entities. For a 5% (2016: 5%) weakening of the relevant foreign currencies of the respective group entities against the relevant foreign currencies, there would be an equal and opposite impact on the result for the year.

	2017	2016
	HK$'million	HK$'million
Increase/decrease in post-tax profit for the year		
US$ against RMB impact	**13**	45

(2) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank balances, convertible bonds and loans from a related company. The Group does not use any derivatives to hedge against the risk as the directors of the Company consider that the Group's exposure to fair value interest rate risk is not significant.

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

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at 30 June 2017 and the reasonably possible change taking place at the beginning of each year and held constant throughout the year. A 50 basis point increase or decrease is used which represents directors of the Company's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 30 June 2017 would decrease/increase by approximately HK$52 million (2016: HK$68 million). This is mainly attributable to the Group's exposure to interest rates on its bank borrowings.

For the variable-rate bank balances and receivables from brokers at 30 June 2017 and 2016, the directors of the Company consider the Group's exposure to future cash flow interest rate risk is minimal taking into account the minimal fluctuation on market interest rate and the carrying amounts at the end of the reporting period. Accordingly, no sensitivity analysis on interest rate risk is presented.

5. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) Market risk *(continued)*

(3) Price risk

Price risk on equity securities

The Group is exposed to listed equity securities price risk through its financial assets at fair value through profit or loss. The directors of the Company manages this exposure by closely monitoring the performance of the investments and market conditions. The directors of the Company would consider diversifying the portfolio of investments as they consider appropriate.

For the quoted prices of the respective equity instruments at 30 June 2017 and 2016, the directors of the Company consider the Group's exposure to price risk is minimal taking into account the carrying amounts at the end of the reporting period. Accordingly, no sensitivity analysis on price risk is presented.

Oil price risk

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

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

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

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

5. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) Market risk *(continued)*

(3) Price risk (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to the Group's oil price risk of the fuel, gas and crude oil inventories (except for those produced from upstream crude oil business) and derivative financial instruments stated at fair value less costs to sell, outstanding oil futures, swaps and forwards contracts at the reporting date. The sensitivity rate of 5% (2016: 5%) represents assessment of the directors of the Company for the reasonably possible change in the quoted prices for fuel, gas and crude oil futures, swap and forward contracts (the "Quoted Oil Contracts Prices").

If the Quoted Oil Contracts Prices had been 5% (2016: 5%) higher and all other variables were held constant, a positive number below indicates an increase in post-tax profit. For Quoted Oil Contracts Prices had been 5% (2016: 5%) lower, there would be an equal and opposite impact on the post-tax profit for the year as set out below:

	2017	2016
	HK$'million	HK$'million
Increase/(decrease) in post-tax profit for the year as a result of a 5% in fair value		
– fuel, gas and crude inventories (except for those produced from upstream crude oil business)	**22**	21
– derivative financial instruments	**(101)**	(144)
	(79)	(123)

(ii) Credit risk

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

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

5. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(ii) Credit risk *(continued)*

At 30 June 2017, the Group has concentration of credit risk on receivables from brokers and certain trade debtors. The brokers are with high credit ratings assigned by international credit-rating agencies. The credit risk on cash at banks are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The directors of Company consider the Group's credit risk on receivables from brokers and cash at banks is not significant. The top five largest customers and the largest customer of the Group accounted for 74% and 18% (2016: 63% and 56%) of the total trade debtors at 30 June 2017, respectively. In the opinion of the directors of the Company, these customers are mainly large oil or marine transportation companies with good financial backgrounds. The Group has maintained good relationships with those customers who have a strong financial background with continuous subsequent settlements. There have been no historical default of payments by the respective customers and therefore the Group considers the exposure to concentration of credit risk is limited. Other than that, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(iii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group has sufficient funds to finance its ongoing working capital requirements.

The Group relies on bank borrowings as a significant source of liquidity. At 30 June 2017, the Group has available unutilised short-term bank loan facilities of approximately HK$ 8,135 million (2016: HK$11,750 million). Details of the Group's bank borrowings outstanding at 30 June 2017 are set out in note 29.

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

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$ million	3 months to 1 year HK$ million	1 year to to 5 years HK$ million	Over 5 years HK$ million	Total undiscounted cash flows HK$ million	Total carrying amount HK$ million
2017							
Non-derivative financial liabilities							
Trade creditors	–	6,109	–	–	–	6,109	6,109
Other creditors and accrued charges	–	1,368	–	–	–	1,368	1,368
Bank and other borrowings	4	10,844	–	–	–	10,844	10,844
Convertible bonds (note a)	11	–	–	1,382	–	1,382	1,161
		18,321	–	1,382	–	19,703	19,482

5. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) Liquidity risk *(continued)*

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$ million	3 months to 1 year HK$ million	1 year to to 5 years HK$ million	Over 5 years HK$ million	Total undiscounted cash flows HK$ million	Total carrying amount HK$ million
2016							
Non-derivative financial liabilities							
Trade creditors	–	5,277	–	–	–	5,277	5,277
Other creditors and accrued charges	–	1,574	–	–	–	1,574	1,574
Bank and other borrowings	4	3,994	1,470	6,725	–	12,189	11,108
Loans from a related company	10	–	1,378	–	–	1,378	1,334
Convertible bonds (note a)	11	–	–	1,422	–	1,422	1,063
		10,845	2,848	8,147	–	21,840	20,356

Notes:

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

5. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Capital management

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

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

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

	2017 **HK$'million**	2016 HK$'million
Total borrowings	**12,149**	12,440
Less:		
Receivables from brokers	**(10)**	(478)
Pledged bank deposits (note 26)	**(445)**	(424)
Bank balances and cash (note 26)	**(623)**	(4,471)
Net debt	**11,071**	7,067
Total equity	**12,263**	11,205
Gearing ratio	**90%**	63%

(c) Fair value estimation

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

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

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

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)*

Fair value hierarchy

	Fair value at 30 June 2017				
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million	Valuation techniques and inputs
Financial assets					
Non-derivative Financial assets at fair value through profit or loss	69	–	–	69	Quoted bid prices in an active market
Oil and gasoline futures and swaps contracts	–	170	–	170	Difference between contractual strike prices and prevailing futures/swaps prices which are derived from
Petroleum related forward contracts in relation to physical delivery dealt with counterparties	–	46	–	46	Difference between contractual prices and forward prices which are derived from applicable forward curve for remaining duration of the investment
Total	69	216	–	285	
Financial liabilities					
Oil and gasoline futures and swaps contracts	–	26	–	26	Difference between contractual strike prices and prevailing futures/swaps prices which are derived from relevant exchange markets
Petroleum related forward contracts in relation to physical delivery dealt with counterparties	–	31	–	31	Difference between contractual prices and forward prices which are derived from applicable forward curve for remaining duration of the investment
Derivative of convertible bonds' conversion component	–	–	144	144	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
Total	–	57	144	201	

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)*

Fair value hierarchy *(continued)*

	Fair value at 30 June 2016				
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million	Valuation techniques and inputs
Financial assets					
Non-derivative Financial assets at fair value through profit or loss	70	–	–	70	Quoted bid prices in an active market
Oil and gasoline futures and swaps contracts	–	77	–	77	Difference between contractual strike prices and prevailing futures/swaps prices which are derived from
Petroleum related forward contracts in relation to physical delivery 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
Total	70	165	–	235	
Financial liabilities					
Oil and gasoline futures and swaps contracts	–	202	–	202	Difference between contractual strike prices and prevailing futures/swaps prices which are derived from relevant exchange markets
Petroleum related forward contracts in relation to physical delivery 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
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
Total	–	311	269	580	

There is no transfer between different levels of fair value hierarchy for the years ended 30 June 2017 and 2016.

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.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

The fair value of convertible bonds and the embedded conversion options are determined using valuation techniques including reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Details of the assumptions used in determining the fair value of the convertible notes and the embedded conversion options have been disclosed in note 31.

(c) Estimation of impairment of non-financial assets

The Group assesses at least annually whether property, plant and equipment, mining interests and prepaid lease payments are reviewed for possible impairments whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates and judgements such as future prices of natural gas and crude oil, gas and oil reserves and production plan. However, the impairment reviews and calculations are based on assumptions that are consistent with the Group's business plans. Favourable changes to some assumptions may allow the Group to avoid the need to impair any assets, whereas unfavourable changes may cause the assets to become impaired.

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

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(d) Current and deferred income tax

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

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

(e) Fair value of investment property

The Group's investment property is stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on methods of valuation which involve certain estimates. In relying on the valuation reports, the management of the Group has exercised its judgments and is satisfied that the methods of valuation are reflective of the current market conditions, as detailed in note 19. Should there be any changes in assumptions due to change in market conditions, the fair value of the investment property will change in future.

(f) Provision for restoration and environmental costs

The provision for restoration and environmental costs have been estimated by the directors of the Company based on current regulatory requirements and is discounted to present value. However, changes in the regulatory requirements, emergence of new restoration techniques, timing of performance of restoration activities or discount rate will result in changes to the amount of provision and affect the amount recognised as part of the cost of the related oil properties and consequently, affect the related depreciation charge as well as the unwinding of discount charged to profit or loss from period to period. During the year ended 30 June 2017, the carrying amount of the provision for restoration and environmental cost is approximately HK$268 million (2016: HK$235 million). Details of the provision for restoration and environmental costs are set out in note 33 to the consolidated financial statements.

