# BRIGHTOIL PETROLEUM (HOLDINGS) LIMITED

光滙石油(控股)有限公司*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 933)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2012

The board of directors (the "Board" or the "Directors") of Brightoil Petroleum (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2012 together with the comparative figures in previous year, which have been reviewed by the audit committee of the Company:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

| | NOTES | **2012**<br>**HK$'000** | 2011<br>HK$'000 |
|---|---|---|---|
| Revenue | 3 | **69,949,215** | 39,553,108 |
| Cost of sales and services | | **(69,063,050)** | (37,102,972) |
| Gross profit | | **886,165** | 2,450,136 |
| Other income, gains and losses | 5 | **(1,731)** | 34,263 |
| Fair value change of derivative financial instruments | 13 | **1,082,074** | (172,768) |
| Other expenses | | **(207,924)** | (84,065) |
| Distribution and selling expenses | | **(762,164)** | (338,577) |
| Administrative expenses | | **(384,084)** | (256,833) |
| Finance costs | 6 | **(297,458)** | (242,767) |
| Share of losses of jointly controlled entities | | **(5,234)** | (11,144) |
| Share of profit of an associate | | **33** | - |
| Profit before taxation | 7 | **309,677** | 1,378,245 |
| Taxation charge | 8 | **(3,961)** | (107,847) |
| Profit for the year attributable to the owners of the Company | | **305,716** | 1,270,398 |
| Other comprehensive income for the year | | | |
| Exchange differences arising on translation of foreign operations and to presentation currency | | **20,245** | 70,353 |
| Total comprehensive income for the year attributable to the owners of the Company | | **325,961** | 1,340,751 |
| | | | |
| Earnings per share | | | |
| -Basic | 10 | **HK4.1 cents** | HK18.8 cents |
| -Diluted | 10 | **HK4.1 cents** | HK14.9 cents |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AT 30 JUNE 2012**

| | NOTES | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **6,021,753** | 2,159,976 |
| Prepaid lease payments for land | | **376,875** | 653,746 |
| Prepaid lease payments for coast | | **11,933** | 11,988 |
| Investment properties | | **41,000** | 120,399 |
| Exploration and evaluation assets | | **40,546** | 11,639 |
| Interest in an associate | | **11,018** | 10,804 |
| Deposits paid for acquisition of property, plant and equipment | | **359,467** | 1,257,660 |
| Deposits paid for prepaid lease payments for land | | **64,577** | 18,772 |
| Interest in jointly controlled entities | | **448,943** | 446,659 |
| Rental and other deposits | | **10,101** | 15,688 |
| | | **7,386,213** | 4,707,331 |
| **CURRENT ASSETS** | | | |
| Inventories | | **3,257,510** | 3,504,458 |
| Trade debtors | 11 | **6,737,385** | 4,129,842 |
| Prepaid lease payments for land | | **6,892** | 13,397 |
| Prepaid lease payments for coast | | **256** | 251 |
| Derivative financial instruments | 13 | **1,266,024** | 764,114 |
| Other debtors, prepayments and deposits | | **55,343** | 42,918 |
| Amount due from a jointly controlled entity | | **303** | 3,914 |
| Securities held for trading | | **126,118** | 309,016 |
| Receivables from brokers | | **3,305,211** | 2,111,766 |
| Pledged bank deposits | | **413,556** | 678,897 |
| Bank balances and cash | | **1,635,013** | 2,402,809 |
| | | **16,803,611** | 13,961,382 |
| **CURRENT LIABILITIES** | | | |
| Trade creditors | 12 | **4,761,343** | 2,132,882 |
| Trade payable to a related company | | **501,676** | 1,135,165 |
| Other creditors and accrued charges | | **1,216,092** | 298,590 |
| Bank borrowings | | **7,006,194** | 6,137,390 |
| Convertible notes | | **283,078** | - |
| Derivative financial instruments | 13 | **1,645,188** | 841,423 |
| Profits tax liabilities | | **26,640** | 125,892 |
| | | **15,440,211** | 10,671,342 |
| **NET CURRENT ASSETS** | | **1,363,400** | 3,290,040 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **8,749,613** | 7,997,371 |
| **NON-CURRENT LIABILITIES** | | | |
| Convertible notes | | **-** | 734,418 |
| Bank borrowings | | **1,208,642** | 939,669 |
| Deferred tax liability | | **42,167** | 32,271 |
| | | **1,250,809** | 1,706,358 |
| | | **7,498,804** | 6,291,013 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 14 | **219,163** | 169,090 |
| Reserves | | **7,279,641** | 6,121,923 |
| Equity attributable to owners of the Company | | **7,498,804** | 6,291,013 |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 30 JUNE 2012**

