光滙石油(控股)有限公司

# Brightoil Petroleum (Holdings) Limited

(Incorporated in Bermuda with limited liability) (Stock Code: 933.HK)


## Building a Global Energy Conglomerate

Interim Report

2010

# Contents

# Report on Review of Interim Financial Information

**TO THE BOARD OF DIRECTORS OF BRIGHTOIL PETROLEUM (HOLDINGS) LIMITED**

*(incorporated in Bermuda with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 31, which comprises the condensed consolidated statement of financial position of Brightoil Petroleum (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 31 December 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
2 March 2010

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2009

| | NOTES | Six months ended 31 December 2009 HK$'000 (unaudited) | 2008 HK$'000 (unaudited) |
|---|---|---|---|
| Revenue | 3 | **5,984,129** | 2,944,654 |
| Cost of sales | | **(5,306,062)** | (2,746,751) |
| Gross profit | | **678,067** | 197,903 |
| Other income, gains and losses | 5 | **629** | 3,016 |
| Increase (decrease) in fair value of investment properties, net | | **9,980** | (10,890) |
| Fair value change of derivative financial instruments | 16 | **219,080** | 15,804 |
| Fair value change in embedded derivative of convertible notes | 18 | **(322,527)** | — |
| Selling expenses | | **(18,097)** | (12) |
| Administrative expenses | | **(59,726)** | (18,840) |
| Finance cost – imputed interest expense on convertible notes | | **(38,060)** | — |
| Share of losses of jointly controlled entities | | **(778)** | — |
| Profit before taxation | 6 | **468,568** | 186,981 |
| Taxation | 7 | **(39,174)** | (18,899) |
| Profit for the period attributable to the owners of the Company | | **429,394** | 168,082 |
| Other comprehensive expense for the period | | | |
| Exchange differences arising on translation of foreign operations and to presentation currency | | **(32)** | (6,879) |
| Total comprehensive income for the period attributable to the owners of the Company | | **429,362** | 161,203 |
| Earnings per share | | | |
| Basic | 9 | **HK29.32 cents** | HK13.82 cents |
| Diluted | 9 | **HK26.32 cents** | N/A |

# Condensed Consolidated Statement of Financial Position

At 31 December 2009

| | NOTES | At 31 December 2009 HK$'000 (unaudited) | At 30 June 2009 HK$'000 (audited) (restated) |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 10 | **121,682** | 128,704 |
| Prepaid lease payments | 10 | **42,391** | 42,415 |
| Investment properties | 10 | **89,200** | 86,200 |
| Deposits paid for acquisition of property, plant and equipment | | **44,884** | 1,369 |
| Deposits paid for acquisition of leasehold land | | **90,400** | — |
| Interests in jointly controlled entities | 11 | **98,264** | 35,802 |
| | | **486,821** | 294,490 |
| Current assets | | | |
| Inventories | | **519,682** | 314,642 |
| Trade debtors | 12 | **1,984,589** | 400,151 |
| Other debtors, prepayments and deposits | | **3,368** | 2,360 |
| Rental receivable from a related company | 20 | **—** | 2,090 |
| Prepaid lease payments | 10 | **48** | 48 |
| Financial assets held for trading | 14 | **159,397** | 2,515 |
| Deposit to a bank | 13 | **94,593** | — |
| Pledged bank deposits | | **3,488** | 309,322 |
| Bank balances and cash | | **1,851,382** | 710,299 |
| | | **4,616,547** | 1,741,427 |

# Condensed Consolidated Statement of Financial Position

At 31 December 2009

| | NOTES | At 31 December 2009 HK$'000 (unaudited) | At 30 June 2009 HK$'000 (audited) (restated) |
|---|---|---|---|
| Current liabilities | | | |
| Trade creditors | 15 | 159,759 | 224,013 |
| Trade payable to a related company | 20 | 1,823,226 | 435,091 |
| Other creditors and accrued charges | | 8,425 | 10,670 |
| Derivative financial instruments | 16 | 1,986 | — |
| Tax liabilities | | 62,049 | 35,271 |
| | | 2,055,445 | 705,045 |
| Net current assets | | 2,561,102 | 1,036,382 |
| Total assets less current liabilities | | 3,047,923 | 1,330,872 |
| Non-current liabilities | | | |
| Convertible notes | 18 | 562,683 | 28,302 |
| Convertible notes derivatives | 18 | — | 137,553 |
| Deferred tax liability | 18 | 60,607 | — |
| | | 623,290 | 165,855 |
| | | 2,424,633 | 1,165,017 |
| Capital and reserves | | | |
| Share capital | 17 | 151,587 | 143,587 |
| Reserves | | 2,273,046 | 1,021,430 |
| Equity attributable to owners of the Company | | 2,424,633 | 1,165,017 |

# Condensed Consolidated Statement of Changes In Equity

For the six months ended 31 December 2009

| | Share capital HK$'000 | Share premium HK$'000 | Capital redemption reserves HK$'000 | Special reserve HK$'000 (Note a) | Shareholder's contribution HK$'000 (Note b) | Translation reserve HK$'000 | Convertible notes reserve HK$'000 | Accumulated profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 July 2009 (audited) | **143,587** | **447,947** | **3,489** | **1,000** | **33,679** | **(6,931)** | **–** | **542,246** | **1,165,017** |
| Profit for the period | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **429,394** | **429,394** |
| Other comprehensive expense: | | | | | | | | | |
| Exchange differences on translation | **–** | **–** | **–** | **–** | **–** | **(32)** | **–** | **–** | **(32)** |
| Total comprehensive income (expense) for the period | **–** | **–** | **–** | **–** | **–** | **(32)** | **–** | **429,394** | **429,362** |
| Recognition of equity component of convertible notes | **–** | **–** | **–** | **–** | **–** | **–** | **384,879** | **–** | **384,879** |
| Deferred tax liability on recognition of equity components of convertible notes | **–** | **–** | **–** | **–** | **–** | **–** | **(63,505)** | **–** | **(63,505)** |
| Issue of new shares upon conversion of convertible notes | **8,000** | **500,880** | **–** | **–** | **–** | **–** | **–** | **–** | **508,880** |
| At 31 December 2009 (unaudited) | **151,587** | **948,827** | **3,489** | **1,000** | **33,679** | **(6,963)** | **321,374** | **971,640** | **2,424,633** |
| At 1 July 2008 (audited) | 121,587 | 239,520 | 3,489 | 1,000 | 33,679 | 2,370 | – | 318,670 | 720,315 |
| Profit for the period | – | – | – | – | – | – | – | 168,082 | 168,082 |
| Other comprehensive expense: | | | | | | | | | |
| Exchange differences on translation | – | – | – | – | – | (6,879) | – | – | (6,879) |
| Total comprehensive (expense) income for the period | – | – | – | – | – | (6,879) | – | 168,082 | 161,203 |
| At 31 December 2008 (unaudited) | 121,587 | 239,520 | 3,489 | 1,000 | 33,679 | (4,509) | – | 486,752 | 881,518 |