7. REVENUE AND SEGMENT INFORMATION

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

Revenue for the year comprises the following:

	2017	2016
	HK$'million	HK$'million
Sales of petroleum products from international trading	**56,569**	40,437
Revenue from marine bunkering	**4,219**	4,169
Sales of crude oil from upstream business	**1,301**	1,324
Sales of natural gas from upstream business	**730**	798
Marine transportation income	**864**	1,338
Others	**3**	5
	63,686	48,071

7. REVENUE AND SEGMENT INFORMATION *(continued)*

The chief operating decision-maker of the Group 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 reportable segments of the Group for the year ended 30 June 2017 are as follow:

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

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

From 1 July 2016 onwards, the CODM assesses the performance of the operating segments based on a measure of EBITDA. EBITDA is defined as profit before taxation, finance costs, depletion and depreciation and amortisation. Segment results represent the EBITDA of each segment without allocation of unallocated other income and other gains, net, central administration costs, directors' emoluments at the head office, and the share of profits of joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. The changes in presentation have been adopted retrospectively, and certain comparative figures have been restated.

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 and its financial information is included in "Others" segment. Except included in "Others" segment, no other operating segment of the Group has been aggregated in arriving at the reportable segments described above.

7. REVENUE AND SEGMENT INFORMATION *(continued)*

Information regarding the Group's reportable segments as provided to the Executive Directors for the purpose of resources allocation and assessment of segment performance for the years ended 30 June 2017 and 2016 is set out below.

For the year ended 30 June 2017

	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
Segment revenue and results						
Revenue from external customers	60,788	864	730	1,301	3	63,686
Inter-segment sales	248	865	–	–	–	1,113
	61,036	1,729	730	1,301	3	64,799
Segment results	1,169	362	567	1,000	9	3,107
Other income and other gains and losses, net						161
Depletion and depreciation of property, plant and equipment						(853)
Amortisation of mining interests						(438)
Unallocated corporate expenses						(94)
Finance costs						(603)
Share of profits of joint ventures						4
Profit before taxation						1,284
Amounts included in the measure of segment profit or loss:						
Net losses on derivative financial instruments	(55)	–	–	–	–	(55)
Provision for inventories produced from upstream crude oil business	–	–	–	(4)	–	(4)
Recognition of impairment loss on trade debtors	(30)	–	–	–	–	(30)
Unrealised net losses on fuel, gas and crude oil inventories (except for those produced from upstream crude oil business)	(35)	–	–	–	–	(35)

7. REVENUE AND SEGMENT INFORMATION *(continued)*

For the year ended 30 June 2016

	International trading and bunkering operation HK$'million	Marine transportation operation HK$'million	Upstream natural gas business HK$'million	Upstream crude oil business HK$'million	Others HK$'million	Total HK$'million
Segment revenue and results						
Revenue from external customers	44,606	1,338	798	1,324	5	48,071
Inter-segment sales	262	88	–	–	–	350
	44,868	1,426	798	1,324	5	48,421
Segment results (restated)	744	765	470	1,128	93	3,200
Other income and other gains and losses, net						(21)
Depletion and depreciation of property, plant and equipment						(941)
Amortisation of mining interests						(629)
Unallocated corporate expenses						(106)
Finance costs						(672)
Share of profits of joint ventures						13
Profit before taxation						844
Amounts included in the measure of segment profit or loss:						
Reversal of impairment loss on mining interests	–	–	–	78	–	78
Reversal of impairment loss on property, plant and equipment	–	–	–	29	–	29
Net gains on derivative financial instruments	209	–	–	–	–	209
Reversal of impairment loss on trade debtors	2	–	–	–	–	2
Net losses on financial assets at fair value through profit or loss	–	–	–	–	(65)	(65)
Unrealised net gains on fuel, gas and crude oil inventories (except for those produced from upstream crude oil business)	64	–	–	–	–	64

7. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information

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

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

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

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

	Revenue from external customers		**Non-current assets**	
	2017	2016	**2017**	2016
	HK$'million	HK$'million	**HK$'million**	HK$'million
The PRC	**16,668**	9,537	**10,846**	11,676
Oman	**41,476**	26,509	**–**	–
Singapore	**3,478**	5,540	**5,404**	5,428
Others	**2,064**	6,485	**130**	102
	63,686	48,071	**16,380**	17,206

For the year ended 30 June 2017, external revenue of approximately HK$22,703 million (2016: HK$19,389 million) was generated from a major customer, which accounted for 10% or more of the Group's external revenue. The revenue is attributable to the international trading and bunkering operation segment. No other customers of the Group amounted for more than 10% of the Group's external revenue during these financial years.

8. OTHER INCOME AND OTHER GAINS AND LOSSES

	2017 HK$'million	2016 HK$'million
Other income		
E-commerce service fee income from a related company	**96**	–
Interest income from bank deposits	**9**	2
Others	**5**	2
	110	4
Other gains and losses, net		
Fair value gain/(loss) on conversion and other option derivatives embedded in convertible bonds (note 31)	**141**	(5)
Fair value gain on investment property (note 19)	**23**	5
Net foreign exchange losses	**(22)**	(67)
Net losses on financial assets at fair value through profit or loss	**–**	(65)
Amortisation of deferred loss on conversion components (note 31)	**(16)**	(10)
Net (losses)/gains on derivative financial instruments (note 30)	**(55)**	209
Reversal of impairment loss on mining interests (note 16)	**–**	78
Reversal of impairment loss on property, plant and equipment (note 17)	**–**	29
Others	**–**	5
	71	179

9. FINANCE COSTS

	2017 HK$'million	2016 HK$'million
Interest expense on bank borrowings	**403**	448
Interest expense on other borrowings	**14**	–
Imputed interest expense on loans from a related company (note 32)	**–**	174
Interest expense on convertible bonds (note 31)	**195**	103
Interest expense on factoring arrangements	**142**	75
Unwinding of discounting effect of provision for restoration and environmental costs (note 33)	**16**	15
Total	**770**	815
Less: amounts capitalised to construction in progress	**(167)**	(143)
Total finance costs	**603**	672

The weighted average interest rate on capitalised borrowings costs from general borrowings pool is approximately 6.19% (2016: 4.69%) per annum.

10. EXPENSES BY NATURE

	2017 HK$'million	2016 HK$'million
Cost of inventories recognised as expense	**59,465**	44,249
Unrealised net losses/(gains) on fuel, gas and crude oil inventories, except for those produced from upstream crude oil business	**35**	(64)
Provision for inventories produced from upstream crude oil business	**4**	–
Port charges	**110**	117
Depletion and depreciation of property, plant and equipment (note 17)	**853**	941
Amortisation of mining interests (note 16)	**438**	629
Operating lease rentals paid in respect of rental premises and oil storage facilities	**164**	235
Operating lease rentals paid in respect of plant and equipment	**53**	51
Employee benefit expenses (including directors' emoluments) (note 11)	**202**	210
Brokerage and commission expenses	**101**	97
Professional fees	**10**	9
Recognition/(reversal) of impairment loss on trade debtors (note 24)	**30**	(2)
Amortisation of prepaid operating lease payment (note 18)	**10**	11
Auditor's remuneration	**11**	4
Others	**498**	302
	61,984	46,789

Note:

Rentals amounting to approximately HK$1 million (2016: HK$2 million) in respect of accommodation provided to directors are included under staff costs.

Included in the Group's cost of sales are port charges of approximately HK$110 million (2016: HK$117 million), depreciation of property, plant and equipment of approximately HK$833 million (2016: HK$928 million), amortisation of mining interests of approximately HK$438 million (2016: HK$629 million), and operating lease rentals paid in respect of plant and equipment of approximately HK$53 million (2016: HK$51 million) for the year ended 30 June 2017.

11. EMPLOYEES BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2017 HK$'million	2016 HK$'million
Wages, salaries and other benefits	**187**	181
Share-based payments	**8**	19
Retirement benefits scheme contributions	**7**	10
	202	210

(a) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2016: four) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 12(a). The emoluments of the remaining one (2016: one) highest paid individual are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, bonus and other benefits	**1,456**	1,511
Retirement benefit scheme contributions	**18**	–
	1,474	1,511

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

	No. of individuals 2017	2016
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	1

During the year ended 30 June 2017, no emolument was paid by the Group to the five highest paid individuals as an inducement to join, or upon joining the Group or as compensation for loss of office (2016: nil).

(b) Senior management remuneration by board

There were no senior management positions in the Group other than directors and the five highest paid individuals.

12. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Fee	Salaries and other benefits	Bonus	Retirement benefits scheme contributions	Share-based payment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 30 June 2017						
Executive Directors:						
Sit Kwong Lam (note a)	**–**	**3,500**	**146**	**18**	**–**	**3,664**
Tang Bo	**–**	**3,622**	**146**	**18**	**384**	**4,170**
Tan Yih Lin	**–**	**3,980**	**146**	**18**	**861**	**5,005**
Wang Wei	**–**	**4,167**	**–**	**–**	**167**	**4,334**
Non-Executive Director:						
Dai Zhujiang	**450**	**–**	**19**	**–**	**82**	**551**
Independent Non-Executive Directors:						
Lau Hon Chuen	**450**	**–**	**19**	**–**	**82**	**551**
Chang Hsin Kang	**450**	**–**	**19**	**–**	**82**	**551**
Kwong Chan Lam	**450**	**–**	**19**	**–**	**82**	**551**
Total	**1,800**	**15,269**	**514**	**54**	**1,740**	**19,377**
Year ended 30 June 2016						
Executive Directors:						
Sit Kwong Lam (note a)	–	3,482	–	18	–	3,500
Yung Pak Keung, Bruce (note b)	–	557	–	3	–	560
Tang Bo	–	3,482	–	18	590	4,090
Tan Yih Lin	–	3,482	–	18	590	4,090
Wang Wei	–	1,750	–	–	192	1,942
Non-Executive Director:						
Dai Zhujiang	450	–	–	–	95	545
Independent Non-Executive Directors:						
Lau Hon Chuen	450	–	–	–	95	545
Chang Hsin Kang	450	–	–	–	95	545
Kwong Chan Lam	450	–	–	–	95	545
Total	1,800	12,753	–	57	1,752	16,362

Notes:

(a) On 21 August 2015, Dr. Sit has been re-appointed as the chief executive officer of the Company after resignation of Dr. Yung Pak Keung, Bruce ("Dr. Yung").

(b) On 21 August 2015, Dr. Yung has resigned as an Executive Director and the chief executive officer of the Company.

12. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

During the year ended 30 June 2017, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as a compensation for loss of office as director (2016: nil).

(b) Directors' retirement benefits

During the year ended 30 June 2017, no retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2016: nil).

(c) Directors' termination benefits

During the year ended 30 June 2017, no payment was made to directors as compensation for the early termination of the appointment during the year (2016: nil).

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

During the year ended 30 June 2017, there are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2016: nil).

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

During the year ended 30 June 2017, save for the transactions with related parties disclosed in Note 40, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: nil).

(f) The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive director's emoluments shown above were mainly for his services as director of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

13. INCOME TAX CHARGE/(CREDIT)

	2017 **HK$'million**	2016 HK$'million
Current tax:		
PRC Enterprise Income Tax ("EIT")	**58**	180
Singapore Income Tax	**57**	–
Under/(over) provision in prior years	**10**	(220)
Deferred taxation (note 34)	**20**	2
Income tax charge/(credit) for the year	**145**	(38)

13. INCOME TAX CHARGE/(CREDIT) *(continued)*

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

The annual tax rates used in respect of Hong Kong Profits Tax and the Singapore Income Tax are 16.5% (2016: 16.5%) and 17% (2016: 17%) for the year, respectively. Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

No provision for the Hong Kong Profits Tax has been made in these consolidated financial statements as the Group has no estimated assessable profits for the year ended 30 June 2017 (2016: nil).

With the Global Trader Program incentive awarded by the International Enterprise Singapore, an agency under Singapore's Ministry of Trade and Industry, to the Group, certain qualifying income (e.g. income from marine bunkering operations and sales of petroleum products) generated during the year from trading fuel oil and crude oil under the international trading and bunkering operation segment of the Group has been charged at a concessionary tax rate of 5% for the years ended 30 June 2017 and 2016.

The Group was awarded the Approved International Shipping Enterprise Incentive ("AIS") status with effect from 1 April 2010 for 10 years. With the AIS status, the Group's profits from qualifying activities (e.g. qualifying shipping operations under Section 13F of the Singapore Income Tax Act) are exempted from tax.

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

	2017 **HK$'million**	2016 HK$'million
Profit before taxation	**1,284**	806
Taxation at the domestic rates applicable to profits in the countries concerned	**243**	128
Tax effect of expenses not deductible for tax purpose	**123**	333
Tax effect of income not subject to tax	**(39)**	(62)
Under/(over) provision in respect of prior years	**10**	(220)
Effect of tax exemption granted by AIS	**(41)**	(101)
Tax effect of tax losses not recognised	**3**	22
Tax effect of deductible temporary differences not recognised	**1**	34
Utilisation of tax losses previously not recognised	**–**	(20)
Effect of tax relief granted to the subsidiaries	**(155)**	(118)
Others	**–**	(34)
Income tax charge/(credit) for the year	**145**	(38)

14. DIVIDEND

No dividend has been declared nor proposed by the Company in respect of the years ended 30 June 2017 and 2016.

15. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less shares held under Share Award Scheme (as defined in note 36) during the year.

	2017	2016
	HK$'million	HK$'million
Profit attributable to owners of the Company (HK$)	**1,139**	844
	'million	'million
Weighted average number of ordinary shares in issue less shares held under Award Scheme during the year	**10,131**	10,122

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share held under award scheme. 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 awards, the number of shares that would have been issued assuming the exercise of the share awards 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 for the years ended 30 June 2017 and 2016, accordingly it is not included in the calculations below.

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

Earnings

	2017	2016
	HK$'million	HK$'million
Profit attributable to owners of the Company	**1,139**	844

15. EARNINGS PER SHARE *(continued)*

(b) Diluted *(continued)*

Number of shares

	2017 **'million**	2016 'million
Weighted average number of ordinary shares in issue less shares held under Award Scheme during the year	**10,131**	10,122
Effect of dilutive potential ordinary shares:		
Unvested share awards	**4**	5
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**10,135**	10,127

16. MINING INTERESTS

	HK$'million
At cost	
As at 1 July 2015	5,636
Exchange realignment	(34)
As at 30 June 2016 and 1 July 2016	5,602
Exchange realignment	68
As at 30 June 2017	5,670
Accumulated amortisation and impairment	
As at 1 July 2015	585
Amortisation for the year (note 10)	629
Reversal of impairment loss	(78)
Exchange realignment	(38)
As at 30 June 2016 and 1 July 2016	1,098
Amortisation for the year (note 10)	438
Exchange realignment	41
As at 30 June 2017	1,577
Net carrying amount	
As at 30 June 2017	4,093
As at 30 June 2016	4,504

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

Further details of the contract areas 04/36 and 05/36 are set out in note 20(b)(3) to the consolidated financial statements.

16. MINING INTERESTS *(continued)*

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

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

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

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

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

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

17. PROPERTY, PLANT AND EQUIPMENT

	Vessels HK$'million	Oil and gas properties HK$'million	Leasehold land and building HK$'million	Others HK$'million	Construction in progress HK$'million (note)	Total HK$'million
Cost						
At 1 July 2015	6,308	3,462	64	140	2,800	12,774
Exchange realignment	(3)	(92)	–	–	(170)	(265)
Transfer	–	310	–	–	(310)	–
Additions	142	403	470	16	808	1,839
At 30 June 2016	6,447	4,083	534	156	3,128	14,348
Exchange realignment	44	(9)	(7)	–	(36)	(8)
Transfer	–	358	–	22	(380)	–
Additions	69	56	9	25	283	442
At 30 June 2017	6,560	4,488	536	203	2,995	14,782
Accumulated depreciation and depletion						
At 1 July 2015	754	516	4	105	–	1,379
Exchange realignment	(7)	(14)	–	–	–	(21)
Provided for the year	235	693	1	12	–	941
Reversal of impairment loss	–	(29)	–	–	–	(29)
At 30 June 2016	982	1,166	5	117	–	2,270
Exchange realignment	4	6	–	–	–	10
Provided for the year	237	596	5	15	–	853
At 30 June 2017	1,223	1,768	10	132	–	3,133
Carrying amounts						
At 30 June 2017	**5,337**	**2,720**	**526**	**71**	**2,995**	**11,649**
At 30 June 2016	5,465	2,917	529	39	3,128	12,078

Note: Construction in progress mainly represented Zhoushan oil storage and terminal facilities with carrying amount of approximately HK$2,183 million as at 30 June 2017 (2016: HK$2,017 million)..

As of 30 June 2017, the carrying amounts of vessels and leasehold land and building to the extent of approximately HK$5,047 million (2016: HK$5,233 million) and HK$522 million (2016: HK$56 million) (note 29) respectively were pledged as securities for bank borrowing of approximately HK$2,738 million (2016: HK$2,284 million).

All of the Group's vessels were seized during the year ended 30 June 2019, details are set out in note 42 to the consolidated financial statements.

18. PREPAID LEASE PAYMENTS

	2017 HK$'million	2016 HK$'million
Leasehold land costs in the PRC:		
As at 1 July	**483**	528
Additions	**18**	–
Amortisation for the year (note 10)	**(10)**	(11)
Exchange realignment	**(8)**	(34)
As at 30 June	**483**	483

In previous years, the Group received government grants of approximately RMB286 million (equivalent to approximately HK$357 million) in respect of acquisition of prepaid lease payments for land in March 2011 pursuant to the co-operation agreement signed between the local government and the Group. The government grant amounts were deducted from the carrying amount of the prepaid lease payments for land. At 30 June 2017, an accumulated amount of approximately HK$38 million (2016: HK$33 million) has already been credited to the consolidated profit or loss in the form of reduced charge of amortisation of the prepaid lease payments for land over the lease terms.

