光滙石油
BRIGHTOIL

BRIGHTOIL PETROLEUM (HOLDINGS) LIMITED
光滙石油(控股)有限公司*

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

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

The board of directors (the "Board" or the "Directors") of Brightoil Petroleum (Holdings) Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2012. The interim results have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

		Six months ended 31 December	
		2012	2011
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**23,589,544**	36,261,829
Cost of sales and services		**(22,848,808)**	(35,128,355)
Gross profit		**740,736**	1,133,474
Other income	*5*	**20,856**	2,127
Other gains and losses, net	*5*	**35,725**	(38,559)
Fair value change of derivative financial instruments	*13*	**(973,704)**	793,756
Loss on redemption of the liability component of the convertible notes	*15*	**(1,690)**	-
Other expenses		**(65,911)**	(144,765)
Distribution and selling expenses		**(327,251)**	(352,600)
Administrative expenses		**(194,236)**	(184,899)
Finance costs		**(101,415)**	(193,024)
Share of losses of jointly controlled entities		**(5,499)**	(5,659)
Share of loss of an associate		**(461)**	-
(Loss) profit before taxation	*6*	**(872,850)**	1,009,851
Taxation credit (charge)	*7*	**1,700**	(44,618)
(Loss) profit for the period attributable to the owners of the Company		**(871,150)**	965,233
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(123)**	(150)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**60,146**	32,520
Other comprehensive income for the period		**60,023**	32,370
Total comprehensive (expense) income for the period attributable to the owners of the Company		**(811,127)**	997,603
		(unaudited)	(unaudited)
(Loss) earnings per share			
Basic	*9*	**HK(9.94) cents**	HK14.27 cents
Diluted	*9*	**HK(9.94) cents**	HK11.06 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 DECEMBER 2012

	NOTES	As at 31 December 2012 HK$'000 (unaudited)	As at 30 June 2012 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**7,505,696**	6,021,753
Prepaid lease payments for land		**532,793**	376,875
Prepaid lease payments for coast		**12,031**	11,933
Investment properties	10	**41,000**	41,000
Exploration and evaluation assets		**-**	40,546
Interests in jointly controlled entities		**479,757**	448,943
Interest in an associate		**10,763**	11,018
Deposits paid for acquisition of property, plant and equipment		**125,806**	359,467
Deposits paid for prepaid lease payments for land		**769**	64,577
Rental and other deposits		**20,157**	10,101
		8,728,772	7,386,213
CURRENT ASSETS			
Inventories		**2,334,633**	3,257,510
Trade debtors	11	**3,315,868**	6,737,385
Accrued revenue		**24,532**	-
Prepaid lease payments for land		**11,191**	6,892
Prepaid lease payments for coast		**261**	256
Derivative financial instruments	13	**604,778**	1,266,024
Other debtors, prepayments and deposits	11	**57,937**	55,343
Amount due from a jointly controlled entity		**307**	303
Securities held for trading		**147,560**	126,118
Receivables from brokers		**1,179,121**	3,305,211
Pledged bank deposits		**121,598**	413,556
Bank balances and cash		**1,881,056**	1,635,013
		9,678,842	16,803,611
CURRENT LIABILITIES			
Trade creditors	12	**2,555,292**	4,761,343
Trade payable to a related company	12,17	**645,436**	501,676
Other creditors and accrued charges	12	**1,092,133**	1,216,092
Bank borrowings		**6,436,617**	7,006,194
Derivative financial instruments	13	**624,862**	1,645,188
Convertible notes	15	**-**	283,078
Profit tax liabilities		**17,610**	26,640
		11,371,950	15,440,211
NET CURRENT (LIABILITIES) ASSETS		**(1,693,108)**	1,363,400
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,035,664**	8,749,613
NON-CURRENT LIABILITIES			
Convertible notes	15	**215,237**	-
Bank borrowings		**-**	1,208,642
Deferred tax liability		**54,065**	42,167
		269,302	1,250,809
		6,766,362	7,498,804
CAPITAL AND RESERVES			
Share capital	14	**219,163**	219,163
Reserves		**6,547,199**	7,279,641
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**6,766,362**	7,498,804

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH ENDED 31 DECEMBER 2012

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").