Notes:

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

b. During the year ended 30 June 2008, the Group disposed of two subsidiaries, Pearl River Pacific Limited and Everview Limited to Linwood Services Ltd., the former major controlling shareholder of the Company, with total consideration of approximately HK$263,374,000. The gain on disposal of the subsidiaries of approximately HK$33,679,000 was deemed as a shareholder's contribution to the Group and was credited to the equity as a reserve.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2009

| | Six months ended 31 December | |
|---|---|---|
| | **2009** | 2008 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Net cash from operating activities | **91,433** | 159,003 |
| Net cash from (used in) investing activities: | | |
| Proceeds from disposal of property, plant and equipment | **5,620** | — |
| Proceeds from disposal of investment properties | **6,980** | — |
| Purchase of property, plant and equipment | **(2,683)** | (107,741) |
| Prepaid lease payments paid | **—** | (42,467) |
| Deposits paid for acquisition of property, plant and equipment | **(43,886)** | — |
| Payment on set up of a jointly controlled entity | **(63,240)** | — |
| Deposit paid for acquisition of leasehold land | **(90,400)** | — |
| Decrease in pledged bank deposits | **305,834** | — |
| Other investing cash flows | **1,456** | 3,746 |
| | **119,681** | (146,462) |
| Cash from financing activity: | | |
| Proceeds from issue of convertible notes | **930,000** | — |
| Net increase in cash and cash equivalents | **1,141,114** | 12,541 |
| Cash and cash equivalents at 1 July | **710,299** | 599,460 |
| Effect of foreign exchange rate changes | **(31)** | (880) |
| Cash and cash equivalents at 31 December represented by bank balances and cash | **1,851,382** | 611,121 |

## 1. GENERAL AND BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2009 except as explained below.

### Convertible notes contains liability and equity components

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

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Convertible notes contains liability and equity components *(continued)*

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

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

| | |
|---|---|
| HKAS 1 (Revised 2007) | Presentation of financial statements |
| HKAS 23 (Revised 2007) | Borrowing costs |
| HKAS 27 (Revised 2008) | Consolidated and separate financial statements |
| HKAS 32 & 1 (Amendments) | Puttable financial instruments and obligations arising on liquidation |
| HKAS 39 (Amendment) | Eligible hedged items |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an investment in a subsidiary, jointly controlled entity or associate |
| HKFRS 2 (Amendment) | Vesting conditions and cancellations |
| HKFRS 3 (Revised) | Business combinations |
| HKFRS 7 (Amendment) | Improving disclosures about financial instruments |
| HKFRS 8 | Operating segments |
| HK(IFRIC) – INT 9 & HKAS 39 (Amendments) | Embedded derivatives |
| HK(IFRIC) – INT 15 | Agreements for the construction of real estate |
| HK(IFRIC) – INT 16 | Hedges of a net investment in a foreign operation |
| HK(IFRIC) – INT 17 | Distribution of non-cash assets to owners |
| HK(IFRIC) – INT 18 | Transfers of assets from customers |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 in relation to the amendments to HKFRS 2, HKAS 38, paragraph 80 of HKAS 39, HK(IFRIC) – INT 9 and HK(IFRIC) – INT 16 |

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

### New and revised HKFRSs affecting presentation and disclosure only

*HKAS 1 (Revised 2007) – Presentation of financial statements*

HKAS 1 (Revised) has introduced a number of terminology changes, (including revised titles for the condensed consolidated financial statements) and changes in the format and content of the condensed consolidated financial statements.

*Amendments to HKAS 1 Presentation of financial statements*

During the current period, the Group applied amendments to HKAS 1 "Presentation of financial statements" (as part of Improvements to HKFRSs 2008), which clarify whether derivatives that are classified as held for trading in accordance with HKAS 39 "Financial instruments: Recognition and measurement" should be presented as current or non-current. The Group has also early adopted amendments to HKAS 1 (as part of Improvements to HKFRSs 2009) regarding classification of a liability that can, at the option of counterparty, be settled by the issue of the entity's equity instruments. These amendments have had no impact on the Group's results for the reported periods. The amendments have resulted in derivatives financial instruments in connection with the embedded conversion options with carrying amounts of approximately HK$137,553,000 as at 30 June 2009 being classified from current to non-current, as well as the presentation of liability component of the convertible notes as non-current liability at the end of the reporting period.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKFRSs (Amendments) | Amendments to HKAS 7, HKAS 17, HKAS36, HKAS 39, HKFRS 5 and HKFRS 8 as part of improvements to HKFRSs 2009[1] |
| HKAS 24 (Revised) | Related party disclosures[2] |
| HKAS 32 (Amendment) | Classification of rights issues[3] |
| HKFRS 1 (Amendment) | Additional exemptions for first-time adopters[4] |
| HKFRS 1 (Amendment) | Limited exemption from comparative HKFRS 7 disclosures for first-term adopters[6] |
| HKFRS 2 (Amendments) | Group cash-settled share-based payments transactions[4] |
| HKFRS 9 | Financial instruments[5] |
| HK(IFRIC) – INT 14 (Amendments) | Prepayments of a minimum funding requirement[2] |
| HK(IFRIC) – INT 19 | Extinguishing financial liabilities with equity instruments[6] |

1 Amendments that are effective for accounting periods beginning on or after 1 January 2010.

2 Effective for accounting periods beginning on or after 1 January 2011.

3 Effective for accounting periods beginning on or after 1 February 2010.

4 Effective for accounting periods beginning on or after 1 January 2010.

5 Effective for accounting periods beginning on or after 1 January 2013.

6 Effective for accounting periods beginning on or after 1 July 2010.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of the Group's leasehold land.

