NEW TIMES ENERGY CORPORATION LIMITED
新 時 代 能 源 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00166)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2017	Year ended 31 December 2016
	HK$'000	*HK$'000*
Revenue	**287,557**	57,108
Profit/(loss) before taxation from continuing operations	**95,260**	(229,615)
Profit/(loss) for the year	**101,697**	(125,021)
Basic earnings/(loss) per share *(HK cent)* (2016: restated)	**1.26**	(3.09)

	As at 31 December 2017	As at 31 December 2016
	HK$'000	*HK$'000*
Total assets	**3,783,649**	3,065,429
Total equity	**3,467,316**	2,651,265
Debt ratio(1)	**8.36%**	13.51%
Gearing ratio(2)	**6.17%**	12.51%
Net asset value per share(3) *(HK$)*	**0.39**	0.45

Remarks:

(1) Debt ratio: Total liabilities divided by total assets
(2) Gearing ratio: Interest bearing borrowings divided by total equity
(3) Net asset value per share: Net assets divided by number of issued shares

* *For identification purposes only*

The board of directors (the "**Board**") of New Times Energy Corporation Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
Continuing operations:			
Revenue	*4*	**287,557**	57,108
Cost of sales		**(280,651)**	(48,689)
Gross profit		**6,906**	8,419
Other income	*6*	**16,250**	(22,995)
General and administrative expenses		**(63,332)**	(90,513)
Reversal/(provision) of impairment loss of assets	*7*	**228,611**	(105,442)
Exploration expenses	*11(c)*	**(35,544)**	–
Net investment (loss)/income		**(37,492)**	13,753
Gain on partial disposal of interest in a joint venture		**3,304**	–
Profit/(loss) from operations		**118,703**	(196,778)
Finance costs		**(19,293)**	(26,557)
Share of losses of joint ventures		**(4,150)**	(6,280)
Profit/(loss) before taxation from continuing operations		**95,260**	(229,615)
Income tax	*8*	**6,437**	6,021
Profit/(loss) from continuing operations		**101,697**	(223,594)
Discontinued operations:			
Profit from discontinued operations, net of tax	*5(c)*	**–**	98,573
Profit/(loss) for the year		**101,697**	(125,021)

	Note	2017 HK$'000	2016 HK$'000
Attributable to:			
Owners of the Company:			
Profit/(loss) for the year from continuing operations		**101,710**	(223,209)
Profit for the year from discontinued operations	*5(c)*	**–**	99,860
Profit/(loss) for the year attributable to owners of the Company		**101,710**	(123,349)
Non-controlling interests:			
Loss for the year from continuing operations		**(13)**	(385)
Loss for the year from discontinued operations	*5(c)*	**–**	(1,287)
Loss for the year attributable to non-controlling interests		**(13)**	(1,672)
Profit/(loss) for the year		**101,697**	(125,021)
Earnings/(loss) per share (2016: restated)	*9*		
Basic *(HK cent)*		**1.26**	(3.09)
Diluted *(HK cent)*		**1.26**	(3.09)
Earnings/(loss) per share — continuing operations (2016: restated)	*9*		
Basic *(HK cent)*		**1.26**	(5.59)
Diluted *(HK cent)*		**1.26**	(5.59)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Profit/(loss) for the year	**101,697**	(125,021)
Other comprehensive income for the year (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas and the People's Republic of China ("**PRC**") subsidiaries	**(19,660)**	(35,029)
Available-for-sale investments: net movement in the fair value reserve	**(2,383)**	8,393
Other comprehensive income for the year	**(22,043)**	(26,636)
Total comprehensive income for the year	**79,654**	(151,657)
Attributable to:		
Owners of the Company	**79,667**	(149,982)
Non-controlling interests	**(13)**	(1,675)
Total comprehensive income for the year	**79,654**	(151,657)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Exploration and evaluation assets	11	**2,303,481**	2,066,901
Property, plant and equipment		**49,301**	45,478
Intangible assets		**16,296**	21,776
Goodwill		**234**	270
Interest in joint ventures		**18,104**	28,675
Promissory note receivable		**–**	35,786
Available-for-sale investments		**36,617**	58,429
Prepayments, deposits and other receivables	14	**40,286**	18,684
Deferred tax assets		**11,149**	6,240
Total non-current assets		**2,475,468**	2,282,239
Current assets			
Inventories		**17,144**	17,515
Trade and other receivables	14	**74,659**	124,367
Promissory note receivable		**42,687**	–
Current tax recoverable		**133**	394
Other financial assets	13	**329,610**	242,281
Cash and cash equivalents		**843,948**	398,633
Total current assets		**1,308,181**	783,190
Current liabilities			
Trade and other payables	15	**88,142**	44,278
Other borrowings		**2,380**	37,605
Total current liabilities		**90,522**	81,883
Net current assets		**1,217,659**	701,307
Total assets less current liabilities		**3,693,127**	2,983,546

	2017	2016
	HK$'000	*HK$'000*
Non-current liabilities		
Other borrowings	**211,400**	294,154
Other non-current liabilities	**–**	21,361
Provisions	**14,411**	16,766
Total non-current liabilities	**225,811**	332,281
NET ASSETS	**3,467,316**	2,651,265
CAPITAL AND RESERVES		
Share capital	**88,655**	59,103
Reserves	**3,427,346**	2,640,834
Total equity attributable to owners of the Company	**3,516,001**	2,699,937
Non-controlling interests	**(48,685)**	(48,672)
TOTAL EQUITY	**3,467,316**	2,651,265

Notes:

1. STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements of the Group also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

In determining the appropriate basis of preparation of the financial statements, the directors of the Company have reviewed the Group's cash flow projections prepared by management based on estimations of future revenue from sales of crude oil and other products, future production costs, committed and planned capital expenditure and the availability of financing, which cover a period of twelve months from the reporting period end date. They are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due and committed future capital expenditure within the next twelve months from the end of the current reporting period and that there are no material uncertainties in this respect which individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure will be included in notes to the financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE

Revenue

Continuing operations

The principal activities of the Group are (i) exploration, development, production and sale of natural resources; and (ii) commodities trading.

Revenue represents the sales value of goods supplied to customers.

