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

Interim Report 2013

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

CONTENTS

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF BRIGHTOIL PETROLEUM (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Brightoil Petroleum (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 29, which comprises the condensed consolidated statement of financial position as of 31 December 2012 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

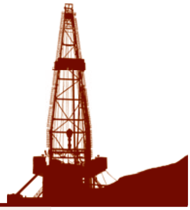
27 February 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Six months ended 31 December 2012 HK$'000 (unaudited)	2011 HK$'000 (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	19	**(973,704)**	793,756
Loss on redemption of the liability component of convertible notes	21	**(1,690)**	–
Other expenses	6	**(65,911)**	(144,765)
Distribution and selling expenses		**(327,251)**	(352,600)
Administrative expenses		**(194,236)**	(184,899)
Finance costs	7	**(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	8	**(872,850)**	1,009,851
Taxation credit (charge)	9	**1,700**	(44,618)
(Loss) profit for the period attributable to the owners of the Company		**(871,150)**	965,233
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(123)**	(150)
Item 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	11	**HK(9.94) cents**	HK14.27 cents
Diluted	11	**HK(9.94) cents**	HK11.06 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	As at 31 December 2012 HK$'000 (unaudited)	As at 30 June 2012 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	12	**7,505,696**	6,021,753
Prepaid lease payments for land	13	**532,793**	376,875
Prepaid lease payments for coast		**12,031**	11,933
Investment properties	12	**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	14	**125,806**	359,467
Deposits paid for prepaid lease payments for land	13	**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	15	**3,315,868**	6,737,385
Accrued revenue		**24,532**	–
Prepaid lease payments for land	13	**11,191**	6,892
Prepaid lease payments for coast		**261**	256
Derivative financial instruments	19	**604,778**	1,266,024
Other debtors, prepayments and deposits	15	**57,937**	55,343
Amount due from a jointly controlled entity		**307**	303
Securities held for trading	16	**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



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**As at 31 December 2012 HK$'000 (unaudited)**	As at 30 June 2012 HK$'000 (audited)
Current liabilities			
Trade creditors	17	**2,555,292**	4,761,343
Trade payable to a related company	17, 24	**645,436**	501,676
Other creditors and accrued charges	17	**1,092,133**	1,216,092
Bank borrowings	18	**6,436,617**	7,006,194
Derivative financial instruments	19	**624,862**	1,645,188
Convertible notes	21	**–**	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	21	**215,237**	–
Bank borrowings	18	**–**	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	20	**219,163**	219,163
Reserves		**6,547,199**	7,279,641
Equity attributable to owners of the Company		**6,766,362**	7,498,804

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserves HK$'000	Special reserve HK$'000 (Note a)	Shareholder's contribution HK$'000 (Note b)	Translation reserve HK$'000	Convertible notes reserve HK$'000	Other reserve HK$'000 (Note c)	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
As at 1 July 2012 (audited)	**219,163**	**4,211,487**	**3,489**	**1,000**	**33,679**	**88,491**	**103,666**	**-**	**34,932**	**2,802,897**	**7,498,804**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(871,150)**	**(871,150)**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**60,023**	**-**	**-**	**-**	**-**	**60,023**
Total comprehensive expense for the period	**-**	**-**	**-**	**-**	**-**	**60,023**	**-**	**-**	**-**	**(871,150)**	**(811,127)**
Recognition of equity-settled share based payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,714**	**-**	**2,714**
Forfeiture of share options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,139)**	**7,139**	**-**
Redemption of equity component of convertible notes (note 21)	**-**	**-**	**-**	**-**	**-**	**-**	**(103,666)**	**(861,202)**	**-**	**-**	**(964,868)**
Recognition of equity component of convertible notes (note 21)	**-**	**-**	**-**	**-**	**-**	**-**	**1,055,851**	**-**	**-**	**-**	**1,055,851**
Deferred tax liability on recognition of equity component of convertible notes	**-**	**-**	**-**	**-**	**-**	**-**	**(15,012)**	**-**	**-**	**-**	**(15,012)**
As at 31 December 2012 (unaudited)	**219,163**	**4,211,487**	**3,489**	**1,000**	**33,679**	**148,514**	**1,040,839**	**(861,202)**	**30,507**	**1,938,886**	**6,766,362**
At 1 July 2011 (audited)	169,090	2,936,020	3,489	1,000	33,679	68,246	321,373	-	36,378	2,721,738	6,291,013
Profit for the period	-	-	-	-	-	-	-	-	-	965,233	965,233
Other comprehensive income for the period	-	-	-	-	-	32,370	-	-	-	-	32,370
Total comprehensive income for the period	-	-	-	-	-	32,370	-	-	-	965,233	997,603
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	7,744	-	7,744
Lapse of share options	-	-	-	-	-	-	-	-	(11,663)	11,663	-
Dividend paid (note 10)	-	-	-	-	-	-	-	-	-	(236,725)	(236,725)
As at 31 December 2011 (unaudited)	169,090	2,936,020	3,489	1,000	33,679	100,616	321,373	-	32,459	3,461,909	7,059,635