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

## 3. REVENUE

| | **Six months ended 31 December** | |
|---|---|---|
| | **2009** | 2008 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Provision of duty-free marine bunkering services to international vessels | **5,980,737** | 2,942,195 |
| Sales of garments | **623** | — |
| Rental income from investment properties | **2,769** | 2,459 |
| | **5,984,129** | 2,944,654 |

## 4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating segments" for the Group's financial year beginning on 1 July 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS14 "Segment reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor changed the basis of measurement of segment profit or loss.

The Group's reportable segments under HKFRS 8 are as follows:

— Marine bunkering operation
— Garment operation
— Direct investments
— Properties investments

## 4. SEGMENT INFORMATION *(continued)*

The following is an analysis of the Group's revenue and results by operating segments for the periods under review:

*Six months ended 31 December 2009*

| | Marine bunkering operation HK$'000 (unaudited) | Garment operation HK$'000 (unaudited) | Direct investments HK$'000 (unaudited) | Properties investments HK$'000 (unaudited) | Consolidated HK$'000 (unaudited) |
|---|---|---|---|---|---|
| **SEGMENT REVENUE** | | | | | |
| External sales | 5,980,737 | 623 | — | 2,769 | 5,984,129 |
| **SEGMENT RESULTS** | 641,462 | (2,262) | 216,891 | 12,749 | 868,840 |
| Other income, gains and losses | | | | | 2,818 |
| Fair value change in embedded derivative of convertible notes | | | | | (322,527) |
| Unallocated corporate expenses | | | | | (41,725) |
| Finance cost – imputed interest expense on convertible notes | | | | | (38,060) |
| Share of losses of jointly controlled entities | | | | | (778) |
| Profit before taxation | | | | | 468,568 |

## 4. SEGMENT INFORMATION *(continued)*

*Six months ended 31 December 2008*

| | Marine bunkering operation *HK$'000* (unaudited) | Garment operation *HK$'000* (unaudited) | Direct investments *HK$'000* (unaudited) | Properties investments *HK$'000* (unaudited) | Consolidated *HK$'000* (unaudited) |
|---|---|---|---|---|---|
| **SEGMENT REVENUE** | | | | | |
| External sales | 2,942,195 | — | — | 2,459 | 2,944,654 |
| **SEGMENT RESULTS** | 189,785 | (2,676) | 15,074 | (8,431) | 193,752 |
| Other income, gains and losses | | | | | 3,746 |
| Unallocated corporate expenses | | | | | (10,517) |
| Profit before taxation | | | | | 186,981 |

Segment profit represents the profit earned by each segment without allocation of general administration expenses, directors' emoluments, fair value change in embedded derivative of convertible notes, share of losses of jointly controlled entities, other income, gains and losses and finance costs. This is the measure reported to the Group's Chief Executive Officer for the purposes of resources allocation and performance assessment.

## 5. OTHER INCOME, GAINS AND LOSSES

| | Six months ended 31 December | |
|---|---|---|
| | **2009** | 2008 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Interest income on bank deposits | **1,456** | 3,746 |
| Gain on disposal of property, plant and equipment | **1,322** | — |
| Fair value change of financial assets held for trading | **(2,189)** | (730) |
| Others | **40** | — |
| | **629** | 3,016 |

## 6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

| | Six months ended 31 December | |
|---|---|---|
| | **2009** | 2008 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Amortisation of prepaid lease payments | **24** | 407 |
| Depreciation of property, plant and equipment | **5,777** | 373 |

## 7. TAXATION

| | Six months ended 31 December | |
|---|---|---|
| | **2009** | 2008 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Current tax charge for the period: | | |
| Hong Kong Profits Tax | **—** | 12,734 |
| Singapore Income Tax | **42,072** | 6,165 |
| | **42,072** | 18,899 |
| Deferred taxation | **(2,898)** | — |
| | **39,174** | 18,899 |

Hong Kong Profits Tax and taxation arising in other jurisdictions are recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. With the Global Trader Program incentive awarded by the Inland Revenue Authority of Singapore to the Group for the five years ending 30 June 2013, certain qualified income (e.g. income from marine bunkering operation) generated during the year from trading fuel and oil under the marine bunkering segment of the Group has been charged at a tax concessionary rate of 5%. The estimated average annual tax rate used in respect of Hong Kong Profits Tax and taxation in other jurisdictions is 16.5% and 5.0% (six months ended 31 December 2008 : 16.5% and 5.0%) respectively.

No provision for taxation in Hong Kong has been made in the condensed consolidated financial statements as those subsidiaries suffered from tax losses for six months ended 31 December 2009.

A deferred tax asset has not been recognised in the condensed consolidated financial statements in respect of estimated tax losses due to the uncertainty of future profit streams.

## 8. DIVIDEND

No dividends were paid, declared or proposed during the reported period. The directors do not recommend the payment of an interim dividend.

## 9. EARNINGS PER SHARE

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

### Earnings

| | Six months ended 31 December | |
|---|---|---|
| | **2009** | 2008 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company) | **429,394** | 168,082 |
| Effect of dilutive potential ordinary shares: Interest on convertible notes (net of tax) | **14,665** | |
| Earnings for the purpose of diluted earnings per share | **444,059** | |

## 9. EARNINGS PER SHARE *(continued)*

**Number of shares**

| | Six months ended 31 December | |
|---|---|---|
| | **2009** | 2008 |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **1,464,566,052** | 1,215,870,400 |
| Effect of dilutive potential ordinary shares: Convertible notes | **222,391,304** | |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,686,957,356** | |

For the six months ended 31 December 2009, the computation of diluted earnings per share does not assume the conversion of 2008 Convertible Notes (defined in note 18) since their exercise would result in increase in earnings per share.

