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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

The Board of Directors (the "Board") of Brightoil Petroleum (Holdings) Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2017.

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**(Unaudited) Six months ended 31 December 2017** *HK$'million*	2016 *HK$'million*
Revenue	*4*	**25,626**	31,257
Cost of sales and services		**(24,675)**	(30,043)
Gross profit		**951**	1,214
Other income		**15**	46
Other gains and losses, net		**(275)**	(193)
Distribution and selling expenses		**(102)**	(101)
Administrative expenses		**(128)**	(158)
Other expenses		**(68)**	(76)
Finance costs	*5*	**(425)**	(276)
Share of (losses)/profits of joint ventures		**(8)**	8
(Loss)/profit before taxation		**(40)**	464
Income tax expense	*6*	**(45)**	(52)
(Loss)/profit for the period attributable to owners of Company		**(85)**	412
(Loss)/earnings per share			
– Basic (HK cents)	*8*	**(0.84)**	4.07
– Diluted (HK cents)	*8*	**(0.84)**	4.07

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited) Six months ended 31 December	
		2017	2016
	Note	***HK$'million***	*HK$'million*
(Loss)/profit for the period attributable to the owners of the Company		**(85)**	412
Other comprehensive income/(loss) for the period			
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**282**	(236)
Other comprehensive income/(loss) for the period		**282**	(236)
Total comprehensive income for the period attributable to owners of the Company		**197**	176

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**(Unaudited) 31 December 2017** *HK$'million*	(Audited) 30 June 2017 *HK$'million*
Non-current assets			
Mining interests		**3,888**	4,093
Property, plant and equipment		**11,422**	11,649
Prepaid lease payments		**498**	483
Investment property		**70**	70
Interests in joint ventures		**718**	696
Non-current other receivables		**106**	85
		16,702	17,076
Current assets			
Inventories		**386**	566
Trade debtors	*9*	**16,666**	13,359
Prepayments and other receivables		**98**	127
Derivative financial instruments		**88**	216
Financial assets at fair value through profit or loss		**9**	69
Pledged bank deposits		**153**	445
Bank balances and cash		**677**	623
		18,077	15,405
Current liabilities			
Trade creditors	*10*	**5,989**	6,109
Other creditors and accrued charges		**800**	1,368
Bank and other borrowings		**12,695**	6,665
Convertible bonds		**1,476**	–
Loan from a related company		**650**	–
Derivative financial instruments		**185**	66
Income tax liabilities		**179**	197
		21,974	14,405

	Note	(Unaudited) 31 December 2017 HK$'million	(Audited) 30 June 2017 HK$'million
Net current (liabilities)/assets		**(3,897)**	1,000
Total assets less current liabilities		**12,805**	18,076
Non-current liabilities			
Bank and other borrowings		**–**	4,179
Convertible bonds		**–**	1,305
Provision for restoration and environmental costs		**270**	268
Deferred tax liabilities		**75**	61
		345	5,813
Net assets		**12,460**	12,263
Capital and reserves			
Equity attributable to the owners of the Company			
Share capital	*11*	**254**	254
Reserves		**12,206**	12,009
Total equity		**12,460**	12,263

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements are presented in Hong Kong dollars (“HK$”), which are also the functional currency of the Company. The condensed consolidated financial statements are rounded to the nearest millions (HK$’million), unless otherwise stated.

2 BASIS OF PREPARATION

Except as disclosed below, this interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The interim financial information has been prepared under historical cost basis except for investment property and financial instrument that are measured at fair values at the end of each reporting period. The principal accounting policies adopted in the preparation of this interim financial information are consistent with those followed in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial information in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial information is unaudited, but has been reviewed by the Company’s Audit Committee.

Back-to-back transactions conducted by Brightoil Petroleum (S'pore) Pte. Ltd. ("BOPS")

During the course of audit for the year ended 30 June 2017, from PricewaterhouseCoopers, the predecessor auditors of the Company (the "Predecessor Auditors"), issued a letter dated 15 September 2017 (the "Management Letter") to the board of directors (the "Directors") and the Audit Committee of the Company. The Management Letter expressed the Predecessor Auditor's concerns in relation to BOPS, a wholly-owned subsidiary of the Company, conducted trading of oil product transactions with twelve customers (the "Subject Customers") (the "Subject Transactions"). Seven of these Subject Customers represented new customers to BOPS. The Subject Customers might themselves be related and nine of these Subject Customers were owned by certain individual and certain of these Subject Customers have the same registered and/or correspondence addresses. The corresponding purchases for the sales to these Subject Customers were from Shenzhen Brightoil Group Co., Ltd. ("SZBO", a company which is beneficially owned and controlled by Dr Sit Kwong Lam ("Dr Sit"), the ultimate controlling shareholder of the Company), three of the Subject Customers and an alleged third-party supplier (the "Subject Suppliers"). The Predecessor Auditors also became aware that there were multiple sales transactions of cargos of oil to certain of the Subject Customers which were carried by the same vessel and of same or similar quantities within the same day. The Predecessor Auditors were advised that the nature and terms of these transactions were similar to those commodity trading transactions executed in the market place, however, it came to the attention of the Predecessor Auditors that substantially all of the corresponding purchases for these multiple sale transactions were made from SZBO. The Predecessor Auditors were advised that certain of the receivables arising from the Subject Transactions were netted off with the trade payables to SZBO pursuant to certain tri-parties agreements, while a portion of which were settled by the above-mentioned three Subject Suppliers. As at 30 June 2017, certain outstanding trade receivables from these Subject Customers were overdue but the due dates were extended by BOPS. The Predecessor Auditors' were advised that there were no further cash settlement of the outstanding receivables balance by the Subject Customers from 30 June 2017 to 15 September 2017.