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.

c. Other reserve represents the difference between the redemption consideration and the carrying amount of the outstanding options as at the date of redemption.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	Six months ended 31 December 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Net cash generated from (used in) operating activities		**3,388,476**	(1,351,740)
Net cash (used in) from investing activities:			
Proceeds from disposal of an investment property	12	**–**	79,372
Addition to prepaid lease payments for land		**(93,676)**	–
Purchase of property, plant and equipment		**(533,775)**	(263,934)
Addition to exploration and evaluation assets		**–**	(27,296)
Settlement of payables in relation to purchase of property, plant and equipment in prior year		**(907,168)**	(131,432)
Deposits paid for acquisition of property, plant and equipment		**–**	(383,348)
Deposit paid for prepaid lease payments		**–**	(27,828)
Government grant received	13	**–**	336,725
Capital contribution to jointly controlled entities		**(27,304)**	–
Placement to pledged bank deposits		**(251,270)**	(5,783,836)
Withdrawal of pledged bank deposits		**543,459**	6,276,422
Other investing cash flows		**(7,862)**	5,716
		(1,277,596)	80,561
Net cash (used in) from financing activities:			
Dividend paid		**–**	(236,725)
Bank loans raised	18	**17,700,764**	16,258,055
Repayment of bank loans	18	**(19,472,628)**	(15,742,907)
Other financing cash flows		**(101,415)**	(124,248)
		(1,873,279)	154,175
Net increase (decrease) in cash and cash equivalents		**237,601**	(1,117,004)
Cash and cash equivalents as at 1 July		**1,635,013**	2,402,809
Effect of foreign exchange rate changes		**8,442**	6,776
Cash and cash equivalents as at 31 December represented by bank balances and cash		**1,881,056**	1,292,581

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 (details are set out in note 18). 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 has 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 values and for fuel oil inventories which are measured at fair value less costs to sell.

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 flows 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 flows 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 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 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 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.

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 HK$'000 (unaudited)	Marine transportation operation HK$'000 (unaudited)	Upstream gas business HK$'000 (unaudited)	Direct investments HK$'000 (unaudited)	Segment total HK$'000 (unaudited)	Unallocated revenue HK$'000 (unaudited) (Note)	Consolidated HK$'000 (unaudited)
SEGMENT REVENUE							
External sales	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)

4. SEGMENT INFORMATION (CONTINUED)

Six months ended 31 December 2011

	International trading and bunkering operation HK$'000 (unaudited)	Marine transportation operation HK$'000 (unaudited)	Direct investments HK$'000 (unaudited)	Segment total HK$'000 (unaudited)	Unallocated revenue HK$'000 (unaudited) (Note)	Consolidated HK$'000 (unaudited)
SEGMENT REVENUE						
External sales	36,142,649	115,599	2,774	36,261,022	807	36,261,829
SEGMENT RESULTS	1,297,871	38,614	(41,888)	1,294,597		1,294,597
Other income, 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 taxation charge/credit. 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 aframax oil tankers with a lower 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 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. OTHER EXPENSES

	Six months ended 31 December	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Professional fee (Note)	**7,219**	43,239
Brokerage and commission expenses	**27,533**	53,647
Other expenses in relation to derivative trading and bank services	**31,159**	47,879
	65,911	144,765

Note: Professional fee represents fee for general legal advisory services, consultancy fee and fee for advisory services on investment projects. During the six months ended 31 December 2011, an aggregate amount of approximately HK$30,856,000 (six months ended 31 December 2012: nil) was in relation to consultancy services on business development rendered by independent third parties.