In preparing the condensed consolidated financial statements, the directors of the Company have given due and careful consideration to the future liquidity of the Group in light of the Group's net current liabilities of approximately HK$1,693,108,000 as at 31 December 2012. Such condition was mainly due to breach of loan covenants related to minimum interest coverage ratio and cross-default as stipulated in the loan agreements. As at 31 December 2012, all bank borrowings are being classified as current liabilities. Subsequent to the end of the reporting period, the Group obtained waivers from the relevant banks to waive the rights entitling them to declare relevant outstanding bank borrowings immediately due and payable due to the breach of financial covenants on interest coverage ratio as at 31 December 2012 or revised certain bank facilities to remove the financial covenants on interest coverage ratio. Upon receipt of the waivers and revised bank facilities related to the breach of interest coverage ratio, the breach of loan covenants and the triggering effect of cross-default of the remaining bank borrowings have been remedied. Taking into account the Group's financial position, the directors of the Company believe bank borrowings of approximately HK$2,258,833,000 presented as current as at 31 December 2012, of which approximately HK$815,141,000 contains a repayment on demand clause, will be repaid in accordance with the original scheduled repayment dates from 2 to 11 years.

In January 2013, the Group also obtained additional bank facilities for additional long-term loan of up to United States Dollars ("US$") 65 million (approximately HK$503,801,000) repayable within 8 years from the drawdown. The proceeds of the new term loan are partially used to meet the short-term obligations of the Group. Taking into account the above mentioned factors and the estimated cash flows generated from the Group's operations, the directors of the Company are of the opinion that the Group has sufficient working capital for its present requirements are for at least one year from the end of reporting period. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

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

2. PRINCIPAL ACCOUNTING POLICIES - continued

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2012 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2012. In addition, the Group adopted the following accounting policy relating to the substantial modification of the convertible notes in the current interim period.

Substantial modification of a financial liability

Modification is deemed to be substantial if the net present value of the cash flow under the modified terms, including any fees paid or received, is at least 10 percent different from the net present value of the remaining cash flow of the liability prior to the modification, both discounted at the original effective interest rate of the liability prior to the modification. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

In the current interim period, the Group has applied, for the first time, the following amendments to the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

Amendments to HKFRS 7	Financial instruments: Disclosures-Transfers of financial assets
Amendments to HKAS 1	Presentation of items of other comprehensive income
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and the 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 items of other comprehensive income to be 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned 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.

2. PRINCIPAL ACCOUNTING POLICIES - continued

Amendments to HKAS 12 Deferred tax: Recovery of underlying assets

Under the amendments to HKAS 12, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. If the presumption is rebutted, the deferred taxes shall reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the investment properties. As a result, the Group's investment properties that are measured using the fair value model have been presumed to be recovered through sale for purpose of measuring deferred tax.

Other than the amendments to HKAS 1, the application of the above amendments to the 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.

3. REVENUE

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Provision of marine bunkering services	**14,234,157**	23,880,700
Sales of petroleum products	**8,949,406**	12,261,949
Marine transportation income	**228,127**	115,599
Sales of natural gas and condensate	**168,041**	-
Dividend income	**8,939**	2,774
Rental income from investment properties	**874**	807
	23,589,544	36,261,829

4. SEGMENT INFORMATION

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

- International trading and bunkering operation
- Marine transportation operation
- Upstream gas business
- Direct investments

In the second half of the year ended 30 June 2012, the Group acquired a new business which is principally engaged in development and production of natural gas. Since then, the Group's Chief Executive Officer, being the chief operation decision marker ("CODM") reviews the financial performance of gas development and production operation. Accordingly, results from upstream gas business are presented as an operating segment.

