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

Interim Report 2011




www.brightoil.com.hk
Stock Code:933.HK

Contents

Report on Review of Interim Financial Information

Deloitte.
德勤

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 3 to 27, 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 2010 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 of the Company 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

23 February 2011

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2010

	NOTES	Six months ended 31 December 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
Revenue	3	**12,512,222**	5,984,129
Cost of sales		**(11,718,872)**	(5,306,062)
Gross profit		**793,350**	678,067
Other income, gains and losses	5	**70,018**	10,609
Fair value change of derivative financial instruments	16	**(218,452)**	219,080
Fair value change in conversion option of convertible notes	17(b)	**–**	(322,527)
Distribution and selling expenses		**(73,224)**	(18,097)
Other expenses		**(30,767)**	(6,892)
Administrative expenses		**(89,076)**	(52,834)
Finance costs	6	**(91,064)**	(38,060)
Share of losses of jointly controlled entities		**(22)**	(778)
Profit before taxation	7	**360,763**	468,568
Taxation	8	**(29,677)**	(39,174)
Profit for the period attributable to the owners of the Company		**331,086**	429,394
Other comprehensive income (expense) for the period			
Exchange differences arising on translation of foreign operations and to presentation currency		**14,411**	(32)
Total comprehensive income for the period attributable to the owners of the Company		**345,497**	429,362
			(restated)
Earnings per share			
Basic	10	**HK4.94 cents**	HK7.33 cents
Diluted	10	**HK4.13 cents**	HK6.58 cents

Condensed Consolidated Statement of Financial Position

At 31 December 2010

	NOTES	At 31 December 2010 HK$'000 (unaudited)	At 30 June 2010 HK$'000 (restated)
Non-current Assets			
Property, plant and equipment	11	**2,627,233**	998,736
Prepaid lease payments for land		**83,956**	82,805
Prepaid lease payments for coast		**11,765**	11,603
Investment properties	11	**112,100**	100,265
Exploration and evaluation assets		**4,755**	4,755
Deposits paid for acquisition of property, plant and equipment		**4,758**	1,000
Deposits paid for acquisition of leasehold land	11	**92,862**	43,047
Interests in jointly controlled entities		**350,542**	350,918
Rental and other deposits		**10,400**	3,705
		3,298,371	1,596,834
Current Assets			
Inventories		**3,303,252**	685,818
Trade debtors	12	**3,535,529**	1,827,744
Derivative financial instruments	16	**1,448,024**	–
Other debtors, prepayments and deposits		**33,120**	11,314
Amount due from a jointly controlled entity		**4,032**	3,715
Prepaid lease payments for land		**1,689**	1,693
Prepaid lease payments for coast		**238**	237
Securities held for trading	13	**221,397**	251,924
Receivables from brokers		**1,084,171**	705,766
Pledged bank deposits		**189,883**	54,697
Bank balances and cash		**905,673**	2,037,423
		10,727,008	5,580,331

Condensed Consolidated Statement of Financial Position

At 31 December 2010

	NOTES	At 31 December 2010 HK$'000 (unaudited)	At 30 June 2010 HK$'000 (restated)
Current Liabilities			
Trade creditors	14	1,881,808	972,712
Trade payable to a related company	21	1,414,367	725,432
Amount due to a jointly controlled entity		232	231
Other creditors and accrued charges		87,662	23,122
Dividend payable		4,711	–
Bank borrowings	15	1,928,080	41,850
Derivative financial instruments	16	1,639,677	62,258
Tax liabilities		63,834	97,948
		7,020,371	1,923,553
Net Current Assets		3,706,637	3,656,778
Total Assets Less Current Liabilities		7,005,008	5,253,612
Non-current Liabilities			
Convertible notes	18	672,350	614,627
Bank borrowings	15	974,866	451,631
Deferred tax liability	18	42,512	52,036
		1,689,728	1,118,294
		5,315,280	4,135,318
Capital And Reserves			
Share capital	17	169,087	161,587
Reserves		5,146,193	3,973,731
Equity Attributable To Owners Of The Company		5,315,280	4,135,318

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2010

	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$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 July 2010 (audited)	161,587	1,922,737	3,489	1,000	33,679	(2,107)	321,373	7,388	1,686,172	4,135,318
Profit for the period	–	–	–	–	–	–	–	–	331,086	331,086
Other comprehensive income:										
Exchange differences on translation	–	–	–	–	–	14,411	–	–	–	14,411
Total comprehensive income for the period	–	–	–	–	–	14,411	–	–	331,086	345,497
Issue of new shares	7,500	1,027,500	–	–	–	–	–	–	–	1,035,000
Transaction costs attributable to issue of shares	–	(14,584)	–	–	–	–	–	–	–	(14,584)
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	16,953	–	16,953
Dividend paid *(note 9)*	–	–	–	–	–	–	–	–	(202,904)	(202,904)
At 31 December 2010 (unaudited)	169,087	2,935,653	3,489	1,000	33,679	12,304	321,373	24,341	1,814,354	5,315,280
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 (expense) income for the period	–	–	–	–	–	(32)	–	–	429,394	429,362
Issue of new shares upon conversion of convertible notes	8,000	500,880	–	–	–	–	–	–	–	508,880
Recognition of equity component of convertible notes	–	–	–	–	–	–	384,879	–	–	384,879
Deferred tax liability on recognition of equity component of convertible notes	–	–	–	–	–	–	(63,506)	–	–	(63,506)
At 31 December 2009 (unaudited)	151,587	948,827	3,489	1,000	33,679	(6,963)	321,373	–	971,640	2,424,632