In connection with the above, as communicated to the Board and the Audit Committee of the Company through the Management Letter and subsequent follow up letters dated 28 February 2018, 10 May 2018, and 10 December 2018, the Predecessor Auditors have requested to interview the Subject Customers and to obtain full explanation and the necessary information and documentation to substantiate the Subject Transactions, including but not limited to:

(i) the background of the Subject Customers and the relationships among themselves, especially for those with same registered and/or correspondence addresses, and the relationship of the Subject Customers with SZBO and with the Group, if any;

(ii) background checks and credit assessments on the Subject Customers together with the detailed information reviewed by the Group at the time of accepting these Subject Customers and upon the extension of the repayment dates of certain of the receivables from these Customers;

(iii) the occurrence and underlying commercial substance and business reasons of the multiple sales and purchases transactions of cargos of oil carried by the same vessel and of same or similar quantities in one day between the Subject Customers and SZBO;

(iv) the underlying commercial substance and business reasons of the netting off arrangement together with the underlying information;

(v) supporting documents in respect of the settlement transactions between SZBO and the Customers;

(vi) the commercial substance and underlying business reasons of purchases from certain of the Customers;

(vii) the underlying purchase and goods receiving supporting information and documents of SZBO to substantiate its sources of oil supply; and

(viii) management's assessment of the collectability of the outstanding receivables as at 30 June 2017, together with the related evidences and the underlying business reasons of extending the repayment dates of certain of the overdue receivables.

The Predecessor Auditors also requested the Board to form an independent investigation committee to commission an independent investigation (the "Investigation") on the abovementioned matters. In response to the Predecessor Auditors' request, the Board engaged an independent professional adviser, KPMG Services Pte. Ltd., to carry out forensic technology and investigation services to assist the Investigation.

As disclosed in the Company's announcements dated 26 September 2017, 3 October 2017 and 10 November 2017, the Company announced that that it was unable to publish the result announcement of the Company for the year ended 30 June 2017 (the "2017 Annual Results Announcement") as the Company was still in process of providing all information requested by the Predecessor Auditors. The Company's shares and debt securities on the Stock Exchange has been suspended since 3 October 2017.

As disclosed in the Company's announcement dated 31 October 2018, a meeting between the Predecessor Auditors, KPMG Services Pte. Ltd. and the Audit Committee was held and the board was informed that the next stage of work to be performed by KPMG Services Pte. Ltd. would involve more detailed analysis into the background and commercial rationales for conducting and continuing the Subject Transactions, and analysis of the relevant transactional records, documents and communications, and computer forensic work. Legal advice was then obtained by the Audit Committee in relation to the work done by the KPMG Services Pte. Ltd. thus far, information and documents to provide to the Predecessor Auditors, and the Audit Committee's intention to have further meetings with the Predecessor Auditors. As disclosed in the Company's announcement dated 31 January 2019, the Board has been informed by the Audit Committee that these works have not yet commenced because the Audit Committee was given to understand that the estimated costs and expenses involved were unexpectedly high, in particular as substantial sums have already been incurred.

As disclosed in the Company's announcements dated 28 June 2019 and 30 July 2019, Mr. Lau Hon Chuen, Professor Chang Hsin Kang and Mr. Kwong Chan Lam (collectively referred to as the "Resigned Directors") had jointly resigned as independent non-executive directors with effect from 19 June 2019 and the Company appointed Dr. Lo Wing Yan William, JP, Mr. Chan Wai Leung and Mr. Wang Tian as independent non-executive directors to fill the vacancies and an Independent Control Committee (the "ICC") was formed to oversee the Investigation.

As disclosed in the Company's announcement dated 1 November 2019, the ICC has engaged another independent professional advisor, RSM Corporate Advisory (Hong Kong) Limited (the "IFA"), on 27 August 2019 to replace KPMG Services Pte. Ltd. to carry out the Investigation.

As disclosed in the Company's announcement dated 31 January 2020, a forensic report (the "Forensic Report") was prepared by the IFA. The management understand that the IFA had exploited all means for the Investigation but was restricted in their ability to identify with certainty the cause of the issues relating to the Subject Transactions due to the reluctance of relevant third parties, previous management members and former employees to cooperate and assist in the investigation and unavailability of sufficient supporting documents and information to understand the commercial bases and decision making process associated with the Subject Transactions. After having sought the available information from the current management of the Group to arrive at the findings and observations discussed in the Forensic Report, the IFA had the following key observations:

- the IFA was given to understand that the Group had various competent and sophisticated teams as well as appropriate corporate governance including segregation of duties to ensure that credit risk in the trading business should be under control, but the IFA was only able to obtain very limited information to support that the Group had performed any credit assessment or had such a process in place for the Subject Customers in question and the most relevant information, i.e. the relevant credit application forms, which were successfully retrieved by the IFA during the review were only created in September 2017, which was subsequent to the default events of the Subject Customers.

  the IFA found no information to support the management's suggestion that the Subject Customers were related to financially strong parties despite that it had no information to reject this suggestion either. It could not ascertain the basis and/or any proper consideration which the Company might had in extending the substantial credit to the Subject Customers.