| | Share capital | Share premium | Capital redemption reserve | Special reserve | Shareholder's contribution | Translation reserve | Convertible notes reserve | Share options reserve | Accumulated profits | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 (Note a) | HK$'000 (Note b) | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 July 2010 | 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 year | - | - | - | - | - | - | - | - | 1,270,398 | 1,270,398 |
| Other comprehensive income: | | | | | | | | | | |
| Exchange differences arising in translation of foreign operations and to presentation currency | - | - | - | - | - | 70,353 | - | - | - | 70,353 |
| Total comprehensive income for the year | - | - | - | - | - | 70,353 | - | - | 1,270,398 | 1,340,751 |
| Dividends paid (note 9) | | | - | - | - | - | - | - | (202,904) | (202,904) |
| Issue of new shares | 7,500 | 1,027,500 | - | - | - | - | - | - | - | 1,035,000 |
| Transaction costs attributable to issue of shares | - | (14,582) | - | - | - | - | - | - | - | (14,582) |
| Recognition of equity-settled share based payments | - | - | - | - | - | - | - | 34,764 | - | 34,764 |
| Exercise of share options | 3 | 365 | - | - | - | - | - | (28) | - | 340 |
| Lapse of share options | - | - | - | - | - | - | - | (5,746) | 5,746 | - |
| At 30 June 2011 | 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 year | - | - | - | - | - | - | - | - | 305,716 | 305,716 |
| Other comprehensive income: | | | | | | | | | | |
| Exchange differences arising in translation of foreign operations and to presentation currency | - | - | - | - | - | 20,245 | - | - | - | 20,245 |
| Total comprehensive income for the year | - | - | - | - | - | 20,245 | - | - | 305,716 | 325,961 |
| Dividends paid (note 9) | - | - | - | - | - | - | - | - | (236,725) | (236,725) |
| Issue of new shares | 8,073 | 524,739 | - | - | - | - | - | - | - | 532,812 |
| Recognition of equity-settled share based payments | - | - | - | - | - | - | - | 10,722 | - | 10,722 |
| Deferred tax liability reversed upon conversion of convertible notes | | | | | | | 10,865 | | | 10,865 |
| Issue of new shares upon conversion of convertible notes | 42,000 | 750,728 | - | - | - | - | (228,572) | - | - | 564,156 |
| Lapse of share options | - | - | - | - | - | - | - | (12,168) | 12,168 | - |
| At 30 June 2012 | 219,163 | 4,211,487 | 3,489 | 1,000 | 33,679 | 88,491 | 103,666 | 34,932 | 2,802,897 | 7,498,804 |

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.

## 1. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The presentation currency of the consolidated financial statements is Hong Kong dollars ("HK$"). For the convenience of the financial statements users, the results and financial position of the Group are presented in HK$ as the Company's shares are listed on the Stock Exchange of Hong Kong Limited.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 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 new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRSs (Amendments) | Annual improvements to HKFRSs 2009-2011 cycle[1] |
| HKFRS 7 (Amendments) | Disclosures - Offsetting financial assets and financial liabilities[1] |
| HKFRS 9 and HKFRS 7 (Amendments) | Mandatory effective date of HKFRS 9 and transition disclosures[2] |
| HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments) | Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1] |
| HKFRS 9 | Financial instruments[2] |
| HKFRS 10 | Consolidated financial statements[1] |
| HKFRS 11 | Joint arrangements[1] |
| HKFRS 12 | Disclosure of interests in other entities[1] |
| HKFRS 13 | Fair value measurement[1] |
| HKAS 1 (Amendments) | Presentation of items of other comprehensive income[4] |
| HKAS 12 (Amendments) | Deferred tax: Recovery of underlying assets[3] |
| HKAS 19 (Revised 2011) | Employee benefits[1] |
| HKAS 27 (Revised 2011) | Separate financial statements[1] |
| HKAS 28 (Revised 2011) | Investments in associates and joint ventures[1] |
| HKAS 32 (Amendments) | Offsetting financial assets and financial liabilities[5] |
| 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 2012.
4 Effective for accounting periods beginning on or after 1 July 2012.
5 Effective for accounting periods beginning on or after 1 January 2014.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - CONTINUED

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for accounting periods beginning on or after 1 January 2013, with earlier application is permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 30 June 2016. Based on the Group's financial assets and liabilities as at 30 June 2012, the application of this new Standard is not expected to affect classification and measurement of the Group's assets and liabilities.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) - INT 12 "Consolidation - Special purpose entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures" and HK(SIC) - INT 13 "Jointly controlled entities - Non-monetary contributions by venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for accounting periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the accounting period beginning 1 July 2013. The application of HKFRS 11 will result in the classification of the jointly controlled entities and jointly controlled operations currently held by the Group as joint ventures and joint operations under HKFRS 11 respectively but is not expected to affect their measurement. The application of the other four standards will have no material impact on the consolidated financial statements based on the existing group structure.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - CONTINUED

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad and it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for accounting periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the accounting period beginning 1 July 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements, but would result in more extensive disclosures about fair value measurements in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for accounting period beginning 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when amendments are applied in the future accounting periods. Other than the presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

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 realisation 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 as described above will not affect the presentation of the Group's financial position. The application of amendments to HKFRS 7 might expand the disclosures in relation to derivative financial instruments which are under master netting arrangements in the Group's annual consolidated financial statements and interim periods within those annual periods retrospectively.

Other than as described above, the directors anticipate that the application of other new and revised HKFRSs will have no material impact on the Group's financial performance and positions and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| Provision of marine bunkering services | **47,788,106** | 29,500,274 |
| Sales of petroleum products | **21,834,916** | 9,954,234 |
| Marine transportation income | **252,806** | 86,903 |
| Sales of natural gas and condensate | **69,057** | - |
| Sales of garments | **-** | 1,431 |
| Dividend income | **2,783** | 7,503 |
| Rental income from investment properties | **1,547** | 2,763 |
| | **69,949,215** | 39,553,108 |

4. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker ("CODM") who makes the decision of resource allocation and assessment of segment performance, focuses on types of goods or services delivered or provided contributing to the Group's profit for the year:

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

| | |
|---|---|
| International trading and bunkering operation | — international supply of petroleum products and provision of marine bunkering services to international vessels |
| Marine transportation operation | — provision of marine transportation services of fuel oil or crude oil internationally |
| Upstream gas business | — gas development and production |
| Direct investments | — investments in listed and unlisted equity and debt securities |

During the year ended 30 June 2012, the Group acquired Win Business Petroleum Group (Dina) Limited (formerly known as Win Business Petroleum Group Limited) which is engaged in development and production of natural gas. Since then, the CODM reviews the financial performance of gas development and production operation. Accordingly, results from upstream gas business are presented as an operating segment.

No segment assets or liabilities is presented other than entity-wide disclosures as the CODM does not review segment assets and liabilities.