	2017	2016
	HK$'000	*HK$'000*
Sales of oil products under oil exploration and production	**43,467**	57,108
Sales of non-ferrous metals under commodities trading	**244,090**	–
	287,557	57,108

The Group's customer base includes four (2016: one) customers with whom transactions have exceeded 10% of the Group's revenue. The amounts of individual customer are disclosed as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer 1	**146,996**	–
Customer 2	**52,882**	–
Customer 3	**44,212**	–
Customer 4	**43,467**	55,958

5. DISCONTINUED OPERATIONS

(a) Shine Great Disposal

On 7 October 2014, Shine Great Investments Limited ("**Shine Great**"), an indirect wholly-owned subsidiary of the parent Company and Goldlink Capital Limited ("**Goldlink**"), a direct wholly-owned subsidiary of Blue Sky Power Holdings Limited (currently known as "**Beijing Gas Blue Sky Holdings Limited**") ("**Blue Sky**") entered into a subscription agreement pursuant to which a total of 1,453,790 subscription shares of Shine Great representing approximately 14.54% of the enlarged issued share capital of 10,000,000 shares would be subscribed by Goldlink at a cash consideration of HK$37,800,000 ("**Subscription**").

On 7 October 2014, Total Belief Limited ("**Total Belief**"), a direct wholly-owned subsidiary of the Company and the parent company of Shine Great, and Goldlink entered into a sale and purchase agreement ("**Shine Great Agreement**") pursuant to which Goldlink conditionally agreed to acquire and Total Belief conditionally agreed to sell the entire equity interest in Shine Great ("**Shine Great Disposal**"). The Shine Great Disposal would be completed in two transactions as follows:

Transaction I: sale of 36.46% of 10,000,000 enlarged shares of Shine Great to Goldlink

Transaction II: sale of 49.00% of 10,000,000 enlarged shares of Shine Great to Goldlink

The consideration for Transaction I would be satisfied by a cash consideration of HK$17,000,000 and the issue of convertible notes by Blue Sky to Total Belief in the principal amount of HK$77,805,000 upon the fulfilment of certain conditions precedent.

The consideration for Transaction II would be satisfied by the issue of convertible notes by Blue Sky to Total Belief in the principal amount of HK$135,240,000 upon the fulfilment of certain conditions precedent. The principal amount of convertible notes in Transaction II would be adjusted in case of any shortfall between (i) revenue guarantee as defined in the Shine Great Agreement ("**Revenue Guarantee**") and the actual consolidated revenue of Shine Great for the year ended 31 December 2015 ("**Actual Revenue**"), and/or (ii) profit guarantee as defined in the Shine Great Agreement ("**Profit Guarantee**") and the actual consolidated profit of Shine Great for the year ended 31 December 2015 ("**Actual Profit**"). The principal amount of the convertible notes would be adjusted from HK$135,240,000 to HK$133,888,000 if the shortfall was within 20%. Otherwise, the principal amount of the convertible notes would be adjusted from HK$135,240,000 to HK$132,535,000.

On 22 December 2014, the Shine Great Disposal was approved by the shareholders of the Company.

The Subscription and Transaction I were completed on 24 February 2015. Upon completion of the Subscription, 1,453,790 subscription shares of Shine Great were subscribed by Goldlink at a consideration of HK$37,800,000, of which HK$35,880,000 was credited to non-controlling interests and the balance of HK$1,920,000 was credited to the accumulated losses account.

The Transaction II has been completed on 4 July 2016. Upon completion of the Transaction II, the Group ceased to hold any interest in Shine Great and its subsidiaries ("**Shine Great Group**"). Since the Actual Revenue and Actual Profit of the Shine Great Group for the financial year ended 31 December 2015 cannot satisfy the Revenue Guarantee and Profit Guarantee respectively and resulted shortfall was over 20%, the consideration for Transaction II had been adjusted to HK$132,535,000 and convertible notes in principal amount of HK$132,535,000 had been issued by Blue Sky to Total Belief.

Shine Great Group carried out the Group's discontinued operation in distribution of natural gas business segment. Accordingly, the Shine Great Group had been presented as a discontinued operation in the consolidated statement of profit or loss for the year ended 31 December 2016.

(b) US Business Disposal

On 30 December 2016, Total Belief and Foothills Exploration Operating, Inc. ("**Foothills**") entered into a sale and purchase agreement ("**US Agreement**"), pursuant to which the Group sold the entire equity interest in Clear Elite Holdings Limited, Prominent Sino Holdings Limited and Value Train Investments Limited ("**US Business Group**"), which were wholly-owned subsidiaries of Total Belief, to Foothills ("**US Business Disposal**").

The US Business Disposal was completed on 30 December 2016. The considerations for the US Business Disposal included:

(i) cash consideration of US$750,000 (equivalent to approximately HK$5,816,000);

(ii) 2,083,334 shares ("**Common Stock**") issued by Foothills Exploration, Inc., ("**Foothills Exploration**"), the indirect holding company of Foothills;

(iii) a non-interest bearing promissory note with a principal amount of US$6,000,000 (equivalent to approximately HK$46,560,000) ("**Promissory Note**") issued by Foothills to the Group, which has a repayment term of 18 months.

The US Business Group carried out the Group's operation in the United States of America. Accordingly, the US Business Group had been presented as a discontinued operation in the consolidated statement of profit or loss for the year ended 31 December 2016.

(c) Results of discontinued operations

	2016
	HK$'000
Revenue	53
Expenses	(7,108)
Loss before taxation	(7,055)
Income tax	(1)
Loss for the year	(7,056)
Gain on Shine Great Disposal Transaction II *(note 5(e))*	86,399
Gain on US Business Disposal *(note 10(c))*	19,230
Profit from discontinued operations, net of tax	98,573
Attributable to:	
Owners of the Company	99,860
Non-controlling interests	(1,287)
	98,573
Earnings per share (restated) *(see note 9)*	
Basic *(HK cent)*	2.50
Diluted *(HK cent)*	2.50

(d) Cash used in discontinued operations

	2016
	HK$'000
Net cash outflow for the year	(76)

(e) Assets held for sale

Upon completion of the Subscription and Transaction I on 24 February 2015, the Group's 49% retained interest in Shine Great Group was accounted for as an associate, which was classified as assets held for sale since 24 February 2015 till the completion of Transaction II on 4 July 2016.

The details of the gain on disposal of the assets held for sale was analysed as follows:

	HK$'000
Consideration received*	217,352
Carrying amount of the assets held for sale**	(130,953)
Gain on disposal	86,399

* The consideration had been satisfied by issuing of convertible notes by Blue Sky to Total Belief in the principal amount of HK$132,535,000 (see note 5(a)). The fair value of the convertible notes on 4 July 2016 was HK$217,352,000 which was determined by the directors of the Company with reference to a valuation report issued by an independent appraisal firm, Ascent Partners Valuation Service Limited.

** The fair value of the 49% retained interest in Shine Great Group assumed on 24 February 2015 was determined by the directors of the Company with reference to a valuation report issued by an independent appraisal firm, ROMA Appraisal Limited.

