(Incorporated in Bermuda with limited liability)

Stock Code: 933.HK

光滙石油(控股)有限公司

Brightoil Petroleum (Holdings) Limited

Interim Report 2012

www.brightoil.com.hk

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 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 2011 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 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with 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 Hong Kong Institute of Certified Public Accountants. 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

27 February 2012

Condensed Consolidated Statement of Comprehensive Income

	NOTES	Six months ended 31 December 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited and restated)
Revenue	3	**36,261,829**	12,512,222
Cost of sales and services		**(35,128,355)**	(11,460,737)
Gross profit		**1,133,474**	1,051,485
Other income, gains and losses	5	**(36,432)**	70,018
Fair value change of derivative financial instruments	18	**793,756**	(218,452)
Distribution and selling expenses		**(352,600)**	(73,224)
Other expenses	7	**(101,526)**	(30,767)
Administrative expenses		**(184,899)**	(89,076)
Professional fee	7	**(43,239)**	–
Finance costs	6	**(193,024)**	(91,064)
Share of losses of jointly controlled entities		**(5,659)**	(22)
Profit before taxation	7	**1,009,851**	618,898
Taxation charge	8	**(44,618)**	(29,677)
Profit for the period attributable to the owners of the Company		**965,233**	589,221
Other comprehensive income for the period			
Exchange differences arising on translation of foreign operations and to presentation currency		**32,370**	14,411
Total comprehensive income for the period attributable to the owners of the Company		**997,603**	603,632
		(unaudited)	(unaudited and restated)
Earnings per share			
Basic	10	**HK14.27 cents**	HK8.79 cents
Diluted	10	**HK11.06 cents**	HK6.94 cents

Condensed Consolidated Statement of Financial Position

	NOTES	At 31 December 2011 HK$'000 (unaudited)	At 30 June 2011 HK$'000 (audited)
Non-current Assets			
Property, plant and equipment	11	**3,747,078**	2,159,976
Prepaid lease payments for land	12	**333,249**	653,746
Prepaid lease payments for coast		**12,061**	11,988
Investment properties	11	**41,000**	120,399
Exploration and evaluation assets		**39,089**	11,639
Interests in jointly controlled entities		**448,490**	446,659
Interest in an associate		**10,985**	10,804
Deposits paid for acquisition of property, plant and equipment	13	**388,696**	1,257,660
Deposits paid for prepaid lease payments for land	11	**46,915**	18,772
Rental and other deposits		**15,891**	15,688
		5,083,454	4,707,331
Current Assets			
Inventories		**5,110,888**	3,504,458
Trade debtors	14, 23	**5,722,568**	4,129,842
Derivative financial instruments	18	**955,519**	764,114
Other debtors, prepayments and deposits	14	**30,633**	42,918
Amount due from a jointly controlled entity		**305**	3,914
Prepaid lease payments for land	12	**6,892**	13,397
Prepaid lease payments for coast		**256**	251
Securities held for trading	15	**127,926**	309,016
Deposits placed with brokers		**1,489,456**	2,111,766
Pledged bank deposits		**186,311**	678,897
Bank balances and cash		**1,292,581**	2,402,809
		14,923,335	13,961,382

Condensed Consolidated Statement of Financial Position

	NOTES	At 31 December 2011 HK$'000 (unaudited)	At 30 June 2011 HK$'000 (audited)
Current Liabilities			
Trade creditors	16	3,036,263	2,132,882
Trade payable to a related company	16, 23	461,428	1,135,165
Other creditors and accrued charges	16	340,964	298,590
Bank borrowings	17	6,543,186	6,137,390
Derivative financial instruments	18	585,307	841,423
Convertible notes	20	803,194	–
Tax liabilities		102,185	125,892
		11,872,527	10,671,342
Net Current Assets		3,050,808	3,290,040
Total Assets Less Current Liabilities		8,134,262	7,997,371
Non-current Liabilities			
Convertible notes	20	–	734,418
Bank borrowings	17	1,053,704	939,669
Deferred tax liability		20,923	32,271
		1,074,627	1,706,358
		7,059,635	6,291,013
Capital And Reserves			
Share capital	19	169,090	169,090
Reserves		6,890,545	6,121,923
Equity Attributable To Owners Of The Company		7,059,635	6,291,013

Condensed Consolidated Statement of Changes in Equity

	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 2011 (audited)	**169,090**	**2,936,020**	**3,489**	**1,000**	**33,679**	**68,246**	**321,373**	**36,378**	**2,721,738**	**6,291,013**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**965,233**	**965,233**
Other comprehensive income:										
Exchange differences arising on translation of foreign operations and to presentation currency	**-**	**-**	**-**	**-**	**-**	**32,370**	**-**	**-**	**-**	**32,370**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**32,370**	**-**	**-**	**965,233**	**997,603**
Recognition of equity-settled share – based payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,744**	**-**	**7,744**
Lapse of share options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,663)**	**11,663**	**-**
Dividend paid *(note 9)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(236,725)**	**(236,725)**
At 31 December 2011 (unaudited)	**169,090**	**2,936,020**	**3,489**	**1,000**	**33,679**	**100,616**	**321,373**	**32,459**	**3,461,909**	**7,059,635**
At 1 July 2010 (audited)	161,587	1,922,737	3,489	1,000	33,679	(2,107)	321,373	7,388	1,648,498	4,097,644
Profit for the period (restated)	-	-	-	-	-	-	-	-	589,221	589,221
Other comprehensive income:										
Exchange differences arising on translation of foreign operations and to presentation currency	-	-	-	-	-	14,411	-	-	-	14,411
Total comprehensive income for the period	-	-	-	-	-	14,411	-	-	589,221	603,632
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 and restated)	169,087	2,935,653	3,489	1,000	33,679	12,304	321,373	24,341	2,034,815	5,535,741

