2018 Interim Report

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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.HK)

* For identification purpose only

CONTENTS

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

The notes on pages 8 to 34 are an integral part of this interim financial information

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	(Unaudited) Six months ended 31 December 2017 HK$'million	2016 HK$'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

The notes on pages 8 to 34 are an integral part of this interim financial information

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	9	**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	10	**386**	566
Trade debtors	11	**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	12	**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
Net current (liabilities)/assets		**(3,897)**	1,000
Total assets less current liabilities		**12,805**	18,076

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	(Unaudited) 31 December 2017 HK$'million	(Audited) 30 June 2017 HK$'million
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	13	**254**	254
Reserves		**12,206**	12,009
Total equity		**12,460**	12,263

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'million	Share premium HK$'million	Capital redemption reserves HK$'million	Special reserve HK$'million (Note a)	Shareholder's contribution HK$'million (Note b)	Translation reserve HK$'million	Employees share-based compensation reserve HK$'million	Shares held for share award scheme HK$'million	Retained profits HK$'million	Total HK$'million
At 1 July 2017 (Audited)	**254**	**6,837**	**3**	**1**	**424**	**(207)**	**18**	**(95)**	**5,028**	**12,263**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(85)**	**(85)**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**282**	**-**	**-**	**-**	**282**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**282**	**-**	**-**	**(85)**	**197**
At 31 December 2017 (Unaudited)	**254**	**6,837**	**3**	**1**	**424**	**75**	**18**	**(95)**	**4,943**	**12,460**
At 1 July 2016 (Audited)	254	6,801	3	1	424	(82)	17	(101)	3,888	11,205
Profit for the period	–	–	–	–	–	–	–	–	412	412
Other comprehensive loss for the period	–	–	–	–	–	(236)	–	–	–	(236)
Total comprehensive income for the period	–	–	–	–	–	(236)	–	–	412	176
Conversion of convertible bonds	–	15	–	–	–	–	–	–	–	15
Recognition of equity-settled share-based payments – share award	–	–	–	–	–	–	4	–	–	4
At 31 December 2016 (Unaudited)	254	6,816	3	1	424	(318)	21	(101)	4,300	11,400

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 million. The gain on disposal of the subsidiaries of approximately HK$34 million was deemed as a shareholder's contribution to the Group and was credited to the equity as a reserve. During the years ended 30 June 2015 and 2014, deemed contribution arising from loans from a related company controlled by the ultimate controlling shareholder of the Company of approximately HK$396 million and HK$93 million was recognised respectively. During the year ended 30 June 2015, an aggregate amount of approximately HK$132 million was released from the shareholder's contribution due to early repayments of loans from a related company as a result of new loans advanced by the related company with longer loan repayment terms. At 30 June 2015, the accumulated deemed contribution arising from loans from a related company controlled by the ultimate controlling shareholder of the Company was approximately HK$390 million.

The notes on pages 8 to 34 are an integral part of this interim financial information

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) Six months ended 31 December	
	2017	2016
	HK$'million	HK$'million
Cash used in operations	**(2,412)**	(3,763)
Income tax paid	**(47)**	(38)
Net cash used in operating activities	**(2,459)**	(3,801)
Net cash generated from/(used in) investing activities	**214**	(779)
Net cash generated from financing activities	**2,133**	596
Net decrease in cash and cash equivalents	**(112)**	(3,984)
Cash and cash equivalents at the beginning of the reporting period	**623**	4,310
Effect of foreign exchange rate changes	**166**	63
Cash and cash equivalents at the end of the period	**677**	389
Bank balances and cash at end of period represented by:		
– Cash and cash equivalents	**677**	440
– Bank overdrafts	**–**	(51)
	677	389

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1 GENERAL INFORMATION

Brightoil Petroleum (Holdings) Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is at 33rd Floor, 118 Connaught Road West, Sheung Wan, Hong Kong.

The Company's immediate and ultimate holding company is Canada Foundation Limited ("Canada Foundation"), a limited company incorporated in the British Virgin Islands in which Canada Foundation is ultimately owned by Dr. Sit Kwong Lam ("Dr. Sit") who is also the chairman and director of the Company till 11 April 2019.

The Company is an investment holding company. Its subsidiaries are 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. The Company and its subsidiaries hereinafter are collectively referred to as the "Group".

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.

