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BRIGHTOIL PETROLEUM (HOLDINGS) LIMITED

光滙石油 (控股) 有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 933)

QUARTERLY UPDATE ANNOUNCEMENT ON RESUMPTION PROGRESS AND BUSINESS OPERATIONS

This announcement is made by Brightoil Petroleum (Holdings) Limited (the “**Company**” and together with its subsidiaries, collectively the “**Group**”) pursuant to Rule 13.24A of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Reference is made to the announcements of the Company dated 26 September 2017, 3 October 2017, 10 November 2017, 28 December 2017, 15 February 2018, 28 February 2018, 3 April 2018, 21 May 2018, 13 July 2018, 30 July 2018, 1 August 2018, 4 September 2018, 28 September 2018, 31 October 2018, 21 November 2018, 28 December 2018, 18 January 2019, 31 January 2019, 1 February 2019, 16 April 2019, 6 May 2019, 11 June 2019, 28 June 2019, 17 July 2019, 22 July 2019, 30 July 2019, 9 August 2019, 1 November 2019, 15 November 2019, 23 January 2020 and 31 January 2020 (the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

This announcement sets out an update of the Company’s actions taken on satisfying the resumption conditions and the business operations of the Group for the fourth quarter of 2019.

RESUMPTION CONDITIONS IMPOSED BY THE STOCK EXCHANGE

As disclosed in the announcements of the Company dated 28 December 2017 and 15 November 2019, the Stock Exchange imposed the following conditions (the “**Resumption Conditions**”) for the resumption of trading in the shares of the Company:

- (a) disclose the findings of the forensic investigation, assess the impact on the Company’s financial and operational position, and take appropriate remedial actions;
- (b) publish all outstanding financial results and address any audit qualifications;

- (c) inform the market of all material information for the shareholders and investors to appraise the Company's position; and
- (d) demonstrating that there is no reasonable regulatory concern about management integrity, and/or any persons with substantial influence over the Company's management and operations, which will pose a risk to investors and damage market confidence.

The Stock Exchange may modify the above Resumption Conditions and/or impose further conditions if the situation changes.

PROGRESS ON THE REVIEW AND RESUMPTION PLAN

Changes in senior management members

As disclosed in the announcement of 14 October 2019, Mr. Xie Wenyan resigned as an executive director of the Company on 11 October 2019. Mr. Xie Wenyan resigned as the Chief Executive Officer of the upstream business of the Group on 31 January 2020.

Publish of forensic investigation findings

RSM Corporate Advisory (Hong Kong) Limited has published a forensic investigation report, which has been reviewed by the ICC. The key findings of the forensic investigation were published on 31 January 2020.

Publish of internal control report

RSM Consulting (Hong Kong) Limited was engaged by the Company to review the existing internal policies and procedures and identify any internal control deficiency and provide suggestions on remedial actions the Company can take to strengthen its internal control effectiveness and published a internal control review report.

The Board have taken appropriate remedial actions to address the findings of the internal control review report. RSM Consulting (Hong Kong) Limited will conduct a follow-up review on the Group's implementation of its recommendations of the internal control review.

Change of auditor

PricewaterhouseCoopers have tendered their resignation as the auditor of the Company with effect from 23 January 2020. HLB Hodgson Impey Cheng Limited have been appointed as the new auditor of the Company with effect from 23 January 2020 to fill the casual vacancy following the resignation of PwC.

Publish of outstanding financial results

The unaudited management accounts of the Group for the years ended 30 June 2017, 2018 and 2019 and six months ended 31 December 2017 and 2018 have been published on 31 January 2020. The Company's auditor has commenced audit work on the Group's unaudited management accounts. The Company will strive to publish all outstanding financial results and address any audit issues on or before 29 May 2020.

Resumption plan

To resume trading in its Shares, the Company submitted the resumption plan to the Stock Exchange on 31 January 2020, including but not limited to, the disposal of the international oil trading and bunkering business (“**Target Business**”). The Company has signed the sale and purchase agreement regarding the disposal of the Target Business and the relevant draft announcement has been submitted to the Stock Exchange for review.

The Company will make further announcement regarding a feasible timetable for its fulfilment of the Resumption Conditions and disposal of the Target Business as soon as they are available.

UPDATE ON BUSINESS

(1) Upstream business

As of 31 December 2019, the daily output of Caofeidian Oilfield was 30,000 barrels. From January to December 2019, it achieved 11.62 million barrels of crude oil production, completing 114% of the annual plan. The construction & installation of ODAP for the Caofeidian project has been finished. It was successfully put into operation on 29 September 2019. At present, ODAP project alone contributes about 10,000 barrels of crude oil per day. At the same time, in terms of construction costs, the actual costs incurred were approximately RMB2,423 million, which is approximately RMB500 million below the approved budget of RMB2,923 million.