19. INVESTMENT PROPERTY

	2017 HK$'million	2016 HK$'million
As at 1 July	**47**	42
Fair value gain (note 8)	**23**	5
As at 30 June	**70**	47

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

The fair value of the Group's investment property at 30 June 2017 and 2016 has been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Limited, an independent qualified professional valuer. The Group's investment property was valued on market value basis, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties. The fair value was arrived at by reference to market evidence of transaction prices for similar properties. The revaluation gains or losses is included in "other gains and losses, net" in the consolidated statement of profit or loss.

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

19. INVESTMENT PROPERTY *(continued)*

Information about fair value measurements using key inputs

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

Description	Fair value at 30 June 2017 HK$'million	2016 HK$'million	Fair value hierarchy	Valuation technique and key inputs
Commercial property unit located in Hong Kong	**70**	47	Level 3	Direct comparison method based on market observable transactions of similar properties and adjusted to reflect the differences in conditions, floor and direction of the subject property

At the end of the reporting period, the directors of the Company worked closely with the independent qualified external valuer to establish and determine that appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

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

As of 30 June 2017, the investment property was pledged as security for bank borrowing of approximately HK$180 million (2016: HK$180 million) (note 29).

20. INTERESTS IN JOINT VENTURES AND JOINT OPERATIONS

(a) Joint ventures

	2017	2016
	HK$'million	HK$'million
As at 1 July	**702**	719
Share of profits for the year	**4**	13
Exchange realignment	**(10)**	(30)
As at 30 June	**696**	702

At 30 June 2017, the Group had interests in the following joint ventures:

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

Notes:

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

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

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

(a) Joint ventures *(continued)*

Summarised financial information of joint ventures

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

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

Zhoushan Terminal

	2017	2016
	HK$'million	HK$'million
Non-current assets	**820**	905
Current assets	**18**	15
Current liabilities	**(169)**	(242)
Net assets	**669**	678
The above amounts of assets and liabilities include the following:		
Construction in progress	**820**	804
Cash and cash equivalents	**1**	14
Accounts payable	**(121)**	(124)
Tax receivable	**18**	16
Other income and other gains and losses, net	**–**	1
Expenses	**–**	(1)
Profit and total comprehensive income for the year	**–**	–

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

	2017	2016
	HK$'million	HK$'million
Net assets of Zhoushan Terminal	**669**	678
Proportion of the Group's ownership interest in Zhoushan Terminal	**55%**	55%
Carrying amount of the Group's interest in Zhoushan Terminal	**368**	373

There are no commitment and contingent liabilities relating to the Group's interest in Zhoushan Terminal.

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

(a) Joint ventures *(continued)*

Summarised financial information of joint ventures *(continued)*

Dalian Terminal

	2017 **HK$'million**	2016 HK$'million
Non-current assets	**25**	23
Other current assets	**526**	526
Current liabilities	**(4)**	(1)
Net assets	**547**	548

The above amounts of assets and liabilities include the following:

	2017 **HK$'million**	2016 HK$'million
Construction in progress	**25**	23
Cash and cash equivalents	**309**	312
Other receivables	**207**	–
Other payables	**4**	209
Other income and other gains and losses, net	**6**	21
Expenses	**–**	–
Profit and total comprehensive income for the year	**6**	21

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

	2017 **HK$'million**	2016 HK$'million
Net assets of Dalian Terminal	**547**	548
Proportion of the Group's ownership interest in Dalian Terminal	**60%**	60%
Carrying amount of the Group's interest in Dalian Terminal	**328**	329

There are no commitment and contingent liabilities relating to the Group's interest in Dalian Terminal.

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

(b) Joint operations

(1) Joint operation in the Tuzi gas field

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

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

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

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

During the year ended 30 June 2017, the Investment Costs 1 spent by Win Business GD have yet been recovered, therefore Win Business GD is currently adopting 55% to the Sharing Ratio 1.

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

(b) Joint operations *(continued)*

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

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

	2017	2016
	HK$'million	HK$'million
Gas properties	**1,085**	970
Other property, plant and equipment	**111**	347
Other assets	**140**	108
Total assets	**1,336**	1,425
Total liabilities	**(358)**	(460)
Revenue	**521**	492
Expenses	**(283)**	(267)

(2) Joint operation in the Dina gas field

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

Pursuant to the Contract 2, the Dina Natural Gas Project was segregated into three stages, namely the evaluation period, the development period and the production period, with a term of 30 years. Prior to the Contract 2, CNPC performed a preliminary phase to study the Dina Natural Gas Project and the costs incurred during the preliminary phase was borne by CNPC. Win Business Group agreed to bear the costs incurred during the evaluation and development periods. The costs incurred by Win Business Group and CNPC before production period are known as investment costs (the "Investment Costs 2"). After commencement of the production period, the operating expenses, primarily the purification and transportation services for natural gas and condensate, would be shared 55% and 49% by Win Business Group before and after full recovery of the Investment Costs 2 spent by Win Business Group respectively (the "Sharing Ratio 2").

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

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

(b) Joint operations *(continued)*

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

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

The Investment Costs 2 spent by Win Business Group was fully recovered during the year ended 30 June 2014, therefore Win Business Group is currently adopting 49% to the Sharing Ratio 2.

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

	2017	2016
	HK$'million	HK$'million
Gas properties	**354**	379
Other property, plant and equipment	**69**	47
Other assets	**100**	63
Total assets	**523**	489
Total liabilities	**(56)**	(61)
Revenue	**209**	306
Expenses	**(172)**	(189)

(3) Joint operations in the Bohai Bay oil field

Win Business Energy Caofeidian Limited (Win Business CFD), a subsidiary of the Group, entered into petroleum contracts ("PCs") in contract areas 04/36 and 05/36 (the "Contract Areas") located in Bohai Bay, north-east China for exploration, development and production of crude oil (the "Bohai Bay Project") with CNOOC China Limited ("CNOOC") and Singapore Petroleum Company ("SPC") (collectively referred to as the "Interest Owners"). The respective unit fields participating interests, commencement and expiry dates are as follows:

	Contract Area 04/36	**Contract Area 05/36**
Period		
Commencement	August 1994	January 1996
Expiry	September 2024	January 2026
Participating interests of the Interest Owners		
CNOOC (note 1)	51.00%	60.00%
Win Business CFD	40.09%	29.18%
SPC (note 2)	8.91%	10.82%

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

(b) Joint operations *(continued)*

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

Notes:

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

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

The Joint Management Committee ("JMC") is set up by appointing an equal number of representatives with a maximum of 3 representatives from each of CNOOC, Win Business CFD and SPC. Pursuant to the PCs, a regular meeting of JMC is held at least once for each quarter for the discussion and approval of development plans, operation and budgets which significantly affect the returns of the Bohai Bay Project. Unanimous consent for any decision during the JMC meeting from all parties is required. As such, the Bohai Bay Project is jointly operated by these parties.

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

Pursuant to the PCs, before the full recovery of the exploration and development costs (the "Investment Costs 3") actually incurred in accordance with the overall development program (the "ODP") of the Contract Areas approved by the National Development and Reform Commission, CNOOC may, after agreement reached through consultations of JMC, take over the operatorship of the Contract Areas. After the full recovery of the Investment Costs 3 actually incurred in accordance with the ODP, CNOOC has the right by giving a written notice at any time to the operator to take over the operatorship. Win Business CFD was the operator when the PCs were set up. On 1 January 2013, the operatorships of Contract Areas were handed over to CNOOC.

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

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

62.5% of the annual gross production shall be recovery oil ("Recovery Oil"). Mining usage fee at progressive ad valorem rate, depending on annual gross production, shall be taken by PRC government from the Recovery Oil. Recovery Oil after mining usage fee shall be cost recovery oil for the recovery of operating expenses according to participating interests of the Interest Owners in the Contract Areas. The remainder of Recovery Oil shall be investment recovery oil which shall be taken by the operator and other Interest Owners to recover the Investment Costs 3 according to their participating interests in the Contract Areas.

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

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

(b) Joint operations *(continued)*

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

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

All the crude oil produced by the Group in the Contract Areas during the years ended 30 June 2017 and 2016 were sold to CNOOC.

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

	2017	2016
	HK$'million	HK$'million
Oil properties	**1,044**	1,397
Mining interests	**4,093**	4,504
Other assets	**197**	228
Total assets	**5,334**	6,129
Liabilities	**(607)**	(571)
Revenue	**1,301**	1,324
Expenses	**(1,429)**	(1,859)

21. PREPAYMENTS AND OTHER RECEIVABLES

	2017	2016
	HK$'million	HK$'million
Receivables from brokers (note a)	**10**	478
Prepayments and other receivables (note b)	**202**	200
	212	678
Less: Amounts due within one year shown under current assets	**(127)**	(584)
Non-current other receivables	**85**	94

Notes:

(a) Amount represents receivables from brokers for securities and derivatives trading which carried interest rates at prevailing market interest rates ranging from 0.001% to 0.14% (2016: 0.002% to 0.14%) per annum.

(b) Included in the balance at 30 June 2017 mainly is a prepaid amount of approximately HK$63 million (2016: HK$53 million) for acquisition of equipment to be used for the construction of oil storage facilities.