Notes:

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

b. During the year ended 30 June 2008, the Group disposed of two subsidiaries to the former major controlling shareholder of the Company, with total consideration of approximately HK$263,374,000. 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 2010

	Six months ended 31 December 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
Net Cash (Used In) From Operating Activities	**(2,494,369)**	91,433
Net Cash (Used In) From 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	**(1,655,258)**	(2,683)
Deposits paid for acquisition of property, plant and equipment	**(3,758)**	(43,886)
Payment on set up of a jointly controlled entity	**–**	(63,240)
Deposit paid for acquisition of leasehold land	**(48,802)**	(90,400)
Addition to pledged bank deposits	**(2,705,159)**	–
Refund of pledged bank deposits	**2,569,973**	305,834
Other investing cash flows	**4,767**	1,456
	(1,838,237)	119,681
Net Cash From Financing Activities:		
Proceeds from issue of convertible notes	**–**	930,000
Proceeds from issue of shares	**1,035,000**	–
Expenses on issue of shares	**(14,584)**	–
Dividend paid	**(198,193)**	–
Bank loans raised	**7,708,074**	–
Repayment of bank loans	**(5,298,609)**	–
Other financing cash flows	**(33,341)**	–
	3,198,347	930,000
Net (Decrease) Increase In Cash And Cash Equivalents	**(1,134,259)**	1,141,114
Cash and cash equivalents at 1 July	**2,037,423**	710,299
Effect of foreign exchange rate changes	**2,509**	(31)
Cash And Cash Equivalents At 31 December Represented By Bank Balances And Cash	**905,673**	1,851,382

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 Governing the Listing of Securities (the "Listing Rules") 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 2010 except as explained below.

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").

HKFRSs (Amendments)	Amendment to HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5 and HKFRS 8 as part of improvements to HKFRSs 2009
HKFRSs (Amendments)	Amendment to HKAS 27 and HKFRS 3 as part of improvements to HKFRSs 2010
HKAS 32 (Amendment)	Classification of rights issues
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments

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

2. PRINCIPAL ACCOUNTING POLICIES – continued

Amendment to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provision set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 July 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments for land to property, plant and equipment retrospectively. This resulted in a reclassification of prepaid lease payments for land with a previous carrying amount of approximately HK$42,463,000 at 1 July 2009 to property, plant and equipment that are measured at cost model and a reclassification of amortisation of prepaid lease payments of approximately HK$24,000 for the six months ended 31 December 2009 to depreciation of property, plant and equipment.

Summary of the effect of the above changes in accounting policies

The effect of changes in accounting policies described above on the financial position of the Group as at 30 June 2010 is as follows:

	As at 30 June 2010 (originally stated) HK$'000	Adjustments HK$'000	As at 30 June 2010 (restated) HK$'000
Property, plant and equipment	956,321	42,415	998,736
Prepaid lease payments for land	126,913	(42,415)	84,498
Total effect on net assets	1,083,234	–	1,083,234

2. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Summary of the effect of the above changes in accounting policies – continued

The effect of changes in accounting policies described above on the financial position of the Group as at 1 July 2009 is as follows:

	As at 1 July 2009 (originally stated) HK$'000	Adjustments HK$'000	As at 1 July 2009 (restated) HK$'000
Property, plant and equipment	128,704	42,463	171,167
Prepaid lease payments for land	42,463	(42,463)	–
Total effect on net assets	171,167	–	171,167

The above changes in accounting policies did not have effect on the results for the current and prior periods in the condensed consolidated statement of comprehensive income, basic earnings per share and diluted earnings per share.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for amendments to HKAS 27 and HKFRS 3[1]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[2]
HKAS 24 (Revised)	Related party disclosures[3]
HKFRS 7 (Amendments)	Disclosures – transfer of financial assets[4]
HKFRS 9	Financial instruments[5]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[3]

1 Amendments that are effective for accounting periods beginning on or after 1 January 2011.
2 Effective for accounting periods beginning on or after 1 January 2012.
3 Effective for accounting periods beginning on or after 1 January 2011.
4 Effective for accounting periods beginning on or after 1 July 2011.
5 Effective for accounting periods beginning on or after 1 January 2013.

The Directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE

	Six months ended 31 December	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Provision of duty-free marine bunkering services to international vessels	**8,735,507**	5,980,737
Sales of petroleum products	**3,742,405**	–
Marine transportation income	**26,943**	–
Sales of garments	**1,392**	623
Dividend income	**3,892**	–
Rental income from investment properties	**2,083**	2,769
	12,512,222	5,984,129

4. SEGMENT INFORMATION

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

- International supply and bunkering operation
- Garment operation
- Direct investments
- Properties investments

During the six months ended 31 December 2010, the Group commenced the international supply of petroleum products. Based on the internal information that is regularly reviewed by the Group's Chief Executive Officer, the financial information on bunkering operation and international supply of petroleum products is presented as one operating segment as certain of expenses are incurred for both businesses while the Group's Chief Executive Officer based on this report to assess the performance of segments. Accordingly, results from bunkering business and sales of petroleum products is presented as one operating segment as "International supply and bunkering operation".