As of 31 December, 2019, the daily natural gas production of Dina 1 and Tuzi gas field was 3.03 million cubic meters in aggregate. The preparatory work for Tuzi gas field booster station and Dina 1-4 new well has begun, and the booster station is expected to be completed in October 2020 to achieve higher production targets.

The management expects that the upstream business will be the primary focus of the Company’s development in the future.

(2) Marine Transportation

Since the last update, the BRIGHTOIL GEM has since been sold by the Haikou Maritime Court of PRC for RMB403.3 million. The first tranche of the net proceeds from sale of the BRIGHTOIL GEM has now been received and applied to settling the debts of the Company and its subsidiaries.

(3) Intended sale of Zhoushan Oil Storage and Terminal Facilities

Reference is made to the Company's announcement on 30 July 2018, in relation to, among other things, the Company's engagement in preliminary commercial negotiations with potential investors for the intended sale of the assets and/or shareholding of Zhoushan Oil Storage and Terminal Facilities. The Company has been negotiating with various potential buyers in respect of the sale of all or part of the interests of the Company in Zhoushan Oil Storage and Terminal Facilities. On 7 January 2020, the Company had signed a non-binding “Zhoushan Project Cooperation Framework Agreement” with one of the potential buyers. The Company will work towards achieving signing of a binding agreement within three months.

UPDATE ON POTENTIAL DEBT RESTRUCTURING

The Group have been in active discussions with lenders on debt restructurings and securing additional funding, and have achieved significant progress with our lenders since the last update in the announcement of 1 November 2019. While the restructurings, extensions or settlements of debts are progressing at different stages with different lenders, the lenders in general have been supportive to the Group and we expect to conclude the process with all lenders within the coming few months. In addition, the Group will also secure additional funding via business/asset disposal and have been engaged in continuous discussion with potential investors.

In addition, as a major cooperative partner, on 19 December 2019, China Huarong Overseas Investment Holding Co., Ltd. through its subsidiary (the “**Lender**”) has provided the Company with a total amount of approximately USD413,000,000 in loan financing/re-financing and working capital support, including providing financing of approximately USD362,000,000 for various of the Company’s wholly-owned subsidiaries for a period of five to twelve years for acquiring the Company’s debts and restructuring the Company’s existing debt. Under the premise that the Company can meet certain conditions, the Lender will provide additional loans of no more than USD15,000,000 and USD35,500,000 to the Company for the purposes of capital expenditure of the Company’s Xinjiang Dina project and general working capital, respectively. Pursuant to this debt restructuring, the Company enjoys the benefit of waiver of certain interest expenses.

UPDATED ON WINDING-UP PETITIONS

Singapore

At the hearing before the High Court of Singapore on 20 January 2020, the claims moratoria in favour of the Company and its subsidiary, Brightoil Petroleum (S’pore) Pte. Ltd. had been further extended until 3 April 2020.

The Company has made good progress in reaching legally binding settlements with major trade creditors. We believe that the continuing moratoria would provide the Group with the necessary protection against any effort to frustrate its ongoing debt restructuring efforts. The next hearing date has not yet been fixed but is expected to take place in early April of 2020.

Hong Kong

As stated in the announcement of the Company dated 9 August 2019, the consent to adjourn the winding up petition hearing was achieved through the Company’s continuous negotiations with creditors which have resulted in settlement agreements having been entered into between the Company and its creditors including one between Petco Trading Labuan Company Ltd. and the Company on 7 August 2019. The Company has made progress by entering into settlement agreements with other key creditors recently, and obtaining commitment letters from several creditors showing support for the Company’s debt restructuring efforts. Further, the Company has made instalment payments pursuant to the settlement agreements that have already been concluded. The Company will continue to negotiate with its key creditors with a view to resolving the Petition as soon as practicable.

CONTINUED SUSPENSION OF TRADING

Trading in the Company's shares on the Stock Exchange has been suspended since 3 October 2017 pending the publication of the Outstanding Financial Results, and will remain suspended until further notice. The Company will make further announcement(s) as and when appropriate.

By Order of the Board
Brightoil Petroleum (Holdings) Limited
Tang Bo
Chairman

Hong Kong, 4 February 2020

As at the date of this announcement, the Board comprises (i) one Executive Director, namely Mr. Tang Bo; (ii) two Non-executive Directors, namely Mr. Dai Zhujiang and Mr. Zhao Liguo; and (iii) three Independent Non-executive Directors, namely Dr. Lo Wing Yan William, JP; Mr. Wang Tian and Mr. Chan Wai Leung.

** For identification purposes only*