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

	NOTES	Six months ended 31 December 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Net Cash Used In Operating Activities		**(1,372,344)**	(2,494,369)
Net Cash From (Used In) Investing Activities:			
Proceeds from disposal of an investment property	11	**79,372**	–
Purchase of property, plant and equipment		**(374,762)**	(1,655,258)
Addition to exploration and evaluation assets		**(27,296)**	–
Deposits paid for acquisition of property, plant and equipment		**(383,348)**	(3,758)
Deposits paid for prepaid lease payments		**(27,828)**	(48,802)
Government grant received	12	**336,725**	–
Placement to pledged bank deposits		**(5,783,836)**	(2,705,159)
Withdrawal of pledged bank deposits		**6,276,422**	2,569,973
Other investing cash flows		**5,716**	4,767
		101,165	(1,838,237)
Net Cash From Financing Activities:			
Proceeds from issue of shares		**–**	1,035,000
Expenses on issue of shares		**–**	(14,584)
Dividend paid	9	**(236,725)**	(198,193)
Bank loans raised	17	**16,258,055**	7,708,074
Repayment of bank loans	17	**(15,742,907)**	(5,298,609)
Other financing cash flows		**(124,248)**	(33,341)
		154,175	3,198,347
Net Decrease In Cash And Cash Equivalents		**(1,117,004)**	(1,134,259)
Cash and cash equivalents at 1 July		**2,402,809**	2,037,423
Effect of foreign exchange rate changes		**6,776**	2,509
Cash And Cash Equivalents At 31 December Represented By Bank Balances And Cash		**1,292,581**	905,673

1. 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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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 and for fuel oil inventories which are measured at fair value less costs to sell.

In the preparation of annual consolidated financial statements for the year ended 30 June 2011, the Group has changed one of its principal accounting policies, under which the fuel oil inventories are now stated at fair value less costs to sell, with changes in fair value less costs to sell recognised in profit or loss in the period of change. The directors of the Company consider that measuring fuel oil at fair value less costs to sell would provide more relevant financial information about the effects of such trading on the Group's financial position and financial performance. The comparative figures for the six months ended 31 December 2010 have been restated accordingly. Such change has resulted in decrease in cost of sales and services and increase in profit for the period of approximately HK$258,135,000 for the six months ended 31 December 2010. At 31 December 2010, inventories was increased by approximately HK$220,460,000.

The above change in accounting policy has resulted in rise in the Group's basic and diluted earnings per share of HK3.85 cents and HK2.81 cents respectively for the six months ended 31 December 2010.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2011 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2011. In addition, the Group adopted the following accounting policies from the accounting period beginning on 1 July 2011.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

2. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Government grants – continued

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

In the current interim period, the Group has applied, for the first time, the following revised standard and amendments ("new and revised HKFRSs") issued by the HKICPA:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for amendments to HKAS 27 and HKFRS 3
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets
HKAS 24 (as revised in 2009)	Related party disclosures
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement

The application of the above new or revised HKFRSs in the current interim period had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards, amendments and interpretation that have been issued but are not yet effective. The following standard, amendments and interpretation have been issued or revised after the date the consolidated financial statements for the year ended 30 June 2011 were authorised for issuance and are not yet effective:

HKFRS 7 (Amendments)	Disclosures – Offsetting financial assets and financial liabilities[1]
HKFRS 9	Financial instruments[2]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[2]
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities[3]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]

1 Effective for accounting periods beginning on or after 1 January 2013.
2 Effective for accounting periods beginning on or after 1 January 2015.
3 Effective for accounting periods beginning on or after 1 January 2014.

2. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The directors of the Company consider the amendments to HKAS 32 and HKFRS 7 as described above will not affect the presentation of the Group's financial position. The application of these amendments might expand the disclosures set out in the Group's annual consolidated financial statements and interim periods within those annual periods retrospectively.

Other than as disclosed above, the directors of the Company anticipate that the application of these new or revised standards, amendments and interpretation will have no material impact on the results and the financial position of the Group.

3. REVENUE

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Provision of marine bunkering services	**23,880,700**	8,735,507
Sales of petroleum products	**12,261,949**	3,742,405
Marine transportation income	**115,599**	26,943
Dividend income	**2,774**	3,892
Rental income from investment properties	**807**	2,083
Sales of garments	**–**	1,392
	36,261,829	12,512,222

4. SEGMENT INFORMATION

The Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

- International supply and bunkering operation
- Marine transportation operation
- Direct investments

During the year ended 30 June 2011, 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, being the chief operating decision maker ("CODM"), the financial information on marine bunkering operation and international supply of petroleum products is presented as one operating segment as certain expenses are incurred for both businesses while the Group's Chief Executive Officer based on this report assesses the performance of segments. Accordingly, results from marine bunkering operation and sales of petroleum products is presented as one operating segment as "International supply and bunkering operation".

With the change of the accounting policy on measurement of fuel oil inventories, the CODM also included the fair value change of derivative financial instruments as part of segment results from international supply and bunkering operation. Accordingly, the gain on fair value change of derivative financial instruments amounting to HK$793,756,000 (six months ended 31 December 2010: loss of HK$218,452,000) included in the segment results were regrouped from direct investments to international supply and bunkering operation for the six months ended 31 December 2011 and 2010 respectively. The amount reported for the prior period has been restated.