- Second, the IFA also noted that SZBO was involved in various back-to-back transactions and provided discount ranging from 3% to 10% in BOPS's purchase transactions, which directly translated to the profit of BOPS. While BOPS's profit retained would be financially beneficial to the Group, the discount given by SZBO did not appear to be at arm's length. The management's explanation was that SZBO would still be profitable through the scrap volume created during the transportation as well as other profit could have been generated through the provision of other services in the long term basis. However, the IFA could not ascertain whether such explanation was reasonable.

- In addition, other than SZBO, the IFA noted that the Subject Customers were also involved in the back-to-back transactions including the "structured deals" which the relevant parties gained nil or relatively insignificant profit from them. Considering that other than the "structured deal", the transactions involved physical spot trades, the counterparties might have had to take delivery of the goods if they could not find the next buyer in the chain. It might or might not be worth the risk for these counterparties to take part in these transactions.

- This leads to the next matter as to whether the trades in the structured deals were dealt or negotiated simultaneously, perhaps pre-arranged or pre-matched. If this was not pre-arranged, the counterparties would have the liberty to find the next buyer down the chain, and hence the transactions might not have resulted in circular transactions. If the trades were indeed dealt simultaneously as if planned or pre-arranged, the IFA found certain indication during the forensic review which might suggest that the Group or the SZBO Group had managed (or at least had knowledge) to get the counterparties to enter into the trades. Since the Group have ceased or substantially reduced many of its trading business since 2018 and most management of BOPS have resigned. The current management has no knowledge but suggested that this would not be possible and based on the information currently available, the IFA was unable to ascertain or form a conclusive opinion at this stage.

The Investigation carried out by the IFA was restricted due to certain limitations, including but not limited to (i) the Group has ceased to have business relationship with the Subject Customers and the Subject Suppliers. At least eight of the Subject Customers have been dissolved. Except for SZBO which is a related entity, the Subject Customers and the Subject Suppliers are no longer reachable; (ii) most of the key management and operating and accounting personnel of the subsidiaries in Singapore have since left the Group. There were no handover procedures in place, and computers that were previously used by these employees have been reassigned to other employees of the Group or have been re-designated to be used on barges or were being sold; and (iii) the email system had a computer virus infection, all emails therein were lost and there was no backup from which to make a recovery.

On 21 July 2020, the ICC engaged the IFA for further assistance in relation to various back-to-back trading or indent sales transactions conducted by BOPS during the year ended 30 June 2018. Based on the report, the IFA had, *inter alia*, the following observation and findings:

- Outstanding accounts receivable related to the Subject Customers has widened to HK$10.5 billion as a result of the Subject transactions occurred during the second half of 2017;

- BOPS had ceased conducting back-to-back transactions among the Subject Customers and the Subject Suppliers before the end of December 2017;

- the IFA had further identified a supplier, which was not one of the Subject Suppliers, conducted a back-to-back transaction with BOPS and one of the Subject Customers.

Given the circumstances as described above, the IFA believed that the additional findings and observations did not lead to any conclusive determination and/or comment about the Subject Transactions.

Going concern basis

In preparing these condensed consolidated financial statements, the Directors had given careful consideration to the impact of the matters described above on the current and anticipated future liquidity of the Group and the Company and the ability of the Group and the Company to generate a profit and attain positive cash flows from operations in the immediate and longer term. In making this assessment, the Directors are aware that there are material multiple uncertainties related to events and conditions which cast significant doubt upon the Company and the Group's ability to continue as a going concern. These events and circumstances which give rise to material uncertainties are disclosed below, together with information concerning the potential debt restructure plan, which, if successful, may enable the Company and the Group to continue as a going concern for the foreseeable future.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify the non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in these condensed consolidated financial statements.

Suspension of trading in shares of the Company

As disclosed in the Company's announcement dated 3 October 2017, the listing of the Company's shares and debt securities on the Stock Exchange has been suspended since then due to a delay in publication of the 2017 Annual Results Announcement.

As disclosed in the Company's announcement dated 13 July 2018, pursuant to the amendments to the delisting framework under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under Rule 6.01A(2)(b)(i) which became effective on 1 August 2018, the Stock Exchange is able to cancel the Company's listing if trading in the Company's shares has remained suspended for 18 continuous months from 1 August 2018.

Winding up petition and other legal cases

BOPS and the Company had been subject to winding-up proceedings in Hong Kong and Singapore respectively since June 2019. Since then, the Company had made extensive efforts to (i) negotiate with creditors to restructure their debts; and (ii) obtain further financing from various financiers in order to strengthen the Company's financial condition.

These efforts were considered successful and the response from the creditors and financiers was considered positive. The Group has begun to repay its creditors by instalment in accordance with the respective settlement terms. The Group's financial condition has also significantly improved. The efforts made by the Group culminated in the successful applications for a moratorium of the Singapore winding-up proceedings and the dismissal of the petition (HCCW 147/2019) presented by Petco Trading Labuan Company Ltd. by the Hong Kong High Court on 27 July 2020. The Company and BOPS have also entered into a loan restructuring agreement with TransAsia Private Capital Limited on 15 July 2020 in order to defer the loan for 18 months.