4. SEGMENTS 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 2012

	International trading and bunkering operation	Marine transportation operation	Upstream gas business	Direct investments	Segment total	Unallocated revenue	Consolidated
	HK$'000 (unaudited)	*HK$'000* (unaudited)	*HK$'000* (unaudited)	*HK$'000* (unaudited)	*HK$'000* (unaudited)	*HK$'000* (unaudited) (Note)	*HK$'000* (unaudited)
SEGMENT REVENUE							
External sales	23,183,563	228,127	168,041	8,939	23,588,670	874	23,589,544
Inter-segment sales	162,083	239,684	-	-	401,767	-	401,767
	23,345,646	467,811	168,041	8,939	23,990,437	874	23,991,311
SEGMENT RESULTS	(791,136)	(34,036)	98,005	58,585	(668,582)		(668,582)
Other income, other gains and losses, net							(11,860)
Unallocated corporate expenses							(85,033)
Finance costs							(101,415)
Share of losses of jointly controlled entities							(5,499)
Share of loss of an associate							(461)
Loss before taxation							(872,850)

Six months ended 31 December 2011

	International trading and bunkering operation	Marine transportation operation	Direct Investments	Segment total	Unallocated revenue	Consolidated
	HK$'000 (unaudited)	*HK$'000* (unaudited)	*HK$'000* (unaudited)	*HK$'000* (unaudited)	*HK$'000* (unaudited) (Note)	*HK$'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, other gains and losses, net						(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

Note: Unallocated revenue represents revenue from properties investments which is not reviewed by the CODM during the six months period ended 31 December 2012 and 2011.

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

During the current period, 3 very large crude carriers were delivered to the Group in July, September and November respectively. In the previous period, the Group only owned aframaxes with a smaller capacity. With the continuous expansion of the marine transportation division, revenue generated from this operating segment increased. For vessels newly acquired, it takes time for the Group to arrange the first cargo while certain fixed costs have already been incurred. Accordingly, results from marine transportation deteriorated.

5. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Other income		
Interest income on bank deposits	**2,061**	2,127
Subleasing income	**18,033**	-
Heating and deviation income	**762**	-
	20,856	2,127
Other gains and losses, net		
Net foreign exchange loss	**(14,759)**	(8,399)
Fair value change of securities held for trading	**49,646**	(33,621)
Loss on disposal of property, plant and equipment	**(1,716)**	-
Gain on disposal of an investment property	-	1,286
Others	**2,554**	2,175
	35,725	(38,559)

6. (LOSS) PROFIT BEFORE TAXATION

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

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Amount of inventories recognised as expense	**23,167,581**	36,025,863
Unrealised gain on fuel oil inventories (included in cost of sales and services)	**(19,357)**	(313,595)
Release of prepaid lease payments	**5,391**	1,819
Depreciation of property, plant and equipment		
- Vessels (included in cost of sales and services)	**61,787**	33,742
- Oil and gas properties (included in cost of sales and services)	**22,730**	-
- Others	**15,368**	12,212

7. TAXATION (CREDIT) CHARGE

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax charge for the period:		
Hong Kong Profits Tax	-	-
PRC Enterprise Income Tax ("EIT")	**17,448**	-
Singapore Income Tax	**78**	59,535
	17,526	59,535
(Over)underprovision in prior years, net	**(16,112)**	(3,569)
Deferred taxation - current period	**(3,114)**	(11,348)
	(1,700)	44,618

7. TAXATION (CREDIT) CHARGE- continued

Hong Kong Profits Tax and taxation arising in other jurisdictions are recognised based on the best estimate of the weighted average annual income tax rate of different tax jurisdictions for the period. The annual tax rate used in respect of Hong Kong Profits Tax and PRC EIT is 16.5% and 25% respectively for both periods. 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 the six months ended 31 December 2012.

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 international trading and bunkering operation) generated during the period from trading oil under the international trading and bunkering segment of the Group has been charged at a concessionary tax rate of 5%.