6. OTHER INCOME

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**6,804**	231
Interest income on convertible notes receivables	**–**	3,445
Interest income on promissory note receivable	**6,900**	17
Other interest income	**1,658**	–
Total interest income on financial assets not at fair value through profit or loss	**15,362**	3,693
Net foreign exchange loss	**(4,840)**	(3,788)
Loss on disposal of convertible notes receivables	**–**	(25,058)
Others	**5,728**	2,158
	16,250	(22,995)

7. (REVERSAL)/PROVISION OF IMPAIRMENT LOSS OF ASSETS

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
(Reversal)/provision of impairment loss of assets		
— exploration and evaluation assets	**(248,040)**	102,694
— available-for-sale investments	**19,429**	1,698
— other receivables	**–**	1,050
	(228,611)	105,442

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the consolidated statement of profit or loss represents:

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**–**	–
Current tax — overseas		
Provision for the year	**23**	11
	23	11
Deferred tax		
Origination and reversal of temporary differences	**(6,460)**	(6,032)
	(6,437)	(6,021)

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands ("**BVI**"), the Company and its subsidiaries incorporated in Bermuda and the BVI are not subject to any income tax in Bermuda and the BVI for both the current and prior years.

No provision for Hong Kong profits tax has been made as the Group's operations in Hong Kong had no assessable profits for the year. The provision for Hong Kong profits tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profit for the years.

Subsidiaries of the Group in Argentina are subject to Argentina corporate income tax ("**CIT**") at 35% (2016: 35%) and minimum presumed income tax ("**MPIT**"). MPIT is supplementary to CIT and is chargeable at the applicable tax rate of 1% on the tax basis of certain assets. The tax liabilities of the Group's operation in Argentina is the higher of CIT and MPIT.

Taxation for other overseas subsidiaries of the Group is charged at the appropriate current rates of taxation ruling in the relevant countries and regions.

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

(i) Profit/(loss) attributable to owners of the Company (basic)

	2017		
	Continuing operations *HK$'000*	**Discontinued operations** *HK$'000*	**Total** *HK$'000*
Profit attributable to owners of the Company	**101,710**	**–**	**101,710**

	2016		
	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*
(Loss)/profit attributable to owners of the Company	(223,209)	99,860	(123,349)

(ii) Weighted average number of ordinary shares (basic)

	2017 *'000*	2016 *'000* (Restated)
Issued ordinary shares at 1 January	**5,910,322**	2,497,026
Effect of shares issued under open offer	**2,145,528**	–
Effect of bonus element on shares issued under open offer	**43,098**	103,574
Effect of shares issued under share option scheme	**–**	3,269
Effect of shares issued under subscription	**–**	1,391,120
Weighted average number of ordinary shares (basic) at 31 December	**8,098,948**	3,994,989

Note: Comparative figures for the weighted average number of ordinary shares for 2016 have been adjusted retrospectively for the effect of the open offer made in April 2017.

(b) Diluted earnings/(loss) per share

For the years ended 31 December 2017 and 2016, basic and diluted loss per share was the same as the effect of the potential ordinary shares outstanding was anti-dilutive.

10 DISPOSAL OF SUBSIDIARIES

As disclosed in note 5(b), the US Business Disposal was completed on 30 December 2016.

(a) Consideration

The following table summarises the fair value of each major class of considerations at the disposal date:

	HK$'000
Cash consideration receivable	5,816
Common Stock	24,802
Promissory Note	35,769
Total considerations	66,387

(b) Details of net liabilities in respect of the US Business Group over which control was lost

	HK$'000
Property, plant and equipment	19,795
Intangible assets	36,544
Trade and other receivables	9,773
Cash and cash equivalents	211
	66,323
Trade and other payables	(12,599)
Amounts due to holding company	(202,425)
Deferred tax liabilities	(8,665)
	(223,689)
Net liabilities disposed of	(157,366)

(c) Gain on US Business Disposal

	HK$'000
Consideration *(note (a))*	66,387
Net liabilities disposed of	157,366
Assignment of amounts due from subsidiaries *(note (b))*	(202,425)
Non-controlling interests	(2,141)
Cumulative exchange difference in respect of the net liabilities of the US Business Group reclassified from equity to profit or loss on the disposal date	43
Gain on disposal	19,230

Notes:

(a) Cash consideration of US$75,000 (equivalent to approximately HK$582,000) and US$675,000 (equivalent to approximately HK$5,238,000) were received on 4 January 2017 and 17 January 2017, respectively. The Common Stock was issued by Foothills Exploration to the Group on 30 December 2016. The Promissory Note was issued by Foothills to the Group on 30 December 2016.

(b) According to the US Agreement, upon the completion of the US Business Disposal, the debts obligations of the US Business Group due to the Group of HK$202,425,000 was discharged.

(d) Net cash outflow resulting from the US Business Disposal

	HK$'000
Cash consideration	–
Less: cash and cash equivalents disposed of	(211)
Net cash outflow on disposal	(211)

11. EXPLORATION AND EVALUATION ASSETS

	Exploration rights HK$'000	Exploratory drilling HK$'000	Geological studies HK$'000	Others HK$'000	Total HK$'000
Cost					
At 1 January 2016	3,229,438	105,878	123,642	35,398	3,494,356
Additions	1,870	17,733	932	–	20,535
Exchange adjustments	(1,809)	(18,022)	(18,170)	(903)	(38,904)
At 31 December 2016	3,229,499	105,589	106,404	34,495	3,475,987
At 1 January 2017	**3,229,499**	**105,589**	**106,404**	**34,495**	**3,475,987**
Additions	**894**	**33,739**	**–**	**–**	**34,633**
Write-off *(note (c))*	**–**	**(35,544)**	**–**	**–**	**(35,544)**
Exchange adjustments	**(1,222)**	**(10,920)**	**(10,210)**	**(504)**	**(22,856)**
At 31 December 2017	**3,229,171**	**92,864**	**96,194**	**33,991**	**3,452,220**
Accumulated impairment					
At 1 January 2016	1,159,623	16,687	123,642	35,398	1,335,350
Impairment loss *(note (b))*	101,762	–	932	–	102,694
Exchange adjustments	–	(9,885)	(18,170)	(903)	(28,958)
At 31 December 2016	1,261,385	6,802	106,404	34,495	1,409,086
At 1 January 2017	**1,261,385**	**6,802**	**106,404**	**34,495**	**1,409,086**
Reversal of impairment loss *(note (b))*	**(248,040)**	**–**	**–**	**–**	**(248,040)**
Exchange adjustments	**200**	**(1,793)**	**(10,210)**	**(504)**	**(12,307)**
At 31 December 2017	**1,013,545**	**5,009**	**96,194**	**33,991**	**1,148,739**
Net book value					
At 31 December 2017	**2,215,626**	**87,855**	**–**	**–**	**2,303,481**
At 31 December 2016	1,968,114	98,787	–	–	2,066,901