Brightoil Petroleum Storage (Zhoushan) Co., Ltd. ("Zhoushan Storage"), wholly-owned subsidiary of the Company, and SZBO, as the guarantor, received a subpoena issued by Intermediate People's Court of Zhoushan City, Zhejiang Province ("Zhoushan Court"), which the plaintiffs are China Petroleum Pipeline Engineering Co., Ltd. and China Petroleum Pipeline Engineering Co., Ltd., Third Engineering Branch. The claim is related to the outstanding construction costs, interests, loss and legal costs under the termination of certain constructions contracts (《建設工程施工合同》and《委託代建施工協定》) entered into between the China Petroleum Pipeline Engineering Co., Ltd., China Petroleum Pipeline Engineering Co., Ltd., Third Engineering Branch and Zhoushan Storage pertaining to the building and construction of the Zhoushan Waidiao Island Brightoil Storage and Transportation Base for an aggregate sum of approximately RMB1,130 million (equivalent to HK$1,301 million) as disclosed in the Company's announcement dated 1 November 2019.

On 29 July 2020, a winding up petition was filed by a creditor in relation to an alleged unpaid amount in the sum of US$268,095.42, together with default interest in the sum of US$8,739.42, pursuant to a deed of guarantee allegedly signed by the Company.

Financial performance and financial position

The Group recorded net current liabilities of approximately HK$3,897 million and had incurred operating cash outflows of approximately HK$2,459 million as at 31 December 2017. In addition, the Group had bank and other borrowings of approximately HK$12,695 million and outstanding convertible bonds of HK$1,476 million as at 31 December 2017.

Dr Sit, who is a guarantor of various borrowing agreements and a finance lease agreement, was adjudged bankrupt by the High Court of Hong Kong on 11 April 2019 as disclosed in the Company's announcements dated 16 April 2019 and 6 May 2019. The creditors have the power to request the Group to transfer the title of the underlying assets, to provide additional guarantee, cease negotiation in any progress borrowing transactions and request remediation proposal within a specific period of time, in addition to demand on immediate full repayment of outstanding interest, late payments and related fees.

As disclosed in the Company's announcements dated 6 May 2019, 1 November 2019 and 4 February 2020, marine transportation operations of the Group was suspended and ceased because the Group's vessels were seized by creditors. The vessels were subsequently sold by auction through judicial sale.

Debt restructuring

In view of such circumstances, which indicate the existence of uncertainties that may cast doubt on the Group's ability to continue as a going concern, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Certain measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position which include, but not limited to, the followings:

(i) On 27 December 2018, a major cooperative partner, CNOOC has provided the Company a total amount of approximately USD700 million in financing and capital support through two of the subsidiaries of the CNOOC Group. The funding includes refinancing of approximately USD400million for the Company's Caofeidian Oilfield, and additionally an advanced payment arrangement of approximately USD300million to ensure the smooth implementation of the Overall Development Adjustment Plan.

(ii) On 19 December 2019, another major cooperative partner, China Huarong Overseas Investment Holding Co., Ltd. through its subsidiary (the "Lender") has provided the Company with a total amount of approximately USD413 million in loan financing/refinancing and working capital support for a period of five to twelve years, including approximately USD362 million for restructuring the Company's existing debts and additional loans of no more than USD50.5 million to the Company for the purposes of capital expenditure of the Company's Xinjiang Dina project and general working capital under the premise that the Company can meet certain conditions. Pursuant to this debt restructuring, the Company enjoys the benefit of waiver of certain interest expenses.

(iii) With the view to exploring settlement options and seeking creditors' support to reorganize the Group's debts, the Group has been in active discussions with lenders on debt restructurings. The Company has entered settlement agreements with several creditors, such as Toyota Tsusho Corporation and Luso International Banking Ltd. In particular, the debts of major creditors including Petco Trading Labuan Company Ltd ("Petco"), Petrolimex Singapore Pte Limited, Qatar National Bank, Haitong Global Investment SPC III under the respective settlement agreements have been fully paid off. On 1 April 2020, the Company and BOPS have entered into a loan restructuring agreement with Bank of China Limited Shenzhen Branch. The Company and BOPS have also entered into a loan restructuring agreement with TransAsia Private Capital Limited on 15 July 2020 in order to defer the loan for 18 months.

(iv) In addition, the Company has successfully reached settlement on the outstanding debts with the Petitioner (Petco) and other interested creditors in the Hong Kong court proceedings (HCCW 147/2019). On 27 July 2020, the High Court of Hong Kong granted the dismissal of the winding-up petition (HCCW 147/2019) filed by Petco against the Company on 17 May 2019.

Further, BOPS applied and was granted a moratorium under section 211B of the Singapore Companies Act (the "Moratorium") to restrain legal action or proceedings. It has made good progress in reaching legally binding settlements with major trade creditors. The moratorium was extended subsequently up to 31 October 2020. The continuing moratoria would provide the Group with the necessary protection against any effort to frustrate its ongoing debt restructuring efforts.