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the shares issued upon the conversion of convertible notes on 27 October 2009.

No diluted earnings per share have been presented for the six months ended 31 December 2008 as there were no potential ordinary shares outstanding during the period.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE PAYMENTS AND INVESTMENT PROPERTIES

During the period, total additions to property, plant and equipment were approximately HK$3,054,000 (six months ended 31 December 2008: HK$107,741,000 which mainly included additions to leasehold land and building and a vessel of approximately HK$17,007,000 and HK$90,608,000 respectively). In addition, during the period, the Group disposed of certain property, plant and equipment with carrying amount of approximately HK$4,298,000 for cash proceeds of approximately HK$5,620,000, resulting in a gain on disposal of approximately HK$1,322,000. There was no disposal of property, plant and equipment during the six months ended 31 December 2008.

During the period, the Group disposed of an investment property for cash proceeds of approximately HK$6,980,000, resulting in a loss on disposal of approximately HK$1,620,000. There was no disposal of investment properties during six months ended 31 December 2008.

During the six months ended 31 December 2008, total additions to prepaid lease payments was approximately HK$42,467,000, which comprised leasehold land situated in Hong Kong with long lease.

The Group's investment properties were fair valued by Greater China Appraisal Limited (31 December 2008: Savills Valuation and Professional Services Limited), independent qualified professional valuers not connected with the Group. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties in the same location and condition. The resulting increase in fair value of investment properties of approximately HK$11,600,000 (six months ended 31 December 2008: decrease in fair value of investment properties of approximately HK$10,890,000) has been recognised directly in the condensed consolidated statement of comprehensive income.

## 11. INTERESTS IN JOINTLY CONTROLLED ENTITIES

As at 31 December and 30 June 2009, the Group had interests in the following jointly controlled entities:

| Name of entity | Form of business structure | Place of establishment | Principal place of operation | Class of share held | Proportion of nominal value of registered capital held by the Group 31 December 2009 | 30 June 2009 | Principal activity |
|---|---|---|---|---|---|---|---|
| Zhoushan Brightoil Terminal Co., Ltd. ("Zhoushan Brightoil") (Note 1) | Foreign owned enterprise | The People's Republic of China ("PRC") | PRC | Registered capital | **55%** | 55% | Operation of wharf and related ancillary facilities (not yet commence operation) |
| Dalian Changxing Island Brightoil Terminal Co., Ltd. ("Dailin Changxing Island Brightoil") (Note 2) | Foreign owned enterprise | PRC | PRC | Registered capital | **60%** | – | Operation of wharf and related ancillary facilities (not yet commence operation) |

Notes:

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

2. During the six months ended 31 December 2009, the Group invested in a new jointly controlled entity, Dalian Changxing Island Brightoil, with capital injection of approximately HK$63,240,000. The Group has the power to appoint three out of five directors in the board of Dalian Changxing Island Brightoil. However, as per the joint venture agreement signed with another shareholder of Dalian Changxing Island Brightoil, all board resolutions require approval from 80 to 100% of the board members, as a result Dalian Changxing Island Brightoil is classified as a jointly controlled entity of the Group.

## 12. TRADE DEBTORS

The Group allows an average credit period of 30 to 45 days to its marine bunkering customers and 90 days to its garment trade customers. The following is an aged analysis of trade debtors by age, presented based on the invoice date, at the reporting date:

| | **At 31 December 2009** *HK$'000* **(unaudited)** | At 30 June 2009 *HK$'000* (audited) |
|---|---|---|
| 0 - 30 days | **1,939,257** | 317,361 |
| 31- 60 days | **45,077** | 82,790 |
| 61 - 90 days | **255** | — |
| | **1,984,589** | 400,151 |

## 13. DEPOSIT TO A BANK

Amount represents payment to a bank to obtain facilities of letter of credit from that bank. Such amount was refunded to the Group upon settlement of payable to creditors through the bank in January 2010.

## 14. FINANCIAL ASSETS HELD FOR TRADING

| | **At 31 December 2009** *HK$'000* **(unaudited)** | At 30 June 2009 *HK$'000* (audited) |
|---|---|---|
| Equity securities listed in Hong Kong | **159,397** | 2,515 |

## 15. TRADE CREDITORS

The following is an aged analysis of trade creditors by age, presented based on invoice date, at the reporting date:

| | **At 31 December 2009** | At 30 June 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| 0 - 30 days | **159,611** | 223,930 |
| 31 - 60 days | **—** | 4 |
| 61 - 90 days | **148** | 79 |
| | **159,759** | 224,013 |

Apart from balance disclosed above, the balance of approximately HK$1,823,226,000 (30 June 2009: HK$435,091,000) classified as trade payable to a related company is aged within 45 days at 31 December 2009 (30 June 2009: aged within 45 days).

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments of the Group comprised of long and short positions in oil and gasoline futures contracts.

During the year ended 31 December 2009, the fair value change of derivative financial instruments of oil and gasoline future contracts of approximately HK$219,080,000 (six months ended 31 December 2008: HK$15,804,000) was credited to profit or loss.

The Group is exposed to the price risk of oil and gasoline through its investment in the oil and gasoline futures contracts. The Group has established the direct investment team which together with the senior management monitor the price risk. All the transactions on the futures contracts have to be approved by the senior management. They will consider hedging the risk exposure should the need arise.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Derivative financial instruments of the Group at 31 December 2009 comprise of long position in heating oil and gasoline futures contracts with strike prices ranging from US$1.93 to US$2.00 per gallon and aggregate notional amount based on strike prices of approximately US$49,363,000 with expiry date on 31 January 2010 and short position in crude oil futures contracts with strike prices ranging from US$73.50 to US$74.40 per barrel and aggregate notional amount based on strike prices of approximately US$44,491,000 with expiry date on 31 January 2010.