From the second half of the year ended 30 June 2011, the CODM reviewed the financial performance of marine transportation operation as one of the operating segments. Results from marine transportation operation are presented as one operating segment. Instead of grouping the revenue from marine transportation operation as unallocated revenue, such revenue and results has been presented separately as operating segment. Segment information for the six months ended 31 December 2010 has been restated.

During the year ended 30 June 2011, garment operation and properties investments were not reviewed by the CODM. Accordingly, the segment information for the six months ended 31 December 2010 is restated. Revenues from garment operation and properties investments are grouped together as unallocated revenue for both six months ended 31 December 2011 and 2010.

4. SEGMENT INFORMATION – CONTINUED

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

Six months ended 31 December 2011

	International supply and bunkering operation HK$'000 (unaudited)	Marine transportation operation HK$'000 (unaudited)	Direct investments HK$'000 (unaudited)	Segment total HK$'000 (unaudited)	Unallocated revenue HK$'000 (unaudited) (Note)	Consolidated HK$'000 (unaudited)
SEGMENT REVENUE						
External sales	36,142,649	115,599	2,774	36,261,022	807	36,261,829
SEGMENT RESULTS	1,297,871	38,614	(41,888)	1,294,597		1,294,597
Other income, gains and losses						(2,811)
Unallocated corporate expenses						(83,252)
Finance costs						(193,024)
Share of losses of jointly controlled entities						(5,659)
Profit before taxation						1,009,851

4. SEGMENT INFORMATION – CONTINUED

Six months ended 31 December 2010 (restated)

	International supply and bunkering operation HK$'000 (unaudited)	Marine transportation operation HK$'000 (unaudited)	Direct investments HK$'000 (unaudited)	Segment total HK$'000 (unaudited)	Unallocated revenue HK$'000 (unaudited) (Note)	Consolidated HK$'000 (unaudited)
SEGMENT REVENUE						
External sales	12,477,912	26,943	3,892	12,508,747	3,475	12,512,222
SEGMENT RESULTS	688,138	12,635	72,039	772,812		772,812
Other income, gains and losses						1,871
Unallocated corporate expenses						(64,699)
Finance costs						(91,064)
Share of losses of jointly controlled entities						(22)
Profit before taxation						618,898

Note: Unallocated revenue represents revenue from garment operation and properties investments which were not reviewed by the CODM during the six months period ended 31 December 2011 and 2010.

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' emoluments, share of losses of jointly controlled entities, other income, gains and losses (excluding fair value change of securities held for trading), finance costs and income tax. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest income on bank deposits	**2,127**	5,087
Fair value change of securities held for trading	**(33,621)**	68,147
Fair value change of investment properties, net	**–**	5,898
Gain on disposal of an investment property	**1,286**	–
Foreign exchange gain	**10,703**	6,581
Foreign exchange loss	**(19,102)**	(15,332)
Others	**2,175**	(363)
	(36,432)	70,018

6. FINANCE COSTS

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Imputed interest expense on convertible notes	**68,776**	57,723
Interest expenses on bank borrowings	**124,248**	33,341
	193,024	91,064

7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Release of prepaid lease payments	**1,819**	959
Transaction cost charged by banks and brokers in relation to derivative trading (included in other expenses)	**101,526**	30,767
Depreciation of property, plant and equipment		
– Vessel (included in cost of sales and services)	**33,742**	22,646
– Others	**12,212**	7,152

Note: Professional fee represents fee for general legal advisory services, consultancy fee and fee for advisory services on investment projects. An aggregate amount of approximately HK$30,856,000 (six months ended 31 December 2010: nil) is in relation to consultancy services on business development rendered by independent third parties.

8. TAXATION CHARGE

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax charge for the period:		
Hong Kong Profits Tax	**–**	4,717
Singapore Income Tax	**59,535**	32,357
	59,535	37,074
(Over) underprovision in prior years, net	**(3,569)**	2,127
Deferred taxation – current period *(note 20)*	**(11,348)**	(9,524)
	44,618	29,677

8. TAXATION CHARGE – 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. The estimated average annual tax rate used in respect of Hong Kong Profits Tax and taxation in other jurisdictions is 16.5% and 5% respectively for both periods. No provision for the People's Republic of China ("PRC") Enterprise Income Tax and the Hong Kong Profits Tax was provided for the Group's PRC and Hong Kong subsidiaries as those subsidiaries have no assessable profit or suffered from tax losses for the six months ended 31 December 2011.

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 period from trading fuel and oil under the marine bunkering segment of the Group has been charged at a concessionary tax rate of 5%.

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	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Final dividend paid – HK3.5 cents per share for financial year 2011 (2010: HK3 cents per share for the financial year 2010)	**236,725**	202,904

Final dividend for the year ended 30 June 2011 of HK3.5 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	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**965,233**	589,221
Effect of dilutive potential ordinary shares:		
Interest on 2009 Convertible Notes (defined in note 20) (net of tax)	**57,428**	48,199
Earnings for the purpose of diluted earnings per share	**1,022,661**	637,420

Number of shares

	Six months ended 31 December	
	2011	2010
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,763,581,600**	6,699,894,643
Effect of dilutive potential ordinary shares:		
2009 Convertible Notes	**2,479,979,333**	2,479,979,333
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**9,243,560,933**	9,179,873,976

10. EARNINGS PER SHARE – CONTINUED

Number of shares – continued

For the six months ended 31 December 2010 and 2011, the computation of the diluted earnings per share does not assume the exercise 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 and 2011.