The Group was awarded Approved International Shipping Enterprise Incentive ("AIS") status with effect from 1 April 2011 for an initial period for 10 years. With the AIS status, the Group's profit from qualifying activities (e.g. qualifying shipping operations under Section 13F of the Singapore Income Tax Act) are exempt from tax.

Under the Law of the People's Republic of China ("PRC") 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.

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

8. DIVIDEND

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Final dividend paid - nil for financial year 2012 (2011: HK3.5 cents per share for the financial year 2011)	-	236,725

Final dividend for the year ended 30 June 2011 of HK3.5 cents per share was paid during the prior 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 for the six months ended 31 December 2012 and 2011.

9. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) earnings for the purpose of basic (loss) earnings per share (profit for the period attributable to owners of the Company)	**(871,150)**	965,233
Effect of dilutive potential ordinary shares:		
Interest on Convertible Notes (defined in note 15) (net of tax)	-	57,428
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(871,150)**	1,022,661

Number of shares

	Six months ended 31 December	
	2012	2011
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**8,766,498,266**	6,763,581,600
Effect of dilutive potential ordinary shares:		
Convertible Notes	-	2,479,979,333
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**8,766,498,266**	9,243,560,933

During the six months ended 31 December 2012, the computation of diluted loss per share does not assume the conversion of the outstanding convertible notes and exercise of the share options granted since their conversion of the outstanding convertible notes would result in a decrease in loss per share and the exercise price of the share options outstanding was higher than average market price for shares during the six months ended 31 December 2012.

For the six months ended 31 December 2011, the computation of the diluted earnings per share did 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 2011.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the current period, total additions to property, plant and equipment were approximately HK$1,566,683,000 (six months ended 31 December 2011: HK$1,628,038,000). The additions comprised construction in progress of approximately HK$1,513,864,000 (six months ended 31 December 2011: HK$1,610,547,000). During the current period, the relevant government authority in the PRC acknowledged the completion of exploration and evaluation in relation to the natural gas development and production project carried out by the Group in the Tuzi gas field. As such, the related exploration and evaluation assets amounting to approximately HK$40,546,000 (six months ended 31 December 2011: HK$39,089,000) were transferred to oil and gas properties.

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 2012.

At 31 December 2012, the Group's investment properties were fair valued by the management (30 June 2012: Asset Appraisal Limited, independent qualified professional valuer not connected with the Group) by reference to recent market evidence of transaction prices for similar properties in the same location and condition. No valuation has been performed by independent qualified professional valuers as at 31 December 2012. There is no change in fair value of the investment property for the current period and prior period.

11. TRADE DEBTORS AND OTHER DEBTORS, PREPAYMENTS AND DEPOSITS

The Group allows an average credit period of 30 to 45 days to its international trading and marine bunkering customers, 60 days to the sole customer, China National Petroleum Corporation, on sale of natural gas and condensate and 30 days to its marine transportation 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:

	As at 31 December 2012 ***HK$'000*** **(unaudited)**	As at 30 June 2012 *HK$'000* (audited)
0 – 30 days	**3,308,949**	5,662,701
31 – 60 days	**4,857**	1,035,380
61 – 90 days	**-**	38,840
Over 90 days	**2,062**	464
	3,315,868	6,737,385

At 31 December 2012, other debtors, prepayments and deposits of approximately HK$47,484,000 (30 June 2012: HK$36,446,000) represent prepayments for daily operating expenses.

12. 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:

	As at 31 December 2012 ***HK$'000*** **(unaudited)**	At 30 June 2012 *HK$'000* (audited)
0 – 30 days	**2,536,803**	4,686,601
31 – 90 days	**9,228**	64,084
61 – 90 days	**2,256**	4,901
Over 90 days	**7,005**	5,757
	2,555,292	4,761,343

Apart from the balance disclosed above, the balance of approximately HK$645,436,000 (30 June 2012: HK$501,676,000) classified as trade payable to a related company is aged within 45 days at 31 December 2012 (30 June 2012: aged within 45 days).