2 BASIS OF PREPARATION (CONTINUED)

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 represented 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 represented that there were no further cash settlement of the outstanding receivables balance by the Subject Customers from 30 June 2017 to 15 September 2017.

2 BASIS OF PREPARATION (CONTINUED)

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

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.

2 BASIS OF PREPARATION (CONTINUED)

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

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.

2 BASIS OF PREPARATION (CONTINUED)

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

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.

2 BASIS OF PREPARATION (CONTINUED)

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

- 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.

2 BASIS OF PREPARATION (CONTINUED)

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

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, inter alia, had 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.

2 BASIS OF PREPARATION (CONTINUED)

Going concern basis (continued)

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.

2 BASIS OF PREPARATION (CONTINUED)

Going concern basis (continued)

Winding up petition and other legal cases (continued)

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 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.

2 BASIS OF PREPARATION (CONTINUED)

Going concern basis (continued)

Financial performance and financial position (continued)

Debt restructuring

In view of such circumstances, which indicate the existence of uncertainties that may cast doubt about 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.

2 BASIS OF PREPARATION (CONTINUED)

Going concern basis (continued)

Financial performance and financial position (continued)

Debt restructuring (continued)

(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 for 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 as at the date of this report. 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 gradually during this year.

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

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 at 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:

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	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)**
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.

6 INCOME TAX EXPENSE (CONTINUED)

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 HK$'million	2016 HK$'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

8 (LOSS)/EARNINGS PER SHARE (CONTINUED)

(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 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2017, the Group acquired assets with a cost of HK$160 million (six months ended 31 December 2016: HK$555 million).

10 INVENTORIES

During six months ended 31 December 2017, HK$10 million (six months ended 31 December 2016: Nil) has been recognised as an increase in the amount of inventories recognised as other gains in profit or loss, being the amount of reversal of a write-down of inventories to the estimated net realisable value.

11 TRADE DEBTORS

	(Unaudited) 31 December 2017 HK$'million	(Audited) 30 June 2017 HK$'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.

11 TRADE DEBTORS (CONTINUED)

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

12 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

13 SHARE CAPITAL

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

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

	Fair value at 31 December 2017 (Unaudited)			
	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
Financial assets				
Non-derivative financial assets at fair value through profit or loss	9	–	–	9
Oil and gasoline futures and swaps contracts	–	4	–	4
Petroleum related forward contracts in relation to physical delivery dealt with counterparties	–	84	–	84
Total	9	88	–	97
Financial liabilities				
Oil and gasoline futures and swaps contracts	–	99	–	99
Petroleum related forward contracts in relation to physical delivery dealt with counterparties	–	86	–	86
Derivative of convertible bonds' conversion component	–	–	241	241
Total	–	185	241	426

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

	Fair value at 30 June 2017 (Audited)			
	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
Financial assets				
Non-derivative financial assets at fair value through profit or loss	69	–	–	69
Oil and gasoline futures and swaps contracts	–	170	–	170
Petroleum related forward contracts in relation to physical delivery dealt with counterparties	–	46	–	46
Total	69	216	–	285
Financial liabilities				
Oil and gasoline futures and swaps contracts	–	35	–	35
Petroleum related forward contracts in relation to physical delivery dealt with counterparties	–	31	–	31
Derivative of convertible bonds' conversion component	–	–	144	144
Total	–	66	144	210

During the six months ended 31 December 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: Nil).

15 RELATED PARTY TRANSACTIONS

Dr. Sit, an executive director and the ultimate controlling shareholder of the Company, controlled the below related companies.

Save as disclosed elsewhere in the condensed consolidated financial statements, during the reporting period, the Group entered into the following material transactions with related companies, which are also defined as continuing connected transactions under Listing Rules:

	(Unaudited) Six months ended 31 December	
	2017	2016
	HK$'million	HK$'million
Purchase of fuel oil	**6,282**	10,821
Fuel oil storage fee expenses	**49**	49
Barge service fee expenses	**10**	12
E-commerce service fee income	**3**	37

The above transactions were carried out in the normal course of the Group's business and conducted at terms mutually agreed between the Group and related companies.

On 4 May 2015, the Group entered into the memorandum of agreement (the "MOA 1"), for sales and purchase of an oil tanker with a related company. Pursuant to the MOA 1, the Group agreed to purchase and the related company agreed to sell an oil tanker at approximately US$8 million (equivalent to approximately HK$65 million). On 30 June 2016, the MOA 1 was terminated and the prepayment was returned by the related party.