(a) As at 31 December 2017, the Group holds 69.25% interest in the Tartagal concession and Morillo concession (collectively the "**T&M concessions**") which are the concessions in the province of Salta in northern Argentina, through an Union of Temporary Enterprise ("**T&M UTE**"). Exploration permits were granted for oil and developments of hydrocarbons in the T&M concessions for an initial period of four years starting from 29 December 2006 and additional extensions up to an aggregate of nine years may be obtained. The Group submitted applications to the Secretary of Energy of Province of Salta, Argentina ("**Salta SOE**") for extensions of the exploration permits and obtained the approvals in July 2010, July 2011, December 2013 and March 2016 respectively. On 13 September 2017, the exploration permits expired and in March 2018 the Group has obtained the extension of the exploration permits to 13 September 2019 which will be effective imminently once it is published in the official local gazette. If successful hydrocarbon discoveries are made, the exploration permits can be converted to exploitation permits for a term of 25 years with a possible extension of 10 years.

(b) As at 31 December 2017, on the basis that the extension of the exploration permits in the T&M concessions were to be obtained in a reasonable period of time, the Group reversed impairment loss of HK$248,040,000 (2016: impairment loss of HK$102,694,000) for exploration and evaluation assets in respect of T&M UTE. The reversal of impairment loss was provided based on the calculations with reference to a valuation report issued by an independent appraisal firm, Roma Appraisals Limited. These calculations used cash flow projections based on financial forecasts prepared by management with reference to technical reports issued by Netherland, Sewell & Associates, Inc., an independent qualified technical consultant.

The cash flow projections cover the remaining life of the oil fields for a 22-year period for Tartagal concession and a 23-year period for Morillo concession. Pre-tax discount rates of 25.23% (2016: 29.90%) and 25.00% (2016: 28.64%) for Tartagal concession and Morillo concession respectively have been applied in the cash flow projections. The reversal of impairment loss was mainly attributable to a decrease in pre-tax discount rate driven by the lower country risk premium of Argentina and lower systematic risk of oil and gas companies.

(c) During the year ended 31 December 2017, exploration and evaluation assets of HK$35,544,000 in respect of an exploration well in T&M UTE which was determined to be non-commercial and has been expensed as dry hole.

12. INTEREST IN JOINT OPERATION

Significant joint operation	**Country of operation**	**Principal activity**	**2017**	2016
Palmar Largo UTE Interest	Argentina	Exploration, development and exploitation of hydrocarbons	**38.15%**	38.15%

On 26 February 2014, the Group acquired 38.15% participating interest in Palmar Largo Union of Temporary Enterprise (the "**Palmar Largo UTE Interest**"). The Palmar Largo UTE Interest consists of (i) rights and obligations arising from the joint venture contract that aims at the exploration, development and exploitation of hydrocarbons in the Palmar Largo concession area and (ii) interest in the production equipment and facilities required to perform and execute the exploitation work. The hydrocarbons exploitation rights on the Palmar Largo concession area have a term of 25 years from 23 December 1992 to 23 December 2017, extendible for another 10 years up to 23 December 2027 upon the unanimous decision of the Palmar Largo UTE parties and the approval of the relevant local government.

On 23 December 2017, the exploitation rights have been expired and the Group has initiated the application process with the Secretary of Energy of Province of Formosa, Argentina ("**Formosa SOE**") for further extension of the current exploitation rights. At the date of issuance of the financial statements, the application is still in progress.

In this connection, the Group has obtained legal advice from an independent Argentinian legal counsel that based on communication with Formosa SOE, the Group has a right to maintain the exploitation in the Palmar Largo concession for a period of one year and has good chances to obtain the extension of the exploitation rights for a period of 10 years. The Company are of the view that the aforesaid extension can be obtained within a reasonable period from the relevant government authorities.

Pursuant to Palmar Largo UTE agreement, all the participants in the joint operation approve the operating and capital budgets and therefore the Group has joint control over the relevant activities of Palmar Largo UTE. According to Palmar Largo UTE agreement, the participants in Palmar Largo UTE have joint control over the rights to the assets and obligations for the liabilities relating to Palmar Largo UTE. Accordingly, Palmar Largo UTE Interest is accounted for as a joint operation.

As at 31 December 2017, the Group recognised its share of assets and liabilities held jointly in the Palmar Largo UTE, including property, plant and equipment of HK$590,000, intangible assets of HK$16,296,000 and goodwill of HK$234,000.

13 OTHER FINANCIAL ASSETS

	2017	2016
	HK$'000	*HK$'000*
Listed equity securities at fair value *(note (a))*	**198,972**	242,281
Unlisted investment funds at fair value *(note (b))*	**100,778**	–
Unlisted equity-linked securities *(note (c))*	**29,860**	–
	329,610	242,281

Notes:

(a) The listed equity securities at fair value represent Blue Sky's listed shares from conversion of convertible notes issued by Blue Sky.

(b) The unlisted investment funds at fair value invested in wide ranges of equity or debt investment products.

(c) During the year ended 31 December 2017, the Group acquired unlisted equity-linked securities which contain embedded derivative, the return of which are determined with reference to the closing prices of certain equity securities listed on the The Stock Exchanges of Hong Kong Limited. The unlisted equity-linked securities are designated as at fair value through profit or loss at initial recognition.

14. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**7,461**	15,838
Other receivables	**45,176**	52,565
Amount due from a joint venture	**330**	7,524
VAT recoverable	**48,396**	51,622
Other tax recoverable	**8,484**	9,637
Other prepayment and deposits	**5,098**	5,865
	114,945	143,051
Reconciliation to the consolidated statement of financial position:		
Non-current	**40,286**	18,684
Current *(note (a))*	**74,659**	124,367
	114,945	143,051

Notes:

(a) All of the current trade and other receivables are expected to be recovered or recognised as expense within one year.

(b) The following is an ageing analysis of trade receivables, presented based on the invoice date, which approximates the respective revenue recognition dates:

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**7,461**	7,690
31–60 days	**–**	7,797
61–90 days	**–**	1
Over 90 days	**–**	350
	7,461	15,838

Trade receivables are due within 30 days (2016: 30 days) from the date of billing.

15. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables *(note (b))*	**28,077**	29,183
Accrued expenses	**9,461**	11,982
Deposit received *(note (c))*	**48,880**	–
Others	**1,724**	3,113
Financial liabilities measured at amortised cost	**88,142**	44,278

Notes:

(a) All of the trade and other payables are expected to be settled within one year or are repayable on demand.