4. SEGMENT INFORMATION - CONTINUED

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

*For the year ended 30 June 2012*

| | International trading and bunkering operation | Marine transportation operation | Upstream gas business | Direct investments | Segment total | Unallocated revenue | Consolidated |
|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 (Note) | HK$'000 |
| SEGMENT REVENUE External | 69,623,022 | 252,806 | 69,057 | 2,783 | 69,947,668 | 1,547 | 69,949,215 |
| SEGMENT RESULTS | 733,918 | 40,730 | 13,630 | (32,647) | 755,631 | | 755,631 |
| Other income, gains and losses | | | | | | | (2,092) |
| Unallocated corporate expenses | | | | | | | (141,203) |
| Finance costs | | | | | | | (297,458) |
| Share of losses of jointly controlled entities | | | | | | | (5,234) |
| Share of profit of an associate | | | | | | | 33 |
| Profit before taxation | | | | | | | 309,677 |

*For the year ended 30 June 2011*

| | International trading and bunkering operation | Marine transportation operation | Upstream gas business | Direct investments | Segment total | Unallocated revenue | Consolidated |
|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 (Note) | HK$'000 |
| SEGMENT REVENUE External | 39,454,508 | 86,903 | - | 7,503 | 39,548,914 | 4,194 | 39,553,108 |
| SEGMENT RESULTS | 1,732,805 | 9,502 | - | 26,835 | 1,769,142 | | 1,769,142 |
| Other income, gains and losses | | | | | | | (20,630) |
| Unallocated corporate expenses | | | | | | | (116,356) |
| Finance costs | | | | | | | (242,767) |
| Share of losses of jointly controlled entities | | | | | | | (11,144) |
| Profit before taxation | | | | | | | 1,378,245 |

Note: Unallocated revenue represents revenue from garment operation and properties investments which were not reviewed by the CODM during both years ended 30 June 2012 and 2011.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit or loss incurred by each segment without allocation of other income, gains and losses (excluding fair value change of securities held for trading, subleasing income and heating and deviation income), central administration costs, directors' emoluments, share of losses of jointly controlled entities, share of profit of an associate, certain finance costs and income tax. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. SEGMENT INFORMATION – CONTINUED

Other segment information

*For the year ended 30 June 2012*

| | International trading and bunkering operation | Marine transportation operation | Upstream gas business | Direct investments | Segment total | Unallocated | Consolidated |
|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Amounts included in the measure of segment profit or loss | | | | | | | |
| Amortisation of prepaid lease payments | - | - | - | - | - | 7,581 | 7,581 |
| Depreciation of property, plant and equipment | 32,240 | 35,513 | 13,317 | - | 81,070 | 26,942 | 108,012 |
| Fair value change of derivative financial instruments | 1,082,074 | - | - | - | 1,082,074 | - | 1,082,074 |

*For the year ended 30 June 2011*

| | International trading and bunkering operation | Marine transportation operation | Direct investments | Segment total | Unallocated | Consolidated |
|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Amounts included in the measure of segment profit or loss | | | | | | |
| Amortisation of prepaid lease payments | - | - | - | - | 2,750 | 2,750 |
| Depreciation of property, plant and equipment | 37,581 | 21,839 | - | 59,420 | 10,162 | 69,582 |
| Fair value change of derivative financial instruments | 172,768 | - | - | 172,768 | - | 172,768 |

Geographical information

The Group's operations are located in China Mainland (country of domicile), Hong Kong, Singapore, the United States, Holland, other countries in South-east Asia and Europe (other than Holland).

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

4. SEGMENT INFORMATION – CONTINUED

Geographical information - continued

The Group's revenue from external customers and information about its non-current assets is presented based on geographical location of the assets (except for vessels which are presented based on location of the business operations of companies holding the vessels) are detailed below:

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| China Mainland (the "PRC") | **10,204,171** | 8,821,251 | **2,134,220** | 1,030,157 |
| Hong Kong | **421,720** | 230,060 | **113,099** | 115,317 |
| Singapore | **51,274,653** | 29,783,223 | **4,663,362** | 3,092,374 |
| Holland | **184,854** | 245,650 | **1,829** | 316 |
| United States | **7,296,264** | 462,892 | **13,193** | 11,704 |
| Malaysia | **409,330** | - | - | - |
| Taiwan | **104,464** | - | - | - |
| South Korea | **21,415** | - | - | - |
| Europe (other than Holland) | **26,929** | - | 483 | - |
| Japan | **973** | 6,526 | 66 | - |
| Others | **4,442** | 3,506 | - | - |
| | **69,949,215** | 39,553,108 | **6,926,252** | 4,249,868 |

Note: Non-current assets excluded interests in jointly controlled entities and an associate.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

| | **2012** | 2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Customer A[1] | **13,731,565** | 5,996,411 |

[1] Revenue from international trading and bunkering operation.

5. OTHER INCOME, GAINS AND LOSSES

| | **2012** | 2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest income on bank deposits | **6,762** | 9,981 |
| Net loss on foreign exchange | **(17,041)** | (43,663) |
| Fair value (loss) gain of financial assets held for trading | **(35,430)** | 54,893 |
| Increase in fair value of investment properties, net | **1,286** | 10,890 |
| Gain on disposal of property, plant and equipment | **1,550** | 1,526 |
| Subleasing income | **25,154** | - |
| Heating and deviation income | **10,637** | - |
| Write-off of other payables | - | 636 |
| Sundry income | **5,351** | - |
| | **(1,731)** | 34,263 |

## 6. FINANCE COSTS

| | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|
| Imputed interest expense on convertible notes | **112,816** | 119,791 |
| Interest expense on bank borrowings | | |
| - wholly repayable within five years | **213,860** | 91,100 |
| - wholly repayable over five years | **27,778** | 31,876 |
| Total | **354,454** | 242,767 |
| Less: Amounts capitalized | **(56,996)** | - |
| | **297,458** | 242,767 |

Borrowing cost capitalised during the year of approximately HK$51,151,000 (2011: nil) arose on the general borrowing pool calculated by applying a capitalisation rate of 3.25% per annum to expenditure or qualifying assets.