7. FINANCE COSTS

	Six months ended 31 December	
	2012 **HK$'000** **(unaudited)**	2011 HK$'000 (unaudited)
Imputed interest expense on convertible notes	**21,452**	68,776
Interest expense on bank borrowings	**105,760**	124,248
Total	**127,212**	193,024
Less: Amount capitalised	**(25,797)**	–
	101,415	193,024

Borrowing cost capitalised during the period of approximately HK$22,194,000 (six months ended 31 December 2011: nil) arose on the general borrowing pool calculated by applying a capitalisation rate of 2.94% per annum. Borrowing cost was capitalised as part of the construction in progress in respect of vessels, oil storage facilities and buildings.

8. (LOSS) PROFIT BEFORE TAXATION

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

	Six months ended 31 December	
	2012 **HK$'000** **(unaudited)**	2011 HK$'000 (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

9. 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

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

The Group has awarded the 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.

10. 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.

11. (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 21) (net of tax)	**–**	57,428
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(871,150)**	1,022,661

11. (LOSS) EARNINGS PER SHARE (CONTINUED)

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 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.

12. 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.

As at 31 December 2012, the Group's investment properties were fair valued by the management (30 June 2012: Asset Appraisal Limited, independent qualified professional valuers 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 valuer as at 31 December 2012. There is no change in fair value of the investment property for the current period and prior period.

13. PREPAID LEASE PAYMENTS FOR LAND AND DEPOSITS PAID FOR PREPAID LEASE PAYMENTS

During the current period, total additions to prepaid lease payment for land were approximately HK$158,198,000 (six months ended 31 December 2011: nil), which comprised of leasehold land in the PRC under medium term lease.

During the current period, the Group utilised approximately HK$64,522,000 (six months ended 31 December 2011: nil) of deposits paid for prepaid lease payments for land. During the six months ended 31 December 2011, the Group paid additional deposit for prepaid lease payments of approximately HK$27,828,000. Balance as at 31 December 2012 and 30 June 2012 represented deposit paid for prepaid lease payments in the PRC with medium-term lease.

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

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

As at 31 December 2012, the amount mainly represents deposits paid for construction of oil and gas properties and roads in the gas fields of approximately HK$119,410,000 (30 June 2012: HK$351,521,000). The remaining balance represents deposits paid for acquisition of certain software.

15. 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 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

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

16. SECURITIES HELD FOR TRADING

	As at 31 December 2012 HK$'000 (unaudited)	As at 30 June 2012 HK$'000 (audited)
Equity securities listed in Hong Kong, at fair value	**147,560**	126,118

17. 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$'000 (unaudited)	As at 30 June 2012 HK$'000 (audited)
0 – 30 days	**2,536,803**	4,686,601
31 – 60 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 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 as 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, 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.

18. BANK BORROWINGS

During the current period, the Group obtained several new bank loans from various banks amounting to approximately HK$17,700,764,000 (six months ended 31 December 2011: HK$16,258,055,000) and repaid approximately HK$19,472,628,000 (six months ended 31 December 2011: HK$15,742,907,000). The new loans carry interest at market rates ranging from 2.59% to 4.21% (six months ended 31 December 2011: 2.67% to 4.96% per annum) and are secured by the Group's property, plant and equipment.

As at 31 December 2012, the Group breached certain covenants related to the minimum interest coverage ratio of the Group (defined as the Group's profit before interest and tax divided by interest costs) and consequently, triggered the cross-default clause as stipulated in the loan agreements signed with other banks. The banks were therefore entitled to exercise their rights to demand immediate repayment as at 31 December 2012. As such, the entire outstanding bank loans amounting to approximately HK$6,436,617,000, of which HK$873,466,000 were deemed to include a repayable on demand clause were classified as current liabilities as at 31 December 2012.

	Breach of loan covenants due to		
	Minimum interest coverage ratio HK$'000 (unaudited)	**Cross-default** HK$'000 (unaudited)	**Total** HK$'000 (unaudited)
Carrying amount of bank borrowings analysed based on original scheduled repayment dates			
– Repayable within 1 year from the end of the reporting period	383,437	3,736,022	4,119,459
– Repayable after 1 year from the end of the reporting period without repayment on demand clause	782,588	661,104	1,443,692
– Repayable within 1 year from the end of the reporting period but contains a repayment on demand clause	58,325	–	58,325
– Repayable after 1 year from the end of the reporting period but contains a repayment on demand clause	815,141	–	815,141
Total as at 31 December 2012	2,039,491	4,397,126	6,436,617

Based on the original scheduled repayment dates, the bank borrowings are repayable in installments over a period from 1 month to 11 years (six months ended 31 December 2011: 1 month to 9 years).