The oil and gasoline futures contracts are measured at fair value which are based on the quoted market values at 31 December 2009. All the above futures contracts outstanding as at 31 December 2009 were settled net in early January 2010.

## 17. SHARE CAPITAL

| | Number of shares | Share capital *HK$'000* |
|---|---|---|
| | (unaudited) | (unaudited) |
| Ordinary shares of HK$0.10 each | | |
| Authorised | | |
| At 1 July 2008 and 30 June 2009 | 2,000,000,000 | 200,000 |
| Increase on 7 August 2009 (Note a) | 8,000,000,000 | 800,000 |
| At 31 December 2009 | 10,000,000,000 | 1,000,000 |
| Issued and fully paid | | |
| At 1 July 2008 | 1,215,870,400 | 121,587 |
| Issue of subscription shares (Note b) | 110,000,000 | 11,000 |
| Shares issued upon conversion of convertible notes (Note c) | 110,000,000 | 11,000 |
| At 30 June 2009 | 1,435,870,400 | 143,587 |
| Shares issued upon conversion of convertible notes (Note d) | 80,000,000 | 8,000 |
| At 31 December 2009 | 1,515,870,400 | 151,587 |

## 17. SHARE CAPITAL *(continued)*

Notes:

(a) On 7 August 2009, the authorised share capital of the Company was increased from HK$200,000,000 divided into 2,000,000,000 shares of HK$0.10 each to HK$1,000,000,000 divided into 10,000,000,000 shares by creation of an additional 8,000,000,000 shares.

(b) On 20 January 2009, 110,000,000 new ordinary shares of the Company of HK$0.10 each were issued by subscription pursuant to the subscription agreement dated 28 November 2008 entered into between the Company and Canada Foundation Limited ("Canada Foundation"), a substantial shareholder of the Company and a company wholly and beneficially owned by Dr. Sit Kwong Lam ("Dr. Sit"), an executive director of the Company (the "Subscription Agreement"), at a price of HK$0.61 per share.

(c) On 18 May 2009, 110,000,000 new ordinary shares of the Company of HK$0.10 each were issued upon the partial conversion of the 2008 Convertible Notes (as defined in note 18) issued pursuant to the Subscription Agreement. Convertible notes with aggregate principal amount of HK$67,100,000 were converted into 110,000,000 ordinary shares of the Company at a conversion price of HK$0.61 per share.

(d) On 27 October 2009, 80,000,000 new ordinary shares of the Company of HK$0.10 each were issued upon the partial conversion of the 2008 Convertible Notes (as defined in note 18) issued pursuant to the Subscription Agreement. Convertible notes with aggregate principal amount of HK$48,800,000 were converted into 80,000,000 ordinary shares of the Company at a conversion price of HK$0.61 per share.

All the shares issued during the six months ended 31 December 2009 rank pari passu with the existing shares of the Company in all respect.

## 18. CONVERTIBLE NOTES

On 27 October 2009 (the "Conversion Date"), aggregate principal amount of HK$48,800,000 of the convertible notes issued on 22 January 2009 ("2008 Convertible Notes") was converted into 80,000,000 shares of the Company at the conversion price of HK$0.61 per share. There was no outstanding principal amount of the 2008 Convertible Notes at 31 December 2009.

The fair value of the embedded conversion option is calculated using the Black-Scholes Option Pricing Model. The inputs into the model for the valuation of 2008 Convertible Notes at Conversion Date were as follows:

| | **Conversion Date** |
|---|---|
| Conversion price | HK$0.61 |
| Expected volatility (note a) | 61.35% |
| Risk free rate (note b) | 0.59% per annum |

Notes:

(a) Expected volatility for embedded conversion option was determined by calculating the historical weekly share price volatility of comparable companies engaged in similar businesses as the Group's various business segments.

(b) The risk free rate is determined by reference to the Hong Kong Exchange Fund Bill and Note.

Imputed interest and fair value change in embedded derivative of 2008 Convertible Notes at Conversion Date of approximately HK$20,498,000 and HK$322,527,000 were debited to profit or loss respectively.

Pursuant to the Subscription Agreement dated on 25 June 2009 and the supplemental deed signed on 2 September 2009, convertible notes (namely "2009 Convertible Notes") with aggregate principal amount of US$120,000,000 were issued at par with conversion price of US$0.19355 per share to Canada Foundation on 27 October 2009 (the "Issue Date").

## 18. CONVERTIBLE NOTES *(continued)*

The 2009 Convertible Notes are denominated in United States dollars and non-interest bearing. The holder of the 2009 Convertible Notes are entitled to convert the notes into 619,994,833 ordinary shares of the Company ("Conversion Shares") at initial conversion price of US$0.19355 at any time from the date of issue to the maturity date falling on the third anniversary from the Issue Date, subject to the anti-dilutive adjustment due to change in capital structure of the Company (including share consolidation, share subdivision and capitalisation issue and other events which have dilutive effects on the issued share capital of the Company as set out in the Subscription Agreement). The Conversion Shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion.

As at 31 December 2009, no 2009 Convertible Notes was converted into shares of the Company. The amount is repayable on 27 October 2012 (the "2009 Maturity Date"). If the 2009 Convertible Notes have not been converted up to the 2009 Maturity Date, the holder can request the Company to redeem the outstanding convertible notes at principal amount.

The 2009 Convertible Notes contain two components, liability and equity elements. The equity element is presented in equity heading "convertible notes reserve". The effective interest rate of the liability component is 19.49% per annum. On 27 October 2009, fair value of the liability component of 2009 Convertible Notes of approximately HK$545,121,000 was recognised.

During the six months ended 31 December 2009, imputed interest charged on the 2009 Convertible Notes of approximately HK$17,562,000 was debited to profit or loss. Deferred tax liability of approximately HK$63,505,000 was recognised to convertible notes reserve on initial recognition with approximately HK$2,898,000 credited to profit or loss during the period.