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the shares issued upon the placing of shares with details disclosed in note 19.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND DEPOSITS PAID FOR PREPAID LEASE PAYMENTS

During the current period, total additions to property, plant and equipment were approximately HK$1,628,038,000 (six months ended 31 December 2010: HK$1,655,258,000).

During the six months ended 31 December 2011, the Group disposed of an investment property situated outside Hong Kong for cash proceeds of approximately HK$79,372,000, resulting in a gain on disposal of approximately HK$1,286,000. There was no disposal of investment properties during the six months ended 31 December 2010.

During the six months ended 31 December 2011, the Group paid additional deposits for prepaid lease payments of approximately HK$27,828,000 (six months ended 31 December 2010: HK$48,802,000). Balance at 31 December 2011 and 30 June 2011 represented deposits paid for prepaid lease payments in the PRC with medium-term lease.

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. There is no change in fair value of the investment property for the current period (six months ended 31 December 2010: increase in fair value of investment properties of approximately HK$5,898,000 has recognised directly in the profit or loss).

12. PREPAID LEASE PAYMENTS FOR LAND

During the current period, the Group has received a government grant of RMB275,697,000 (approximately HK$336,725,000) in respect of acquisition of prepaid lease payments for land in the PRC in March 2011 pursuant to the agreement signed between the local government and the Group. The government grant amount has been deducted from the carrying amount of the prepaid lease payments for land. The amount would be transferred to income in the form of reduced charge over the lease term of the prepaid lease payment.

13. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At 31 December 2011, the amount mainly represents deposits paid for acquisition of vessels of approximately HK$251,353,000 (30 June 2011: HK$1,253,276,000) and development and construction of the infrastructure at the natural gas field in Xingjiang Uygur Autonomous Region in the PRC jointly operated with a PRC joint venture partner of approximately HK$131,816,000 (30 June 2011: nil). The remaining balance represents deposits paid for acquisition of certain software.

14. TRADE DEBTORS AND OTHER DEBTORS, PREPAYMENTS AND DEPOSITS

The Group allows an average credit period of 30 to 45 days to its international supply and 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 end of the reporting period:

	At 31 December 2011 HK$'000 (unaudited)	At 30 June 2011 HK$'000 (audited)
0 – 30 days	**5,565,881**	3,751,753
31– 60 days	**99,947**	369,821
61 – 90 days	**48,830**	4,046
Over 90 days	**7,910**	4,222
	5,722,568	4,129,842

14. TRADE DEBTORS AND OTHER DEBTORS, PREPAYMENTS AND DEPOSITS – CONTINUED

Included in trade debtors, balance of approximately HK$7,365,000 (30 June 2011: nil) is receivable from a related company controlled by Dr. Sit Kwong Lam ("Dr. Sit"), a controlling shareholder of the Company. Such trade receivable due from the related company is unsecured, non-interest bearing and repayable on demand.

At 31 December 2011, other debtors, prepayments and deposits of approximately HK$24,196,000 (30 June 2011: HK$35,200,000) represents prepayments for daily operation.

15. SECURITIES HELD FOR TRADING

	At 31 December 2011 HK$'000 (unaudited)	At 30 June 2011 HK$'000 (audited)
Equity securities listed in Hong Kong, at fair value	**127,926**	309,016

16. TRADE CREDITORS AND OTHER CREDITORS AND ACCRUED CHARGES

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

	At 31 December 2011 HK$'000 (unaudited)	At 30 June 2011 HK$'000 (audited)
0 – 30 days	**3,031,574**	2,131,106
31 – 90 days	**3,337**	1,678
Over 90 days	**1,352**	98
	3,036,263	2,132,882

16. TRADE CREDITORS AND OTHER CREDITORS AND ACCRUED CHARGES – CONTINUED

Apart from balance disclosed above, the balance of approximately HK$461,428,000 (30 June 2011: HK$1,135,165,000) classified as trade payable to a related company is aged within 45 days at 31 December 2011 (30 June 2011: aged within 45 days).

As at 31 December 2011, other creditors and accrued charges include goods and service tax payable of approximately HK$80,090,000 (30 June 2011: HK$58,749,000) in relation to sales in Singapore. The amount is unsecured, non-interest bearing and repayable within three months from the end for the reporting period. Other than that, balance of approximately HK$110,828,000 (30 June 2011: HK$56,041,000) represents payable to independent third parties for purchase of property, plant and equipment. The amount is unsecured, non-interest bearing and repayable on demand.

17. BANK BORROWINGS

During the current period, the Group obtained several new bank loans from various banks amounting to approximately HK$16,258,055,000 (six months ended 31 December 2010: HK$7,708,074,000) and repaid approximately HK$15,742,907,000 (six months ended 31 December 2010: HK$5,298,609,000). The loans carry interest at market rates ranging from 2.67% to 4.96% (six months ended 31 December 2010: 0.10% to 3.51% per annum) and are repayable in installments over a period from 1 month to 9 years (six months ended 31 December 2010: 1 month to 10 years).

18. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments of the Group comprised of long and short positions in mainly oil and gasoline futures, swaps and forwards contracts, including ICE futures (mainly Brent, Gasoil and WTI), Nymex Futures (mainly Gasoline, Heating Oil, WTI), ICE swaps (mainly Fuel Oil, Gasoil and Crude Oil), Nymex swaps (mainly Fuel Oil and Crude Oil) and all the futures and swaps contracts are listed contracts. Forwards contracts in relation to physical delivery of fuel oil and crude oil are directly dealt with some counterparties.