(b) The following is an ageing analysis of the trade payables presented based on the invoice date at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**15,050**	17,398
31–60 days	**10,342**	2,322
61–90 days	**1,393**	3,683
Over 90 days	**1,292**	5,780
	28,077	29,183

(c) During the year ended 31 December 2017, a total deposit of HK$48,880,000 has been received from two independent third parties which appointed a subsidiary of the Company as trustee to pursue an acquisition, which was under negotiation as at 31 December 2017.

MANAGEMENT DISCUSSIONS AND ANALYSIS

GENERAL REVIEW

The Group is pleased to report a consolidated net profit after tax for the year ended 31 December 2017 of HK$101.70 million. This is mainly attributable to the reversal of previously recognised impairment loss on the Group's exploration and evaluation assets for Tartagal Oriental and Morillo Concessions, arising as a result of a decrease in pre-tax discount rate driven by the lower country risk premium of Argentina and lower systematic risk of oil and gas companies.

In April 2017, the Group raised net proceeds of approximately HK$736.40 million following an open offer of 2,955,160,996 offer shares, on the basis of one offer share for every two held. A total 84.36% of the available offer shares was subscribed, whilst the remainder 15.64% unsubscribed shares was underwritten by Max Sun Enterprises Limited, a substantial shareholder of the Group.

In August 2017, the Group re-entered into the business of commodities trading, with the intention to diversify and expand its revenue base, as well as seek further sources of profit generation. The Group acquired significant knowledge and experience in this business activity as a result of its previous involvement in commodities trading pre-2008.

On 13 September 2017, the Group's exploration permit in T&M Concessions had formally expired. Following the Group's timely application for its extension, and repeated follow up enquiries on the progress of the application, and receipt of numerous verbal assurances from officials, and meetings with the local regulatory authorities in an attempt to find a prompt resolution to a long overdue issue, the Group on 19 March 2018 was finally issued the extension decree. The decree for a minimum 24 month term from the Salta Province will be effective imminently, once it has been published in the official local gazette by the regulatory authorities.

To date, the Group has temporarily suspended all major exploration activities in the T&M Concessions, whilst it had been awaiting the formal approval of the extension. This resulted in the major postponement of previously committed works in Argentina, as well as a delay in the use of proceeds for the Group's raised capital in 2017.

In addition to the extension of the T&M permit, the Group's exploration permit in Chirete Concession situated in Salta Province which expired on 18 November 2017 was also extended for a minimum 12 month term. Similar to the T&M extension decree, the Chirete extension decree will be effective imminently, once it is published in the official local gazette by the regulatory authorities.

In the meantime, the Group continues working closely with its 50% participating partner, Pampa Energia in planning the exploratory drill of LB.x-2001 well in Q4 2018. Thereafter, the civil engineering works will commence, upon the timely receipt of drill location and access road permits.

The Group reported a loss of HK$35.54 million, being incurred for the recent EP.x-2001 exploratory drilling, which despite the existence of hydrocarbons, was sadly determined to be non-commercial for future development and production.

With respect to Palmar Largo Concessions, the Group's production permit also recently expired on 23 December 2017. The Group to date has yet to receive a formal extension decree from the relevant Formosa provincial regulatory authorities. Negotiations are on-going with a view to reaching a mutually acceptable investment plan/commitment, in return for the granting of a minimum 10 year term. In the meantime, whilst negotiations continue, the Group remains as the operator of the production facilities in the concessions, for and on behalf of the Union of Temporary Enterprise ("**UTE**") in which it has as a 38.15% participating interest.

Whilst the expiry and delayed granting of the Group's exploration permits in T&M and Chirete Concessions has caused a setback to its original plans and schedules, the Group is pleased that it can resume its efforts in the planning and preparation works for these respective areas. With respect to Palmar Largo production permit, the Group continues to push the Formosa provincial authorities for a swift positive outcome. But in the meantime, the Group has little option but to temporarily defer its significant investments/expenditures, originally planned for the second half of 2017, and for the foreseeable future until this issue is first resolved.

BUSINESS REVIEW

The Group's oil and gas participation during 2017 was solely in the Northwest Basin located in the provinces of Salta and Formosa in Argentina. During the second half of 2017, the Group was also engaged in the business of commodities trading with the objective to broaden its revenue base.

Northwest Basin, Argentina

The Northwest Basin is one of the largest gas producing basins in Argentina. This basin is geologically and structurally complex because of the superposition of four main basins and tectonic influences, including a Late Jurassic to Early Cretaceous-aged rift extension and Tertiary-aged Andean compression. The Group is of the view that the complex geological structures create opportunities for discovery of conventional light oil and natural gas during exploration activities.

At 31 December 2017, the Group held the following concessions in the Northwest Basin situated in Northern Argentina:

Concessions	Participating interest	Surface area (in km^2)	Prospective Resources (MMBOE)	2P Reserves (MMBOE)	Group's Net Interest (MMBOE)
Tartagal Oriental and Morillo	69.25%	10,583	187.7	–	130.0
Chirete	50.00%	897	8.6	–	4.3
Palmar Largo	38.15%	1,382	–	1.5	0.6

Exploration, Development and Production activities

Tartagal Oriental and Morillo Concessions (the "T&M Concessions")

The T&M Concessions (comprising of the Tartagal Oriental block and the Morillo block), located in the Province of Salta in Northern Argentina, are the Group's core exploration assets. They cover a total surface area of 10,583 km2 and have a net estimated Prospective Resources of 130.0 MMBOE.

EP.x-2001 exploration well:

After encountering successive unforeseen complications beyond the control of the Group, including the 11 months' delayed issuance of drill location and access road permits by the regulatory authorities in the Province of Salta, labour union interference in form of 4 strikes in 30 days, unseasonal weather conditions and prolonged importation clearance of own drilling equipment that took 18 months, the EP.x-2001 exploration well was finally spudded on 9 September 2017, approximately 12 months later than desired and planned. This was the Group's first prospective drill in the T&M Concessions, since the CA.x-1002 and CA.x-1 wells drilled in 2014.

A target drill depth of 2,853 meters for the EP.x-2001 exploration well was attained by the Group on 28 October 2017. Several hydrocarbon bearing zones were intersected whilst drilling. But despite the initial optimism created by evidence of hydrocarbons, the Group's post logging analysis and further study of petrophysical logs concluded the EP.x-2001 well was incapable to be commercially viable for future development and production. Consequently, the Group plugged and abandoned the EP.x-2001 well in early November, with the drilling equipment mobilised to the Group's own storage facilities at Palmar Largo, before it is next deployed in either Palmar Largo or Chirete, subject to the receipt of extension permits from the regulatory authorities in Argentina.