(v) The Group has been actively considering other plans to improve liquidity to allow the Group to protect its business, meet the creditor claims, and pursue future business opportunities, including sale of assets. On 7 January 2020, the Company signed a non-binding "Zhoushan Project Cooperation Framework Agreement" with one of the potential buyers for proposed sale of 90% of the Company's interest on Zhoushan Project. The Company will remain responsible to complete all the remaining construction and the buyer will pay the sale price by installments according to the progress of the construction. The Company is currently working closely with the buyer and targets to sign a binding agreement in the near future.

(vi) The Company has received certain proceeds from judicial sale of vessels and settled the outstanding debt attached directly to the relevant vessels, the remaining proceeds are currently being processed by both courts in Singapore and Hong Kong although it would take longer time than the usual court processing timeframe due to the outbreak of COVID-19. Therefore, the sale proceeds (which are in the custody of the respect Courts) of the vessels have not yet been fully distributed. The Company is closely following up with the courts for the final distribution and is expecting the remaining proceeds to be received by the Company shortly.

3 CHANGES IN ACCOUNTING POLICIES

The following new and amendments to the HKFRSs have been adopted by the Group for the first time for the current financial period. A summary of new and amendments to HKFRSs is set out as below:

Amendments to HKFRSs	Annual Improvements to HKFRSs to 2014-2016 Cycle relating to Amendments to HKFRS 12 *Disclosure of Interests in Other Entities*
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of other new and amendments to HKFRSs in the current accounting period has no material impact on the Group's financial performance and financial position for the current and prior periods and/or on the disclosures set out in those condensed consolidated financial statements.

The Group has not applied any new and amendments to HKFRSs that have been issued by the HKICPA but not yet effective for the reporting period.

4 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the international trading and marine bunkering business (including the trading of related petroleum products), marine transportation business, natural gas and crude oil development and production, provision of oil storage and terminal facilities, proprietary trading in securities and derivatives, property holding and investment holding.

Revenue for the period comprises the following:

	(Unaudited)	
	Six months ended 31 December	
	2017	2016
	HK$'million	*HK$'million*
Sales of petroleum products from international trading	**21,903**	27,685
Revenue from marine bunkering	**2,132**	2,008
Sales of crude oil from upstream business	**780**	720
Sales of natural gas from upstream business	**471**	361
Marine transportation income	**338**	480
Others	**2**	3
	25,626	31,257

The chief operating decision-maker has been identified as the Executive Directors of the Company (collectively referred to as the "CODM") that make strategic decisions. The CODM reviews the internal reporting of the Group in order to assess performance and allocate resources.

The following reportable segments of the Group for the six months ended 31 December 2017:

International trading and bunkering operation	–	international supply of petroleum products and provision of marine bunkering and related services to international vessels
Marine transportation operation	–	provision of marine transportation services of fuel oil or crude oil internationally
Upstream crude oil business	–	crude oil development, production and sales operation
Upstream natural gas business	–	natural gas development, production and sales operation

No segment assets or liabilities information is presented as the CODM does not review segment assets and liabilities.

The CODM assesses the performance of the operating segments based on a measure of EBITDA, EBITDA is defined as profit before taxation, finance costs, depletion and depreciation and amortisation. Segment results represent the EBITDA of each segment without allocation of other income and other gains and losses, net, central administration costs, directors' emoluments at the head office, share of losses of joint ventures, finance costs and income tax expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Revenue from external customers is shown after elimination of inter-segment revenue. Sales between segments are carried out at mutually agreed terms. The revenue from external parties reported to CODM is measured in a manner consistent with that in the consolidated profit of loss. The direct investments segment does not meet the quantitative thresholds required by HKFRS 8 for reportable segment, its financial information is included in "Others" segment. Except included in "Others" segment, no other operating segment of the Group has been aggregated in arriving the reportable segments described above.

Information regarding the Group's reportable segments was provided to the CODM for the purpose of resources allocation and assessment of segment performance for the six months ended 31 December 2017 and 2016 is set out below.

	International trading and bunkering operation *HK$'million*	Marine transportation operation *HK$'million*	Upstream natural gas business *HK$'million*	Upstream crude oil business *HK$'million*	Others *HK$'million*	Total *HK$'million*
For the six months ended 31 December 2017 (Unaudited)						
Segment revenue and results						
Revenue from external customers	**24,035**	**338**	**471**	**780**	**2**	**25,626**
Inter-segment sales	**168**	**411**	**–**	**–**	**1**	**580**
Segment revenue	**24,203**	**749**	**471**	**780**	**3**	**26,206**
Segment results	**426**	**152**	**363**	**576**	**3**	**1,520**
Other income and other gains and losses, net						**(260)**
Depletion and depreciation of property, plant and equipment						**(377)**
Amortisation of mining interests						**(206)**
Unallocated corporate expenses						**(284)**
Finance costs						**(425)**
Share of losses of joint ventures						**(8)**
Loss before taxation						**(40)**

	International trading and bunkering operation *HK$'million*	Marine transportation operation *HK$'million*	Upstream natural gas business *HK$'million*	Upstream crude oil business *HK$'million*	Others *HK$'million*	Total *HK$'million*
For the six months ended 31 December 2016 (Unaudited)						
Segment revenue and results						
Revenue from external customers	29,693	480	361	720	3	31,257
Inter-segment sales	162	391	–	–	–	553
Segment revenue	29,855	871	361	720	3	31,810
Segment results	488	216	279	512	(30)	1,465
Unallocated corporate expenses						(46)
Depletion and depreciation of property, plant and equipment						(446)
Amortisation of mining interests						(241)
Finance costs						(276)
Share of profits of joint ventures						8
Profit before taxation						464