During the six months ended 31 December 2011, the gain on fair value change of derivative financial instruments of futures, swaps and forwards contracts of approximately HK$793,756,000 was credited to profit or loss (six months ended 31 December 2010: loss on fair value change of derivative financial instruments of approximately HK$218,452,000 was charged to profit or loss).

18. DERIVATIVE FINANCIAL INSTRUMENTS – CONTINUED

The Group is exposed to oil price risk through its international supply and marine bunkering business whose prices fluctuate directly with the oil price. The oil price is affected by a wide range of global and domestic factors which are beyond the control of the Group. The fluctuation in oil prices may have favourable or unfavourable impacts to the Group.

The Group has carried out hedging or trading activities to reduce the price risk exposure during the course of business. In order to evaluate and monitor the hedging or trading activities, the Group has formulated a risk management policy documenting, amongst other things, the scope of risk management, roles and responsibility and risk tolerance. The scope of risk management policy focuses on price risks arising from fuel oil inventories and derivative financial instruments, including futures, swaps and forwards contracts, traded in several exchanges or directly traded with some counterparties for hedging or trading purposes. The hedging or trading strategies are applied upon the conclusion of either the buy-side or sell-side agreements. Derivative transactions entered into for hedging or trading purposes are monitored for suitability in terms of size, direction, and strategy with reference to the corresponding shipment involved. All the transactions on the derivatives contracts have to be approved by the senior management. In November 2010, the Group established a Risk Control Committee ("RCC") to monitor derivatives contracts in a more systematic way. Trading limits have been set to all traders and approval is required from the chairman of RCC if the limits are to be exceeded.

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

At 31 December 2011, over 80% (30 June 2011: 80%) of derivative financial assets and derivative financial liabilities are swaps contracts. Others are futures and forwards contracts.

19. SHARE CAPITAL

	Number of shares (unaudited)	Share capital HK$'000 (unaudited)
Ordinary Shares		
Authorised		
At 1 July 2010, 30 June 2011 and 31 December 2011, at HK$0.025 each	40,000,000,000	1,000,000
Issued and fully paid		
At 1 July 2010, at HK$0.025 each	6,463,481,600	161,587
Placing of shares *(Note a)*	300,000,000	7,500
Exercise of share options *(Note b)*	100,000	3
At 30 June 2011 and 31 December 2011, at HK$0.025 each	6,763,581,600	169,090

Notes:

(a) On 29 July 2010, Canada Foundation Limited ("Canada Foundation"), a controlling shareholder of the Company wholly and beneficially owned by Dr. Sit, an executive director 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 new 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.

(b) In January 2011, a total of 100,000 new ordinary shares of HK$0.025 each were issued upon the exercise of share options by employees of the Group.

All the shares issued during the six months ended 31 December 2011 rank pari passu with the then existing shares of the Company in all respect.

20. CONVERTIBLE NOTES

Pursuant to the subscription agreement dated 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"). Subsequent to the share subdivision of the Company on 27 May 2010 ("Share Subdivision"), conversion price of the 2009 Convertible Notes is adjusted to US$0.04839.

The 2009 Convertible Notes are denominated in United States dollars and are 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 an 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, 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 2011 and 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. During the six months ended 31 December 2011, change on deferred tax liability of approximately HK$11,348,000 (six months ended 31 December 2010: HK$9,524,000) was credited to profit or loss.

21. PLEDGE OF ASSETS

At 31 December 2011, vessels, construction in progress, inventories, trade debtors and bank deposits of the Group with carrying values of approximately HK$1,610,592,000, HK$418,351,000, HK$2,663,106,000, HK$5,279,867,000 and HK$186,311,000 (30 June 2011: HK$1,639,892,000, nil, HK$2,516,557,000, HK$4,096,404,000 and HK$678,897,000) respectively were pledged with several banks to secure the loans and short-term credit facilities granted to the Group.

22. COMMITMENTS

	At 31 December 2011 HK$'000 (unaudited)	At 30 June 2011 HK$'000 (audited)
Capital Commitments		
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	5,073,956	4,609,902
– addition to evaluation and exploration assets	74,559	56,870
	5,148,515	4,666,772
Other Commitments		
Expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of:		
– prepaid lease payments on leasehold land in the PRC	46,849	46,077
	5,195,364	4,712,849

23. RELATED PARTY TRANSACTIONS

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

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Purchase of fuel oil from a related company	**2,593,398**	4,827,773
Rental income received or receivable from a related company	**–**	1,487
Marine transportation income received or receivable from a related company	**7,365**	–
Office rental charged by a related company	**213**	–
Fuel oil storage fee paid or payable to a related company	**23,240**	6,794

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

Trade receivable from a related company included in trade debtors is unsecured, non-interest bearing and repayable on demand. Such amount has been subsequently settled in January 2012.

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 2011 and 30 June 2011.

Amount due from a jointly controlled entity is unsecured, non-interest bearing and is expected to realise within the next 12 months from the end of the reporting period.

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.

23. RELATED PARTY TRANSACTIONS – CONTINUED

Compensation of key management personnel

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

	Six months ended 31 December	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Salaries and other short-term employee benefits	**10,179**	9,665
Share-based payment	**6,161**	13,047
Retirement benefits costs	**21**	29
	16,361	22,741

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

24. MAJOR NON-CASH TRANSACTIONS

During the six months ended 31 December 2011, the Group utilised approximately HK$1,253,276,000 (six months ended 31 December 2010: nil) of deposits paid of acquisition of property, plant and equipment.