Subsequent to the end of the reporting period, the Group obtained waivers from its 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 other bank borrowings have been remedied as well. As of the date these condensed consolidated financial statements were authorised for issuance, the Group is still in the process of negotiating with several banks to remove the repayment on demand clause on bank borrowings amounting to HK$873,466,000.

19. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments of the Group comprised 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 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).

Type of contracts	**Fair value** HK$'000	**Notional amount** US$'000	**Expiry date**
As at 31 December 2012 (unaudited)			
Derivative financial assets			
Futures	260,750	2,300,772	01.01.2013 to 31.01.2014
Swaps	311,622	1,885,467	01.01.2013 to 30.06.2013
Forwards	32,406	4,584,045	01.01.2013 to 31.12.2013
	604,778		
Derivative financial liabilities			
Futures	339,649	2,751,275	02.01.2013 to 31.01.2014
Swaps	257,113	1,891,425	01.01.2013 to 30.06.2013
Forwards	28,100	311,040	01.01.2013 to 31.12.2013
	624,862		

19. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Type of contracts	Fair value HK$'000	Notional amount US$'000	Expiry date
As at 30 June 2012 (audited)			
Derivative financial assets			
Futures	434,850	747,870	01.07.2012 to 31.12.2012
Swaps	739,307	2,228,910	01.07.2012 to 31.12.2012
Forwards	91,867	343,123	01.07.2012 to 28.02.2013
	1,266,024		
Derivative financial liabilities			
Futures	436,485	655,242	01.07.2012 to 31.12.2012
Swaps	1,198,451	2,961,955	01.07.2012 to 31.12.2012
Forwards	10,252	337,303	01.07.2012 to 31.12.2012
	1,645,188		

20. SHARE CAPITAL

	Number of shares (unaudited)	Share capital HK$'000 (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, an executive director of the Company. In accordance with the terms of the acquisition, the Company 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 financial 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.

21. 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"), conversion price of the Convertible Notes is adjusted to US$0.04839.

The Convertible Notes are denominated in US$ 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, 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, principal amount of US$38,709,000 (approximately HK$299,995,000) of the Convertible Notes remained outstanding.

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 ("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 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, Convertible Notes were derecognised and 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 component 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.

21. 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.

22. PLEDGE OF ASSETS

As at 31 December 2012, vessels, construction in progress, inventories, trade debtors and bank deposits of the Group with carrying values of approximately HK$4,100,878,000, nil, HK$2,215,863,000, HK$3,210,194,000 and HK$121,598,000 (30 June 2012: HK$1,579,890,000, HK$2,102,221,000, HK$3,067,044,000, HK$6,603,523,000 and HK$413,556,000) respectively were pledged with several banks to secure the loans and short-term credit facilities granted to the Group.

23. COMMITMENTS

	As at 31 December 2012 HK$'000 (unaudited)	As at 30 June 2012 HK$'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

24. 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 HK$'000 (unaudited)	2011 HK$'000 (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 as set out in note 17 is unsecured and non-interest bearing. The credit term granted to the Group is 45 days and the whole balance aged within 45 days as at 31 December 2012 and 30 June 2012.

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

24. RELATED PARTY TRANSACTIONS (CONTINUED)

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 21.

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

25. MAJOR NON-CASH TRANSACTIONS

During the six months ended 31 December 2012, the Group utilised approximately HK$238,011,000 (six months ended 31 December 2011: HK$1,253,276,000) of deposits paid of acquisition of property, plant and equipment and approximately HK$64,522,000 (six months ended 31 December 2011: nil) of deposits paid for prepaid lease payments for land.

During the six months ended 31 December 2012, the Group transferred exploration and evaluation assets of approximately HK$40,546,000 (six months ended 31 December 2011: nil) to property, plant and equipment in relation to the natural gas development and production project in the Tuzi gas field. Details are set out in note 12.