As at 31 December 2012, other creditors and accrued charges includes goods and service tax payable of approximately HK$46,334,000 (30 June 2012: HK$99,038,000) in relation to sales in Singapore. Other than that, the balance of approximately HK$846,985,000 (30 June 2012: HK$999,802,000) represents payable to independent third parties for purchase of property, plant and equipment.

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 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.

The derivative financial instruments is measured at fair value. The fair value of futures and swaps contracts is derived from quoted prices in the active market and that of forwards contracts is derived from discounted cash flow analysis using the applicable yield curve for the remaining duration of the instruments.

During the six months ended 31 December 2012, the loss on fair value change of derivative financial instruments of futures, swaps and forwards contracts of approximately HK$973,704,000 was charged to profit or loss (six months ended 31 December 2011: gain on fair value change of derivative financial instruments of approximately HK$793,756,000 was credited to profit or loss).

14. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
	(unaudited)	(unaudited)
Ordinary shares		
Authorised		
As at 1 July 2011, 30 June 2012 and 31 December 2012, at HK$0.025 each	40,000,000,000	1,000,000
Issued and fully paid		
As at 30 June 2011 and 31 December 2011, at HK$0.025 each	6,763,581,600	169,090
Shares issued upon acquisition of a subsidiary (Note a)	322,916,666	8,073
Shares issued upon conversion of convertible notes (Note b)	1,680,000,000	42,000
As at 30 June 2012 and 31 December 2012, at HK$0.025 each	8,766,498,266	219,163

Notes:

(a) 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 Kwong Lam ("Dr. Sit"), an executive director of the Company. In accordance with the terms of the acquisition, the Company has issued 322,916,666 new ordinary shares of the Company to Canada Foundation Limited ("Canada Foundation"), the immediate and ultimate holding company of the Company wholly and beneficially owned by Dr. Sit.

(b) During the second half of 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. 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.

15. CONVERTIBLE NOTES

Pursuant to the subscription agreement dated 25 June 2009 and the supplemental deed signed on 2 September 2009, convertible notes (the "Convertible Notes") with aggregate principal amount of US$120,000,000 were issued at par with an initial conversion price of US$0.19355 per share to Canada Foundation on 27 October 2009 (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). Subsequent to the share subdivision of the Company on 27 May 2010 ("Share Subdivision"), the conversion price of the Convertible Notes is adjusted to US$0.04839.

The Convertible Notes are denominated in USD and are non-interest bearing. The holder of the 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, i.e. repayable on 27 October 2012, The Conversion Shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion. If 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 upon maturity.

During the second half of the year ended 30 June 2012, the aggregate principal amount of US$81,291,000 (approximately HK$630,005,000) of the Convertible Notes was converted into 1,680,000,000 shares of the Company at the conversion price of US$0.04839 per share. As at 30 June 2012, the principal amount of US$38,709,000 (approximately HK$299,995,000) of the Convertible Notes remained outstanding.

Pursuant to the resolution passed by the independent shareholders of the Company on 14 August 2012, the maturity date of the Convertible Notes is extended by three years to 27 October 2015 ("New Maturity Date") under the deed of extension entered into between the Company and Canada Foundation ("New Convertible Notes"). The holder of the Convertible Notes can exercise the conversion right at any time up to the New Maturity Date. Other than this, terms and conditions of the New Convertible Notes remain unchanged from the Convertible Notes.

The New Maturity Date is considered to be a substantial modification of the Convertible Notes as the net present value of the cash flows of the New Convertible Notes is more than 10% different from the net present value of the cash flows of the outstanding Convertible Notes prior to the extension of maturity date, both discounted at the original effective interest rate of 19.49% per annum. As such, the Convertible Notes were derecognised and the New Convertible Notes were recognised. The fair value of the New Convertible Notes as at 27 October 2012 amounting to approximately HK$1,266,553,000, of which approximately HK$301,685,000 and HK$964,868,000 has been allocated as consideration to redeem the liability and equity components of the Convertible Notes respectively, resulting in a loss on the redemption of the liability component of approximately HK$1,690,000 recognised in profit or loss.