25. EVENTS AFTER THE END OF INTERIM PERIOD

Acquisition of a private company established in the PRC

Pursuant to the announcement dated 31 January 2012, Win Business Petroleum Group (Grand Desert) Limited, a wholly-owned subsidiary of the Company, has acquired the entire issued share capital of a private company established in the PRC (the "Target Company"), wholly-owned by Dr. Sit. In accordance with the term of the acquisition, the Company has issued 322,916,666 consideration shares to Canada Foundation Limited, a company wholly owned by Dr. Sit.

The Target Company is principally engaged in natural gas development and production in the PRC. The acquisition has been completed on 31 January 2012. As at the date of the report, the directors are in the process of considering and qualifying the valuation of all identifiable assets and liabilities of the Target Company.

Financial Review

During the six months from 1 July to 31 December 2011 (the "Period"), the total revenue of the Group increased by approximately 189.8% to HK$36,261.8 million from HK$12,512.2 million in the same period last year. Gross profit of the Group increased approximately 7.8% to HK$1,133.5 million from HK$1,051.5 million in the same period last year.

During the Period under review, the Group reported an increase of approximately HK$793.8 million (2010: a negative fair value change of approximately HK$218.5 million) on the fair value change of derivative financial instruments. This caused the large difference of approximately HK$1,012.3 million on the fair value change of derivative financial instruments between the Period and same period last year and attributed to the increase 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.

During the Period under review, profit attributable to the owners of the Company (the "Shareholders") amounted to HK$965.2 million increased approximately 63.8% from HK$589.2 million in the same period last year. Basic earnings per share of HK14.27 cents, rose by approximately 62.3% as compared to the same period in the previous financial year. Diluted earnings per share increased to HK11.06 cents as compared to HK6.94 cents same period last year.

Liquidity and Financial Resources

As of 31 December 2011, the Group had deposit placed with brokers, pledged bank deposits and bank balances and cash of approximately HK$1,489.5 million, HK$186.3 million and HK$1,292.6 million respectively.

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

As at 31 December 2011, the Group had bank borrowings and charges on its assets of approximately HK$7,596.9 million and HK$10,158.2 million respectively.

Contingent Liabilities

As at 31 December 2011, the Group did not have any significant contingent liabilities.

Business Review

International Supply and Bunkering

The International Supply and Bunkering ("ISB") division provides a competitive supply service for marine bunker fuels for major international shipping companies in key ports around the world. The scale of activity for ISB started to transform at the end of 2010 and the rate of development in 2011 saw the division increase revenues in the second half of 2011 by 190% and volumes by 97% compared with the same period in 2010.

Average crude prices over the corresponding period in 2010 showed an increase of more than one-third. Prices remained high during the second half of 2011, sustaining the levels seen in the first half, despite deterioration in the global economic environment. Price volatility remained high, particularly in the third quarter 2011, making trading conditions particularly challenging.

The Group remains focused on developing competitive supply positions in strategic ports and added Houston to the list of ports where bunker fuel is supplied. We also re-started our deliveries in Rotterdam, and continued to build our presence in Singapore, Tanjung Pelepas, New Orleans, Hong Kong, as well as the Chinese ports of Shenzhen, Shanghai, Ningbo and Zhoushan.

The primary locations of ISB supply are in Singapore and China. The Group's ability to provide reliable and competitive supply in Singapore has led to an increase in our market share. The Maritime and Port Authority of Singapore ("MPA") has ranked Brightoil as the 2nd largest bunker supplier in 2011, up from 34th position in 2010. This is a major achievement given the competitive environment in Singapore where more than 80 registered suppliers compete in a market of 43 million tonnes. The market for bunker fuels in China also showed strong growth. Our presence in the key ports of South China and East China enabled Brightoil to increase our market share moderately and maintain our strong position.

Our competitiveness is underpinned by being able to source competitive products and, as market opportunities emerge, to profit from arbitrage shipments from the West and the East. We successfully completed our first arbitrage cargoes from the US Gulf Coast, delivering fuel oil to China and to the Singapore markets. Our global presence and trading capabilities in Houston and Singapore in particular, enable these shipments to be commercially viable and attractive.

Oil Storage and Terminal Facilities

Developing strategic oil storage assets is a critical part of the Group's strategy in becoming an integrated energy conglomerate. Such investments are expected to provide steady and attractive returns, providing storage services to the wider industry as well as other Group's business, including ISB. A portfolio of global storage positions owned and leased by the Group will enhance longer-term strategic development of the business and support the optimisation of supply across the ISB value chain.

Business Review – continued

Oil Storage and Terminal Facilities – continued

The current focus for the Group's storage development remains the construction of the terminals in the Eastern and Northern China. Both locations have deep water access capable of handling Very Large Crude Carrier ("VLCC"). The installed capacity will be sufficient to take advantage of these large shipment sizes to reduce the cost of sourcing as well as the transportation of crude and petroleum products direct from producers and the major trading hubs. The design capabilities, inclusive of planned pipeline connections to regional refineries, will enhance cargo throughput volumes and revenues.

During 2011, a number of safety-related incidents across the Chinese oil industry resulted in a review and revisions to safety requirements for storage terminals. As a result, we have changed the design standards to meet the new regulations and have had a consequential impact on the schedule for approvals and construction.