## 7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

| | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|
| Auditor's remuneration | **3,227** | 2,200 |
| Amortisation of prepaid lease payments for land and coast | **7,581** | 2,750 |
| Depreciation of property, plant and equipment | | |
| Vessel (Note a) | **67,494** | 59,420 |
| Oil and gas properties | **13,269** | - |
| Others | **27,249** | 10,162 |
| Operating lease rentals paid in respect of rented premises (Note b) | **641,866** | 289,862 |
| Amount of inventories recognised as expense | **69,375,819** | 39,254,115 |
| Unrealised (loss) gain on fuel oil inventories (included in cost of sales and services) | **(318,351)** | 45,914 |
| Allowance for bad and doubtful debts | **2,309** | - |
| Staff costs (including directors' remuneration) | | |
| Wages, salaries and other benefits | **220,031** | 145,750 |
| Share based payments | **10,722** | 34,764 |
| Retirement benefits scheme contributions | **16,492** | 6,824 |
| | **247,245** | 187,338 |
| Less: Staff costs capitalized to construction in progress | **(2,576)** | - |
| | **244,669** | 187,338 |

Notes:

(a) The amount of approximately HK$67,494,000 (2011: HK$59,420,000), together with the attributable operating costs of the vessels, was included in cost of sales and services.

(b) Rentals amounting to HK$802,000 (2011: HK$880,000) in respect of accommodation provided to the directors are included under staff costs.

## 8. TAXATION CHARGE

| | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|
| Current tax charge for the year: | | |
| Hong Kong Profits Tax | **-** | - |
| PRC Enterprise Income Tax | **3,214** | - |
| Singapore Income Tax | **20,038** | 125,481 |
| | **23,252** | 125,481 |
| Underprovision in prior years: | | |
| Hong Kong Profits Tax | **-** | 14 |
| Singapore Income Tax | **-** | 2,117 |
| | **-** | 2,131 |
| Deferred taxation | | |
| Current year | **(19,291)** | (19,765) |
| | **3,961** | 107,847 |

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. No provision for the Hong Kong Profits Tax was provided for the Group's Hong Kong subsidiaries as those subsidiaries have no assessable profit or suffered from tax losses for both years.

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

With the Global Trader Program incentive awarded by the Inland Revenue Authority of Singapore to the Group for the five years ending 30 June 2013, certain qualified income (e.g. income from marine bunkering operation) generated during the year of the Group has been charged at a tax concessionary rate of 5%.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

| | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|
| Profit before taxation | **309,677** | 1,378,245 |
| Taxation at income tax rate of 5% (2011: 5%) | **15,484** | 68,912 |
| Tax effect of expenses not deductible for tax purpose | **11,590** | 46,355 |
| Tax effect of income not taxable for tax purpose | **(29,248)** | (2,477) |
| Underprovision in respect of prior year | **-** | 2,131 |
| Effect of share of losses of jointly controlled entities | **262** | 557 |
| Effect of share of profit of an associate | **(2)** | - |
| Tax effect of tax losses not recognised | **19,607** | 7,296 |
| Tax effect of deductible temporary differences not recognised | **1,921** | - |
| Utilisation of tax losses previously not recognised | **(62)** | (1,017) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(15,591)** | (13,910) |
| Taxation charge for the year | **3,961** | 107,847 |

## 9. DIVIDENDS

| | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|
| Dividends recognised as distribution during the year: | | |
| 2011 final dividend paid - HK3.5 cents (2010: HK3 cents) per share | **236,725** | 202,904 |

The directors of the Company do not recommend the payment of a final dividend for the year ended 30 June 2012.

## 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

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company) | **305,716** | 1,270,398 |
| Effect of dilutive potential ordinary shares: | | |
| Interest on convertible notes (net of tax) | **-** | 100,025 |
| Earnings for the purpose of diluted earnings per share | **305,716** | 1,370,423 |

Number of shares

| | 2012 | 2011 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **7,392,607,101** | 6,740,471,737 |
| Effect of dilutive potential ordinary shares: | | |
| Convertible notes | **-** | 2,479,979,333 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **7,392,607,101** | 9,220,451,070 |

During the year ended 30 June 2012, the computation of diluted earnings per share does not assume the conversion of the outstanding convertible notes since their exercise would result in an increase in earnings per share.

For both years ended 30 June 2012 and 2011, the computation of 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 both years ended 30 June 2012 and 2011.

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the issue of shares and shares issued upon the partial conversion of convertible notes with details as disclosed in note 14.

## 11. TRADE DEBTORS

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| Trade debtors | **6,739,694** | 4,129,842 |
| Less: Allowance for bad and doubtful debts | **(2,309)** | - |
| | **6,737,385** | 4,129,842 |

The Group allows an average credit period of 30 to 45 days to its marine bunkering customers, 60 days to CNPC on sale of natural gas and condensate and 30 days to its marine transportation customers.

The following is an aged analysis of trade debtors (net of allowance for bad and doubtful debts) presented based on the invoice date at the reporting date:

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| 0 - 30 days | **5,662,701** | 3,751,753 |
| 31 - 60 days | **1,035,380** | 369,821 |
| 61 - 90 days | **38,840** | 4,046 |
| Over 90 days | **464** | 4,222 |
| | **6,737,385** | 4,129,842 |

11. TRADE DEBTORS - CONTINUED

Before accepting any new customer, the Group performs a credit review to assess the potential customer's credit quality and defines credit limits by customer. Limits and credit rating to customers are reviewed on a regular basis. Over 84% (2011: 90%) of the trade debtors that are neither past due nor impaired. These customers have no default of payment in the past and have good credit rating under the credit review procedures adopted by the Group.