During the current period, the substantial modification of Convertible Notes with principal amount of approximately HK$299,995,000 was considered as redeemed and satisfied by issuance of New Convertible Notes at the same principal amount (details are set out in note 21).

26. EVENTS AFTER THE END OF INTERIM PERIOD

On 7 January 2013, a vessel which was under a shipbuilding contract passed sea trials and protocols of delivery and acceptance were signed by the Group and the shipbuilder respectively. The consideration of the vessel is US$107,500,000 (equivalent to approximately HK$833,844,000) and the vessel was delivered to the Group on the same date. As at 31 December 2012, the carrying amount of the vessel under construction including borrowing costs capitalised of approximately HK$838,574,000 is included in construction in progress.

Subsequent to the end of the reporting period, the Group obtained waivers from its 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 as well (details as set out in note 18).

In January 2013, the Group also obtained additional bank facilities for additional long-term loan of up to US$65 million (approximately HK$503,801,000) repayable within 8 years from the drawdown.

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$871.2 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 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.

The aggregate amount of assets, liabilities, incomes and expenses recognised in the condensed consolidated financial statements in relation to the Group's interest in the jointly controlled operation in the Tuzi gas field & Dina gas field are HK$1,547.1 million, HK$338.2 million, HK$168.1 million and HK$114.2 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2012, the Group had receivables from brokers, pledged bank deposits and bank balances and cash 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.

CONTINGENT LIABILITIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 (including 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 ITB 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 can 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.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

Oil storage & terminal facilities (continued)

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 continues 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 70 metric tonnes of condensate oil per day. The Group is looking into developing new wells in the Dina 1 Gas Field to increase production.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

Upstream Business (continued)

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 fully production, 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 metric 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.

CAPITAL STRUCTURE

As of 31 December 2012, the Company had 8,766,498,266 shares (the "Shares") in issue with total share capital of approximately HK$219.2 million.

BORROWINGS AND CHARGES ON GROUP ASSETS

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.

Particulars of the Company's convertible notes are set out in the note 21 to the Condensed Consolidated Financial Statements.

GEARING RATIO

As at 31 December 2012, the Group's gearing ratio was approximately 51.3%, calculated as the Group's net borrowing divided by Shareholders' equity. Net borrowing of HK$3,470.1 million was calculated as total borrowings (i.e. the aggregate of bank borrowings and convertible notes of HK$6,651.9 million) less the aggregate of receivables from brokers, pledged bank deposits and bank balances and cash of HK$3,181.8 million.

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES

The following information is disclosed pursuant to Rules 13.18 and 13.21 of Chapter 13 of the Listing Rules.

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

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

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

(2) On 13 December 2011, Brightoil Glory Tanker Ltd., an indirect wholly-owned subsidiary of the Company, as borrower ("Brightoil Glory"), United Overseas Bank Limited and Bank of America, N.A., Singapore Branch, as lenders (the "Lenders"), and the Company, as guarantor, entered into a loan agreement (the "Brightoil Glory Loan Agreement") pursuant to which the Lenders have agreed to grant a loan of up to US$75,250,000 to Brightoil Glory to part finance the acquisition of one very large crude carrier (the "Brightoil Glory Loan"). The Brightoil Glory Loan shall repay after the first drawdown date and the final instalment being repaid on the date falling 60 months after such date.

Pursuant to the Brightoil Glory Loan Agreement, Dr. Sit and his descendants shall remain at all times in control (at least 51% of the issued shares) of the Company (the "Specific Performance Obligation"). It will constitute an event of default if the Specific Performance Obligation is breached whereupon United Overseas Bank may, (i) cancel the Brightoil Glory Loan; and/or (ii) declare that all or part of the loan together with accrued interest and all other amounts accrued or owing under the Brightoil Glory Loan Agreement be immediately due and payable or due and payable on demand; and/or (iii) take any other action entitled to take under Brightoil Glory Loan Agreement.

(3) On 13 January 2012, Brightoil Gravity Tanker Ltd. and Brightoil Galaxy Tanker Ltd., indirect wholly-owned subsidiaries of the Company, as joint and several borrowers (the "Joint Borrowers"), Credit Suisse AG and Deutsche Bank AG, Singapore Branch, as lenders (the "Lenders"), and the Company, as guarantor, entered into a loan agreement (the "Brightoil Gravity and Brightoil Galaxy Loan Agreement") pursuant to which the Lenders have agreed to grant a loan of up to US$133,540,372.68 to the Joint Borrowers to part finance the acquisition of two very large crude carriers (the "Brightoil Gravity and Galaxy Loan"). The Brightoil Gravity and Galaxy Loan shall repay after the first drawdown date and the final instalment being repaid on the date falling 144 months after such date.