5 FINANCE COSTS

	(Unaudited) Six months ended 31 December	
	2017	2016
	HK$'million	*HK$'million*
Interest expense on bank borrowings	**306**	250
Imputed interest expense on convertible bonds	**105**	96
Unwinding of discounting effect of provision for restoration and environmental costs	**–**	8
Interest expense on other borrowings	**13**	2
Interest expense on factoring arrangements	**1**	–
Total	**425**	356
Less: amount capitalised to construction in progress	**–**	(80)
Total finance costs	**425**	276

6 INCOME TAX EXPENSE

	(Unaudited) Six months ended 31 December	
	2017	2016
	HK$'million	*HK$'million*
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**40**	27
– Singapore Income Tax	**(1)**	15
Deferred taxation	**6**	10
Income tax expense for the period	**45**	52

Under the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards except for two subsidiaries generating taxable profits from sales of natural gas from Tuzi and Dina gas fields which enjoy the concessionary tax rate of 15% (six months ended 31 December 2016: 15%).

The annual tax rates used in respect of Hong Kong Profits Tax and the Singapore Income Tax for the period are 16.5% (six months ended 31 December 2016: 16.5%) and 17% (six months ended 31 December 2016: 17%) respectively. Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

No provision for the Hong Kong Profits Tax has been made in this interim financial information as the Group has no assessable profits for the six months ended 31 December 2017 (six months ended 31 December 2016: Nil).

With the Global Trader Program incentive awarded by the International Enterprise Singapore (IE Singapore), a government agency under Singapore's Ministry of Trade and Industry, certain qualified income (e.g. income from marine bunkering operation and sales of petroleum products) generated during the period from trading fuel oil and crude oil under the international trading and bunkering operation segment of the Group has been charged at a concessionary tax rate of 5% and applied to the Group up to 30 June 2017.

The Group was awarded the Approved International Shipping Enterprise Incentive ("AIS") status with effect from 1 April 2010 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 exempted from tax.

7 DIVIDEND

The Board of Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2017 (six months ended 31 December 2016: Nil).

8 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less shares held under Share Award Scheme during the period.

	(Unaudited)	
	Six months ended 31 December	
	2017	2016
	HK$'million	*HK$'million*
(Loss)/profit attributable to owners of the Company	**(85)**	412
	'million	*'million*
Weighted average number of ordinary shares in issue less shares held under Share Award Scheme during the period	**10,131**	10,126

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share award. The convertible bonds are assumed to have been converted into ordinary shares, and the (loss)/profit attributable to owners of the Company is adjusted to eliminate the interest expense less the tax effect. For the share award, the number of shares that would have been issued assuming the exercise of the share award less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share. The convertible bonds are anti-dilutive to the earnings per share of the six months ended 31 December 2017 and 2016, accordingly it is not included in the calculations below.

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

	(Unaudited) Six months ended 31 December	
	2017	2016
	HK$'million	*HK$'million*
(Loss)/profit attributable to owners of the Company	**(85)**	412
	'million	*'million*
Weighted average number of ordinary shares in issue less shares held under Share Award Scheme during the period	**10,131**	10,126
Effect of dilutive potential ordinary shares:		
Unvested share award	**7**	5
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**10,138**	10,131

9 TRADE DEBTORS

	(Unaudited)	(Audited)
	31 December	30 June
	2017	2017
	HK$'million	*HK$'million*
Third parties	**14,924**	13,348
Related companies *(note)*	**1,775**	44
Less: Allowance for bad and doubtful debts	**(33)**	(33)
	16,666	13,359

Note: Related companies were companies controlled by Dr. Sit, the substantial shareholder of the Company.

The carrying values of the Group's trade debtors approximate their fair values.

The Group allows an average credit period of 30 to 45 days to its customers from international trading and bunkering operation, 60 days to a customer on sale of natural gas and condensates, 30 to 90 days to its marine transportation customers and 30 days to the sole customer on sale of crude oil. The balance due from related companies were unsecured, non-interest bearing and repayable within 15 days.

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

	(Unaudited) 31 December 2017 HK$'million	(Audited) 30 June 2017 HK$'million
0–30 days	**4,361**	13,122
31–60 days	**4,000**	78
61–90 days	**2,554**	–
Over 90 days	**5,751**	159
	16,666	13,359

10 TRADE CREDITORS

	(Unaudited) 31 December 2017 HK$'million	(Audited) 30 June 2017 HK$'million
Third parties	**5,987**	6,056
Related companies *(note)*	**2**	53
	5,989	6,109

Note: Related companies were companies controlled by Dr. Sit, the substantial shareholder of the Company.

The carrying amounts of the Group's trade creditors approximate their fair values.