It may worth noting that the EP.x-2001 exploration well was drilling by the Group utilizing its own imported rig from China. Although it spent 18 months being held by Customs, the rig performed successful without major down times and no safety issues.

Exploration permit extension:

As previously disclosed in the 2017 Interim Report, the exploration permits in respect of the T&M Concessions expired on 13 September 2017. The application for a minimum 2 years' extension had been filed in advance by the Group to the Salta provincial regulatory authorities.

The extension is required in order to enable the Group to fulfil its outstanding work commitments on these concessions, which in part was due to the time lost from the unreasonable and unexplained delayed processing and granting of the drill location and access roads permits by the Salta authorities for the recent EP.x-2001 exploration well.

On 19 March 2018, the Group was issued an extension decree for a minimum 24 month term on the T&M Concessions which it is understood will be effective imminently, once it has been published in the official local gazette. The long awaited extension was the result of much effort by the Group in the follow up on the progress of the application, and various extensive meetings with the local regulatory authorities in an attempt to find a prompt resolution.

Despite the setback the delayed granting of the extension decree has caused, the Group has already resumed its planning and preparatory for the next exploratory drill in the concessions, which is presently earmarked for 2019, subject to the timely application and receipt of the drill location and access road permits.

The T&M Concessions are presently at an exploration stage with no existing development or production activities currently being performed.

Chirete Concession

The Chirete Concession covers a surface area of approximately 897km^2 in the Province of Salta in Northern Argentina, and has a net estimated Prospective Resources of 4.3 MMBOE.

LB.x-2001 exploration well

During 2017, the Group made significant progress with its 50% participating partner; Pampa Energia on the future development of the Chirete Concession.

A consensus was reached for drilling of the LB.x-2001 exploratory well on the same structure, approximately 2.9 km from the LB.x-1002 well, previously drilled in December 2015. Based on 3D seismic data analysis, a potential pay zone of approximately 100 meters was estimated.

The budget and schedule for LB.x-2001 was presented to, and approved by Pampa Energia, thus confirming their commitment to fund 50% of the exploration costs. To date, the Group has conducted extensive planning for the LB.x-2001 exploration well with a view to deploying the Group's own drilling rig for the project. Soil analyses for access road and drill site construction have also been completed.

The environmental impact study for our proposed exploration drill site has also been prepared, and submitted to the relevant bodies within the Salta provincial government for their review and approval. However, to date, the Group has yet to receive its approval, or any feedback.

Subject to the timely granting of the Chirete extension decree by the Salta authorities, followed immediately by the issuance of the associated drill location and access road permits, the Group and Pampa Energia is targeting to spud and drill the LB.x-2001 exploration well in Q4 2018.

Exploration permit extension:

The Chirete permit for the Third Exploratory Period expired on 18 November 2017, despite the Group‘s timely application for its renewal and extension by a further 12 months minimum.

Similar to the T&M extension application, the Chirete extension permit which was pending the long overdue final approval of the Secretary of Energy was finally issued on 19 March 2018. The Group understands that extension will thereafter be effective imminently, once it has been published in the official local gazette by the regulatory authorities.

Up until 19 March 2018, the Group and Pampa Energia had taken the stance to defer any significant expenditure, or sign any legally binding and onerous contracts with suppliers and service providers for the LB.x-2001 exploration well. With this uncertainty cleared, the Group is now in a better position to resume its planning and preparation activities, subject to the timely receipt of the drill location and access road permits also.

The Chirete Concession is presently at an exploration stage with no existing development or production activities currently being performed, except for oils accumulated naturally from the LB.x-1002 well drilled in December 2015 of approximately 414 barrels during the year.

*Palmar Largo Concessions (the “**PL Concessions**”)*

The PL Concessions comprise of three blocks, namely the Palmar Largo block located in the Province of Formosa which holds the producing fields, together with the Balbuena Este block and the El Chorro block located in the Province of Salta. The concessions had a 25 year term which is recently expired on 23 December 2017.

Operations update

During the year, the Group conducted a number of slickline unit interventions on a number wells in order to maintain their production rates in this marginal and declining oilfield. No new workover interventions was performed in 2017, due to the on-going negotiations and delayed granting of a 10 years extension production permit by the Formosa provincial regulatory authorities.

Average daily production achieved during the year for the Group’s 38.15% participating interest in the PL Concessions was approximately 338 BOPD (2016: 347 BOPD). The Group’s share of oil production for the year equated close to 123 MBBL (2016: 127 MBBL).

Due to lower oil productions and continued deterioration of local selling prices experienced in the former part of 2017, sales of crude oil from the Group’s 38.15% participating interest in the PL Concessions contributed an annual revenue of HK$43.47 million (2016: HK$57.11 million).

Oil price

Following the recent lifting of the import ban of foreign oil into Argentina, and the move to a free market oil economy by the incumbent government; the premium that Argentina oil price once commanded over international price has been eroded. In Northern Argentina, where the Group produces and sells its oil, the change in government policy has had a more detrimental effect on the oil price it has been able to receive. This in part is due to the limited number of refineries/buyers in the region.

The impact has not only hurt the Group's margins, but also other fellow producers in the region. Consequently, the Group has lobbied its concerns to the provincial government, and warned of the potential irreversible damage to the region's oil and gas industry and its attractiveness, as a result of the refineries unfair practices being experienced.

For the year, the average selling price the Group received was US$48.63 (2016: US$55.96) per barrel.

Production permit extension:

Being the operator of the PL Concessions, the Group initiated discussions, and reached a general consensus with the UTE members during 2017 to continue the running of the production facilities and oilfields located in the Formosa block beyond the 23 December 2017 expiration date of the existing permit. The Group accordingly submitted the formal application for a 10 year extension to the Formosa authorities, and subsequently received written communication in August 2017 that led the Group and UTE to understand that in principle the extension was granted, except for the issuance of the formal decree, which would be occur following the conclusion of the 2017 Argentine Legislative Election in late October 2017.

The Group to date has yet to receive the aforementioned formal extension decree. Furthermore, the Group has been requested by the Formosa provincial regulatory authorities in November 2017 to submit a revised and improved investment plan, which had previously been accepted.

Consequently, the Group and the UTE members is convening for further discussions on whether an improved and "economically viable" investment plan can be tabled to the Formosa Province. In the meantime, whilst negotiations are continuing, the Group remains as the operator of the production facilities in the PL Concessions at the very least until 23 December 2019.

