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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2017

The board of directors (the "Board" or the "Directors") of Brightoil Petroleum (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2017 together with the comparative figures in previous year, which have been reviewed by the audit committee of the Company:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note	2017 HK$'million	2016 HK$'million
Revenue	4	63,686	48,071
Cost of sales and services	7	(61,308)	(46,058)
Gross profit		2,378	2,013
Other income	5	110	4
Other gains and losses, net	5	71	179
Distribution and selling expenses	7	(213)	(290)
Administrative expenses	7	(310)	(318)
Other expenses	7	(153)	(123)
Finance costs	6	(603)	(672)
Share of profits of joint ventures		4	13
Profit before taxation		1,284	806
Income tax (charge)/credit	8	(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)	10	11.2	8.3
- Diluted (HK cents)	10	11.2	8.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Note	2017 HK$'million	2016 HK$'million
Non-current assets			
Mining interests		4,093	4,504
Property, plant and equipment		11,649	12,078
Prepaid lease payments		483	483
Investment property		70	47
Interests in joint ventures		696	702
Non-current other receivables		85	94
		17,076	17,908
Current assets			
Inventories		566	533
Trade debtors	11	13,359	8,827
Prepayments and other receivables		127	584
Derivative financial instruments		216	165
Financial assets at fair value through profit or loss		69	70
Pledged bank deposits		445	424
Bank balances and cash		623	4,471
		15,405	15,074
Current liabilities			
Trade creditors	12	6,109	5,277
Other creditors and accrued charges		1,368	1,987
Bank and other borrowings		6,665	4,861
Loan from a related company		-	1,334
Derivative financial instruments		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
Non-current liabilities			
Bank and other borrowings		4,179	6,247
Convertible bonds		1,305	1,332
Provision for restoration and environmental costs		268	235
Deferred tax liabilities		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	13	254	254
Reserves		12,009	10,951
Total equity		12,263	11,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

1. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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 Independent Adviser 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.

- 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 Customers. 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.

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 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 these borrowings subsequently and creditors had taken legal actions to recover their debts.

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.

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.

Potential 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 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 USD300million 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 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.

(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 installments 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 debt 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.

In preparing these consolidated financial statements, the Company has given careful consideration to the impact 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, assuming the success of the abovementioned proposed restructuring plans.

However, the appropriateness of going concern is dependent on the assumption that (i) the Group is able to complete the debt restructuring plan; (ii) the Group is able to obtain sufficient funds from the potential lenders; and (iii) the Group is able to complete the proposed disposal. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying 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 the consolidated financial statements.

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

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). 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,

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The 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

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[7]
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 Reports[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 Ventrues[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 1January 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

The directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the Group’s financial performance and position and/or the disclosures to the Group’s consolidated financial statements when they become effective.

4. 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 HK$'million	2016 HK$'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

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 following reportable segment of the Group for the year ended 30 June 2017:

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 income statement. The direct investments segment does not meet the quantitative thresholds required by HKFRS 8 for reportable segment, its financial information is included in "Others" segment. Except included in “Others” segment, no other operating segment of the Group has been aggregated in arriving at the reportable segments described above.

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)

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

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) is 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.

5. 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	141	(5)
Fair value gain on investment property	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	(16)	(10)
Net (losses)/gains on derivative financial instruments	(55)	209
Reversal of impairment loss on mining interests	-	78
Reversal of impairment loss on property, plant and equipment	-	29
Others	-	5
Total other gains and losses, net	71	179

6. 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	-	174
Interest expense on convertible bonds	195	103
Interest expense on factoring arrangements	142	75
Unwinding of discounting effect of provision for restoration and environmental costs	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.

7. 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	853	941
Amortisation of mining interests	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)	202	210
Brokerage and commission expenses	101	97
Professional fees	10	9
Recognition/(reversal) of impairment loss on trade debtors	30	(2)
Amortisation of prepaid operating lease payment	10	11
Auditors' remuneration	11	4
Others	498	302
	61,984	46,789

8. 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	(20)	(2)
Income tax (charge)/credit for the year	(145)	38

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 operation and sales of petroleum products) generated during the year from trading fuel oil and crude oil under the international trading and bunkering operation segment of the Group has been charged at a concessionary tax rate of 5% 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 profit from qualifying activities (e.g. qualifying shipping operations under Section 13F of the Singapore Income Tax Act) are exempted from tax.