## 19. CAPITAL COMMITMENTS

| | **At 31 December 2009** | At 30 June 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of: | | |
| – prepaid lease payments on leasehold land in the PRC | **148,057** | 238,457 |
| – capital injection into a jointly controlled entity | **336,505** | 83,545 |
| – acquisition of property, plant and equipment | **368,079** | 672 |
| – evaluation contracts for construction projects in the PRC | **16,599** | 19,208 |
| | **869,240** | 341,882 |

## 20. RELATED PARTY TRANSACTIONS

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

| | **Six months ended 31 December** | |
|---|---|---|
| | **2009** | 2008 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Purchase of fuel oil from a related company | **4,273,912** | 2,743,354 |
| Rental income received or receivable from a related company | **2,090** | 2,271 |
| Fuel oil storage fee paid or payable to a related company | **5,968** | — |

Note: Dr. Sit, an executive director of the Company, controlled the above related companies.

## 20. RELATED PARTY TRANSACTIONS *(continued)*

At 30 June 2009, rental receivable from a related company was unsecured, non-interest bearing and was repayable within 12 months from the date the rental income was recognised.

Trade payable to a related company is unsecured and non-interest bearing. The credit term granted to the Group is 45 days and the whole balance aged within 45 days at 31 December 2009 and 30 June 2009.

On 27 October 2009, the Group issued 2009 Convertible Notes to Canada Foundation with aggregate principal amount of US$120,000,000 (approximately HK$930,000,000). Dr. Sit is the ultimate and beneficial owner of Canada Foundation (see note 18 for details).

### Compensation of key management personnel

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

| | Six months ended 31 December | |
|---|---|---|
| | **2009** | 2008 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Salaries and other short-term employee benefits | **4,755** | 3,420 |
| Retirement benefits costs | **28** | 30 |
| | **4,783** | 3,450 |

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trend.

## 21. MAJOR NON-CASH TRANSACTIONS

During the six months ended 31 December 2009, part of the issued convertible notes with principal amount of HK$48,800,000 has been converted into 80,000,000 ordinary shares of the Company. In addition the Group utlilised approximately HK$371,000 of deposits paid for acquisition of property, plant and equipment.

## 22. SUBSEQUENT EVENTS

### (a) Completion of acquisition of an oil tanker

Pursuant to the bill of sale dated 6 January 2010 and the final payment on 7 January 2010, Brightoil Legend Tanker Ltd., a wholly owned subsidiary of the Company, acquired an oil tanker from an independent third party. Amount of approximately HK$40,706,000 and HK$366,188,000 had been included in deposits paid for acquisition of property, plant and equipment and capital commitments at 31 December 2009 respectively.

### (b) Purchase of the office and car parking spaces in Zhoushan, the PRC

Pursuant to an agreement dated 21 January 2010 entered into between Brightoil Petroleum Storage (Zhoushan) Co., Ltd ("Brightoil Storage"), a wholly owned subsidiary of the Company, and Zhoushan Port & Property Group Limited ("Zhoushan Port & Property"), a wholly owned subsidiary of another shareholder of Zhoushan Brightoil, Brightoil Storage will purchase a one-floor office and eight car parking spaces in a commercial complex in Zhoushan Lincheng New District CBD Phase 2 Centre at PRC. The consideration is estimated to be approximately HK$17,200,000. The entering into of such agreement constitutes a connected transaction for the Company under the Listing Rules. Details of such arrangement are set out in the Company's announcement dated 21 January 2010.

## FINANCIAL REVIEW

During the six months from 1 July to 31 December 2009 (the "Period"), the total revenue of the Group increased by approximately 103% to HK$5,984.1 million from HK$2,944.7 million in the same period last year. Gross profit of the Group increased by approximately 243% to HK$678.1 million from HK$197.9 million in the same period last year.

During the Period under review, the Group reported an increase in fair value change of derivative financial instruments of approximately HK$219.1 million (2008: HK$15.8 million). As the Group keeps fuel oil for its trading and marine bunkering business, the Group is exposed to the risk of oil price movement. The Group monitors physical stock level and conducts necessary hedging through swap transactions and investment in the oil and gasoline futures contracts. The Group has established direct investment team which together with the senior management monitors the price risk. All transactions on futures contracts have to be approved by the senior management. The control over this business is very tight and report is prepared on daily basis to ensure the Group does not over-expose and all risks are well managed.

The Group also reported a decrease in fair value change of embedded derivative of convertible notes of approximately HK$322.5 million (2008: nil). Upon full conversion of the remaining outstanding principal amount of HK$48.8 million of the convertible notes issued on 22 January 2009 into 80,000,000 new shares in the capital of the Company during the Period under review, there will not be any further decrease in fair value change of embedded derivative of convertible notes issued on 22 January 2009 going forward. For the convertible notes of principal amount of US$120 million issued pursuant to the subscription agreement dated 25 June 2009 and the supplemental deed signed on 2 September 2009 ("2009 Convertible Notes"), any fair value change in embedded derivative of 2009 Convertible Notes will be included in equity (convertible notes reserve) and will not affect profit or loss. However, imputed interest on the 2009 Convertible Notes will be debited to profit or loss. For the Period under review, imputed interest charged on the 2009 Convertible Notes of approximately HK$17.6 million (which was a non-cash item) was debited to profit or loss.

Profit attributable to the owners of the Company (the "Shareholders") went up significantly to approximately HK$429.4 million from HK$168.1 million in the same period last year, representing an increase of approximately 155%. Basic earnings per share increased to HK29.32 cents from HK13.82 cents compared with the same period last year. Diluted earnings per share was HK26.32 cents. During the Period, the net asset value per share also recorded a significant increment of approximately 98% from HK$0.81 to HK$1.60.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, equity to owners of the Company increased by approximately 108% to HK$2,424.6 million.

As at 31 December 2009, the Group had bank balances and cash and pledged bank deposits of approximately HK$1,851.4 million and 3.5 million respectively.

The Group's exposure to fluctuation in exchange rates was limited and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## BORROWINGS AND CHARGES ON GROUP ASSETS

As at 31 December 2009, the Group had borrowings and charges on its assets of approximately HK$562.7 million and HK$119.7 million respectively.