As of the end of the reporting period, the ageing analysis of the trade creditors based on invoice date is as follows:

	(Unaudited) 31 December 2017 *HK$'million*	(Audited) 30 June 2017 *HK$'million*
0–30 days	**5,690**	5,855
31–60 days	**114**	124
61–90 days	**–**	1
Over 90 days	**185**	129
	5,989	6,109

11 SHARE CAPITAL

	Number of shares *'million*	**Share capital *HK$'million***
Ordinary shares of HK$0.025 each		
Authorised:		
At 30 June 2017 (audited) and 31 December 2017 (unaudited)	40,000	1,000
Issued and fully paid:		
At 30 June 2017 (audited) and 31 December 2017 (unaudited)	10,175	254

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 31 December 2017, the total revenue of the Group decreased by approximately 18% from HK$31,257 million to HK$25,626 million for the same period last year. The decrease in revenue was mainly due to the decrease in sales volume of International Trading and Bunkering ("ITB") business as well as the drop of oil price during the period of review.

The Group recorded decrease in gross profit of HK$263 million or 22% decrease as compared with the same period last year. The decreased gross profit was mainly attributed from the Group's core business segment which is International Trading and Bunkering.

EBITDA contribution to the Group for this period decreased from HK$1,465 million to HK$968 million, representing a decrease of 34% compared to same period last year.

Loss attributable to the owners of the Company during the period under review amounted to HK$85 million which is a decrease of approximately 121% compared with the profit of HK$412 million in the same period last year.

During the period under review, the Group recorded basic and diluted loss per share of HK0.84 cents and HK0.84 cents respectively (six months ended 31 December 2016: basic and diluted earnings per share of HK4.07 cents and HK4.07 cents respectively).

Liquidity and Financial Resources

As at 31 December 2017, the Group had pledged bank deposits, bank balances and cash of approximately HK$153 million and HK$677 million respectively.

The Group considers that its foreign currency exposure mainly arises from its dealings in Hong Kong dollars, Singapore dollars, Renminbi and United States dollars. The Group manages its exposures to foreign currency transactions by periodically monitoring the level of foreign currency receipts and payments and by ensuring that the net exposure to foreign exchange risk is maintained at an appropriate level.

As at 31 December 2017, the Group had bank and other borrowings of approximately HK$12,695 million. The leasehold land and buildings, vessels as well as investment properties were pledged as security for bank borrowings.

Contingent Liabilities

As at 31 December 2017, the Group did not have any significant contingent liabilities.

Capital Structure

As at 31 December 2017, the Company had 10,175,301,974 shares in issue with total share capital of approximately HK$254 million.

BUSINESS REVIEWS AND OUTLOOK

Upstream Business

The Group's upstream business consists of three oil and gas production projects, two of which are natural gas development projects, namely the Dina 1 Gas Field and the Tuzi Gas Field in the Tarim Basin, Xinjiang, China. We operate these two gas fields with a 49% working interest, and the partner is China National Petroleum Corporation. The Group also owns an offshore oil development project located at Caofeidian in Bohai Bay. It is developed in partnership with China National Offshore Oil Corporation, which is the operator. The Caofeidian Oil Field is composed of two conventional shallow water blocks – contract area 04/36 and contract area 05/36 – with a working interest of 40.09% and 29.18% for the Group respectively.

As at 31 December 2017, according to the evaluation by the American petroleum consulting firm D&M, the total proven and probable reserves ("2P") for each project are as follows. The 2P reserves of the Dina block are 8.75 billion cubic meters of natural gas and 495,000 tons of condensate, out of which the Group's share is 4.1 billion cubic meters of natural gas and 233,000 tons of condensate with an a net present value (NPV10) of US$470 million. The Tuzi block contains 2P reserves of 9.8 billion cubic meters of natural gas and 64,000 tons of condensate. Within this total, the Group owns 5.27 billion cubic meters of natural gas and 34,000 tons of condensate with a net present value of US$531 million. Caofeidian oil field has 2P reserves of 98.72 million barrels of oil equivalent ("boe"), and the portion owned by the Group is 132.45 million boe with a net present value of US$1.09 billion.

During the first half of the financial year 2018 ("FY2018"), the production of our upstream projects continued to run smoothly. Dina 1 Gas Field had two wells in production with a daily production of approximately 1.25 million cubic meters. Tuzi Gas Field had a daily production of approximately 2.40 million cubic meters with 19 wells in production. During the period under review, the natural gas production of the above two gas fields was 652 million cubic meters in total, with an average selling price of RMB1.0265 per cubic meter and the total cost including tax ranging between RMB0.46 and RMB0.65 per cubic meter. The two natural gas projects contributed HK$288 million in earnings before interest, tax, depreciation and amortization ("EBITDA") and HK$149 million in net profit after tax ("NPAT"). In the oil segment, the daily production of Caofeidian oil field in Bohai Bay was about 27,000 boe. During the period under review, crude oil production reached 4.95 million barrels of oil equivalent, with an average selling price of US$67.8 per barrel. The corresponding total cost including tax was approximately US$48.08 per barrel; the total cash cost is about US$20.96 per barrel, which is made up of an operating cost of US$13.19 per barrel and a financing cost of US$7.77 per barrel. The Caofeidian project brought HK$564 million in EBITDA and HK$85 million in net loss after tax.

The overall development plan of the Dina project consists of three wells, among which one well (Dina 1-3) is still under construction. It is expected to be completed in March 2018 and is planned to put into production in July 2018. At that time, the daily production of Dina block will increase to 1.7 million cubic meters. According to the technical information provided by the joint management committee in the second half of 2016, the gas-water interface in Dina Gas Field is found to be about 80 meters below the previous forecast level, which provides a scientific basis for the future production and reserve increase of Dina Gas Field.