On 29 July 2016, the Group entered into the memorandum of agreement with Zhu Hai S.E.Z. Huadian, a limited liability company established under the law of the PRC and beneficially owned by Dr. Sit, to purchase a vessel for a total cash consideration of US$8 million (equivalent to approximately HK$66 million). During the year ended 30 June 2017, US$3 million (equivalent to approximately HK$23 million) has been settled.

Such transactions constitute connected transactions under the Listing Rules.

15 RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

The remuneration of members of key management of the Group during the period is as follows:

	(Unaudited) Six months ended 31 December	
	2017	2016
	HK$'million	HK$'million
Salaries and other short-term employee benefits	**8**	8
Share-based payments		
– share award	**–**	–
	8	8

The remuneration of executive directors, who are considered as the key management personnel of the Group, is determined by the remuneration committee having regard to the performance of the individuals and market trend.

16 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the financial reporting period, the Company made the following announcements to provide update of events and circumstances arising after 31 December 2017:

Winding up petition in Hong Kong

As disclosed in the Company's announcement dated 18 January 2019, the Company announce that on 8 January 2019, a winding up petition was filed by Broad Action Limited against the Company in the High Court of Hong Kong in relation to an alleged unpaid early redemption amount in the sum of approximately US$42 million under the terms and conditions of the unsecured redeemable convertible bonds due 2018 issued by the Company on 19 November 2015. Pursuant to a settlement, Broad Action Limited and the Company have filed a consent summons for the withdrawal of the winding up petition.

16 EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Winding up petition in Hong Kong (continued)

As disclosed in the Company's announcement dated 31 January 2019, the consent summons in relation to the winding up petition filed by Broad Action Limited was granted by the court.

As disclosed in the Company's announcement dated 11 June 2019, on 17 May 2019, the Company was served a sealed copy of a petition filed by Petco Trading Labuan Company Ltd ("Petco") with the High Court of Hong Kong for the winding up of the Company on the ground that the Company is insolvent and unable to pay its debts. Petco alleged that the Company is indebted to them in the sum of US$25,684,013.27 together with late payment charges and costs, which arose from a deed of settlement dated 1 June 2018 and an addendum to the deed of settlement entered into between the Company, Petco and BOPS.

As disclosed in the Company's announcements dated 17 July 2019, 22 July 2020 and 30 July 2020, the winding up petition was heard at High Court of Hong Kong on 17 July 2019, and was further adjourned to be heard on 22 July 2019, which by consent was vacated and further adjourned to a date to be fixed in consultation with counsel's diaries.

As disclosed in the Company's announcements dated 9 August 2019, 1 November 2019, 4 February 2020 and 29 April 2020, through the Company's continuous negotiations with Petco a settlement agreement was entered on 7 August 2019. The Company had made instalment payments pursuant to the settlement agreements that have been concluded.

As disclosed in the Company's announcement dated 27 July 2020, the High Court of Hong Kong granted the dismissal of the winding up petition filed by Petco against the Company on 17 May 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 signed by the Company.

16 EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Winding up petition in Singapore

As disclosed in the Company's announcement dated 18 January 2019, the Company announce that that in August 2018, a creditor commenced legal proceedings against BOPS in the Hight Court of the Republic of Singapore ("High Court of Singapore") in relation to sums allegedly due on letters of credit and short-term advances. In November 2018, a winding up petition was filed by another creditor against BOPS in the High Court of Singapore in relation to an invoice and a settlement agreement. On 13 December 2018, BOPS applied for a moratorium under section 211B of the Singapore Companies Act to restrain legal action or proceeding against BOPS and it is anticipated that a further hearing before the Hight Court of Singapore will be held before the end of March 2019.

As disclosed in the Company's announcement dated 11 June 2019, 17 July 2019, 30 July 2019, 9 August 2019, 1 November 2019, 4 February 2020, 29 April 2020 and 31 July 2020, there was several extensions of the moratoria following the initial applications of BOPS and the Company, the moratoria were extended until 10 July 2020.

Other business updates

As disclosed in the Company's announcement dated 13 February 2018, pursuant to the terms and conditions of the Listed Convertible Bonds, the Company has early redeemed all the outstanding unconverted Listed Convertible Bonds with principal amount of US$9,600,000 in full, together with accrued and unpaid interest thereon on 12 February 2018 at redemption price of approximately HK$83 million.