22. INVENTORIES

	2017 HK$'million	2016 HK$'million
At fair value:		
Fuel, gas and crude oil (except for those produced from upstream crude oil business)	**445**	453
At cost:		
Crude oil (produced from upstream crude oil business)	**69**	26
Consumables	**52**	54
	566	533

As at 30 June 2017, the Group charged to the consolidated profit or loss an amount of approximately HK$4 million (2016: nil) in respect of the provision for write-down of inventories produced from upstream crude oil business to their net realisable value.

As at 30 June 2017, included in the carrying amount of fuel, gas and crude oil (except for those produced from upstream crude oil business), there was an amount of approximately HK$439 million (2016: HK$453 million) which was pledged as securities, by way of floating charges, for short-term credit facilities granted to the Group (note 29).

23. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables HK$'million	Assets at fair value through profit or loss HK$'million	Total HK$'million
30 June 2017			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding prepayments	**13,511**	**–**	**13,511**
Derivative financial instruments	**–**	**216**	**216**
Financial assets at fair value through profit or loss	**–**	**69**	**69**
Pledged bank deposits	**445**	**–**	**445**
Bank balances and cash	**623**	**–**	**623**
	14,579	**285**	**14,864**

	Financial liabilities at amortised cost HK$'million	Liabilities at fair value through profit or loss HK$'million	Total HK$'million
Liabilities as per consolidated statement of financial position			
Bank and other borrowings	**10,844**	**–**	**10,844**
Derivative financial instruments	**–**	**66**	**66**
Trade and other payables excluding non-financial liabilities	**7,462**	**–**	**7,462**
Convertible bonds	**1,161**	**144**	**1,305**
	19,467	**210**	**19,677**

23. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

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

24. TRADE DEBTORS

	2017 HK$'million	2016 HK$'million
Third parties	**13,348**	8,807
Related companies (note)	**44**	23
Less: Allowance for bad and doubtful debts	**(33)**	(3)
	13,359	8,827

Note: Related companies were companies controlled by Dr. Sit, the substantial shareholder of the Company.

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 balance due from related companies was unsecured, non-interest bearing and repayable within 15 days.

24. TRADE DEBTORS *(continued)*

As at 30 June 2017, the trade receivables from five customers accounted for approximately 45% (2016: 56%) of the total trade receivables. As at 30 June 2017, approximately HK$10,219 million (2016: HK$5,288 million) of trade debtors from third parties represented the receivables from the Subject Customers. The Group's credit risk management is disclosed in note 3 to the consolidated financial statements.

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

	2017	2016
	HK$'million	HK$'million
0 – 30 days	**13,122**	8,720
31 – 60 days	**78**	9
61 – 90 days	**–**	14
Over 90 days	**159**	84
	13,359	8,827

Before accepting any new customer, the Group performs a credit review to assess the potential customer's credit quality and defines credit limits by customer. Limits and credit rating to customers are reviewed on a regular basis. Over 99% (2016: 99%) of the trade debtors are neither past due nor impaired. These customers have no default of payment in the past and have good credit rating under the credit review procedures adopted by the Group.

Included in the Group's trade debtors balance are debtors with aggregate carrying amount of approximately HK$46 million (2016: HK$87 million) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of trade debtors which are past due but not impaired is as follow:

	2017	2016
	HK$'million	HK$'million
1 – 30 days past due	**25**	–
31 – 60 days past due	**9**	27
61 – 90 days past due	**2**	5
Over 90 days past due	**10**	52
	46	84

The Group has assessed the recoverability of these customers and considered that there has not been a significant change in their credit quality. The directors of the Company believe that the amounts are still recoverable.

24. TRADE DEBTORS *(continued)*

Movement in the allowance for bad and doubtful debts

	2017	2016
	HK$'million	HK$'million
At beginning of the year	**3**	5
Recognition/(reversal) of impairment loss on trade debtors (note 10)	**30**	(2)
At end of the year	**33**	3

Allowance for bad and doubtful debts included individually impaired trade debtors with an aggregate balance of approximately HK$33 million (2016: HK$3 million) which had been in disputes on final settlement and may not be recoverable. The Group does not hold any collateral over these balances.

At 30 June 2017, the carrying amount of trade debtors, which has been pledged as security for short-term credit facilities granted to the Group, is approximately HK$13,112 million (2016: HK$8,336 million) (note 29).

During the year ended 30 June 2017, amount of approximately HK$8,099 million (2016: HK$209 million) were netted off by the Subject Customers and Subject Suppliers.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK$'million	HK$'million
Equity securities listed in Hong Kong	**69**	70

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

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

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2017	2016
	HK$'million	HK$'million
Cash on hand or at bank (note a)	**623**	4,379
Bank deposits with original maturity over three months	**–**	92
Bank balances and cash	**623**	4,471
Pledged bank deposits (notes b and 29)	**445**	424
Total	**1,068**	4,895

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

Notes:

(a) The balance comprises cash and short-term bank deposits. At 30 June 2017, the bank balances carried interest at market rates ranging from 0.01% to 1.75% (2016: 0.01% to 1.57%) per annum.

Included in bank deposits, bank balances and cash are amounts denominated in RMB of approximately HK$560 million (2016: HK$513 million) which are deposited with banks in Mainland China. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of Mainland China is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

(b) At 30 June 2017, the pledged bank deposits represent the Group's deposits pledged to the banks to secure short-term credit facilities granted to the Group and bear fixed interest with rates ranging from 0.1% to 0.18% (2016: 0.1% to 0.18%) per annum and denominated in US$.

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

	2017 **HK$'million**	2016 HK$'million
US$	**799**	4,329
HK$	**208**	222
RMB	**53**	330
Others	**8**	14
	1,068	4,895

27. TRADE CREDITORS

	2017 **HK$'million**	2016 HK$'million
Third parties	**6,056**	5,234
Related companies (note)	**53**	43
	6,109	5,277

The carrying amounts of trade creditors approximate their fair values.

At 30 June 2017 and 2016, the ageing analysis of the trade creditors based on invoice date is as follow:

	2017 **HK$'million**	2016 HK$'million
0 – 30 days	**5,855**	5,195
31 – 60 days	**124**	41
61 – 90 days	**1**	4
Over 90 days	**129**	37
	6,109	5,277

The average credit period for purchase of fuel oil is 30 days. The average credit period for direct costs incurred in the upstream natural gas business is 60 days. The credit period for trading with related companies is 45 days. The Group has financial risk management policies in place to ensure all payables within the credit time frame.

Note: Related companies were companies controlled by Dr. Sit, the substantial shareholder of the Company.

28. OTHER CREDITORS AND ACCRUED CHARGES

	2017	2016
	HK$'million	HK$'million
Payables for purchase of property, plant and equipment	**1,118**	1,730
Amount due to related companies (note c)	**43**	–
Amounts due to Interest Owners	**93**	187
Others	**114**	70
	1,368	1,987

Notes:

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

	2017	2016
	HK$'million	HK$'million
US$	**305**	166
HK$	**45**	15
RMB	**1,010**	1,805
Other	**8**	1
	1,368	1,987

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

(c) Related companies were companies controlled by Dr. Sit, the substantial shareholder of the Company.

29. BANK AND OTHER BORROWINGS

	2017	2016
	HK$'million	HK$'million
Secured variable-rate bank borrowings	**10,149**	11,039
Unsecured variable-rate bank borrowings	**218**	–
Other financial institution	**385**	–
Bank overdrafts	**92**	69
	10,844	11,108

29. BANK AND OTHER BORROWINGS *(continued)*

	2017 **HK$'million**	2016 HK$'million
Carrying amount payable:		
Within one year	**6,665**	4,861
Between one to two years	**2,066**	1,825
Between two to five years	**1,511**	3,603
Over five years	**602**	819
	10,844	11,108
Less: amounts due within one year classified under current liabilities	**(6,665)**	(4,861)
	4,179	6,247

Except for the bank borrowings to the extent of approximately HK$1,328 million (2016: HK$1,158 million), which are denominated in HK$, and all other bank borrowings are denominated in US$.

At 30 June 2017, the Group's secured variable-rate bank borrowings carry interest at LIBOR plus 2.25% to 5.2% (2016: LIBOR plus 2.25% to 5.2%) per annum or HIBOR plus 1.5% to 5.2% (2016: HIBOR plus 1.5% to 5.2%) per annum.

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

	2017	2016
Effective interest rate:		
Variable-rate borrowings	**1.50% – 7.31%**	1.50% – 5.39%

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

	2017 **HK$'million**	2016 HK$'million
Floating rate		
– expiring within one year	**8,135**	10,757
– expiring beyond one year	**–**	993
	8,135	11,750

30. 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) and Nymex swaps (mainly Fuel Oil and Crude Oil). 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.

30. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The Group manages the amount of inventories with the use of derivative financial instruments to manage their price risk arising from future commercial transactions and are not designated as hedges. The Group has not changed the processes used from previous periods. During the year ended 30 June 2017, the loss on fair value change of derivative financial instruments of approximately HK$55 million (2016: gain on fair value change of HK$209 million) are recorded in "net (losses)/gains on derivative financial instruments" in the consolidated profit or loss (note 8).