In Eastern China, the terminal construction has commenced on Waidiao Island in Zhoushan, Zhejiang Province. The total capacity of the storage facility will be up to 3.2 million cubic meters. The tank storage is wholly-owned by the Group and commissioning of tanks for phase 1 is estimated to start in early 2013 and commercial operations will begin before mid-2013.

In Northern China, on Dalian's Changxing Island, construction of Phase 1 of the terminal has also commenced and commercial operations are expected to start in the second half of 2013. As with the Zhoushan terminal, the usage of capacity for the facility will be for a combination of own use and third party use.

Marine Transportation

To compliment the overall strategy to optimize the purchase, transportation and supply of crude and products, the Group is establishing a fleet of oil tankers that will facilitate the transport of cargo from our supply source to the point of delivery. In line with the group's overall strategy and after the delivery of 4 Aframax tankers, the construction of the 5 VLCCs is ongoing and progressing in accordance with the agreed schedule. The first vessel is expected to be delivered in July 2012. Once the new 5 VLCCs buildings program is completed in first half of 2013, the Group's total carrying capacity will be in excess of 2,000,000 DWT and the fleet is expected to carry approximate 20,000,000 MT of oil annually.

In parallel with creating a fully integrated shipping division and establishing a sizeable vessel fleet and the Group is focusing on ensuring all shipping activities will be handled in house or outsourced in accordance with best practice.

The formation of the shipping division further enhances the efficiency in operation and it is expected to provide cost savings throughout the year.

Business Review – continued

Marine Transportation – continued

The chartering-in activities, handled in line with the needs of the group's bunkering activities increased significantly and numerous VLCCs, Aframaxes, MRs and Coastal Tankers were sourced from third party suppliers for short term contracts.

With the current international financial situation, the shipping market is at an almost all time low, although it is expected to gradually improve in line with international governments' effort to stimulate the global economy. With an overall modernization of the world's oil vessel fleet, the Group is expected to improve its ISB business and its operation efficiencies.

Upstream Business

The focus of the Group's upstream business during the Period under review has been to progress the approvals to the Overall Development Plan ("ODP") for the Tuzi Gas Field ("Tuzi Field") in the Xinjiang Autonomous Region. The ODP covers the full development of the Tuzi Field, including drilling, completions, facilities, road access, etc. Furthermore, the Environmental Impact Assessment, Water and Soil Conservation, Occupational Health and Safety and Land Use plans have been reviewed. The final approval process by the relevant government authorities is expected to be completed during the first half of 2012.

On 11 November, 2011 Brightoil announced the acquisition of Win Business Petroleum Group ("Win Business") which holds the rights to develop and produce natural gas at the Dina 1 Gas Field, located adjacent to the Tuzi Field in the Xinjiang Tarim Basin. The Dina 1 Gas Field covers 74.766 square kilometres with proved plus probable gas and condensate reserves of 127.9 Bscf and 1.8 MMstb respectively. The Group is entitled to the reserves of 73.5 Bscf gas and 1.0 MMstb condensate. The Field has commenced commercial production and can be developed together with the Tuzi Field-creating economies of scale and synergies that will result in cost savings.

The Dina 1 Gas Field, located some 10 km south/north of the Tuzi Field was discovered by China National Petroleum Corporation ("CNPC") in 1999. The gas reservoir is at some 5,000 to 6,000 meter below the surface, covering an area of 150 sq km. The Production Sharing Contract ("PSC"), was signed on 15 April, 2008 with CNPC, is valid for 30 years. Under the terms of the PSC, the Group and CNPC proportionally recover paid costs and then share profit in a ratio of 49% to the Group.

Business and Market Outlook

The global economy was adversely affected by the European sovereign debt crisis during the review period. As the crisis has yet to be resolved, exerting pressure on financial markets around the globe, it is expected that the global economy is to remain uncertain and challenging during the second half of the fiscal year. The outlook for economic growth, coupled with fiscal restraint across the Organisation for Economic Co-operation and Development ("OECD"), is likely to further dampen the growth of the main markets in which we trade.

Business and Market Outlook – continued

International Supply and Bunkering

While continuing to expand the sources of revenue, a key focus has been placed on risk management and control across all the business operations with particular attention to hedging and counterparty credit risk. We will continue to exhibit caution if the market conditions deteriorate, pursuing opportunities only where there is an appropriate balance between risk and reward.

For marine bunkering, we aim to focus our efforts on building a greater presence and returns in the markets we currently serve. The Asia Pacific, in particularly Singapore and China, remain relatively high growth markets and we are competitively advantaged in these locations. We will seek new ports only where the supply chain enables us to price competitively while expanding our service offering to the major shipping companies that we are already supplying.

In addition, we expect to deepen our involvement in the supply of distillates. Widening our portfolio of traded products will enhance our offering to trading counterparties, as well as diversify our income generation. Later in 2012, we also expect to have an operational European team based in Geneva, with the pace and scale of our participation in European markets determined by market opportunities.

Oil Storage and Terminal Facilities

The outlook remains unchanged, with the storage projects in Zhoushan and Dalian under construction and development throughout 2012. The Group continues to seek opportunities for the acquisition or development of other storage facilities in China and internationally that provide strategic and attractive options for the Group. These investments will be considered where robust investment returns, attractive cash flow prospects, and complementary support for the ISB business are aligned.