4. SEGMENT INFORMATION – continued

The following is an analysis of the Group's revenue and results by reportable segments for the period under reviews:

Six months ended 31 December 2010

	International supply and bunkering operation HK$'000 (unaudited)	Garment operation HK$'000 (unaudited)	Direct investments HK$'000 (unaudited)	Properties investments HK$'000 (unaudited)	Reportable segment total HK$'000 (unaudited)	Unallocated revenue HK$'000 (unaudited) (Note)	Consolidated HK$'000 (unaudited)
SEGMENT REVENUE							
External sales	12,477,912	1,392	3,892	2,083	12,485,279	26,943	12,512,222
SEGMENT RESULTS	672,398	(2,763)	(146,413)	7,981	531,203		531,203
Other income, gains and losses							(4,027)
Unallocated corporate expenses							(75,327)
Finance costs							(91,064)
Share of losses of jointly controlled entities							(22)
Profit before taxation							360,763

Note: Unallocated revenue represents revenue from marine transportation operation not reviewed by the Group's Chief Executive Officer.

4. SEGMENT INFORMATION – continued

Six months ended 31 December 2009

	International supply and 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 costs					(38,060)
Share of losses of jointly controlled entities					(778)
Profit before taxation					468,568

Segment profit (loss) represents the profit earned (loss incurred) 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 (excluding fair value change of securities held for trading, fair value change of investment properties and loss on disposal of investment properties) 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	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest income on bank deposits	**5,087**	1,456
Gain on disposal of property, plant and equipment	**–**	1,322
Fair value change of securities held for trading	**68,147**	(2,189)
Fair value change of investment properties, net	**5,898**	11,600
Loss on disposal of investment properties	**–**	(1,620)
Foreign exchange gain	**6,581**	148
Foreign exchange loss	**(15,332)**	(2,668)
Others	**(363)**	2,560
	70,018	10,609

6. FINANCE COSTS

	Six months ended 31 December	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Imputed interest expense on convertible notes	**57,723**	38,060
Interest expenses on bank borrowings	**33,341**	–
	91,064	38,060

7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 31 December	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
Amortisation of prepaid lease payments	**959**	–
Charges by banks and brokers	**30,767**	6,892
Depreciation of property, plant and equipment	**29,798**	5,801

8. TAXATION

	Six months ended 31 December	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
Current tax charge for the period:		
Hong Kong Profits Tax	**4,717**	–
Singapore Income Tax	**32,357**	42,072
	37,074	42,072
Underprovision in prior years	**2,127**	–
Deferred taxation – current period *(note 18)*	**(9,524)**	(2,898)
	29,677	39,174

8. TAXATION – continued

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 bunkering operation) generated during the year from trading petroleum products under international supply and bunkering segment of the Group has been charged at a tax concessionary rate of 5.0%. 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 2009: 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.

9. DIVIDEND

	Six months ended 31 December	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
Final dividend paid – HK3 cents per share for financial year 2010 (2009: nil)	**202,904**	–

Final dividend for the year ended 30 June 2010 of HK3 cents per share was paid during the period. Other than that, no dividends were paid, declared or proposed during the reported period. The Directors do not recommend the payment of an interim dividend.

10. 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 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited) (restated)
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company)	**331,086**	429,394
Effect of dilutive potential ordinary shares:		
Interest on 2009 Convertible Notes (defined in note 18) (net of tax)	**48,199**	14,665
Earnings for the purpose of diluted earnings per share	**379,285**	444,059

Number of Shares

	Six months ended 31 December 2010 HK$'000	2009 HK$'000 (restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,699,894,643**	5,858,264,209
Effect of dilutive potential ordinary shares:		
2009 Convertible Notes	**2,479,979,333**	889,557,804
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**9,179,873,976**	6,747,822,013

10. EARNINGS PER SHARE – continued

Number of Shares – continued

For the six months ended 31 December 2009, the computation of diluted earnings per share does not assume the conversion of convertible notes issued on 22 January 2009 and fully converted in prior financial year since their exercise would result in increase in earnings per share.

For the six months ended 31 December 2010, the computation of the diluted earnings per share does not assume the conversion of the share options granted since the exercise price of the share options outstanding was higher than average market price for shares during the six months ended 31 December 2010.

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, placing of shares and share subdivision with details disclosed in note 17.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND DEPOSIT PAID FOR ACQUISITION OF LEASEHOLD LAND

During the current period, total additions to property, plant and equipment were approximately HK$1,655,258,000 (six months ended 31 December 2009: HK$3,054,000) which mainly included additions to vessels of approximately HK$892,177,000 and construction in progress of five vessels of approximately HK$624,844,000. In addition, during the six months ended 31 December 2009, 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 2010.

During the six months ended 31 December 2009, 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 the current period.

During the period, the Group paid additional deposit for acquisition of leasehold land of approximately HK$48,802,000. Balance at 30 June 2010 represented deposits paid for acquisition of leasehold land in the PRC with medium-term lease. Acquisition is expected to be completed upon payment of the final deposit of such leasehold land in the PRC in April 2011.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND DEPOSIT PAID FOR ACQUISITION OF LEASEHOLD LAND – continued

The Group's investment properties were fair valued by Greater China Appraisal Limited, independent qualified professional valuers not connected with the Group. The valuations were arrived at by reference to recent 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$5,898,000 (six months ended 31 December 2009: increase in fair value of investment properties of approximately HK$11,600,000) has been recognised directly in the condensed consolidated statement of comprehensive income.