15. CONVERTIBLE NOTES - continued

On initial recognition, the New Convertible Notes are split into two components, liability and equity elements. The liability component is measured at fair value of approximately HK$210,702,000 at 27 October 2012, being the present value of the contractual stream of future cash flows discounted using the prevailing market interest of similar non-convertible debts of 12.5% per annum. The equity component of approximately HK$1,055,851,000, being the residual amount of the New Convertible Notes after separating the liability component, is presented in equity heading in "Convertible Notes Reserve". In addition, deferred tax liability of HK$15,012,000 is charged directly to the carrying amount of the equity component. As at 31 December 2012, the amortised cost of the liability component is approximately HK$215,237,000.

The fair value of the New Convertible Notes on 27 October 2012 is calculated using the binomial model. The inputs into the model were as follows:

Share price	US$0.204
Expected volatility (note a)	53.33%
Contractual life	3 years
Risk free rate (note b)	0.23% per annum

Notes:

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

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

16. COMMITMENTS

	As at 31 December 2012 *HK$'000* **(unaudited)**	At 30 June 2012 *HK$'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	**1,088,049**	2,402,959
- addition to evaluation and exploration assets	**-**	26,870
	1,088,049	2,429,829
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	**59,940**	46,851
	1,147,989	2,476,680

17. 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	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Purchase of fuel oil from a related company	**1,153,698**	2,593,398
Fuel oil storage fee paid or payable to a related company	**4,676**	23,240
Barge service fee paid or payable to a related company	**9,911**	-
Marine transportation income received or receivable from a related company	**9,348**	7,365
Office rental charged by a related company	**-**	213

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 2012 and 30 June 2012.

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

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.

Pursuant to the resolution passed by independent shareholders of the Company on 14 August 2012, the maturity date of the Convertible Notes is extended by three years to 27 October 2015 under the deed of extension entered into between the Company and Canada Foundation. Details are set out in note 15.

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	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Salaries and other short-term employee benefits	**9,743**	10,179
Share-based payment	**1,012**	6,161
Retirement benefits costs	**23**	21
	10,778	16,361

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months from 1 July to 31 December 2012 (the "Period"), the total revenue of the Group decreased by approximately 34.9% to HK$23,589.5 million from HK$36,261.8 million in the same period last year. The Group's business in International Trading and Bunkering ("ITB") and Marine Transportation ("MT") were the major drivers of the Group's financial performance, both of which faced an extremely challenging market environment where demand and margin were poor. During the Period, owing to the depressed shipping industry and decreasing bunker demands, the Group's ITB and MT businesses experienced a decreased gross profit of HK$740.7 million and adjusted gross loss of HK$233.0 million (i.e. gross profit plus fair value change of derivative financial instruments), consequently causing loss attributable to the owners of the Company (the "Shareholders") amounting to HK$871.1 million.

As a result of the loss in the Period, the Company and certain subsidiaries have failed to satisfy a financial covenant, namely preservation of the interest coverage ratio, as contained in certain loan facilities ("Facilities", or individually "Facility"). This breach of the interest coverage ratio covenant entitled the lender of the Facilities ("Lender") under at least one Facility to declare the outstanding principal amount, accrued interest and all other sums payable under the relevant Facility immediately due and payable and/or terminate the Facility. Moreover, this default would trigger cross default provisions in other Facilities. On 4 February 2013, the Company announced that it has successfully obtained from the relevant Lenders all necessary formal waiver letters regarding the breaches of financial covenant of interest coverage ratio in the Facilities. Upon obtaining such waiver letters, no cross default provisions in the Facilities were triggered.