Derivative financial instruments of the Group at 30 June 2017 and 2016 comprise of long and short positions in the following derivative contracts:

	2017		2016	
	Assets HK$'million	**Liabilities HK$'million**	Assets HK$'million	Liabilities HK$'million
Futures	**33**	**(23)**	22	(2)
Swaps	**137**	**(12)**	55	(200)
Forwards	**46**	**(31)**	88	(109)
	216	**(66)**	165	(311)

31. CONVERTIBLE BONDS

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

On 16 November 2015, the Company and two financial institutions entered into a convertible bonds supplemental subscription agreement and pursuant to which the Company agreed to issue convertible bonds with aggregate principal amount of approximately US$12 million (equivalent to approximately HK$93 million), which would be listed on the Stock Exchange, to these two financial institutions with maturity date on 13 November 2018 (the "Listed CB") and the two financial institutions agreed to subscribe and pay for or procure other subscribers to subscribe and pay for the Listed CB. The issue of the Listed CB was completed on 19 November 2015.

Based on the initial Conversion Price of HK$2.50 per Share (subject to adjustments) and assuming full conversion of the Listed CB and the Unlisted CB1, these bonds will be convertible into approximately 192 million new shares.

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

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

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

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

31. CONVERTIBLE BONDS *(continued)*

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

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

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.

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

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

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

Subsequent to the end of the reporting period, as disclosed in the Company's announcement dated 13 February 2018, pursuant to the terms and conditions of the Listed CB, the Company has early redeemed all the outstanding unconverted Listed CB with principal amount of US$9,600,000 in full, together with accrued and unpaid interest thereon on 12 February 2018 at a redemption price of approximately HK$83 million, which was not yet paid as at the date of approval of the consolidated financial statements and included in the other payables.

The Company had also redeemed all the outstanding unconverted Unlisted CB1 and the Unlisted CB2 with principal amount of US$50,000,000 and US$100,000,000 respectively pursuant to the terms and conditions of the Unlisted CB1 and the Unlisted CB2, together with accrued and unpaid interest thereon on 12 February 2018 at redemption prices of approximately HK$408 million and HK$855 million respectively, which was not yet paid as at the date of approval of the consolidated financial statements and included in the other payables.

31. CONVERTIBLE BONDS *(continued)*

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

	Financial liabilities at amortised cost – debt portion	Financial liabilities at fair value through profit or loss – derivative portion	Total
	HK$'million	HK$'million	HK$'million
At 1 July 2015	–	–	–
Issuance of convertible bonds	1,176	318	1,494
Deferred losses upon issuance	(176)	(62)	(238)
Fair value loss recognised (note 8)	–	5	5
Issuance cost	(6)	(2)	(8)
Interest expense (note 9)	103	–	103
Interest payment	(32)	–	(32)
Amortisation of deferred loss on conversion component (note 8)	–	10	10
Conversion during the year (note 35)	(2)	–	(2)
At 30 June 2016 and at 1 July 2016	1,063	269	1,332
Fair value gain recognised (note 8)	–	(141)	(141)
Interest expense (note 9)	195	–	195
Interest payment	(61)	–	(61)
Amortisation of deferred loss on conversion component (note 8)	–	16	16
Conversion during the year (note 35)	(36)	–	(36)
At 30 June 2017	1,161	144	1,305

32. LOAN 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 the year ended 30 June 2017, the entire outstanding balance was fully settled.

33. PROVISION FOR RESTORATION AND ENVIRONMENTAL COSTS

	2017 HK$'million	2016 HK$'million
As at 1 July	**235**	211
Provision for the year	**17**	8
Unwinding of discounting effects for the year (note 9)	**16**	15
Exchange realignment	**–**	1
As at 30 June	**268**	235

Pursuant to the relevant PRC regulations, parties operating mining areas in certain geographical location in the PRC are required to restore the mining areas back to certain acceptable conditions.

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

34. DEFERRED TAXATION

	2017 HK$'million	2016 HK$'million
Deferred income tax liabilities to be settled after more than 12 months	**61**	41

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

	Fair value adjustment on property, plant and equipment upon acquisition HK$'million	**Accelerated depreciation** HK$'million	**Others** HK$'million	**Total** HK$'million
At 1 July 2015	(10)	(13)	(17)	(40)
Credit/(charge) to profit or loss (note 13)	1	(20)	17	(2)
Exchange realignment	–	1	–	1
At 30 June 2016	(9)	(32)	–	(41)
Credit/(charge) to profit or loss (note 13)	1	(21)	–	(20)
At 30 June 2017	(8)	(53)	–	(61)

34. DEFERRED TAXATION *(continued)*

At 30 June 2017, the Group has estimated unused tax losses of approximately HK$ 1,171 million (2016: HK$1,155 million) available for offset against future profits of which, estimated unused tax losses of approximately HK$78 million (2016: HK$43 million), HK$694 million (2016: HK$800 million) and HK$399 million (2016: HK$328 million) are attributable to subsidiaries operating in the PRC, Singapore and other regions respectively. In addition, the Group has deductible temporary differences arising from decelerated depreciation of property, plant and equipment of approximately HK$4 million (2016: HK$4 million). No deferred tax asset has been recognised of such losses and deductible temporary differences at 30 June 2017 and 2016 due to the unpredictability of future profit streams.

The expiry of unrecognised tax losses are as follows:

	2017	2016
	HK$'million	HK$'million
Without expiry date	**1,093**	1,078
Expiring within five years	**78**	68
Expiring after five years	**–**	9
	1,171	1,155

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries and joint ventures from 1 January 2008 onwards. No deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences relating to the undistributed profit of certain PRC subsidiaries amounting to approximately HK$916 million (2016: HK$769 million), as the Company controls the dividend policy of these subsidiaries and it is probable that the profit will not be distributed in the foreseeable future.

35. SHARE CAPITAL

	Number of shares	**Share capital**
	'million	HK$'million
Ordinary shares of HK$0.025 each		
Authorised:		
At 1 July 2015, 30 June 2016 and 2017	40,000	1,000
Issued and fully paid:		
At 1 July 2015	10,156	254
Conversion of convertible bond (note)	1	–
At 30 June 2016 and at 1 July 2016	10,157	254
Conversion of convertible bond (note)	18	–
At 30 June 2017	10,175	254

Notes:

During the year ended 30 June 2017, approximately 18 million (2016: 1 million) ordinary shares of HK$0.025 each were issued to the holders of convertible bonds upon its conversion at a conversion price of HK$2.216 (2016: HK$2.5) per share.

35. SHARE CAPITAL *(continued)*

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

	Number of shares 'million	Amount paid HK$'million
At 1 July 2015	27	81
Shares purchased	10	25
Shares vested	(2)	(5)
At 30 June 2016 and at 1 July 2016	35	101
Shares vested	(2)	(6)
At 30 June 2017	33	95

36. SHARE AWARD SCHEME

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

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

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

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

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

The awarded shares granted under the Award Scheme are subject to vesting period in five tranches of 20% each of its awarded shares granted from the grant date.

36. SHARE AWARD SCHEME *(continued)*

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

Eligible participants

	At 1 July 2015 'million	Shares vested during the year 'million	Forfeited during the year 'million (note b)	At 30 June 2016 'million	Shares awarded during the year 'million (note a)	Shares vested during the year 'million	Forfeited during the year 'million (note b)	At 30 June 2017 'million
Directors	4	(1)	–	3	1	(1)	–	3
Employees	8	(1)	(3)	4	2	(1)	(1)	4
	12	(2)	(3)	7	3	(2)	(1)	7

Notes:

(a) The awarded shares were granted on 25 July 2016.

(b) The awarded shares were forfeited due to resignation of directors and employees during the year.

During the year ended 30 June 2016, approximately 10 million shares of the Company were acquired at a total cost of approximately HK$38 million. No share was acquired by the Company during the year ended 30 June 2017.

During the year ended 30 June 2017, approximately 3 million shares had been awarded to employees including directors (2016: nil shares had been awarded to employees) for their services rendered to the Group and approximately 1 million awarded shares (2016: 3 million) were forfeited by the employees due to resignation of the participants. The outstanding approximately 33 million (2016: 35 million) shares held under the Award Scheme are available for future award and/or disposal pursuant to the Award Scheme Rules.

The estimated fair value of the share award granted on 25 July 2016 was approximately HK$7 million based on the market price of HK$2.29 per share at the date of grant.

The Group recognised the total expense of approximately HK$8 million (2016: HK$19 million) for the year ended 30 June 2017 in relation to share awards granted by the Company.

37. RETIREMENT BENEFITS SCHEME

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

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

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

The employees of the Group's subsidiaries in Singapore and the United States participated in the respective national pension schemes. The relevant subsidiaries in Singapore and the United States are required to contribute certain percentages of the monthly salaries of their current employees to the Central Provident Fund and Roth IRA and 401(k) respectively.

During the year ended 30 June 2017, the total costs charged to profit or loss in the sum of approximately HK$7 million (2016: HK$10 million) represents contributions payable to these schemes by the Group.

38. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2017	2016
	HK$'million	HK$'million
Within one year	**16**	53
In the second to fifth year inclusive	**47**	90
	63	143

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

38. OPERATING LEASE COMMITMENTS *(continued)*

The Group as lessor

At 30 June 2017, leases for commercial property are negotiated and rentals are fixed for one year.