## CONTINGENT LIABILITIES

As at 31 December 2009, the Group did not have any significant contingent liabilities.

## BUSINESS REVIEW

### Marine Bunkering

In the second half of 2009, the global economy continued to recover. China is poised to be the engine for global economic recovery and growth, and ended the year with gross domestic product ("GDP") growth of 8.7% in 2009, in particular, a 10.7% GDP growth in the 4th quarter. The shipping industry also showed signs of recovery in the 4th quarter. China remains in its unwavering position as a leading importing and exporting country. Total container and cargo throughput volume was approximately 4 times and 13 times more than that of the Port of Singapore respectively.

The general slowdown in global ocean trade had some negative effect on the amount of bunkers loaded on the world's fleet. However, in view of the continuing expansion of the Chinese bunkering market, we saw a growth during the Period. The Group, having a quality clientele of major international ship liners, recorded a significant growth in bunker sales volume of approximately 1,735,000 tonnes during the Period, surging from 824,000 tonnes recorded in the same period last year. Bunker sales for the period were about the same as the total sales volume for the last financial year. The surge of bunker sales volume was attributable to the expansion of marine bunkering operations to 5 ports, namely Shenzhen, Shanghai, Ningbo, Hong Kong and Singapore.

## Oil Storage & Terminal

During the Period, the Group entered into an investment agreement with the Dalian Changxing Island Harbour Industrial Zone Management Committee, pursuant to which the Group will develop oil storage facilities with an aggregate capacity of up to 12 million $m^3$. Moreover, both parties have entered into a joint venture agreement for the construction and management of wharfs and related facilities on Changxing Island, Dalian City, with a 60% stake owned by the Group.

As disclosed in the last annual report, the Group will construct oil storage facilities with an aggregate capacity of 2.2 million $m^3$ on Waidiao Island, Cengang Town, Dinghai District, Zhoushan City, Zhejiang Province. The Group also formed a joint venture with Zhoushan Port Group Limited for the development of wharfs and related logistics services in Zhoushan Port, Zhejiang Province. The Group holds 55% and Zhoushan Port Group Limited holds 45% equity interests in the joint venture. In January 2010, the Group entered into a non-legally binding Letter of Intent with Zhoushan Municipal Government in regards to the possible investment to expand the scale of construction and development of oil storage facilities from 2.2 million $m^3$ up to 5.5 million $m^3$.

Construction of phase 1 of both projects is expected to be commenced soon and shall be completed in phases within 18 to 36 months from the date of commencement of the respective projects. The two oil storage and terminal projects located in Dalian and Zhoushan aim to take advantage of their strategic locations in the Bohai Rim areas and the Yangtze River Delta respectively, fortifying our marine bunkering business along the eastern and northern coastal areas in China.

Being the second largest oil-consuming country in the world, China's current capacity of national strategic oil reserve is still below the average of 100 days of reserve in major developed countries. Meanwhile, sizeable commercial storage facilities with deep-water berthing facilities are very limited, and most of the existing ones are fully-utilized. Dalian and Zhoushan designated to be 2 of the 4 strategic oil reserve bases in the country are endowed with natural deep water ports which can accommodate up to 300,000 DWT oil tankers, imposing an unparalleled competitive edge on our large-scale oil storage and terminal facilities in the areas to generate stable and recurrent revenue in the future.

## Marine Transportation

The Group signed a Memorandum of Agreement in November 2009 to acquire a 107,500 DWT double-hulled oil tanker newly-built in 2009 at a consideration of US$52.5 million and the vessel was delivered and commenced operation in January 2010. The price was significantly lower than previous years, and the Group acquired the vessel for the use of in-house fuel oil procurement, and for chartering out spare capacity to generate additional revenue. Upon gradual recovery of the shipping industry and the recent increase in freight charge at the beginning of 2010, the Group will benefit from owning the oil tanker and plans to form a global fleet of oil tankers and marine bunkers with sizes ranging from approximately 5,000 DWT to 300,000 DWT to further strengthen its integrated supply chain for its core marine bunkering business.

## Natural Gas Development and Production

In August 2009, the Group entered into an agreement with 中國石油天然氣集團公司 (China National Petroleum Corporation*)("CNPC") for the joint development and production of natural gas in the Tuzi Block, Tarim Basin in Xinjiang Province. During the Period, the Group received from CNPC the approvals of the Ministry of Commerce of the PRC in relation to the Production Sharing Contract of the gas project, and has commenced the early stages of evaluation and development since December 2009. Having a geological reserve of natural gas in place of approximately 22.1 billion $m^3$ covering an area of 157.972 $km^2$, the Group believes the Tuzi gas project with CNPC will generate significant upside to our shareholders given the surging demand in natural gas and uptrend of gas prices in China.

In January 2010, the Group met with its partner CPNC to agree on ways to accelerate the Tuzi development. The Group is now targeting the second half of 2011 for the first production of the Tuzi field.

## MARKET AND BUSINESS OUTLOOK

China demonstrates robust growth in the world's bunkering market. The industry forecasts bonded bunker demand in China will leap to approximately 26 million tones by 2015, by virtue of greater bunker demand as well as better port infrastructure in the country. In view of the tremendous growth potential and together with the close ties to its major business partner, Shenzhen Brightoil Group, the only private enterprise approved by the Chinese government to provide duty-free marine bunkering services at all ports in the PRC, the Group has also commenced marine bunkering operation in Zhoushan and plans to expand into other major Chinese ports including Rizhao, Tianjin, Dalian and Qingdao.

Harnessing the unrivalled position as the largest marine bunker supplier in the Southern China region and a strong foothold in China, the Group is determined to become a global marine bunkering supplier. The Group plans to commence marine bunkering operation in Rotterdam and Houston in the near future. Rotterdam and Houston are the major bunkering ports in Europe and the US respectively. In addition, the Group also plans to operate in other major ports worldwide. By then, the Group will have a broad global coverage further solidifying its position as a leading international marine bunkering supplier.