Pursuant to the terms and conditions of the Unlisted Convertible Bonds, the Company has early redeemed all the outstanding unconverted Unlisted Convertible Bonds with principal amount of US$150,000,000 in full, together with accrued and unpaid interest thereon on 12 February 2018 at redemption price of approximately HK$1,263 million.

As disclosed in the Company's announcement dated 18 January 2019, the Group was negotiating with other creditors which have issued statutory demands against the Company and/or commenced legal actions against Brightoil Shipping Singapore Pte. Ltd., an indirect wholly-owned subsidiary of the Company.

16 EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Other business updates (continued)

As disclosed in the Company's announcements dated 16 April 2019 and 6 May 2019, Dr. Sit, who was a guarantor of various borrowing agreements and a finance lease agreement with various institutional borrowers, was adjudged bankrupt by the High Court of Hong Kong on 11 April 2019. The parties providing the financing might request the Company 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 full repayment of outstanding interest and corresponding fee. The aggregated borrowing amounted to approximately USD1,362 million. Apart from these aforesaid borrowing transactions, there are outstanding amounts, totally USD76.15 million due to three trading partners, which are also guaranteed by Dr. Sit. The personal guarantees do not contain any specific provisions relating to the bankruptcy of the guarantor and it is not possible for the Company to predict what steps these trade creditors will take as a result of Dr. Sit's bankruptcy.

As disclosed in the Company's announcements dated 31 January 2019, 6 May 2019, 11 June 2019, 30 July 2019, 1 November 2019, 4 February 2020, 29 April 2020, marine transportation operation was suspended due to arrests by related creditors since the end of 2018 and were sold by auction through judicial sale process. The gross proceeds from the judicial sales were approximately HK$4,853 million.

As disclosed in the Company's announcement dated 1 November 2019, In August 2019, 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 ("Plaintiffs"). The claim is related to the outstanding construction costs, interests, loss and legal costs under the termination of certain constructions contracts entered into between the Plaintiffs 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 announcements dated 30 July 2018, 18 January 2019, 6 May 2019, 30 July 2019, 1 November 2019, 4 February 2020 and 29 April 2020, 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 signed a non-binding "Zhoushan Project Cooperation Framework Agreement" with one of the potential buyers. After the completion of Zhoushan Project, the Company would have held 100% equity of the storage company and 55% equity of the terminal company in which the fair market value would have been around RMB6 billion. The Company will remain responsible to complete all the remaining construction and the buyer will pay the sale price by instalments 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 and will make further announcement as and when appropriate.

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.

BUSINESS REVIEWS AND OUTLOOK (CONTINUED)

Upstream Business (continued)

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.

BUSINESS REVIEWS AND OUTLOOK (CONTINUED)

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.

SUBSTANTIAL SHAREHOLDERS AND PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 2017, to the best knowledge of the Directors, 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 position/Short position

Name of substantial shareholder	Capacity	Long position/ short position	Number of ordinary shares	Approximate percentage of shareholdings
Energy Empire Investments Limited ("Energy Empire")	Beneficial owner (Note 1)	Long position	3,049,938,960	29.97%
Canada Foundation Limited ("Canada Foundation")	Beneficial owner (Note 1)	Long position	4,073,926,039	40.04%
China Insurance Group Finance Company Limited (Note 2)	Person having a security interest in shares (Note 2)	Long position	929,824,667 (Note 2)	9.14%
Taiping Financial Holdings Co. Ltd. (Note 2)	Interest in a controlled corporation (Note 2)	Long position	930,314,667 (Note 2)	9.14%
China Taiping Insurance Holdings Co. Ltd. (Note 2)	Interest in a controlled corporation (Note 2)	Long position	930,314,667 (Note 2)	9.14%
New Silkroad Investment Holdings Limited (Note 3)	Person having a security interest in shares (Note 3)	Long position	650,717,704	6.40%
China Huarong Assets Management Co., Limited (Note 3)	Interest in a controlled corporation (Note 3)	Long position	650,717,704	6.40%

SUBSTANTIAL SHAREHOLDERS AND PERSONS HAVING 5% OR MORE INTERESTS (CONTINUED)

Long position/Short position (continued)

Notes:

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

2. The Company has been notified by Canada Foundation that, some amount of Shares out of those Shares held by Canada Foundation has been pledged in favour of a number of financial institutions as security for a certain number of facilities granted to Canada Foundation, details of which are set out in the announcement of the Company dated 20 June 2016.