Included in the Group's trade debtors balance are debtors with aggregate carrying amount of approximately HK$1,074,684,000 (2011: HK$378,089,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 60 days (2011: 60 days). The balances have been substantially settled subsequently.

Aging of trade debtors which are past due but not impaired

| | **2012** | 2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 31 - 60 days | **1,035,380** | 369,821 |
| 61 - 90 days | **38,840** | 4,046 |
| 91 - 120 days | **-** | 1,847 |
| Over 120 days | **464** | 2,375 |
| | **1,074,684** | 378,089 |

In the opinion of the directors, the Group has maintained long term relationships with existing customers who have a strong financial position with continuous subsequent settlements and there have been no historical default of payments by the respective customers. The Group has assessed the recoverability of these customers and consider that there has not been a significant change in their credit quality. The directors believe that the amounts are still recoverable.

12. TRADE CREDITORS

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

| | **2012** | 2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 - 30 days | **4,686,601** | 2,131,106 |
| 31 - 60 days | **64,084** | 1,674 |
| 61 - 90 days | **4,901** | 4 |
| Over 90 days | **5,757** | 98 |
| | **4,761,343** | 2,132,882 |

The average credit period for purchase of fuel oil is 30 days. The average credit period for direct costs incurred in the upstream gas business is 60 days. The Group has financial risk management policies in place to ensure all payables within the credit timeframe.

Apart from the balance disclosed above, the balance of approximately HK$501,676,000 (2011: HK$1,135,165,000) classified as trade payable to a related party is trade in nature. The amount is aged within 45 days at 30 June 2012 and 2011 with credit terms of 45 days granted to the Group.

13. 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 future 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 year ended 30 June 2012, the gain on fair value change of derivative financial instruments of approximately HK$1,082,074,000 was credited to profit or loss (2011: loss on fair value change of derivative financial instruments of approximately HK$172,768,000 was charged to profit or loss).

14. SHARE CAPITAL

| | Number of shares | Share capital HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.025 each (2011: HK$0.025 each) | | |
| Authorised | | |
| At 1 July 2010, 30 June 2011 and 2012 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, at HK$0.025 each | 6,763,581,600 | 169,090 |
| Shares issued upon acquisition of a subsidiary (Note c) | 322,916,666 | 8,073 |
| Shares issued upon conversion of convertible notes (Note d) | 1,680,000,000 | 42,000 |
| At 30 June 2012, at HK$0.025 each | 8,766,498,266 | 219,163 |

Notes:

(a) On 29 July 2010, Canada Foundation Limited ("Canada Foundation"), 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.

(b) During the year ended 30 June 2011, a total of 100,000 new ordinary shares of HK$0.025 each were issued upon the exercise of share options.

(c) On 31 January 2012, the Group completed its acquisition of the entire issued share capital of a private company established in the PRC which is wholly-owned by Dr. Sit. In accordance with the terms of the acquisition, the Company has issued 322,916,666 new ordinary shares to Canada Foundation, a company wholly owned by Dr. Sit.

(d) During the year ended 30 June 2012, 1,680,000,000 new ordinary shares of the Company of HK$0.025 each were issued upon the partial conversion of the convertible notes issued pursuant to the Subscription Agreement. The convertible notes with aggregate principal amount of US$81,291,000 (approximately HK$630,005,000) were converted into 1,680,000,000 ordinary shares of the Company at a conversion price of US$0.04839 per share.

All the shares issued during the year ended 30 June 2012 rank pari passu with the existing shares of the Company in all respect.

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Financial Review**

The Group's revenue for the year ended 30 June 2012 (the "FY 2012") amounted to HK$69,949,215,000, representing a significant increase of 76.85% as compared to HK$39,553,108,000 in prior year.

The Group's gross profit was derived mainly from International Trading and Bunkering (formerly known as International Supply and Bunkering) business which has dropped by approximately 63.83% to HK$886,165,000 (2011: HK$2,450,136,000) and gross profit margin (including physical mark to market value of fuel oil) reduces significantly to 1.27% (2011: 6.19%).

As International Trading and Bunkering business is subject to risk of fuel oil price fluctuation, the Group performs financial hedging for its physical exposure of fuel oil through derivative financial instruments ("DFIs"). The realized and unrealized gain or loss on fair value change of DFIs will be added to the gross profit to derive the adjusted gross profit (i.e. gross profit plus fair value change of DFIs) (the "Adjusted Gross Profit") for performance review.

During the FY 2012, the Group recorded the Adjusted Gross Profit of HK$1,968,239,000 (2011: HK$2,277,368,000) and Adjusted Gross Profit margin reduced to 2.81% (2011: 5.76%) and overall operating cost increased to HK$1,651,630,000 (2011: HK$922,242,000), representing an increase of 79.09% due to higher trading volume and expansion into international markets, as well as growth in marine transportation and upstream division.

During the FY 2012, the Group continued the investment of the facility of storage, terminal and Tuzi upstream, no profit was recorded and the related costs were capitalised.

Profit attributable to shareholders was HK$305,716,000 (2011: HK$1,270,398,000), representing a decrease of 75.94% as compared to prior year.

During the review of unaudited management accounts for the nine months ended 31 March 2012, the management realized a decrease in net profit for the Group, in particular a much lower gross profit margin of 3.43% (nine months ended 31 March 2011: 6.73%) and Adjusted Gross Profit margin of 3.25% (nine months ended 31 March 2011: 5.97%). The gain in physical mark to market value of fuel oil did not cover the loss on fair value change of DFIs and the increased operating costs of the Group.

On 30 April 2012, the Group published a profit warning announcement informing the public that the Group's net profit for the year ending 30 June 2012 was expected to decrease significantly as compared to prior year for reasons including:

(a) Decrease in overall gross margin in relation to the business segment of International Trading and Bunkering;
(b) Loss on fair value change of DFIs; and
(c) Increase in overall operating costs.