It is envisaged that the expansion of marine bunkering business globally, the commencement of marine transportation, oil storage and terminal operations, and natural gas production and sale will bring enormous benefit to the Group. In long run, the Group will establish a solid foundation and transform into a leading energy conglomerate integrating both upstream and downstream operations. The Group's management strives to create higher value to its shareholders.

## INTERIM DIVIDENDS

The board (the "Board") of directors (the "Directors") of the Company does not recommend the payment of an interim dividend for the six months ended 31 December 2009.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group employed approximately 160 full time employees in Hong Kong, Singapore and the PRC. 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 scheme, discretionary performance-related bonus and a share option scheme. For the six months ended 31 December 2009, total employees' remuneration, including Directors' remuneration, was approximately HK$19.6 million (2008: HK$11.8 million).

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

**Long positions**

| Name of Director | Name of the members of the Group | Capacity | Number of issued ordinary shares held | Percentage of the Shareholding |
|---|---|---|---|---|
| Sit Kwong Lam | The Company | Beneficial owner | 1,751,854,833 (Note 1) | 115.57% |

Note 1: These 1,751,854,833 Shares refer to : (a) 729,522,240 Shares held by Energy Empire Investments Limited, which is wholly and beneficially owned by Dr. Sit Kwong Lam ("Dr. Sit"); (b) 402,337,760 Shares held by Canada Foundation, which is wholly and beneficially owned by Dr. Sit; and (c) the 619,994,833 Shares to be allotted and issued to Canada Foundation upon exercise in full of the conversion rights attached to the 2009 Convertible Notes issued by the Company on 27 October 2009.

Save as disclosed above, as at 31 December 2009, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS AND PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 2009, the interests and short positions of every person, other than a Director or chief executive of the Company, in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

**Long positions**

| Name of Shareholders | Number of Shares held | Approximate percentage of shareholding |
|---|---|---|
| Energy Empire Investments Limited | 729,522,240 Shares | 48.13% |
| Canada Foundation | 1,022,332,593 Shares (Note) | 67.44% |

Note: These 1,022,332,593 Shares refer to: (a) 402,337,760 Shares held by Canada Foundation; and (b) the 619,994,833 Shares to be allotted and issued to Canada Foundation upon exercise in full of the conversion rights attached to the 2009 Convertible Notes issued by the Company on 27 October 2009.

Save as disclosed above, as at 31 December 2009, no other person, other than a Director or chief executive of the Company had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

## SHARE OPTION SCHEME

In compliance with the amended Chapter 17 of the Listing Rules, a share option scheme (the "Scheme") was adopted pursuant to an ordinary resolution passed at the annual general meeting of the Company on 20 October 2004 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The expiry date of the Scheme is on 19 October 2014.

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

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

Options granted must be taken up within 30 days of the date of offer, upon payment of HK$1.00 per option. Options may be exercised at any time from the date of offer of the share option to a period to be notified by the Board to each grantee at the time of making such offer, which shall not expire later than 10 years from the date of offer. The exercise price is determined by the Board at its absolute discretion and will notbe less than the higher of (a) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer; (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of offer; and (c) the nominal value of a Share on the date of offer. No option was granted under the Scheme since its adoption and no option was outstanding as at 31 December 2009.

As at 31 December 2009, the total number of Shares available for grant of option under the Scheme was 121,609,400.

## BOARD COMPOSITION

On 30 October 2009, Mr Fu Dewu resigned as an executive Director. On 10 November 2009, Mr Cheung Sum, Sam was appointed as an executive Director, chief financial officer, company secretary and authorised representative of the Company. As at 31 December 2009, the Board consists of a total of thirteen Directors, comprising six executive Directors, four non-executive Directors and three independent non-executive Directors.

## CORPORATE GOVERNANCE PRACTICES

The Board is responsible for ensuring high standards of corporate governance are maintained and for accounting to shareholders. On 1 July 2006, the Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the six months ended 31 December 2009, except for the following deviation:

### Code Provision A.2.1

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

The positions of both chairman and CEO have been held by Dr. Sit Kwong Lam since 20 June 2008 upon his appointment as an executive Director. Given the Group's current stage of development, the Board considers that vesting the roles of both chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximises effectiveness of its operation.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for securities transactions by Directors. All the Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 31 December 2009. The Model Code also applies to other specified senior management of the Group.

## AUDIT COMMITTEE AND INDEPENDENT REVIEW BY EXTERNAL AUDITORS

The audit committee of the Company (the "Audit Committee") as at 31 December 2009 comprised of Mr. Kwong Chan Lam, Mr. Lau Hon Chuen and Professor Chang Hsin Kang, the three independent non-executive Directors.

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

The unaudited interim condensed consolidated financial statements for the six months ended 31 December 2009 have been reviewed by the Audit Committee.

The Group's external auditor, Deloitte Touche Tohmatsu, has been appointed to review the interim financial report. On the basis of their review, they are not aware of any material modifications that should be made to the interim financial report for the Period.

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

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

By order of the Board
**Brightoil Petroleum (Holdings) Limited**
**Sit Kwong Lam**
*Chairman*

Hong Kong, 2 March 2010

## BOARD OF DIRECTORS

### Chairman and Chief Executive Director

Dr. Sit Kwong Lam

### Executive Directors

Mr. Gregory John Channon
Mr. Tang Bo
Mr. Tan Yih Lin
Mr. Chia Teck Lim
Mr Cheung Sum, Sam

### Non-executive Directors

Mr. He Zixin
Mr. Ran Longhui
Mr. Sun Zhenchun
Mr. Dai Zhujiang

### Independent Non-executive Directors

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

## COMPANY SECRETARY

Mr Cheung Sum, Sam

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## AUDITOR

Deloitte Touche Tohmatsu

## PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

## STOCK CODE

The Stock Exchange of Hong Kong Limited
Ordinary Share (Stock Code: 0933)

## WEBSITE

http://www.bwoil.hk

## REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

33/F., 118 Connaught Road West
Sheung Wan
Hong Kong