Liquidity and Financial Resources

As of 31 December 2012, the Group had receivables from brokers, pledged bank deposits and bank and cash balances of approximately HK$1,179.1 million, HK$121.6 million and HK$1,881.1 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 2012, the Group had bank borrowings and charges on its assets of approximately HK$6,436.6 million and HK$9,648.5 million respectively.

Contingent Liabilities

As at 31 December 2012, the Group did not have any significant contingent liabilities.

Business Review and Outlook

International Trading and Bunkering

In light of the uncertain global economic environment leading to a slowdown in global trade and over-capacity in the shipping industry, the Group's International Trading and Bunkering business experienced significant challenges during the period under review. Coupled with ship owners' attempts to reduce bunker consumption to control costs, there was a general decline in global bunker demand and in margins. The Group's global bunker sales volume in the second half of 2012 were approximately 2.8 million metric tonnes, a decrease of 37% from the same period a year ago.

The Group took a more conservative approach to credit risk management, and selected customers more cautiously, which partly contributed to the significant drop in bunker sales volume in Singapore and China.

During the period under review, the Group focused its efforts (included the subleasing and reduction of unproductive tankage capacity in Singapore and the United States ("US"). The Group had also worked on further consolidation of its worldwide sales offices to save overhead costs) on reducing key costs as a means of offsetting the effects of the poor macro-economic situation, and diversified its trading portfolio by introducing crude oil and petrochemical trading businesses to its International Trading and Bunkering business.

The Group expects the trading conditions in the oil markets to remain very competitive and volatile throughout 2013. Looking forward, the Group will diversify its tradable range of products to four key lines of fuel oil, crude oil, gas oil as well as petrochemical. The Group is working to expand its bunkering presence into first tier bunker ports around the world, as well as increase its bunker sales in China by venturing into more Chinese ports. Since October 2012, the Group has started to trade physical crude oil cargoes from Singapore. The Group started a new trading hub in Geneva in 2013 and plans to restart trading activities in Houston so as to establish a trading presence in the Western markets. These offices will provide the Group with market intelligence and information as well as support its long term vision of developing a competitive multi-product global oil trading business.

Oil Storage & Terminal Facilities

The Group has been active in developing its strategic oil storage assets to provide a platform for servicing the wider industry as the Group aims to bring value to its customers by providing storage and transhipment services that are safe, reliable, efficient and that maximise 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, secure access to the Group's other businesses.

At Waidiao Island in Zhoushan, tank foundations are being laid and construction of part of the jetty infrastructure has begun. Full commercial operations for phase 1 of the project will be reached in around the second half of 2014, and will provide the Group a total capacity of 1.94 million m^3, while phase 2 of the project is slated to begin full commercial operations in the second half of 2015, providing the Group a total capacity of 1.22 million m^3. The total capacity of the Zhoushan project will reach 3.20 million m^3.

Site preparation for the project on Changxing Island in Dalian has been completed. Full commercial operations for phase 1 of the project are projected to commence by the second half of 2015 with a capacity of 3.98 million m^3. Phase 2 of the project is expected to commence full commercial operations in the second half of 2016 with a capacity of 3.68 million m^3. The total capacity of the Dalian project will reach 7.70 million m^3.

The commissioning of the two oil storage projects in Zhoushan and Dalian will bring stable revenue from oil storage as well as oil trading opportunities to the Group.

Marine Transportation

The Group took delivery of three Very Large Crude Carriers (“VLCCs”) in July, September and November, 2012. The fourth VLCC was delivered on 7 January 2013 and has commenced operations, while the fifth VLCC will be delivered and commence operations in mid-March 2013. The vessels are built to the top specifications and have in record time been recognized as some of the most efficient vessels in the tanker market.

All vessels have performed satisfactorily with very little or no technical downtime, and effective utilization of the fleet secured earnings above or in line with the general market average.

The tanker freight rate stayed low during this period, mainly due to ample tonnage supply , very limited tonnage used for floating storage and slow global economic recovery.