3. The Company has been notified by Canada Foundation that, some amount of Shares out of those Shares held by Canada Foundation has been pledged in favour of a number of financial institutions as security for a certain number of facilities granted to Canada Foundation.

Save as disclosed above, as at 31 December 2017, the Company has not been notified of any person (other than a Director or chief executive of the Company) or entity who 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.

* *for identification only*

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

At 31 December 2017, the interests and short positions of the Directors, chief executives 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 Issuers ("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** (Note 1)
Dr. Sit Kwong Lam ("Dr. Sit")	The Company	Interest of controlled corporations and beneficial owner	7,428,253,999 (Note 2)	73.002%
Professor Chang Hsin Kang ("Professor Chang")	The Company	Beneficial owner	380,000 (Note 3)	0.004%
Mr. Tang Bo ("Mr. Tang")	The Company	Beneficial owner	1,485,000 (Note 4)	0.015%
Mr. Tan Yih Lin ("Mr. Tan")	The Company	Beneficial owner	1,985,000 (Note 5)	0.020%
Mr. Wang Wei ("Mr. Wang")	The Company	Beneficial owner	385,000 (Note 6)	0.004%
Mr. Dai Zhujiang	The Company	Beneficial owner	190,000 (Note 7)	0.002%
Mr. Kwong Chan Lam	The Company	Beneficial owner	190,000 (Note 7)	0.002%
Mr. Lau Hon Chuen	The Company	Beneficial owner	190,000 (Note 7)	0.002%

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

Long positions in the shares of the Company (continued)

Notes:

(1) There were 10,175,301,974 Shares in issue as at 31 December 2017.

(2) These 7,428,253,999 Shares refer to (a) 3,049,938,960 Shares held by Energy Empire, which is wholly and beneficially owned by Dr. Sit; (b) 4,073,926,039 Shares held by Canada Foundation, which is wholly and beneficially owned by Dr. Sit; (c) 196,318,000 Shares held by Brightoil Welfare Ltd., which is wholly and beneficially owned by Dr. Sit; and (d) 108,071,000 Shares held by Harvest Energy Investments Ltd., which is wholly and beneficially owned by Dr. Sit.

(3) These 380,000 Shares refer to (a) 190,000 Shares jointly held by Professor Chang and his spouse; (b) an aggregate of 68,000 Shares vested to Professor Chang on 12 June 2015 and 12 June 2016 under the share award scheme adopted by the Company on 14 May 2014 (the "Share Award Scheme"); and (c) an aggregate of 122,000 Shares granted to Professor Chang on 13 June 2014 and 13 June 2015 subject to relevant vesting periods under the Share Award Scheme.

(4) These 1,485,000 Shares refer to (a) an aggregate of 357,000 Shares vested to Mr. Tang on 12 June 2015 and 12 June 2016 under the Share Award Scheme; and (b) an aggregate of 1,128,000 Shares granted to Mr. Tang on 13 June 2014, 13 June 2015 and 25 July 2016 subject to relevant vesting periods under the Share Award Scheme.

(5) These 1,985,000 Shares refer to (a) an aggregate of 357,000 Shares vested to Mr. Tan on 12 June 2015 and 12 June 2016 under the Share Award Scheme; and (b) an aggregate of 1,628,000 Shares granted to Mr. Tan on 13 June 2014, 13 June 2015 and 25 July 2016 subject to relevant vesting periods under the Share Award Scheme.

(6) These 385,000 Shares refer to (a) 77,000 Shares vested to Mr. Wang on 12 June 2016 under the Share Award Scheme; and (b) 308,000 Shares granted to Mr. Wang on 13 June 2015 subject to relevant vesting periods under the Share Award Scheme.

(7) These 190,000 Shares refer to (a) an aggregate of 68,000 Shares vested to the respective Directors on 12 June 2015 and 12 June 2016 under the Share Award Scheme; and (b) an aggregate of 122,000 Shares granted to the respective Directors on 13 June 2014 and 13 June 2015 subject to relevant vesting periods under the Share Award Scheme.

Further details of the movements in the Share Award Scheme during the period under review are set out in the "Share Award Scheme" section.