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

	2017 **HK$'million**	2016 HK$'million
Within one year	**1**	–

39. COMMITMENTS

	2017 **HK$'million**	2016 HK$'million
Capital commitments		
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**1,414**	1,865
Other commitments		
Expenditure contracted for but not provided for in the consolidated financial statements in respect of:		
– prepaid lease payments on leasehold land in the PRC	**–**	59
	1,414	1,924

40. RELATED PARTY TRANSACTIONS

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

Save as disclosed elsewhere in these consolidated financial statements, during the year, the Group entered into the following transactions with related companies which are also defined as continuing connected transactions under the Listing Rules:

	2017	2016
	HK$'million	HK$'million
Purchases of fuel oil	**20,151**	9,913
Fuel oil storage fee expenses	**95**	61
Barge service fee expenses	**23**	31
E-commerce service fee income	**96**	21

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

On 4 May 2015, the Group entered into the memorandum of agreement (the "MOA 1"), for sales and purchase of an oil tanker with a related company. Pursuant to the MOA 1, the Group agreed to purchase and the related company agreed to sell an oil tanker at approximately US$8 million (equivalent to approximately HK$65 million). On 30 June 2016, the MOA 1 was terminated and the prepayment was returned by the related party.

On 29 July 2016, the Group entered into another memorandum of agreement with Zhu Hai S.E.Z. Huadian, a limited company established under the laws 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$66 million). During the year ended 30 June 2017, US$3 million (equivalent to approximately HK$23 million) has been settled.

Such transactions constitute connected transactions under the Listing Rules.

Compensation of key management personnel

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

	2017	2016
	HK$'million	HK$'million
Salaries and other short-term employee benefits	**16**	12
Share-based payments		
– share award	**1**	2
	17	14

The remuneration of the 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.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2017** **HK$'million**	2016 HK$'million
Non-current assets			
Investments in subsidiaries	(a)	**5**	5
Contributions to subsidiaries		**8,054**	8,800
		8,059	8,805
Current assets			
Other receivables		**2**	2
Bank balances and cash		**219**	21
		221	23
Current liabilities			
Loans from a related company		**–**	1,334
Amount due to related companies		**43**	–
Other payables		**4**	31
Bank borrowings		**1,044**	180
		1,091	1,545
Net current liabilities		**(870)**	(1,522)
Total assets less current liabilities		**7,189**	7,283
Non-current liabilities			
Convertible bonds		**1,305**	1,332
Net assets		**5,884**	5,951
Capital and reserves			
Equity attributable to the owners of the Company			
Share capital		**254**	254
Reserves	(b)	**5,630**	5,697
Total equity		**5,884**	5,951

The statement of financial position of the Company was approved by the Company's Board of Directors on 13 August 2020 and was signed on its behalf.

Tang Bo
Director

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

Notes:

(a) Investments in subsidiaries

Details of the Company's principal subsidiaries at 30 June 2017 and 2016 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ registration	Issued and fully paid ordinary/ registered share capital	Proportion of nominal value of issued share capital/registered capital held by the Company 2017	2016	Principal activities
Brightoil Technology Development (Shenzhen) Co. Ltd.*	PRC (note 1)	US$8,000,000	**100%**	100%	Provision of software and information technology services
Brightoil Property (HK) Ltd.*	British Virgin Islands ("BVI")	US$1	**100%**	100%	Property holding
Brightoil Investment Group Ltd.#	BVI	US$1	**100%**	100%	Investment holding
Brightoil Marine Bunkering Group Ltd.#	BVI	US$1	**100%**	100%	Investment holding
Brightoil Petroleum Group Ltd.#	BVI	US$1	**100%**	100%	Investment holding
Brightoil Petrochemical Group Ltd.#	BVI	US$1	**100%**	100%	Investment holding
Brightoil Petroleum Group Ltd.*	Hong Kong	HK$2	**100%**	100%	Investment holding
Brightoil Shipping Group Ltd.#	BVI	US$1	**100%**	100%	Investment holding
Brightoil Property Ltd.*	BVI	US$1	**100%**	100%	Property holding
Brightoil Petroleum Storage (Dalian) Co. Ltd.*	PRC (note 1)	US$100,500,000	**100%**	100%	Provision of fuel oil storage services
Brightoil Petroleum Storage (Zhoushan) Co. Ltd.*	PRC (note 1)	US$156,206,010	**100%**	100%	Provision of fuel oil storage services
Brightoil Petroleum (S'pore) Pte. Ltd.*	Singapore (note 2)	US$5,000,000	**100%**	100%	Trading of fuel and oil and provision of marine bunkering services
Brightoil 688 Oil Tanker Pte. Ltd.*	Singapore (note 2)	US$50,000	**100%**	100%	Provision of marine bunkering and transportation services

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

Notes: *(continued)*

(a) Investments in subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment/ registration	Issued and fully paid ordinary/ registered share capital	Proportion of nominal value of issued share capital/registered capital held by the Company 2017	2016	Principal activities
Brightoil 666 Oil Tanker Pte. Ltd.*	Singapore (note 2)	US$50,000	**100%**	100%	Provision of marine bunkering and transportation services
Brightoil 639 Oil Tanker Pte. Ltd.*	Singapore (note 2)	US$50,000	**100%**	100%	Provision of marine bunkering and transportation services
Brightoil 319 Oil Tanker Pte. Ltd.*	Singapore (note 2)	US$50,000	**100%**	100%	Provision of marine bunkering and transportation services
Brightoil 329 Oil Tanker Pte. Ltd.*	Singapore (note 2)	US$10,000	**100%**	100%	Provision of marine bunkering and transportation services
Brightoil 326 Oil Tanker Pte. Ltd.*	Singapore (note 2)	US$10,000	**100%**	100%	Provision of marine bunkering and transportation services
Brightoil Shipping Singapore Pte Ltd.*	Singapore (note 2)	US$50,000	**100%**	100%	Marine transportation
Brightoil Legend Tanker Ltd.*	BVI (note 2)	US$1	**100%**	100%	Marine transportation
Brightoil Lion Tanker Ltd.*	BVI (note 2)	US$1	**100%**	100%	Marine transportation
Brightoil Lucky Tanker Ltd.*	BVI (note 2)	US$1	**100%**	100%	Marine transportation
Brightoil League Tanker Ltd.*	BVI (note 2)	US$1	**100%**	100%	Marine transportation

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

Notes: *(continued)*

(a) Investments in subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ establishment/ registration	Issued and fully paid ordinary/ registered share capital	Proportion of nominal value of issued share capital/registered capital held by the Company 2017	2016	Principal activities
Brightoil Glory Tanker Ltd.*	BVI (note 2)	US$1	**100%**	100%	Marine transportation
Brightoil Grace Tanker Ltd.*	BVI (note 2)	US$1	**100%**	100%	Marine transportation
Brightoil Gravity Tanker Ltd.*	BVI (note 2)	US$1	**100%**	100%	Marine transportation
Brightoil Galaxy Tanker Ltd.*	BVI (note 2)	US$1	**100%**	100%	Marine transportation
Brightoil Gem Tanker Ltd.*	BVI (note 2)	US$1	**100%**	100%	Marine transportation
Win Capital Investments Ltd.*	BVI	US$1	**100%**	100%	Proprietary trading in securities and service company
Win Business Petroleum Group Ltd.#	BVI	US$1	**100%**	100%	Investment holding
Win Business Petroleum Group (Dina) Ltd.*	BVI	US$1	**100%**	100%	Investment holding
Win Business Energy Foundation Ltd.*	Cayman Islands	US$1	**100%**	100%	Investment holding
Win Business Petroleum (Grand Desert) Ltd.*	Hong Kong (note 3)	HK$1	**100%**	100%	Natural gas development and production
Win Business Petroleum Group Ltd.*	Hong Kong (note 3)	HK$2	**100%**	100%	Natural gas development and production
Win Business Energy Caofeidian Limited* (formerly known as Kerr-McGee China Petroleum Ltd.)	Bahamas (note 3)	£10,000	**100%**	100%	Crude oil development and production

Subsidiaries directly held by the Company

* Subsidiaries indirectly held by the Company

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

Notes: *(continued)*

(a) Investments in subsidiaries *(continued)*

Notes:

(1) These subsidiaries were established in the PRC as wholly foreign owned enterprises. The English names of these subsidiaries were for identification purpose only.

(2) These subsidiaries are operating in Singapore.

(3) These subsidiaries are operating in the PRC.

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

None of the subsidiaries had issued any debt securities outstanding during the years or at 30 June 2017 and 2016.

(b) Reserves of the Company

	2017 **HK$'million**	2016 HK$'million
As at 1 July	**5,697**	6,304
Loss for the year	**(111)**	(399)
Shares purchased for share award scheme	**–**	(25)
Recognition of equity-settled share-based payments – share award	**8**	19
Conversion during the year	**36**	2
Dividend paid	**–**	(204)
As at 30 June	**5,630**	5,697

42. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the financial reporting period, the Company made the following announcements to provide update of events and circumstances arising after 30 June 2017:

Suspension of trading in shares of the Company

As disclosed in the announcement dated 26 September 2017, the Board was informed by the Predecessor Auditors that they requested for additional information to perform additional audit work. Accordingly, the Group's audited consolidated financial statements for the year ended 30 June 2017 were unlikely to be available for publish by 30 September 2017, being the time by the Company was obliged to make such publication under the Listing Rules.