Based on the opinion of an Argentinean independent legal counsel, the Group is considered to have a favorable chance of obtaining a further 10 year extension to operate the Formosa block of the PL Concessions, subject to the conclusion of on-going and advanced negotiations regarding a mutually acceptable investment plan. Until such time, the Group has no intentions to authorise/incur any significant discretionary investment/expenditures, such as workover interventions, where the planning and required payback period demands a longer time horizon.

With respect to the Balbuena Este and El Chorro block located in the Province of Salta, the Group is in continuing discussion with the UTE partners and regulatory authorities with a view to relinquish the blocks to the Province of Salta without having to plug-in the four existing wells and demolishing the production facilities. Negotiations with the Province of Salta are on-going.

There were no exploration and development activities in the PL Concessions during the period under review.

Expenditures incurred

Expenditures incurred in relation to the Group's exploration and production activities in the Northwest Basin in Argentina during the year were as follows:

Nature of expenditure	**Tartagal Oriental and Morillo Concessions** *(HK$'000)*	**Chirete Concession** *(HK$'000)*	**Palmar Largo Concessions** *(HK$'000)*	**Total** *(HK$'000)*
Drilling rig expenses	9,161	–	–	9,161
Exploration rights	894	–	–	894
Exploratory drillings	33,739	–	–	33,739
Exploration expenses (Dry Hole)	35,544	–	–	35,544
Production costs	–	–	36,680	36,680
Total	79,338	–	36,680	116,018

Drilling Rig

As mentioned earlier, the Group successfully deployed its drilling rig for the EP.x-2001 exploration well in the T&M Concessions in September 2017. The Group is pleased to report that there was non-productive downtime attributable to any health and safety incidents, nor mechanical failure of the rig itself during the drilling campaign.

The EP.x-2001 exploratory drill was the Group's first ever project using its own rig and own set of crews. The decision for the importation and operation of a Group owned rig was primarily address the issue of drilling rig shortages, previously experienced in the Northwest Basin, as well as to provide the Group greater flexibility in its future drilling and workover campaigns. The decision was also a preventative measure of the Group in response to the unpredictable nature and the inexplicable length of time for Salta provincial regulatory authorities to historically issue drill location and access road permits.

The rig was furthermore an opportunity for the Group to reduce its cost of drilling, as well as to offer another potential revenue stream, if outsourced to third party exploration companies, as a standalone rig lease, or a packaged rig and crew drilling service.

The drilling of EP.x-2001 well using the Group's own rig was the culmination of almost 3 years of effort including detailed planning, procurement, importation, and refurbishment. Over 18 months of that time alone was the result of the rig being compounded by the Argentina Customs, for which no justifiable explanation has been received for such unreasonable delays.

Looking ahead, the Group is confident that it can build on the success of the EP.x-2001 rig campaign for the LB.x-2001 rig campaign in Chirete, where the rig is intended to be next deployed with a target spud date in Q4 2018, which again is subject to the timely receipt of drill location and access road permits.

Commodities Trading

In the second half of 2017, the Group re-entered into the business of commodities trading with the aim to diversify its revenue and profits base. The Group was previously engaged in commodities trading as dating back to pre-2008, where invaluable experience and business partners were gained.

USE OF PROCEEDS GENERATED FROM OPEN OFFER

The net proceeds from the Group's Open Offer in April 2017 amounted to approximately HK$736.40 million. As stated in the offering memorandum of the Company dated 27 March 2017, the intended use of the proceeds raised were for general working capital requirements of the Group (including payment of overhead expenses for the Group's Hong Kong office, repayment of loan, for operational requirements in Argentina), and acquisition of suitable business opportunities.

Prior to the Open Offer, the Group had raised net proceeds of approximately HK$557.23 million in 2016 following the issue of subscription shares (the "**Subscription Shares**") in the months of July and November of that year. Of the monies raised, a total HK$68.77 million of the HK$320.07 million amount, earmarked for Argentina operational purposes, was utilised to date as at year ended 2017. Whilst the full amounts of HK$160.07 million, intended for the repayment of loan in 2016, and HK$77.09 million monies raised and intended for general working capital use was consumed as planned before the end of 2017.

In respect of the total monies raised from the Group's issue of Subscription Shares, and the recent Open Offer, the usage of those total proceeds during the year were as follows: HK$57.20 million for Argentina operational purposes, HK$44.38 million for repayment of loan, and HK$53.19 million for other general working capital requirements.

As at 31 December 2017, the Group's total unused net proceeds amounted to approximately HK$921.59 million. This comprised of HK$251.30 million balance from the Subscription Shares and HK$670.29 million balance from the Open Offer. The Group's intended use for this remainder balance shall continue to be for the same reasons as disclosed in the above offering memorandum i.e. general working capital requirements of the Group, of which HK$70.29 million balance is available for payment of overhead expenses for the Group's Hong Kong office, HK$251.30 million balance for operational requirements in Argentina, and HK$600.00 million unused funds to date, intended for acquisition of suitable business opportunities.

FUTURE PROSPECTS AND DEVELOPMENTS

The objective of the Group is to maximize profitability and increase cash flows for the purpose of funding its exploration and development activities, whilst at the same time ensuring its obligations for health, safety and the environment are not compromised.

With the recent lifting of the import ban of foreign oil into Argentina by the government, the premium that Argentina oil price once commanded over the international oil price has been eroded. Taking this into consideration, together with the challenging and complex business environment of the country, Argentina is no longer as attractive and as profitable a proposition as it once was. Consequently, the Group is conscious of the need to reassess and diversify its current business portfolio and geographical coverage.

The Group continues to actively pursue the immediate issuance of the expired production permit from the Formosa provincial regulatory authorities. Despite the assurances obtained from independent legal counsels that there was a good chance for the granting of a 10 year extension decree, subject to the conclusion of on-going and advanced negotiations regarding a mutually acceptable investment plan, the Group in the meantime is taking a prudent approach, and mindful about committing to any significant investments/expenditures in the PL Concessions.

Thankfully, due to the recent successful 2016 subscription share issue and 2017 open offer, the Group is well funded to enable it weather through these difficult trading conditions in Argentina, diversify into the business of commodities trading, as well as most importantly to seek and capture suitable future investment opportunities in the energy sector, wherever that may be in the world.