9. DIVIDEND

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

10. EARNINGS PER SHARE

(a) Basic

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

	2017 HK$'million	2016 HK$'million
Profit attributable to owners of the Company	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 shares award less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share. The convertible bonds are anti-dilutive to the earnings per share for the years ended 30 June 2017 and 2016, accordingly it is not included in the calculations below.

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

Earnings

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

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 award	4	5
Weighted average number of ordinary shares for the purpose of diluted earnings per share	10,135	10,127

11. 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.

As at 30 June 2017, approximately of HK$10,219 million (2016: HK$5,288 million) represented the Subject Customers.

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 HK$'million	2016 HK$'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

12. TRADE CREDITORS

	2017 HK$'million	2016 HK$'million
Third parties	6,056	5,234
Related companies	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.

13. SHARE CAPITAL

	Number of shares 'million	Share capital 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 1 July 2016	10,157	254
Conversion of convertible bond (note)	18	-
At 30 June 2017	10,175	254

Note: 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 at a conversion price of HK$2.216 (2016: HK$2.5) per share.

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

	Number of shares 'million	Amount paid HK$'million
At 1 July 2015	27	81
Shares purchased	10	25
Shares vested	(2)	(5)
At 30 June 2016 and 1 July 2016	35	101
Shares vested	(2)	(6)

EXTRACT OF INDEPENDENT AUDITORS' REPORT ON THE GROUP'SCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The Company's auditors have issued a disclaimer of opinion on the Group's consolidated financial statements for the year ended 30 June 2017, an extract of the auditors' report is as follow:

Disclaimer of Opinion

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.

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.

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.

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 as at 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 as at 30 June 2017; and (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.

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$2,270 million as at 30 June 2016; and (vii) the basis for geographical segmentation of revenue from sales of petroleum products from international trading; and (viii) the validity, completeness and recording accuracy of income tax charges of approximately HK$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.

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.

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.

(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.

(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;

(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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 34.96% 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. 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.

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 CFD11-1 & CFD11-2, 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.

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 and other commodities. 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 Phase 1 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 HK5,047 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$254.4 million.

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$210.0 million).

FINAL DIVIDEND

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

CORPORATE GOVERNANCE PRACTICES

During the year ended 30 June 2017, the Company was in compliance with all applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code Provision A.2.1

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

Dr. Sit Kwong Lam, the chairman of the Company, is also acting as the CEO of the Company.

Being aware of the said deviation from code provision A.2.1, but in view of the 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 will be adequately and fairly represented.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

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

In addition, no incident of non-compliance of the Policy by senior management and the relevant employees of the Group was noted by the Company for the year ended 30 June 2017.

AUDIT COMMITTEE

Currently, the audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Chan Wai Leung ("Mr. Chan"), Dr. Lo Wing Yan, JP and Mr. Wang Tian. Mr. Chan, being a certified public accountant, is the chairman of the Audit Committee.

For the final results for the year ended 30 June 2017, the Audit Committee has considered the financial reporting matters, assessed changes in accounting policies and practices, discussed major judgmental area and compliance with applicable legal and accounting requirements and standards, discussed with the auditors of the Company on internal control and annual results.

FINANCIAL INFORMATION

The financial information in this announcement does not constitute the Group's financial statements for the year, but represents an extract from those financial statements. The accounting policies used are consistent with those set out in the Annual Report 2016 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations which are relevant to its operations and effective for accounting periods commencing on or after 1 July 2016. The financial statements for the year have been reviewed by the Audit Committee.

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).

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.brightoil.com.hk). The annual report of the Company for the year ended 30 June 2017 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 13 August 2020

As at the date of this announcement, the Board comprises (i) one Executive Director, namely Mr. Tang Bo; (ii) two Non-executive Directors, namely Mr. Dai Zhujiang and Mr. Zhao Liguo; and (iii) three Independent Non-executive Directors, namely Dr. Lo Wing Yan William, JP; Mr. Wang Tian and Mr. Chan Wai Leung.

* *For identification purpose only*