12. TRADE DEBTORS

The Group allows an average credit period of 30 to 45 days to its international supply and 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 2010 HK$'000 (unaudited)	At 30 June 2010 HK$'000 (audited)
0 – 30 days	**3,454,851**	1,747,999
31– 60 days	**76,386**	79,548
61 – 90 days	**2,717**	—
Over 90 days	**1,575**	197
	3,535,529	1,827,744

13. SECURITIES HELD FOR TRADING

	At 31 December 2010 HK$'000 (unaudited)	At 30 June 2010 HK$'000 (audited)
Equity securities listed in Hong Kong, at fair value	**221,397**	251,924

14. 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 2010 HK$'000 (unaudited)	At 30 June 2010 HK$'000 (audited)
0 – 30 days	**1,853,570**	967,969
31 – 90 days	**20,789**	4,743
Over 90 days	**7,449**	–
	1,881,808	972,712

Apart from balance disclosed above, the balance of approximately HK$1,414,367,000 (30 June 2010: HK$725,432,000) classified as trade payable to a related company is aged within 45 days at 31 December 2010 (30 June 2010: aged within 45 days).

15. BANK BORROWINGS

During the current period, the Group obtained several new bank loans from various banks amounting to approximately HK$7,708,074,000 and repaid approximately HK$5,298,609,000. The loans carry interest at market rates ranging from 0.10% to 3.51% per annum and are repayable in installments over a period from 1 month to 10 years. There was no bank borrowing outstanding by the Group at 31 December 2009 and during the six months ended 31 December 2009.

16. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments of the Group comprised of long and short positions in mainly oil and gasoline futures contracts, including ICE futures (mainly Brent, Gas Oil and Fuel Oil) and NYMEX Futures (mainly RBOB, Heating Oil and WTI). All the future contracts are listed futures contracts.

During the six months ended 31 December 2010, the loss on fair value change of derivative financial instruments of future contracts of approximately HK$218,452,000 was charged to profit or loss (six months ended 31 December 2009: gain on fair value change of derivative financial instruments of approximately HK$219,080,000 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. In November 2010, the Group established a Risk Control Committee ("RCC") to monitor on trading of futures contracts in a more systematic way. Trading limits have been set to all traders by RCC (including limit on transaction volume, loss alert and trade of approved products only), approval is required from the chairman of RCC if the limits are to be exceeded.

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

16. DERIVATIVE FINANCIAL INSTRUMENTS – continued

Derivative financial instruments of the Group at 31 December 2010 comprise of long and short positions in the following futures contracts:

Type of futures contracts	Fair value at 31 December 2010 HK$'000
Derivative financial assets	
Long and short position	
ICE Futures	**1,370,314**
NYMEX Futures	**77,710**
	1,448,024
Derivative financial liabilities	
Long and short position	
ICE Futures	**1,578,883**
NYMEX Futures	**60,794**
	1,639,677

The futures contracts are measured at fair value which are based on the quoted market values at 31 December 2010. Around 68% of above derivative financial assets and 47% of above derivative financial liabilities outstanding as at 31 December 2010 is settled net in cash in January 2011. Approximately HK$132,815,000 was credited to profit or loss upon the settlement. For the remaining outstanding derivative financial assets and liabilities, additional fair value loss of approximately HK$80,156,000 is resulted and charged to profit or loss for the month ended 31 January 2011.

17. SHARE CAPITAL

	Number of shares (unaudited)	Share capital HK$'000 (unaudited)
Ordinary Shares		
Authorised		
At 1 July 2009, at HK$0.1 each	2,000,000,000	200,000
Increase on 7 August 2009 *(Note a)*	8,000,000,000	800,000
Increase by way of share subdivision *(Note d)*	30,000,000,000	–
At 30 June 2010 and 31 December 2010, at HK$0.025 each	40,000,000,000	1,000,000
Issued and fully paid		
At 1 July 2009, at HK$0.1 each	1,435,870,400	143,587
Shares issued upon conversion of convertible notes *(Note b)*	80,000,000	8,000
Placing of shares *(Note c)*	100,000,000	10,000
Increase by way of share subdivision *(Note d)*	4,847,611,200	–
At 30 June 2010, at HK$0.025 each	6,463,481,600	161,587
Placing of shares *(Note e)*	300,000,000	7,500
At 31 December 2010, at HK$0.025 each	6,763,481,600	169,087

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 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 convertible notes issued on 22 January 2009 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. The fair value change in conversion option of this convertible notes arising from this conversion of approximately HK$322,527,000 was charged to profit loss.

17. SHARE CAPITAL – continued

Notes: – continued

(c) On 12 April 2010, Canada Foundation Limited ("Canada Foundation"), a placing agent and the Company entered into a placing agreement pursuant to which Canada Foundation agreed to place, through the placing agent, an aggregate 100,000,000 existing ordinary shares to independent private investors at a placing price of HK$10 per share representing a discount of approximately 10.39% to the closing price of the Company's share of HK$11.16 per share on the same date. The placing was completed on 15 April 2010.

Pursuant to a subscription agreement on the same date, Canada Foundation subscribed for 100,000,000 new ordinary shares of HK$0.1 each in the Company at a subscription price of HK$10 per share. The subscription was completed on 23 April 2010.

(d) Pursuant to the ordinary resolution passed on 27 May 2010, each of the Company's issued and unissued shares of par value HK$0.1 each were subdivided into four subdivided shares of par value HK$0.025 each ("Share Subdivision"). Immediately upon the Share Subdivision becoming effective on 28 May 2010, the authorised share capital of the Company was divided into 40,000,000,000 shares of HK$0.025 each, of which 6,463,481,600 shares of HK$0.025 each were in issue and fully paid.