All the upstream projects achieved considerable increase in production in the second half year of FY2018. In FY2018, the total gas and condensate production of Dina 1 and Tuzi gas fields reached 1,090 million cubic meters and 19,098 tons respectively. The total production of natural gas and condensate in Dina 1 gas field is 338.2 million cubic meters and 17,514 tons respectively. The total production of natural gas and condensate in Tuzi gas field is 775.4 million cubic meters and 1,584 tons respectively.

Moreover, the Tuzi 4 deep exploration well completed in 2016 has discovered new gas layers at 3,100 meters, 3,800 meters and 4,300 meters underground, and has already obtained commercial airflow. The contingent natural gas resources are estimated at 38 billion cubic meters. This discovery of new reserves will drive the future commercial development in the Tuzi block. As for our oil production business, the basic design and detailed design of ODAP for Caofeidian Oilfield have been completed, and the land construction project is progressing steadily and orderly.

International Trading and Bunkering

During the period under review, the revenue from the Group's international trading and bunkering business ("ITB") was HK$24,035 million, representing a year-on-year decrease of 19.1%.

The financing banks had tightened credit for the ITB business and thus reduced the respective business volume. As disclosed in the announcement of the Company dated 1 August 2018, ITB Business had been actively merging the traditional business with e-commerce platform to achieve intelligent, transparent and light-asset operations.

Marine Transportation

During the period under review, the Group owned 15 vessels including 5 VLCCs, 4 Aframax vessels and 6 bunker barges to provide marine transportation and bunkering services.

Towards the end of 2018, marine transportation operations was suspended as the vessels were seized by related creditors and were subsequently sold by auction through judicial sale of which details were set out in the Company's announcement dated 31 January 2019, 6 May 2019, 11 June 2019, 30 July 2019, 1 November 2019, 4 February 2020, 29 April 2020, 4 May 2020 and 31 July 2020. The gross proceeds from the judicial sale were approximately HK$4,853 million.

Oil Storage and Terminal Facilities

During the period under review, the oil storage and terminal facilities were under construction in Zhoushan.

The project at Zhoushan Waidiao Island is located in the Zhoushan Island District, Zhejiang Province. The remarkable location at the centre of Yangtze River Delta region, with close proximity to metropolises such as Shanghai, Hangzhou and Ningbo, provides geographical advantages. The Zhoushan Island District is the fourth state-level new economic-development zone, following Pudong in Shanghai, Binhai in Tianjin and Liangjiang in Chongqing. It is a pilot region where the government will focus on developing the maritime economy and leading regional development. Particularly in August 2016, the state approved the establishment of China (Zhejiang) Pilot Free Trade Zone in Zhoushan, which was designed to be an important demonstration area in the opening-up of ocean gateways, a pioneering area for trade liberalization of international bulk commodities, and an internationally influential base for the allocation of resources such as oil. As a result, Zhoushan is set to become a hub for processing, transshipment, warehousing and trading of oil. The Zhoushan project carries a total capacity of 3.16 million cubic meters in which phase 1 offers a capacity of 1.94 million cubic meters while phase 2 offers a capacity of 1.22 million cubic meters. The facilities, when completed, would provide storage service for petroleum products including crude oil, gas oil, diesel, aviation kerosene, fuel oil and petrochemicals. The terminal facilities would be equipped with 13 berths which could accommodate vessels ranging from 3,000 to 300,000 DWT. The terminal would have the ability to accommodate vessels of up to 300,000 DWT, which would result in a reduction in freight costs associated with importing oil. The storage facilities of the Zhoushan project are under construction, with 80% of construction work finished.

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 oil storage and terminal facilities in Zhoushan. On 7 January 2020, the Company signed a non-binding "Zhoushan Project Cooperation Framework Agreement"with one of the potential buyers. The Company is currently working closely with the buyer and targets to sign a binding agreement in the near future and will make further announcement as and when appropriate.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed approximately 511 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 mandatory provident fund scheme, medical schemes, discretionary performance-related bonuses and share award scheme. For the six months ended 31 December 2017, total employees' remuneration, including Directors' remuneration, was approximately HK$93.1 million.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 31 December 2017, the Company was in compliance with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG 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 CG Code, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual.

The position of both chairman and CEO have been held by Dr. Sit Kwong Lam since 21 August 2015.

Being aware of the said deviation from code provision A.2.1, but in view of the rapid development of the Group, the Board believes that with the support of the management, vesting the roles of both chairman and CEO in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board which is comprised of three Independent Non-executive Directors and one Non-executive Director as at 31 December 2017 (representing half of the Board), the interests of the Shareholders and stakeholders should be adequately and fairly represented.

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 as set out in the Model Code during the period under review.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three Independent Non-executive Directors namely Dr. Lo Wing Yan William, JP; Mr. Wang Tian and Mr. Chan Wai Leung (Chariman of the Audit Committee).

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 to discuss internal controls, risk management and financial reporting matters including reviews of interim and annual financial statements.

The unaudited condensed consolidated financial statements and interim report for the six months ended 31 December 2017 has been reviewed by the Audit Committee.

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 under review.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.brightoil.com.hk). The interim report of the Company for the six months ended 31 December 2017 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

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

Hong Kong, 17 September 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 purpose only*