As disclosed in the announcement dated 10 November 2017, the Audit Committee has engaged an independent professional adviser for forensic technology and investigation services to assist with the review regarding certain oil trading transactions of a subsidiary of the Company with certain customers.

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

Suspension of trading in shares of the Company *(continued)*

As disclosed in the announcement dated 28 December 2017, the Company received a letter from the Stock Exchange on 18 December 2017 which stated the conditions for the resumption of trading in the shares of the Company as follows: (i) disclose the findings of the forensic investigation, assess the impact on the Company's financial and operational position, and take appropriate remedial actions; (ii) publish all outstanding financial results and address any audit qualifications; and (iii) inform the market of all material information for the shareholders and investors to appraise the Company's position. The Stock Exchange may modify the above conditions and/or impose further conditions if the situation changes.

Winding up petition in Hong Kong

As disclosed in the Company's announcement dated 18 January 2019, the Company announce that on 8 January 2019, a winding up petition was filed by Broad Action Limited against the Company in the High Court of Hong Kong in relation to an alleged unpaid early redemption amount in the sum of approximately US$42 million under the terms and conditions of the unsecured redeemable convertible bonds due 2018 issued by the Company on 19 November 2015. Pursuant to a settlement, Broad Action Limited and the Company have filed a consent summons for the withdrawal of the winding up petition.

As disclosed in the Company's announcement dated 31 January 2019, the consent summons in relation to the winding up petition filed by Broad Action Limited was granted by the court.

As disclosed in the Company's announcement dated 11 June 2019, on 17 May 2019, the Company was served a sealed copy of a petition filed by Petco Trading Labuan Company Ltd ("Petco") with the High Court of Hong Kong for the winding up of the Company on the ground that the Company is insolvent and unable to pay its debts. Petco alleged that the Company is indebted to them in the sum of US$25,684,013.27 together with late payment charges and costs, which arose from a deed of settlement dated 1 June 2018 and an addendum to the deed of settlement entered into between the Company, Petco and BOPS.

As disclosed in the Company's announcements dated 17 July 2019, 22 July 2020 and 30 July 2020, the winding up petition was heard at High Court of Hong Kong on 17 July 2019, and was further adjourned to be heard on 22 July 2019, which by consent was vacated and further adjourned to a date to be fixed in consultation with counsel's diaries.

As disclosed in the Company's announcements dated 9 August 2019, 1 November 2019, 4 February 2020, 29 April 2020, 19 May 2020 and 31 July 2020, through the Company's continuous negotiations with Petco a settlement agreement was entered on 7 August 2019. The Company had made instalment payments pursuant to the settlement agreements that have been concluded.

As disclosed in the Company's announcement dated 27 July 2020, the High Court of Hong Kong granted the dismissal of the winding up petition filed by Petco against the Company on 17 May 2019.

On 29 July 2020, a winding up petition was filed by a creditor in relation to an alleged unpaid amount in the sum of US$268,095.42, together with default interest in the sum of US$8,739.42, pursuant to a deed of guarantee signed by the Company.

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

Winding up petition in Singapore

As disclosed in the Company's announcement dated 18 January 2019, the Company announce that in August 2018, a creditor commenced legal proceedings against BOPS in the High Court of the Republic of Singapore ("High Court of Singapore") in relation to sums allegedly due on letters of credit and short-term advances. In November 2018, a winding up petition was filed by another creditor against BOPS in the High Court of Singapore in relation to an invoice and a settlement agreement. On 13 December 2018, BOPS applied for a moratorium under section 211B of the Singapore Companies Act to restrain legal action or proceeding against BOPS and it is anticipated that a further hearing before the High Court of Singapore will be held before the end of March 2019.

As disclosed in the Company's announcement dated 11 June 2019, 17 July 2019, 30 July 2020, 9 August 2019, 1 November 2019, 4 February 2020, 29 April 2020 and 31 July 2020, there was several extensions of the moratoria following the initial applications of BOPS and the Company, the moratoria were extended until 31 October 2020.

Other business updates

As disclosed in the Company's announcement dated 13 February 2018, pursuant to the terms and conditions of the Listed Convertible Bonds, the Company has early redeemed all the outstanding unconverted Listed Convertible Bonds with principal amount of US$9,600,000 in full, together with accrued and unpaid interest thereon on 12 February 2018 at redemption price of approximately HK$83 million.

Pursuant to the terms and conditions of the Unlisted Convertible Bonds, the Company has early redeemed all the outstanding unconverted Unlisted Convertible Bonds with principal amount of US$150,000,000 in full, together with accrued and unpaid interest thereon on 12 February 2018 at redemption price of approximately HK$1,263 million.

As disclosed in the Company's announcement dated 18 January 2019, the Group was negotiating with other creditors which have issued statutory demands against the Company and/or commenced legal actions against Brightoil Shipping Singapore Pte. Ltd., an indirect wholly-owned subsidiary of the Company.

As disclosed in the Company's announcements dated 16 April 2019 and 6 May 2019, Dr. Sit, who was a guarantor of various borrowing agreements and a finance lease agreement with various institutional borrowers, was adjudged bankrupt by the High Court of Hong Kong on 11 April 2019. The parties providing the financing might request the Company to transfer the title of the underlying assets, to provide additional guarantee, cease negotiation in any progress borrowing transactions and request remediation proposal within a specific period of time, in addition to demand on full repayment of outstanding interest and corresponding fee. The aggregated borrowing amounted to approximately USD1,362 million. Apart from these aforesaid borrowing transactions, there are outstanding amounts, totally USD76.15 million due to three trading partners, which are also guaranteed by Dr. Sit. The personal guarantees do not contain any specific provisions relating to the bankruptcy of the guarantor and it is not possible for the Company to predict what steps these trade creditors will take as a result of Dr. Sit's bankruptcy.

As disclosed in the Company's announcements dated 31 January 2019, 6 May 2019, 11 June 2019, 30 July 2019, 1 November 2019, 4 February 2020, 29 April 2020, 4 May 2020 and 31 July 2020, marine transportation operation was suspended due to the Group's vessels were seized by related creditors since the end of 2018 and were sold by auction through judicial sale process. The gross proceeds from the judicial sales were approximately HK$3,278 million.

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

Other business updates *(continued)*

As disclosed in the Company's announcement dated 1 November 2019, In August 2019, Brightoil Petroleum Storage (Zhoushan) Co., Ltd. ("Zhoushan Storage"), wholly-owned subsidiary of the Company, and SZBO, as the guarantor, received a subpoena issued by Intermediate People's Court of Zhoushan City, Zhejiang Province ("Zhoushan Court"), which the plaintiffs are China Petroleum Pipeline Engineering Co., Ltd. and China Petroleum Pipeline Engineering Co., Ltd., Third Engineering Branch ("Plaintiffs"). The claim is related to the outstanding construction costs, interests, loss and legal costs under the termination of certain constructions contracts entered into between the Plaintiffs and Zhoushan Storage pertaining to the building and construction of the Zhoushan Waidiao Island Brightoil Storage and Transportation Base for an aggregate sum of approximately RMB1,130 million (equivalent to HK$1,301 million).

As disclosed in the Company's announcements dated 30 July 2018, 18 January 2019, 6 May 2019, 30 July 2019, 1 November 2019, 4 February 2020, 29 April 2020 and 31 July 2020, the Company's engagement in preliminary commercial negotiations with potential investors for the intended sale of the assets and/or shareholding of Zhoushan Oil Storage and Terminal Facilities. The Company has been negotiating with various potential buyers in respect of the sale of all or part of the interests of the Company in Zhoushan Oil Storage and Terminal Facilities. On 7 January 2020, the Company signed a non-binding "Zhoushan Project Cooperation Framework Agreement" with one of the potential buyers for the proposed sale of the Company's 90% interest on Zhoushan Project for not more than RMB6 billion. The Company will remain responsible to complete all the remaining construction and the buyer will pay the sale price by instalments according to the progress of the construction. The Company is currently working closely with the buyer and targets to sign a binding agreement in the near future and will make further announcement as and when appropriate.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised to issue by the board of directors on 13 August 2020.

FINANCIAL SUMMARY

RESULTS

	Year ended 30 June				
	2013	2014	2015	2016	**2017**
	HK$'million	HK$'million	HK$'million	HK$'million	**HK$'million**
Revenue	55,449	84,505	74,104	48,071	**63,686**
Profit/(loss) before taxation	(697)	589	1,761	806	**1,284**
Income tax (charge)/credit	(24)	10	(375)	38	**(145)**
Profit/(loss) for the year	(721)	599	1,386	844	**1,139**

ASSETS AND LIABILITIES

	At 30 June				
	2013	2014	2015	2016	**2017**
	HK$'million	HK$'million	HK$'million	HK$'million	**HK$'million**
Total assets	19,302	24,473	28,885	32,982	**32,481**
Total liabilities	(12,405)	(16,923)	(18,159)	(21,777)	**(20,218)**
Equity attributable to owners of the Company	6,897	7,550	10,726	11,205	**12,263**