Piracy continue to cause concern for vessels trading in the Indian Ocean, the company adopted a policy of employing armed guards, besides purchasing insurance, on all vessels while transiting this area whereby crews, vessels and cargoes are protected to the largest possible extent.

The Group’s total capacity will reach over 2 million DWT with five VLCCs, four Aframax Oil Tankers and one Bunker Barge in full operations. Revenue from the marine transportation business will grow further and contribute to the lowering of costs of the Group’s overall supply chain and enhance competitiveness of the business.

Upstream Business

The Group's upstream business accomplished remarkable achievements during the period under review. The Xinjiang Tarim Basin Dina 1 Gas Field (“Dina 1 Gas Field”), which the Group developed in partnership with China National Petroleum Corporation (“CNPC”), has officially advanced to the production stage from the development stage in September 2012. The Dina 1 Gas Field, with three wells developed, is currently producing at a rate of approximately 1.27 million m^3 of natural gas and 70MT of condensate oil per day. The Group is looking into developing new wells in the Dina 1 Gas Field to increase production.

In December 2012, the National Development and Reform Commission (“NDRC”) officially approved the Overall Development Plan (“ODP”) for the Tuzi Luoke Gas Field (“Tuzi Gas Field”). The Tuzi Gas Field is being jointly developed by the Group’s wholly owned subsidiary, Win Business Petroleum Group (Grand Desert) Limited, and CNPC. According to the ODP, the Tuzi Gas Field has cumulative gas extraction of 14.1 billion m^3 during its 20-year production period.

Upon commissioning, Dina 1 Gas Field and Tuzi Gas Field are expected to have an annual production of 1.3-1.5 billion m^3 of natural gas and 30,000 to 40,000 tonnes of condensate oil. The Group will continue to vigorously develop its upstream business through active exploration of upstream business projects and various invest opportunities.

The Group remained vigilant under market uncertainties amid the backdrop of a difficult operating environment in the first half of the 2013 fiscal year, and made significant progress in its upstream business despite various challenges. Through continuous development, we expect our upstream business to become one of our major revenue drivers in the future. We will continue to strengthen the foundation of our business in this area and to enhance our leading position in the industry. With the gradual implementation of China’s 12th Five-Year Plan, the growing demand for natural gas in China makes the political and market environment more favorable for the growth prospects of the Group’s upstream business. The Group will seize the opportunity and spare no efforts in maximizing returns to its shareholders.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2012.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group employed approximately 380 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 2012, total employees’ remuneration, including Directors’ remuneration, was approximately HK$139.8 million.

DISCLOSURE OF INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2012 Annual Report of the Company are set out below:

Mr. He Zixin, Mr. Ran Longhui and Mr. Sun Zhenchun resigned as non-executive Director of the Company on 30 December 2012. Each of them, however, has agreed to act as upstream consultant to a subsidiary of the Company, with effect from 30 December 2012, specializing in the provision of professional guidance and consultancy services to the development of our upstream business.

Mr Lau Hon Chuen was appointed an independent non-executive director of the People's Insurance Company (Group) of China Limited on 19 October 2012.

BOARD COMPOSITION

As at 31 December 2012, the Board consists of a total of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 31 December 2012, the Company has complied with all the Code Provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code Provision A.2.1
Under the code provision A.2.1 of the 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 under review.

AUDIT COMMITTEE AND INDEPENDENT REVIEW BY EXTERNAL AUDITORS

The audit committee of the Company (the "Audit Committee") as at 31 December 2012 comprised 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 condensed consolidated financial statements for the six months ended 31 December 2012 have been reviewed by the Audit Committee.

The Group's external auditor, Messrs. Deloitte Touche Tohmatsu, has been appointed to review the condensed consolidated financial statements. On the basis of their review, they are not aware of any material modifications that should be made to the condensed consolidated financial statements 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 2013

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) one non-executive Director, namely 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*