Monthly average fuel oil price was rising from US$709 per metric tonnes ("MT") in January 2012 to US$736 per MT in March 2012 which resulted in higher physical value of fuel oil as we performed mark to market accounting but at the same time DFIs suffered a loss on fair value change when they were used to hedge the physical exposure of fuel oil. However, fuel oil price collapsed severely in the fourth quarter of FY 2012 and averaged US$584 per MT in June 2012, resulting in a loss on physical mark to market value of fuel oil and gain on fair value change of DFIs.

As the magnitude of fuel oil price movement varied from January 2012 to June 2012, we ended the financial year with gross profit (excluding physical mark to market value of fuel oil) of HK$1,250,429,000 (2011: HK$2,353,588,000) with a corresponding significantly lower gross profit margin at 1.79% (2011: 5.95%). The physical mark to market value of fuel oil recorded a loss of HK$364,264,000 (2011: a gain of physical mark to market value of fuel oil of HK$96,548,000). After including a gain on fair value change of DFIs for HK$1,082,074,000 (2011: a loss on fair value change of DFIs of HK$172,768,000) due to fuel oil price collapsed in the fourth quarter of FY 2012, the Adjusted Gross Profit margin of the Group consequently was reduced to 2.81% (2011: 5.76%), reflecting the difficult trading environment for the year under review.

**Business Review**

The Group continues to develop its four core businesses of International Trading and Bunkering, Oil Storage and Terminal Facilities, Marine Transportation and the Upstream Business.

The International Trading and Bunkering business remained the Group's key revenue generator in this financial year, followed by marine transportation which saw a significantly increase in revenue as compared to last year. One of the Group's upstream projects, the Dina 1 Gas Field in north-western China has commenced production and has been generating revenue for the Group. The Group's storage and terminal projects are still under construction and are therefore not expected to contribute to the Group's earnings until financial year ("FY") 2014.

This year proved to be a challenging one for the Group's International Trading and Bunkering and Marine Transportation businesses.

The weakening of global economy has caused a slowdown in the global shipping market with an oversupply of ships which led to weak bunker demand, shrinking tonnages, depressed freight rates and reduced bunker and shipping margins.

Despite a tough year, the Group's trading and bunkering arm was able to secure higher sales volumes with a strong 46% growth and a surge in freight income from marine transportation of approximately 191% against last financial year.

*International Trading and Bunkering*

Overall, global demand in FY2012 was not as robust as it was in previous year.

Singapore and China, being the Group's key markets, have seen lower growth in bunker according to estimates, and certain ports in China are predicting a slight contraction this year.

The weak bunker demand was generally brought by a weakness in the shipping industry caused by an oversupply of ships and weak global trade volume, as well as the sharp rise in oil prices resulting in ship-owners to scaling back on their consumption of bunker fuels.

At the same time, the fuel oil trading environment saw higher volumes of fuel oil flowing eastward, eroding premiums and physical trading margins in key eastern trading hubs like Singapore.

In line with our growth strategy, the trading and bunkering arm continued bunker supply in key international and China ports and recorded sales volume of approximately 13 million metric tonnes, an increase of 46% over last year.

However, the thin physical margins and the increases in operating costs have significantly reduced the net profit contribution from the trading and bunkering business for the Group in this financial year.

*Marine Transportation*

With four Aframax oil tankers and one bunker barge in full operation, the Group's marine transportation segment recorded an approximate 191% increase in revenue from HK$87 million to HK$253 million, and with EBITDA doubling from HK$31 million to HK$76 million against the last financial year. Overall, the vessels operated in a satisfactory manner with little or no technical downtime. All four Aframax oil tankers have over the year received a fresh coat of antifouling paint resulting in significant fuel savings and better speed performance. Commercially the vessels have performed in line with, or better than, fleets of comparable size and tonnage.

However, our shipping business was not spared by the slowdown in global shipping industry which depressed freight rates and increase in operating costs, especially for bunker fuel, but with the advantage of synergy with bunker segment and further cost reductions measures taken, the Group's marine division continues to build up a global force that would improve contribution to the Group when market recovers.

*Upstream Business*

As part of its 12th Five-Year Plan (2011-2015), the People's Republic of China has set an ambitious goal of reducing its coal and oil consumption and cutting carbon emissions by 17% between 2011 and 2015. Natural gas is the preferred source of energy to achieve this goal as it emits up to 60% less $CO_2$ than coal when used to generate electricity. We expect consumers to thus shift from coal to natural gas, which will push the price of natural gas up.

In late December 2011, the National Development and Reform Commission ("NDRC") issued a notice announcing a natural gas price reform pilot scheme which has been implemented in Guangdong Province and the Guangxi Autonomous Region. The goal of the reform is to assist the government to determine a reasonable pricing mechanism. A nationwide roll-out to fully liberalize wellhead prices is expected by 2015.

During the Period under review, progress was made in pushing forward approval of 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, and access roads. Moreover, the Environmental Impact Assessment, Water and Soil Conservation, Occupational Health and Safety and Land Use plans have all been reviewed. The final approval process by the NDRC is expected to be completed during the second half of 2012.

On 11 November 2011, the Group announced the acquisition of Win Business Petroleum Group (Dina) Limited (formerly known as Win Business Petroleum Group Limited), 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 proven and probable gas and condensate reserves of 127.9 Bscf and 1.8 MMstb respectively. The Group is entitled to reserves of 73.5 Bscf gas and 1.0 MMstb condensate. Three wells have been developed at Dina 1 Gas Field, which the Group expects to create significant revenue in the near future. The Dina 1 Gas Field is currently producing at a rate of approximately 21 MMscf per day, with condensate oil of 275b per day and will be developed in conjunction with the Tuzi Field, creating economies of scale and synergies that will result in improved efficiencies associated with the daily operations of these two projects.