(e) On 29 July 2010, Canada Foundation (being a substantial shareholder of the Company), a placing agent and the Company entered into a placing agreement pursuant to which Canada Foundation agreed to subscribe through the placing agent, an aggregate 300,000,000 existing ordinary shares at a placing price of HK$3.45 per share representing a discount of approximately 8.97% to the closing price of the Company's share of HK$3.79 per share on 28 July 2010. The placing was completed on 9 August 2010.

All the shares issued during the six months ended 31 December 2010 rank pari passu with the existing shares of the Company in all respect.

18. CONVERTIBLE NOTES

Pursuant to the subscription agreement dated on 25 June 2009 (the "Subscription Agreement") and the supplemental deed signed on 2 September 2009 (the "Supplemental Deed"), 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"). Subsequent to the Share Subdivision explained in note 17(d), conversion price of the 2009 Convertible Notes is adjusted to US$0.04839.

The 2009 Convertible Notes are denominated in United States dollars and non-interest bearing. The holder of the 2009 Convertible Notes is entitled to convert the notes into 619,994,833 (2,479,979,333 after Share Subdivision) ordinary shares of the Company ("Conversion Shares") at initial conversion price of US$0.19355 at any time from the date of issue (US$0.04839 after Share Subdivision) 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.

18. CONVERTIBLE NOTES – continued

As at 31 December 2010, no 2009 Convertible Notes was converted into shares of the Company. The amount is repayable on 27 October 2012 (the "Maturity Date"). If the 2009 Convertible Notes have not been converted up to the 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. Deferred tax liability of approximately HK$63,506,000 was recognised to Convertible Notes Reserve on initial recognition with approximately HK$9,524,000 (six months ended 31 December 2009: HK$2,898,000) credited to profit or loss during the six months ended 31 December 2010.

19. PLEDGE OF ASSETS

At 31 December 2010, vessels, trade debtors and bank deposit of the Group with carrying values of approximately HK$1,670,568,000, HK$3,311,556,000 and HK$189,883,000 (30 June 2010: HK$801,036,000, HK$1,292,064,000 and HK$54,697,000) respectively were pledged with several banks to secure the loans and short-term credit facilities granted to the Group.

20. CAPITAL COMMITMENTS

	At 31 December 2010 HK$'000 (unaudited)	At 30 June 2010 HK$'000 (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	**91,303**	89,202
– capital injection into a jointly controlled entity	**83,696**	83,545
– acquisition of property, plant and equipment	**509,504**	611,456
– addition to evaluation and exploration assets	**2,504**	2,447
	687,007	786,650

21. 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	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Purchase of fuel oil from a related company	**4,827,773**	4,273,912
Rental income received or receivable from a related company	**1,487**	2,090
Fuel oil storage fee paid or payable to a related company	**6,794**	5,968

Note: Dr. Sit Kwong Lam ("Dr. Sit"), an executive director of the Company, controlled the above related companies.

At 30 June 2010, 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 2010 and 30 June 2010.

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).

On 9 August 2010, Canada Foundation subscribed for 300,000,000 new ordinary shares of HK$0.025 each in the Company at a subscription price of HK$3.45 per share.

21. RELATED PARTY TRANSACTIONS – continued

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	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Salaries and other short-term employee benefits	**9,665**	4,755
Retirement benefits costs	**29**	28
	9,694	4,783

The remuneration of Directors and senior management is determined by the remuneration committee having regard to the performance of individuals and market trend.

22. EVENTS AFTER THE END OF INTERIM PERIOD

On 7 January 2011, the Group and China Development Bank, Hong Kong Branch ("China Development Bank") entered into the Strategic Co-operation Agreement whereupon China Development Bank has been granted priority to provide financial services to the Group. China Development Bank shall be given priority in provision of funding of approximately US$4,000,000,000 for the operations in (1) as regards the acquisition of tankers for its vessel fleet; (2) as regards the operating of letters of credit and bank guarantees for trading petroleum products; and (3) as regards any newly developed projects or mergers and acquisition.

Financial Review

During the six months from 1 July to 31 December 2010 (the "Period"), the total revenue of the Group increased by approximately 109% to HK$12,512.2 million from HK$5,984.1 million in the same period last year. Gross profit of the Group increased approximately 17% to HK$793.4 million from HK$678.1 million in the same period last year.

During the Period under review, the Group reported a decrease in fair value change of derivative financial instruments of approximately HK$218.5 million (2009: an increase in fair value of approximately HK$219.1 million). This incurred the large difference of approximately HK$437.6 million of fair value change of derivative financial instruments between the Period and same period last year and caused the decrease in profit. Derivative financial instruments engaged by the Group are all related to trading oil futures and for the purpose of hedging the physical oil inventory. Therefore the underlying assets of all the future contracts are oil (the prices of which are correlated). However, the physical inventory is recorded at the lower of cost and net realisable value under HKAS 2; while the derivative financial instruments are subsequently re-measured to their fair value at the end of reporting date under HKAS 39. Under such arrangement, the full picture of the Group's operation might not be reflected, as there are different valuation methodologies on physical inventory and derivative financial instruments.

As stipulated in Note 16 to the Condensed Consolidated Financial Statements, around 68% of derivative financial assets and 47% of derivative financial liabilities outstanding as at 31 December 2010 have been settled net in cash and there was approximately HK$132.8 million of realized gain recorded in January 2011. For the remaining outstanding derivative financial instruments, there was approximately HK$80.2 million of unrealized loss.