Pursuant to the Brightoil Gravity and Galaxy Loan, a change occurs in the shareholding of in the ultimate beneficial ownership of any of the shares in either the Joint Borrowers or in the ultimate control of the voting rights attaching to any of those shares or in the control of the guarantor (the "Specific Performance Obligation"), it will constitute an event of default if the Specific Performance Obligation is breached whereupon Lenders may, (i) cancel the Brightoil Gravity and Galaxy Loan; and/or (ii) declare that all or part of the loan together with accrued interest and all other amounts accrued or owing under the Brightoil Gravity and Brightoil Galaxy Loan Agreement be immediately due and payable or due and payable on demand; and/or (iii) take any other action entitled to take under Brightoil Gravity and Brightoil Galaxy Loan Agreement.

(4) On 28 June 2012, the Company as borrower and China Development Bank Corporation, Hong Kong Branch ("CDB") as lender entered into a facility agreement (the "Facility Agreement") pursuant to which CDB has agreed to grant a loan of US$50,000,000 to the Company for a term of 36 months after the first date of utilisation of the facility (the "Facility").

Pursuant to the Facility Agreement, Dr. Sit shall remain as a controlling shareholder (as defined under the Listing Rules) of the Company (the "Specific Performance Obligation"). It will constitute an event of default if the Specific Performance Obligation is breached whereupon CDB may, by not less than 30 days notice to CDB (i) cancel the Facility; and/or (ii) declare that all or part of the loan made under the Facility Agreement, together with accrued interests, and all other amounts accrued or outstanding be immediately due and payable.

(5) On 14 January 2013, Brightoil Grace Tanker Ltd., an indirect wholly-owned subsidiary of the Company, as borrower ("Brightoil Grace"), Credit Suisse AG as lender (the "Lender"), and the Company, as guarantor, entered into a loan agreement (the "Brightoil Grace Loan Agreement") pursuant to which the Lender has agreed to grant a loan of up to US$65,000,000 to Brightoil Grace to part finance the acquisition of one very large crude carrier (the "Brightoil Grace Loan"). The Brightoil Grace Loan shall repay in 8 years.

Pursuant to the Brightoil Grace Loan Agreement, Dr. Sit and his descendants shall remain at all times in control (at least 51% of the issued shares of the Company) and management of the Company (the "Specific Performance Obligation"). It will constitute an event of default if the Specific Performance Obligation is breached whereupon the Lender may, (i) cancel the Brightoil Grace Loan; and/or (ii) declare that all or part of the loan together with accrued interest and all other amounts accrued or owing under the Brightoil Grace Loan Agreement be immediately due and payable or due and payable on demand; and/or (iii) take any other action entitled to take under Brightoil Grace Loan Agreement.

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.

INTERIM DIVIDENDS

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

SHARE OPTIONS SCHEME

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

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

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

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

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

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

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

SHARE OPTIONS SCHEME (CONTINUED)

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

Eligible participants	At 1 July 2012	Granted during the Period	Exercised during the Period	Lapsed during the Period	Outstanding as at 31 December 2012
Directors	22,000,000	–	–	(6,000,000)	16,000,000
Employees	5,520,000	–	–	(160,000)	5,360,000
	27,520,000	–	–	(6,160,000)	21,360,000

10,630,000 share options are exercisable at 31 December 2012 (2011: 6,920,000).

SUBSTANTIAL SHAREHOLDERS AND PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 2012, the interests and short positions of every person, other than a Director or chief executive of the Company, in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") were as follows:

Long positions

Name of substantial shareholder	Number of ordinary shares	Approximate Percentage of shareholdings
Energy Empire Investments Limited	2,918,088,960 (Note 1)	33.29%
Canada Foundation	4,212,247,039 (Notes 1 and 2)	48.05%

Notes:

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

2. These 4,212,247,039 Shares refer to (a) 3,412,267,706 Shares held by Canada Foundation; and (b) 799,979,333 Shares to be allotted and issued to Canada Foundation upon exercise in full of the conversion rights attaching to the convertible notes issued by the Company on 27 October 2009 pursuant to a subscription agreement dated 25 June 2009 (the "Subscription Agreement"), a supplemental deed dated 2 September 2009 (the "Supplemental Deed") and a deed of extension dated 6 July 2012 (the "Deed of Extension").