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

Long positions in the shares of the Company (continued)

Save as disclosed above, as at 31 December 2017, 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) (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and which were required to be entered into the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE AWARD SCHEME

On 14 May 2014, the Board approved the adoption of the Share Award Scheme with an objective to recognise the contributions from eligible employees within the Group and to give incentives in order to retain them for their continuing operation and development and to attract suitable personnel for further development of the Group.

Pursuant to the rules relating to the Share Award Scheme ("Scheme Rules"), shares are comprised of (i) shares purchased by the trustee out of cash arranged to be paid by the Company out of the Company's funds; and (ii) shares being held on trust for the relevant eligible grantees until such shares are vested with the relevant eligible grantees in accordance with the Scheme Rules (the "Award Shares"). The Board implements the Share Award Scheme in accordance with the terms of the Scheme Rules including the number of Award Shares is limited to 2% of the issued share capital of the Company as at the adoption date of the Share Award Scheme.

Under the Share Award Scheme, the Award Shares are granted to eligible employees of the Company or any one of its subsidiaries for no consideration but subject to certain conditions to be decided by the Board at the time of grant of the Award Shares under the Share Award Scheme. The Share Award Scheme will remain in force for 15 years from the date of adoption.

Pursuant to the Scheme Rules, the Board may upon the recommendation of the Remuneration Committee of the Company, from time to time, at their absolute discretion select the eligible grantees after taking into account various factors as they deem appropriate for participation in the Share Award Scheme as a grantee and determines the number of Award Shares to be awarded. The Board shall cause to pay the trustee the purchase price and the related expenses from the Company's resources for the Award Shares to be purchased by the trustee.

The trustee shall hold such Award Shares on trust for the eligible grantees until they are vested. When the relevant eligible grantee has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the Award Shares, the trustee shall transfer the relevant Award Shares to that grantee. For awardees who cease employment with the Group before vesting, the unvested shares are forfeited. The forfeited shares are held by the trustee of the Share Award Scheme who may award such shares to other awardees taking into consideration recommendations from the Board.

SHARE AWARD SCHEME (CONTINUED)

The Board made its first grant of Award Shares under the Share Award Scheme on 13 June 2014 ("First Grant"). Such Award Shares are subject to vesting period in five tranches of 20% each of its awarded shares granted from the grant date to 12 June 2015, 12 June 2016, 12 June 2017, 12 June 2018 and 12 June 2019 respectively.

The Board made its second grant of the Award Shares under the Share Award Scheme on 9 February 2015 ("Second Grant"). Such Award Shares are subject to vesting period in five tranches of 20% each of its awarded shares granted from the grant date to 12 June 2016, 12 June 2017, 12 June 2018 and 12 June 2019 respectively.

The Board made its third grant of Award Shares under the Share Award Scheme on 25 July 2016 ("Third Grant"). Such Award Shares are subject to vesting period in five tranches of 20% each of its awarded shares granted from the grant date to 12 June 2017, 12 June 2018, 12 June 2019, 12 June 2020 and 12 June 2021 respectively.

Movements of the Award Shares during the period under review are as follows:

	Number of Award Shares				
	As at 1 July 2017	Granted during the period under review	Vested during the period under review	Forfeited during the period under review	As at 31 December 2017
Directors (Notes 1, 2 and 3)	2,629,000	–	–	–	2,629,000#
Employees (Notes 1, 2 and 3)	3,631,200	–	–	(661,000)	2,970,200#
Total	6,260,200	–	–	(661,000)	5,599,200#

Total number of Award Shares granted to the eligible grantees (excluded the Award Shares which were vested to the relevant grantees).

Notes:

1. These Award Shares were granted to eligible grantees under the First Grant which is subject to vesting period in five tranches of 20% each on 12 June 2015, 2016, 2017, 2018 and 2019 respectively.

2. These Award Shares were granted to eligible grantees under the Second Grant which is subject to vesting period in five tranches of 20% each on 12 June 2016, 2017, 2018, 2019 and 2020 respectively.

3. These Award Shares were granted to eligible grantees under the Third Grant which is subject to vesting period in five tranches of 20% each on 12 June 2017, 2018, 2019, 2020 and 2021 respectively.

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 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 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

Currently, the audit committee of the Company (the "Audit Committee") comprises three Independent Non-executive Directors namely Mr. Chan Wai Leung ("Mr. Chan"), Dr. Lo Wing Yan William, JP and Mr. Wang Tian. Mr. Chan, being a certified public accountant, is the chairman 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.