As the Group's international supply and bunkering business expanded to a voluminous scale, it is necessary to lock in our profit for transactions, which are committed but not yet completed, or inventories through hedging swap, so as to mitigate price risk of oil price fluctuation. All transactions on futures contracts have to be approved by senior management. The control over this business is very tight and report is prepared on a daily basis to ensure that the Group does not over-expose and all risks are well managed. For the Period under review, imputed interest charged on the 2009 Convertible Notes of approximately HK$57.7 million (which was a non-cash item) was debited to profit or loss under "Finance costs".

Profit attributable to the owners of the Company (the "Shareholders") amounted to HK$331.1 million shed approximately 23% from HK$429.4 million in the same period last year. Basic earnings per share decreased to HK4.94 cents from HK7.33 cents compared with the same period last year. Diluted earnings per share decreased to HK4.13 cents as compared to HK6.58 cents same period last year.

Liquidity and Financial Resources

As at 31 December 2010, equity to the Shareholders rose approximately 29% to HK$5,315.3 million. Meanwhile the Group's receivables from brokers, bank balances and cash and pledged bank deposits amounted to approximately HK$1,084.2 million, HK$905.7 million and HK$189.9 million respectively.

On 7 January, 2011, the Group and China Development Bank, Hong Kong Branch ("CDB") entered into a strategic co-operation agreement for a term of five years with an estimated aggregate amount of US$4.0 billion for our future development. Under the strategic co-operation agreement, the Group agreed to give priority to CDB in sourcing for funding for operations and also to provide us with various commercial banking services. The alliance not only illustrates a closer relationship with CDB but also signaling a support to us for further developing our core businesses. Going forward, we will strive to leverage on our well-established network and relationship with the financial institutions to promote our expansion plans and growing prospects.

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

Contingent Liabilities

As at 31 December 2010, the Group did not have any significant contingent liabilities.

Business Review

International Supply and Bunkering

As the Group sets forth a strategic plan for its future development to maximize the synergy effect of the four core businesses, in the short term, International Supply and Bunkering ("ISB") remained as the major drive for the company's total revenue which amounted to approximately HK$12,477.9 million. During the Period, the sales volume under ISB segment surged 100% to 3.4 million tonnes from 1.7 million tonnes last year, thanks to the robust support by our customers and the recovering shipping industry, fuelling our growth both volumetrically and geographically.

To provide a one-stop bunker supply service to our customers, who are mainly international liners, we have been focusing on global network mapping amongst the world's major ports. At present, we have operations in eight ports worldwide, including Shenzhen, Shanghai, Ningbo, Zhoushan, Hong Kong, Singapore, Antwerp-Rotterdam-Amsterdam region and Tanjung Pelepas in Malaysia. Revenue from bunkering business amounted to HK$8,735.5 million, representing a leap of 46% from the same period last year and also an approximately 70% of our total revenue during the Period.

Business Review – continued

International Supply and Bunkering – continued

To capture the vigorous growth of the global bunkering business, we are relentlessly seeking opportunities to lease storage and terminal facilities from local operators, or to form strategic partnerships with storage owners, or constructing our own facilities. To assist the Group's global expansion plan for ISB business, we have to ensure operations are well supported by a sophisticated logistical infrastructure. During the Period under review, the Group committed leasing for more storage capacities in Singapore, Rotterdam and in the PRC to tap the strong demand in those ports. We have also identified several new markets with huge prospects and demands including Houston, Rizhao and Qingdao, where we have already secured and going to secure storage and terminal facilities in the areas. When those new markets commence operation, a more comprehensive geographic coverage, including the oligopolistic Chinese market, will be reached, which will make Brightoil's unique position more compelling in the international market.

By leveraging on our well established infrastructure, supplier and customer network, the company expanded its existing trading business from trading purely fuel oil to a full array of petroleum products in November 2010. The Group opened trading offices in Singapore and Houston, where petroleum products experts including experienced trading professionals were employed to handle the trading business. We are also in the process of opening offices in London and Geneva to fortify our trading scope. During the Period under review, the Group recorded revenue contributed by the trading of petroleum products at HK$3,742.4 million, accounting for approximately 30% of our total revenue.

Due to the competitive landscape of the international market and a lower margin of newly expanded trading business, the Group's gross profit margin trimmed from 11.3% last year to 6.3%. Meanwhile, by extending the trading business operation and broadening the product lines, the Group considered it not only a catalyst to increase the overall profitability, but also a chance to take full advantage of economies of scale of our ISB business, capturing a strong cash flow and promising prospect. Since the Group perceived a continuous growth in sales volume in ISB, it adopted a more conservative hedging mode to mitigate the risk of price fluctuation.

Oil Storage and Terminal Facilities

Dredging and reclamation works for phase 1 of our oil storage and terminal facilities in Dalian and Zhoushan were launched in June and July 2010 respectively. Construction works for the main facilities, including terminals, oil tanks, pipelines, roads etc., of both projects are expected to commence in mid-2011; the storage and terminal facilities will be put into operation by phases upon completion.

The Dalian and Zhoushan oil storage and terminal facilities will serve as the essential logistical hubs to support our bunkering and trading business. Capitalizing on the strategic locations along the coastal areas of China and, most importantly, the natural deep water harbors which can accommodate VLCCs, the Group intends to use the facilities to excel its procurement process by sourcing petroleum products directly from oil producing countries including Europe and South America which provide lower raw material prices. The Group also plans to lease part of the storage facilities to third parties to generate stable recurrent income in the future.