The Dina 1 Gas Field, located some 10 km north of the Tuzi Field, was discovered by China National Petroleum Corporation ("CNPC") in 1999. The gas reservoir is located at between 5,000 to 6,000 meter below the surface. The Production Sharing Contract ("PSC") signed with CNPC on 15 April 2008 is valid for 30 years. Under the terms of the PSC, the Group and CNPC will recover paid costs and share profit in proportion to their respective stakes in the project, with a ratio of 49% going to the Group. The management believes that both the Dina 1 Gas Field and the Tuzi Field will benefit from the new natural gas pricing mechanism.

*Oil Storage & Terminal Facilities*

The Oil Storage and Terminal Facilities business unit remains an essential link in the development of integrated supply chain management for the Group and provides a platform for servicing the wider industry. The business aims to bring competitive advantage to all of our customers (including Group partners) by providing storage and transhipment services that are safe, reliable, efficient and that maximise the opportunities for value added services.

The Group currently has two projects in Zhoushan and Dalian under development, and additional storage facilities are being considered as part of the longer-term goal of having a global portfolio of storage facilities that generate a stable cash flow and that provide long-term security of access to the Group's other businesses.

Both facilities will share economies of scale, as well as the capability to load and unload cargoes on VLCCs. This will boost efficiency in the handling and throughput of all products, and will significantly reduce costs for the Group on leasing storage and imports.

The construction of oil storage facilities has been progressing, particularly for Waidiao Island in Zhoushan where tank foundations are being laid and construction of part of the jetty infrastructure has begun. Construction of the large jetties is due to commence by the end of 2012 upon approval from the central government. Receiving these final approvals will enable the project to progress to financial close and the Group is at advanced stages of negotiations with a bank consortium to enable full-scale construction to commence as soon as possible. Full commercial operations for phase 1 of the project, with a total capacity of 1.9 million cubic meters, will therefore take place around mid-2014, a slight delay over previous expectations due to delays in government approvals.

The terminal on Changxing Island in Dalian, where capacity of Phase 1 will reach up to 3.9 million cubic meters, is proceeding through the formal government approval process. The land preparations however have been completed, and once approval from the various central government authorities is received construction will proceed relatively quickly. Commissioning is projected to commence by the end of 2014, and full commercial operations will commence in early 2015.

The Group remains committed to developing additional opportunities for storage in international markets where investments offer reasonable returns and meet the Group's strategic objectives.

**Business and Market Outlook**

The unresolved European sovereign debt crisis and the recession taking hold in the euro-zone are expected to further depress the global economic outlook. This uncertainty, together with the loss in momentum in the growth of developed economies, will impair the development of emerging markets. Ultimately, these factors give rise to an increasingly challenging operating environment.

International oil prices are expected to remain volatile for the foreseeable future with continued fundamental imbalances between demand and supply. Oil consumption across the globe will be impeded by sluggish economic growth.

China's 12th Five-Year Plan, combined with other stimulus strategies the Chinese government has introduced to the oil and gas industry, fosters a favourable environment for the Group by allowing it to scale up its business operations. Although challenges remain prevalent, the Group will continue to accelerate its development efforts and to strive to achieve sustainable growth in its core businesses.

*International Trading and Bunkering*

The economic environment for the remaining of 2012 is expected to remain challenging for both bunker sales and fuel trading. The uncertain European economic environment together with mixed views of the US economy, has started to have effects on the Chinese and other emerging economies in Asia. The slowdown in trade has impacted fuel oil demand in the container and bulk carrier shipping markets. It is anticipated that the weakness in fuel oil bunker demand and margin will likely continue into the second half of 2012.

Going forward, the strategy for the International Trading and Bunkering division is to focus on efforts in bunker sales in markets where it enjoys a niche position, namely in China and Singapore. The International Trading and Bunkering division will consolidate its sales offices worldwide to save on overhead costs while ensuring that it maintains relationships with its customers. The division will continue to expand its product offering to generate additional income and to build on its market presence e.g. widening our product trading lines. The division also looks to optimise supply chain activities so as to ensure overall cost efficiencies. The business is expected to continue to be the major driver of the Group's revenue and income growth in the coming year. The platform established in the last 12 months will enable the Group to enhance its sales volume and revenue as the annual "run rate" for these positions takes effect.

Upcoming changes in the division include the establishment of a new crude trading team which will initially be located in Singapore and plans are underway to open regional crude trading offices in Geneva and the US.

The Group has recently completed a global cost review and will implement some initiatives to reduce costs in the second half of 2012. Proposals include the consolidation of our regional sales offices to generate economies of scales and costs savings, and the optimisation of storage facilities in the US and potentially in Singapore.

We will continue to optimise its fuel oil and gas oil trading and bunker portfolio both regionally and globally so as to ensure that we are in an advantaged position as a key trading hub that includes services such as product supply, storage capacity and demand from shipping customers demand perspectives. We must be vigilant with our risk management and the execution of financial hedges for our physical trading portfolio.

*Marine Transportation*

Over the coming 12 months, the Group will take delivery of five highly fuel efficient VLCCs. The VLCC market is currently at a historic low, but once the vessels are launched for operation, they will perform significantly better than the majority of the existing VLCC world fleet. We expect the vessels to primarily support the crude oil import to Asia and China, especially China, where crude oil imports are expected to increase by 10% year on year ("YOY"), which would make it a main user. With the ability to heat and blend its cargoes, vessels may additionally well be seen used in the fuel oil trade, whether internally or externally.

The order book for new deliveries of Aframax vessel is today, with a relatively low total of only 27 new vessels expected to enter the market over the next 36 months. Seen against a significantly high year to date ("YTD") scrapping of 22 vessels (only five vessels in 2011) the expected YOY fleet growth for 2012 is at a very low level of approximately 0.5%. If this trend is to continue, we may well see negative fleet growth, meaning that a turning point will be not too far away.