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES

The following information is disclosed pursuant to Rule 13.21 of Chapter 13 of the Listing Rules which reflects the updated circumstances as at the issuance date of this report:

(1) On 26 April 2010, Brightoil Lion Tanker Ltd., an indirect wholly-owned subsidiary of the Company, entered into an 8-year term loan facility agreement with a bank for loan amount which is the lowest of (i) US$31,500,000; (ii) 60% of the market value of the vessel; or (iii) 60% of the contract price payable by it and the facility is guaranteed by the Company.

(2) On 14 January 2013, Brightoil Grace Tanker Ltd., an indirect wholly-owned subsidiary of the Company, entered into an 8-year term loan agreement of a loan up to US$65,000,000 with a bank and the facility is guaranteed by the Company.

(3) On 23 June 2014, Brightoil Gravity Tanker Ltd., Brightoil Galaxy Tanker Ltd., Brightoil 639 Oil Tanker Pte. Ltd., Brightoil 666 Oil Tanker Pte. Ltd. and Brightoil 688 Oil Tanker Pte. Ltd., indirect wholly-owned subsidiaries of the Company, as joint and several borrowers entered into a 10-year facility agreement of US$120,000,000 with a bank and the facility is guaranteed by the Company.

(4) On 28 October 2016, Brightoil Gem Tanker Ltd., an indirect wholly-owned subsidiary of the Company, entered into a 7-year term loan agreement of US$52,000,000 with a bank and the facility is guaranteed by the Company.

(5) On 25 January 2017, Brightoil Glory Tanker Ltd., an indirect wholly-owned subsidiary of the Company, entered into a 5-year US$41,600,000 term loan facility agreement with a bank and the facility is guaranteed by the Company.

(6) On 28 June 2017, the Company entered into a 42-month facility agreement of HK$100,000,000 with a bank for working capital.

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES (CONTINUED)

Pursuant to the provisions of the above facility agreements, if Dr. Sit Kwong Lam, the controlling shareholder of the Company, and/or his descendants, direct or indirect, ceases to remain the majority shareholder of the Company or fails to maintain control (at least 51% of the issued shares of the Company), and/or cease to be the chairman or an executive director of the Company (the "Specific Performance Obligation"), it would constitute an event of default under the facility agreements, whereupon the bank will have the right to declare the commitment under the facility agreements to be cancelled, all outstanding amounts become immediately due and payable and/or demand immediate repayment of all outstanding principal amounts together with interest accrued and all other sums payable under the facility agreements.

On 19 November 2015, the Company successfully issued unlisted convertible bonds with aggregate principal amount of US$50 million (equivalent to approximately HK$388 million) with maturity date on 19 November 2018. On the same date, the Company successfully issued listed convertible bonds with aggregate principal amount of US$12 million (equivalent to approximately HK$93 million), which would be listed on the Stock Exchange with maturity date on 13 November 2018.

On 15 December 2015, the Company successfully issued unlisted convertible bonds with aggregate principal amount of US$100 million (equivalent to approximately HK$775 million) with maturity date on 19 November 2018.

Reference to the Company's announcement dated 15 November 2017, a Relevant Event, pursuant to terms and conditions of the above bonds, occurred, and all bondholders could have the right to early redemption of the bonds.

A "Relevant Event" is where: (i) the Shares cease to be listed or admitted to trading, or when the Shares are suspended from trading for a period equal to or exceeding 30 consecutive trading days; or (ii) there is a change of control.

On 12 February 2018, the Company redeemed all outstanding unconverted listed convertible bonds with a principal amount of US$9.6 million (equivalent to approximately HK$74 million) in full, together with accrued and unpaid interest thereon. The listed convertible bond was withdrawn from the Stock Exchange with effective from the close of business on 21 February 2018.

Thereafter, some creditors had issued statutory demands for payment or had taken legal actions to recover their debts. Pursuant to Company's announcement made on 21 November 2018, under the guidance and coordination of the People's Bank of China, the Company actively pursued a package of financing and debt optimization adjustment plans, which include renewal of existing credit facilities, takeover of existing loans by certain key financiers and/or disposal of assets of the Group for raising funds to pay off a portion of the existing debts and enhancing liquidity of the Group.