Save as disclosed above, as at 31 December 2012, the Company has not been notified of any person (other than a Director or chief executive of the Company) or entity had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2012, the interests and short positions of the Directors, chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Long positions in the shares of the Company

Name of Director	Name of company	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Dr. Sit Kwong Lam ("Dr. Sit")	The Company	Interest of a controlled corporation	7,330,335,999 (Note 1)	83.62%
Professor Chang Hsin Kang ("Professor Chang")	The Company	Beneficial owner	2,190,000 (Note 2)	0.025%
Mr. Per Wistoft Kristiansen ("Mr. Kristiansen")	The Company	Beneficial owner	50,000 (Note 3)	0.0006%

Note 1: These 7,330,335,999 Shares refer to (a) 2,918,088,960 Shares held by Energy Empire Investments Limited, which is wholly and beneficially owned by Dr. Sit; (b) 3,412,267,706 Shares held by Canada Foundation, which is wholly and beneficially owned by Dr. Sit; (c) 200,000,000 shares held by Brightoil Welfare Ltd. which is wholly and beneficially owned by Dr. Sit; and (d) 799,979,333 Shares to be allotted and issued to Canada Foundation upon exercise in full of the conversion rights attaching to the convertible notes issued by the Company on 27 October 2009 pursuant to the Subscription Agreement, the Supplemental Deed and the Deed of Extension.

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

Note 3: These 50,000 Shares were purchased by Mr. Kristiansen from the market on 26 January 2012.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

Long position in the underlying shares of equity derivatives of the Company

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

The following table discloses movements in the Company's share options during the Period:

	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy) (Note)	Exercise price HK$	Number of options as at 31.12.2012
Executive Directors				
Mr. Tang Bo	22.4.2010	22.4.2011–21.4.2015	3.40	4,000,000
Mr. Tan Yih Lin	22.4.2010	22.4.2011–21.4.2015	3.40	4,000,000
Total of Executive Directors				8,000,000

	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy) (Note)	Exercise price HK$	Number of options as at 1.7.2012	Number of options forfeited during the Period	Number of options as at 31.12.2012
Non-Executive Directors						
Mr. He Zixin*	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000	(2,000,000)	–
Mr. Ran Longhui*	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000	(2,000,000)	–
Mr. Sun Zhenchun*	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000	(2,000,000)	–
Mr. Dai Zhujiang	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000	–	2,000,000
Total of Non-Executive Directors				8,000,000	(6,000,000)	2,000,000

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

Long position in the underlying shares of equity derivatives of the Company (continued)

	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy) (Note)	Exercise price HK$	Number of options as at 31.12.2012
Independent Non-Executive Directors				
Mr. Lau Hon Chuen	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000
Professor Chang Hsin Kang	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000
Mr. Kwong Chan Lam	22.4.2010	22.4.2011–21.4.2015	3.40	2,000,000
Total of Independent Non-Executive Directors				6,000,000

* Mr. He Zixin, Mr. Ran Longhui and Mr. Sun Zhenchun resigned as non-executive Directors on 30 December 2012.

Notes:

(1) These shares options represent personal interest held by the relevant participants as the beneficial owners.

(2) The eligible participants are entitled to exercise the share options during the following periods:

(i) 25% of the share options from 22 April 2011;

(ii) another 25% of the share options from 22 April 2012;

(iii) additional 25% of the share options from 22 April 2013;

(iv) the remaining 25% of the share options from 22 April 2014; and in each case, not later than 21 April 2015.

Save as disclosed above, as at 31 December 2012, neither of the Directors nor chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be recorded pursuant to Section 352 of the SFO, or as otherwise, notified to the Company and the Stock Exchange pursuant to the Model Code.

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 AUDITOR

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 interim financial report. On the basis of their review, they are not aware of any material modifications that should be made to the interim financial report for the Period.

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

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

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

Hong Kong, 27 February 2013

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Dai Zhujiang

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Cheung Wa Ying

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
26/F, Tesbury Centre
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Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited
Ordinary Share (Stock Code: 00933)

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