Depressed freight markets also create opportunities for additional acquisitions. Second hand vessels are currently available at an approximate 20% discount from their new build to scrap linear depreciative values. The Group is constantly on the lookout for vessels within the VLCC, Aframax, MR and LNG segments built by reputable ship-yards provided that the vessels are fuel efficient and well maintained.

*Upstream Business*

FY 2012 marks a momentous milestone for the Group's upstream business venture. The Dina 1 Gas Field, which was acquired and commenced production in January 2012, recorded satisfactory outputs of natural gas and condensate from the Dina 1-2 well in July 2012. This accumulated amount establishes a solid foundation for the Group's oil and gas development and production business. The Group expects its upstream business to emerge stronger when the official commissioning of the Dina 1-2 well comes to pass in October 2012. It is expected to become one of the Group's key growth drivers by the end of 2012 or early 2013.

Under the 12th Five-Year Plan, China intends to boost the import and production of natural gas and to meet growing domestic demand. This objective implies favourable conditions to the development of our upstream business. Looking ahead, we will maintain our expansion strategy by remaining proactive in exploring upstream business projects and various investment opportunities around the world. Securing new endeavours in this arena allows us to further broaden our operations. As we continue to capitalize on new discoveries, we will advance our leading position in the industry and maximize returns to our shareholders.

*Oil Storage and Terminal Facilities*

The focus for the near term remains on finalising approvals and completing the construction for phase 1 of both oil storage and terminal facilities within the next 18-24 months. Central government approvals remain the critical path item which could potentially hinder progress within this timeframe. Commercialisation of the assets has already commenced and the response of the international supply and trading community has been positive. The Group remains confident that the continued development and reform of the oil market in China will make these assets primary centres for oil trading within the next three to five years.

International projects will continue to be reviewed with a primary focus on the major trading and marine bunker regions. Investments, either in greenfield or existing assets, will only be made where the Group's financial and strategic criteria are met and which complement the overall portfolio of storage assets.

## LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2012, the Group had receivables from brokers, pledged bank deposits and bank balances and cash of approximately HK$3,305,211,000, HK$413,556,000 and HK$1,635,013,000 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.

## CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any significant contingent liabilities.

## CAPITAL STRUCTURE

As of 30 June 2012, the Company had 8,766,498,266 shares (the “Shares”) in issue with total share capital of approximately HK$219,163,000.

## EMPLOYEES AND REMUNERATION POLICIES

As of 30 June 2012, the Group employed approximately 350 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 year ended 30 June 2012, total employees’ remuneration, including directors’ remuneration, was approximately HK$247,245,000 (2011: HK$187,338,000).

## BOARD COMPOSITION

Mr. Chia Teck Lim and Mr. Gregory John Channon resigned as an executive Director of the Company on 6 September 2011 and 23 November 2011 respectively. On 28 November 2011, Mr Per Wistoft Kristiansen was appointed as an executive Director of the Company. As at the date of this announcement, the Board consists of a total of eleven Directors, comprising four executive Directors, four non-executive Directors and three independent non-executive Directors.

## FINAL DIVIDEND

The board of Directors does not recommend the payment of a final dividend for the year ended 30 June 2012 (2011: HK$236,725,000).

## CORPORATE GOVERNANCE PRACTICES

During the year ended 30 June 2012, the Company has complied with all the Code Provisions of the Code on Corporate Governance Practices (the “Code”), which was revised and renamed as Corporate Governance Code (the “Revised Code”) on 1 April 2012, contained in Appendix 14 to the Listing Rules for the period from 1 July 2011 to 31 March 2012 and of the Revised Code for the period from 1 April 2012 to 30 June 2012, except for the following deviation:

Code Provision A.2.1

Under the code provision A.2.1 of the Code and the Revised 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.

Detailed information of the Company's corporate governance practices as set out in the corporate governance report will be included in the Company's annual report to be despatched to the shareholders in due course.

**CODE OF CONDUCT FOR SECURITIES TRANSACTIONS**

The Company has adopted the model code for securities transactions by directors of listed issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by Directors. All the Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 30 June 2012, 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 shares of the Company. 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.

**SUFFICIENCY OF PUBLIC FLOAT**

The Company has maintained a sufficient public float throughout the year ended 30 June 2012.

**AUDIT COMMITTEE**

As at 30 June 2012, the audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors namely Mr. Kwong Chan Lam, Mr. Lau Hon Chuen and Professor Chang Hsin Kang. Mr. Kwong, being a certified public accountant, is the chairman of the Audit Committee.

For the year ended 30 June 2012, the Audit Committee met twice considering the financial reporting matters, assessing changes in accounting policies and practices, discussing major judgmental area and compliance with applicable legal and accounting requirements and standards, discussing with the auditors of the Company on internal control and annual results. The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

**FINANCIAL INFORMATION**

The financial information in this announcement does not constitute the Group's financial statements for the year, but represents an extract from those financial statements. The accounting policies used are consistent with those set out in the Annual Report 2011 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations which are relevant to its operations and effective for accounting periods commencing on or after 1 July 2011. The financial statements for the year have been reviewed by the Audit Committee.

## SCOPE OF WORK OF MESSRS DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the related notes thereto for the year ended 30 June 2012 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## 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 year ended 30 June 2012.

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

Hong Kong, 25 September 2012

*As at the date of this announcement, the Board comprises (i) four executive Directors, namely Dr. Sit Kwong Lam, Mr. Tang Bo, Mr. Tan Yih Lin and Mr. Per Wistoft Kristiansen; (ii) four non-executive Directors, namely Mr. He Zixin, Mr. Ran Longhui, Mr. Sun Zhenchun and Mr. Dai Zhujiang; and (iii) three independent non-executive Directors, namely Mr. Kwong Chan Lam, Mr. Lau Hon Chuen and Professor Chang Hsin Kang.*

** For identification purpose only*