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES

(CONTINUED)

As at the issuance date of this report, 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 Brightoil Petroleum (S'pore) Pte. Ltd. ("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.

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.

On 29 July 2020, a winding-up petition (the "Petition") was filed by a creditor with the Court of First Instance of the High Court of the HKSAR for the winding up of the Company in relation to an alleged unpaid amount in the sum of US$268,095.42 (comprising of the principal sum of US$259,356 and default interest of US$8,739.42), pursuant to a deed of guarantee allegedly signed by the Company. The Company is in the course of seeking legal advice in relation to the Petition. Given the amount involved, the Company is confident that the claim could be resolved and the Petition be withdrawn shortly.

The Company continues dedicating its best efforts to take forward its debt restructuring exercise with various creditors.

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

Hong Kong, 17 September 2020

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Bo (Chairman and acting Chief Executive Officer with effect from 3 May 2019)
Mr. Xie Wenyan (appointed on 3 May 2019 and resigned on 11 October 2019)
Dr. Sit Kwong Lam (Chairman and Chief Executive Officer) (resigned on 11 April 2019)
Mr. Tan Yih Lin (resigned on 25 May 2019)
Mr. Wang Wei (retired on 18 April 2018)

Non-executive Directors

Mr. Dai Zhujiang
Mr. Zhao Liguo (appointed on 28 June 2019)

Independent Non-executive Directors

Mr. Lo Wing Yan William, JP (appointed on 28 June 2019)
Mr. Wang Tian (appointed on 28 June 2019)
Mr. Chan Wai Leung (appointed on 28 June 2019)
Mr. Lau Hon Chuen (resigned on 19 June 2019)
Professor Chang Hsin Kang (resigned on 19 June 2019)
Mr. Kwong Chan Lam (resigned on 19 June 2019)

AUDIT COMMITTEE

Mr. Chan Wai Leung (Chairman) (appointed on 28 June 2019)
Mr. Lo Wing Yan William, JP (appointed on 28 June 2019)
Mr. Wang Tian (appointed on 28 June 2019)
Mr. Kwong Chan Lam (Chairman) (resigned on 19 June 2019)
Mr. Lau Hon Chuen (resigned on 19 June 2019)
Professor Chang Hsin Kang (resigned on 19 June 2019)

REMUNERATION COMMITTEE

Mr. Lo Wing Yan William, JP (Chairman) (appointed on 28 June 2019)
Mr. Wang Tian (appointed on 28 June 2019)
Mr. Chan Wai Leung (appointed on 28 June 2019)
Mr. Tang Bo (appointed on 3 May 2019)
Professor Chang Hsin Kang (Chairman) (resigned on 19 June 2019)
Mr. Lau Hon Chuen (resigned on 19 June 2019)
Mr. Kwong Chan Lam (resigned on 19 June 2019)
Dr. Sit Kwong Lam (resigned on 11 April 2019)
Mr. Tan Yih Lin (resigned on 25 May 2019)

NOMINATION COMMITTEE

Mr. Wang Tian (Chairman) (appointed on 28 June 2019)
Mr. Lo Wing Yan William, JP (appointed on 28 June 2019)
Mr. Chan Wai Leung (appointed on 28 June 2019)
Mr. Tang Bo (appointed on 3 May 2019)
Mr. Lau Hon Chuen (Chairman) (resigned on 19 June 2019)
Mr. Kwong Chan Lam (resigned on 19 June 2019)
Professor Chang Hsin Kang (resigned on 19 June 2019)
Dr. Sit Kwong Lam (resigned on 11 April 2019)
Mr. Tan Yih Lin (resigned on 25 May 2019)

CORPORATE INFORMATION

COMPANY SECRETARY

Mr. Chiang Chi Kin (appointed on 28 June 2019)
Mr. Tan Yih Lin (resigned on 25 May 2019)

AUDITORS

HLB Hodgson Impey Cheng Limited
(appointed on 23 January 2020)
PricewaterhouseCoopers
(resigned on 23 January 2020)

LEGAL ADVISERS ON BERMUDA LAW

Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

33/F
118 Connaught Road West
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th floor North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China Limited
China Development Bank Corporation
China Minsheng Banking Corp., Ltd.
China CITIC Bank International Limited
Credit Suisse AG
ICICI Bank

STOCK CODE

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

WEBSITE

www.brightoil.com.hk