Business Review – continued

Marine Transportation

During the Period under review, the Group had taken delivery of two 115,000 DWT ocean-going oil tankers (Aframax), furthering the Group's oil-carrying capacity to about 450,000 tonnes. Currently, we have four Aframaxes in operation which are mainly utilized for transporting fuel oil or crude oil internationally. From November 2009 to August 2010, taking advantage of the cyclic economy of the shipping sector, the Group purchased 9 ocean-going oil tankers with sizes ranging from 107,500 DWT to 318,000 DWT at favorable prices with intention to support our ISB operation and also to provide marine transportation services to third parties to generate additional freight income. During the Period, the Group recorded HK$26.9 million of income contributed by the marine transportation operations.

The five VLCCs, with 318,000 DWT each, ordered by the Group in August 2010 are under construction, and expected to be delivered to us between July 2012 and March 2013. The management perceived that the shipping market will pick up after it touched its lowest level, and this is a good timing to build up our own marine fleet. It also aligns with our intention to develop the marine transportation as an independent profit centre of the Group.

Upstream

Technical studies for the Overall Development Plan ("ODP") in regard to our Tuzi natural gas project (the "Tuzi Project") were initiated in January 2010 and the first draft was completed by the end of December 2010.

Subsequently, the ODP has been submitted to the relevant government bodies for review and approval and the approval process takes time. Whilst this process is ongoing, the Group is exploring avenues to accelerate development activities at Tuzi such that the Group can reach its target production date. With the OPD completed, the Group now has a clearer understanding of the Tuzi Project and how it will impact the Group's business.

Under the terms of the Production Sharing Contract, both the Group and China National Petroleum Corporation are able to recover their past investments, before sharing revenue from remaining gas balance on a proportion of 49% to the Group.

To intensify our search for new upstream opportunities, the Group is now building an upstream new business group in our Singapore office, it is expected to commence operation in the second quarter of the year.

Market Outlook

In the near term, ISB will remain the major income source of the Group and provide a good fundamental for the development of other three businesses. Thereby, the Group will focus on the expansion plan overseas in order to establish its influences in the global marine bunkering market with market size of approximately 200 million tonnes per annum. By doing so, related party transaction with Shenzhen Brightoil will be further reduced, from 100% in the year 2009 interim result to 34% as reported during the Period.

Driven by the volume of ISB, the Group may enhance the efficiency of storage utilization and it will eventually translate into income to the Group. Most importantly, the expenses incurred for setting up the business, such as lease for engaging more storage capacities, will be absorbed in the course of development. It will also lay down the foundation for our storage and terminal operation.

Market Outlook – continued

With the aspiration to develop a fully integrated supply chain in the downstream oil industry, the Group also strives to develop each of the core businesses into an independent profit centre, providing a solid foundation and diversified revenue streams for its future growth. Therefore, the Group further scaled down its garment operation.

For the long-term development and greater upside potential of the Group, it will continue to pursue opportunities to broaden the appeal of our upstream operations in the oil and gas sector, with a view to bringing greater value and higher returns to our Shareholders.

Capital Structure

As at 31 December 2010, the Company had 6,763,481,600 shares (the "Shares") in issue with total Shareholders' funds of approximately HK$5,315,280,000.

Borrowings and Charges on Group Assets

As at 31 December 2010, the Group had convertible notes, bank borrowings and charges on its assets of approximately HK$672,350,000, HK$2,902,946,000 and HK$5,172,007,000 respectively.

Particulars of the Company's convertible notes are set out in the note 18 to the Condensed Consolidated Financial Statements.

The maturity profile the Group's bank borrowing is spread over a period of ten years, with HK$1,928,080,000 repayable within one year, HK$76,990,000 within one to two years, HK$339,597,000 within two to five years and HK$558,279,000 beyond five years.

Gearing Ratio

The Group's gearing ratio at the period ended 31 December 2010 was approximately 54.6%, determined as the proportion of the Group's net borrowings (namely bank borrowings) to Shareholders' funds.

Significant Investments Held

Details of significant investments are set out in the note 13 and 16 to the Condensed Consolidated Financial Statements.

Employees and Remuneration Policies

As at 31 December 2010, the Group employed approximately 180 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 scheme, discretionary performance-related bonus and a share option scheme. For the six months ended 31 December 2010, total employees' remuneration, including Directors' remuneration, was approximately HK$50.7 million (2009: HK$19.6 million).

Interim Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2010.

Share Option Scheme

Pursuant to an ordinary resolution passed at the annual general meeting of the Company on 20 October 2004, the Company operates share option scheme (the "Scheme") for the purpose of retaining high calibre executives and employers and providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Under the Scheme, all Directors and employees of the Group and consultants, advisors, agents, customers, service providers, contractors, business partners of any members of the Group or any company or other entity in which the Group or any member thereof has a shareholding interest, in the sole discretion of the board of directors (the "Board"), has contributed to the Group or any member thereof are eligible to participate in the 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 total number of shares of the Company in issue as at the date of adoption of the Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or Independent Non-Executive Directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

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

Share Option Scheme – continued

On 22 April 2010, options to subscribe for 11,380,000 shares (45,520,000 shares after Share Subdivision) were granted to certain Directors and employees of the Group entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK$13.60 (HK$3.40 after Share Subdivision).

Options granted are exercisable during the year starting from 22 April 2011 to 21 April 2015. The options granted under the Scheme are subject to vesting period in four tranches of 25% each of its options granted from the grant date to 22 April 2011, 22 April 2012, 22 April 2013 and 22 April 2014 respectively.

The following table discloses movements of the Company's share options held by the Directors and employees of the Group during the year:

Eligible participants	At 1 July 2010	Granted during the Period	Lapsed during the Period	Outstanding at 31 December 2010
Directors	34,000,000	–	(4,000,000)	30,000,000
Employees	11,120,000	–	(1,280,000)	9,840,000
	45,120,000	–	(5,280,000)	39,840,000

There are no share options exercisable at 31 December 2010.