Marine Transportation

The global shipping industry came under pressure during the first half of the fiscal year as the charter and freight markets were impacted by fluctuating fuel prices and low freight rates as a result of imbalances in supply and demand led by low trading activities amid gloomy economic environment. Despite the challenging economic environment, we are optimistic about the outlook for the marine transport sector and believe that the worst may soon be over for the sector as there are increasing signs of a reduction in supply ahead of the peak summer season and of a rebound in rates. The Group is optimistic about the continuous development of its marine transportation business, supported by the expected delivery of its 5 VLCCs in 2012 and 2013.

Business and Market Outlook – continued

Upstream Business

Besides carrying on with our core development plans to expand the scale of our ISB business, we will spare no efforts in developing our upstream business so as to turn the Group into a leading global energy production and supply company. With the acquisition of the Dina 1 Gas Field, the Group's first operating upstream project, we believe the upstream business, when Tuzi Field also in operation, will become an important source of revenue for the Group by the end of 2012 or early 2013. With the support of our solid downstream operations, we will continue to actively seek opportunities in projects that will broaden the appeal of our upstream business, including the exploitation and development of oil and gas, globally. These investments will be considered where robust investment returns, attractive cash flow prospects.

In 2011, the shipping market recovered somewhat despite the weak economy, while the market for oil and gas continued to boom across the globe as reflected in surging oil prices. Staying focused on our vision for the industry, we will continue to execute our growth strategy to diversify revenue streams for future growth while also reinforcing our solid foundations and the sustainability of our core businesses. Leveraging continued economic growth as well as rapid industrialisation and urbanisation in China, which have boosted domestic demand for energy, the Group will continue to strive for the integration of its value chain in the energy sector so as to become one of the leading global energy conglomerates in the world, with a view to creating greater value and higher returns to our shareholders.

Capital Structure

As at 31 December 2011, the Company had 6,763,581,600 shares (the "Shares") in issue with total Shareholders' equity of approximately HK$7,059,635,000.

Borrowings and Charges on Group Assets

As at 31 December 2011, the Group had convertible notes, bank borrowings and charges on its assets of approximately HK$803,194,000, HK$7,596,890,000 and HK$10,158,227,000 respectively.

Particulars of the Company's convertible notes are set out in the note 20 to the Condensed Consolidated Financial Statements.

The maturity profile of the Group's bank borrowing is spread over a period of ten years, with HK$6,543,186,000 repayable within one year, HK$135,833,000 within one to two years, HK$409,329,000 within two to five years and HK$508,542,000 beyond five years.

Compliance with Chapter 13 of the Listing Rules

The following information is disclosed pursuant to Rules 13.21 of Chapter 13 of the Listing Rules.

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

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

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

Gearing Ratio

As at 31 December 2011, the Group's gearing ratio was approximately 76.9%, calculated as the Group's net borrowing divided by Shareholders' equity. Net borrowing of HK$5,431.8 million was calculated as total borrowings (i.e. the aggregate of bank borrowings and convertible notes of HK$8,400.1 million) less bank balances and deposits of HK$2,968.3 million.

Significant Investments Held

Details of significant investments are set out in the notes 11, 15 and 18 to the Condensed Consolidated Financial Statements.

Employees and Remuneration Policies

As at 31 December 2011, the Group employed approximately 230 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 2011, total employees' remuneration, including Directors' remuneration, was approximately HK$90 million (2010: HK$50.7 million).

Interim Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2011.

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.

Subject to the rules of the Share Option Scheme, options may be exercised, in whole or in part, at any time during the exercise period. Options granted must be accepted by the prescribed acceptance date. Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

Share Option Scheme – continued

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share, the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

On 22 April 2010, a total of 11,380,000 share options (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 21 April 2011, 21 April 2012, 21 April 2013 and 21 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 2011	Granted during the Period	Exercised during the Period	Lapsed during the Period	Outstanding at 31 December 2011
Directors	30,000,000	–	–	(8,000,000)	22,000,000
Employees	8,540,000	–	–	(2,860,000)	5,680,000
	38,540,000	–	–	(10,860,000)	27,680,000

6,920,000 share options are exercisable at 31 December 2011 (2010: Nil).

Substantial Shareholders and Persons Having 5% or More Interests

As at 31 December 2011, 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 2011, 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 6 September 2011, Mr. Chia Teck Lim resigned as an executive Director of the Company and on 23 November 2011, Mr. Gregory John Channon resigned as an executive Director of the Company.

On 28 November 2011, Mr. Per Wistoft Kristiansen ("Mr. Kristiansen") was appointed as an executive Director of the Company.

As at 31 December 2011, the Board consists of a total of eleven Directors, comprising four 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 2011, 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 2011:

	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy)	Exercise price HK$	Number of options held at 31 December 2011
Executive Directors				
Mr. Tang Bo	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
Total of Executive Directors				8,000,000
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 2011, 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 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 during the period covered by this interim report, except for the following deviation:

Model Code Rule B.8

This rule stipulates that a director must not deal in any securities of the listed issuer without first notifying in writing the chairman or a director designated by the board and receiving a dated written acknowledgement.

On 26 January 2012, Mr. Per Wistoft Kristiansen, an executive Director of the Company purchased 50,000 of the Company's shares. Mr. Kristiansen did not notify the Company’s chairman or designated director in writing, nor did he receive a dated written acknowledgment from the Company before the dealing in securities as required by Rule B.8 of the Model Code.

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 2011 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, 27 February 2012

Board of Directors

Executive Directors

Dr. Sit Kwong Lam *(Chairman and Chief Executive Officer)*
Mr. Tang Bo
Mr. Tan Yih Lin
Mr. Per Wistoft Kristiansen

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

Nomination Committee

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

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