Substantial Shareholders and Persons Having 5% or More Interests

As at 31 December 2010, the interests and short positions of every person, other than a Director or chief executive of the Company, in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "SFO")) were as follows:

Long Positions

Name of substantial shareholder	Number of ordinary shares	Approximate Percentage of shareholdings
Energy Empire Investments Limited	2,918,088,960 *(Note 1)*	43.14%
Canada Foundation	3,889,330,373 *(Notes 1 and 2)*	57.50%

Notes:

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

2. These 3,889,330,373 Shares refer to (a) 1,409,351,040 Shares held by Canada Foundation; and (b) 2,479,979,333 Shares to be allotted and issued to Canada Foundation upon exercise in full of the conversion rights attaching to the convertible notes issued by the Company on 27 October 2009 pursuant to the Subscription Agreement and the Supplemental Deed.

Save as disclosed above, as at 31 December 2010, the Company has not been notified of any person (other than a Director or chief executive of the Company) or entity had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

Board Composition

On 25 November 2010, Mr Cheung Sum, Sam retired as an executive Director of the Company. As at 31 December 2010, the Board consists of a total of twelve Directors, comprising five executive Directors, four non-executive Directors and three independent non-executive Directors.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2010, the interests and short positions of the Directors, chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Long Positions in the Shares of the Company

Name of Director	Name of Company	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Dr. Sit Kwong Lam ("Dr. Sit")	The Company	Interest of controlled corporation	7,007,419,333 *(Note 1)*	103.61%
Professor Chang Hsin Kang ("Professor Chang")	The Company	Beneficial owner	2,190,000 *(Note 2)*	0.032%

Note 1: These 7,007,419,333 Shares refer to (a) 2,918,088,960 Shares held by Energy Empire Investments Limited, which is wholly and beneficially owned by Dr. Sit; (b) 1,409,351,040 Shares held by Canada Foundation, which is wholly and beneficially owned by Dr. Sit; (c) 200,000,000 Shares held by Brightoil Welfare Ltd. which is wholly and beneficially owned by Dr. Sit; and (d) 2,479,979,333 Shares to be allotted and issued to Canada Foundation upon exercise in full of the conversion rights attaching to the convertible notes issued by the Company on 27 October 2009 pursuant to the Subscription Agreement and the Supplemental Deed.

Note 2: These 2,190,000 Shares refer to (a) 190,000 Shares jointly held by Professor Chang and his spouse and (b) 2,000,000 Shares to be alloted and issued to Professor Chang upon exercise in full of the share options issued by the Company on 22 April 2010.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures – continued

Long Position in the Underlying Shares of Equity Derivatives of the Company

Particulars of the Company's share option scheme are set out in Share Option Scheme.

The following table discloses Directors' share options at 31 December 2010:

	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy)	Exercise price HK$	Number of options held at 31 December 2010
Executive Directors				
Mr. Tang Bo	22.4.2010	22.4.2011 – 21.4.2015	3.40	4,000,000
Mr. Chia Teck Lim	22.4.2010	22.4.2011 – 21.4.2015	3.40	4,000,000
Mr. Tan Yih Lin	22.4.2010	22.4.2011 – 21.4.2015	3.40	4,000,000
Mr. Gregory John Channon	22.4.2010	22.4.2011 – 21.4.2015	3.40	4,000,000
Total of Executive Directors				16,000,000
Non-executive Directors				
Mr. He Zixin	22.4.2010	22.4.2011 – 21.4.2015	3.40	2,000,000
Mr. Ran Longhui	22.4.2010	22.4.2011 – 21.4.2015	3.40	2,000,000
Mr. Sun Zhenchun	22.4.2010	22.4.2011 – 21.4.2015	3.40	2,000,000
Mr. Dai Zhujiang	22.4.2010	22.4.2011 – 21.4.2015	3.40	2,000,000
Total of Non-executive Directors				8,000,000
Independent Non-executive Directors				
Mr. Lau Hon Chuen	22.4.2010	22.4.2011 – 21.4.2015	3.40	2,000,000
Professor Chang Hsin Kang	22.4.2010	22.4.2011 – 21.4.2015	3.40	2,000,000
Mr. Kwong Chan Lam	22.4.2010	22.4.2011 – 21.4.2015	3.40	2,000,000
Total of Independent Non-executive Directors				6,000,000

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures – continued

Long Position in the Underlying Shares of Equity Derivatives of the Company – continued

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be recorded pursuant to Section 352 of the SFO, or as otherwise, notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance Practices

The Board is responsible for ensuring high standards of corporate governance are maintained and for accounting to shareholders. 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 Listing Rules for the Period 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 for securities transactions by directors of listed issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. 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 2010. 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 2010 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 2010 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 securities during the Period.

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

Hong Kong, 23 February 2011

Corporate Information

Board of Directors

Executive Directors

Dr. Sit Kwong Lam *(Chairman and Chief Executive Officer)*
Mr. Gregory John Channon
Mr. Tang Bo
Mr. Tan Yih Lin
Mr. Chia Teck Lim

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

Ms. Cheung Wa Ying

Audit Committee

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

Remuneration Committee

Professor Chang Hsin Kang *(Chairman)*
Mr. Lau Hon Chuen
Mr. Kwong Chan Lam
Dr. Sit Kwong Lam
Mr. Tan Yih Lin

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

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Bermuda

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