FINANCIAL REVIEW

The Group's revenue from continuing operations for the year ended 31 December 2017 was approximately HK$287.56 million, while it was approximately HK$57.11 million in the last year. The increase in revenue from continuing operations was mainly contributed by revenue from commodities trading during the year as the Group re-entered the business of commodities trading during the year. The revenue derived from commodities trading for the year ended 31 December 2017 was approximately HK$244.09 million (2016: Nil). Besides, the revenue derived from sale of oil products under oil exploration and production was approximately HK$43.47 million, representing a decrease of approximately 23.88%, as compared with HK$57.11 million in the last year. Such decrease was mainly due to the low oil price environment that continues to persist in Argentina as well as a decrease in the quantity of oil sold. The average selling price of oil products was approximately US$48.63 (2016: US$55.96) per barrel. The Group reported a gross profit from continuing operations of approximately HK$6.91 million for the year under review, representing a decrease of approximately 17.93%, as compared with approximately HK$8.42 million in the last year.

Other income from continuing operations of the Group for the year ended 31 December 2017 was approximately HK$16.25 million, while it was a loss of approximately HK$23.00 million in the last year. Details of other income are set out in note 6 to this announcement.

General and administrative expenses from continuing operations of the Group for the year ended 31 December 2017 was approximately HK$63.33 million, representing a decrease of approximately 30.03% as compared with approximately HK$90.51 million in the last year. Included in the administrative expenses for the year ended 31 December 2017, approximately 14.46%, 43.57% and 12.98% were the drilling rig expenses, the staff costs, and the legal and professional expenses respectively. The drilling rig expenses for the year ended 31 December 2017 was approximately HK$9.16 million, representing a decrease of approximately 59.74%, as compared with approximately HK$22.75 million in the last year. The staff costs for the year ended 31 December 2017 was approximately HK$27.59 million, representing an increase of approximately 37.61%, as compared with approximately HK$20.05 million in the last year. The legal and professional fees for the year ended 31 December 2017 was approximately HK$8.22 million, representing an increase of approximately 1.48%, as compared with approximately HK$8.10 million in the last year.

The Group recognised a reversal of impairment loss on exploration and evaluation assets in respect of an Union of Temporary Enterprise in the Tartagal concession and Morillo concession of approximately HK$248.04 million for the year ended 31 December 2017, while it was an impairment loss recognised of approximately HK$102.69 million in the last year. The impairment loss on available-for-sale investments of the Group for the year ended 31 December 2017 was approximately HK$19.43 million, while it was approximately HK$1.70 million in the last year. There was no impairment loss on other receivables recognised for the year ended 31 December 2017, while an impairment loss on other receivables of approximately HK$1.05 million was recognised for the year ended 31 December 2016.

The Group recognised a net investment loss in respect of financial instruments of approximately HK$37.49 million for the year ended 31 December 2017, while it was a gain of approximately HK$13.75 million in the last year.

The Group recognised exploration expenses in respect of dry hole of approximately HK$35.54 million for the year ended 31 December 2017. There were no such expenses for the year ended 31 December 2016.

The Group recorded a gain of approximately HK$3.30 million on partial disposal of interest in a joint venture of the Group (the "**Partial Disposal**") for the year ended 31 December 2017. The Partial Disposal was completed in January 2017 and after the Partial Disposal, the Group's interest in such joint venture decreased from 42.10% to 29.92%.

Finance costs from continuing operations of the Group for the year ended 31 December 2017 was approximately HK$19.29 million, representing a decrease of approximately 27.37%, as compared with approximately HK$26.56 million in the last year. The decrease in finance costs was mainly resulted from the decrease in interest expenses on other borrowings.

Share of losses of joint ventures of the Group for the year ended 31 December 2017 were approximately HK$4.15 million, representing a decrease of approximately 33.92%, as compared with approximately HK$6.28 million in the last year.

Income tax credit of the Group for the year ended 31 December 2017 was approximately HK$6.44 million, representing an increase of approximately 6.98%, compared with approximately HK$6.02 million in the last year.

The Group recorded a profit from continuing operations for the year ended 31 December 2017 amounted to approximately HK$101.70 million, while it was a loss of approximately HK$223.59 million in the last year. The turnaround to profit was mainly attributable to the combined net effect of the recognition of the reversal of impairment loss on exploration and evaluation assets, the recognition of exploration expenses in respect of dry hole, the recognition of net investment loss in respect of other financial assets and the increase in impairment loss on available-for-sale investments.

The Group's profit from discontinued operations for the year ended 31 December 2016, which included the upstream business in the United States of America and the distribution of natural gas business in the People's Republic of China, was approximately HK$98.57 million.

Earnings per share from continuing operations for the year ended 31 December 2017 amounted to approximately HK1.26 cents, while it was loss per share from continuing operations for the year ended 31 December 2016 amounted to approximately HK5.59 cents (restated).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, the Group financed its operations from a combination of working capital, short-term borrowings and proceeds from issuance of new shares of the Company. In April 2017, the open offer of issuing 2,955,160,996 offer shares of the Company (the "Offer Shares") at the subscription price of HK$0.25 per Offer Share on the basis of one Offer Share for every two Shares held was completed and the net proceeds of approximately HK$736.40 million was raised. The net proceeds from issuance of new shares of the Company was used for (1) as to approximately HK$57.20 million for Argentina operational purposes and (2) as to approximately HK$97.57 million for the general working capital requirements for the repayment of loan and the payment of overhead expenses. As at 31 December 2017, the Company had unutilised proceeds of approximately HK$921.59 million raised from issuance of new shares of the Company, of which the unutilised proceeds will be used for the general working capital requirements for the repayment of loan and the payment of overhead expenses, for Argentina operational purposes and to strengthen and build a lucrative and balanced oil and gas portfolio of the Group when the suitable opportunities arise.

The Group adopted a treasury policy on investment of surplus cash with no designated projects or specific purposes in the next six months in the form of short term investments that will expire, mature or terminate within a six-month period. Short term investments of the Group may include but not limited to the purchase of liquid stocks, term deposits and other high yield financial instruments which may provide more attractive rates of return than bank saving rates. The Executive Committee of the Company is responsible for approving and reporting to the board of directors of the Company as to the Group's short term investments. The Group considers that the short term investments would generate steady income stream and will monitor the performance of the short term investments from time to time. Details of the Group's short term investments with the use of surplus cash from unutilised proceeds raised from issuance of new shares of the Company are disclosed in the section headed "Significant Investments".

At 31 December 2017, the Group's net current assets amounted to approximately HK$1,217.66 million (31 December 2016: HK$701.31 million).

Current assets amounted to approximately HK$1,308.18 million (31 December 2016: HK$783.19 million), of which approximately HK$843.95 million (31 December 2016: HK$398.63 million) was cash and cash equivalents, approximately HK$329.61 million (31 December 2016: HK$242.28 million) was other financial assets, approximately HK$17.14 million (31 December 2016: HK$17.52 million) was inventories, approximately HK$74.66 million (31 December 2016: HK$124.37 million) was trade and other receivables, approximately HK$42.69 million (31 December 2016: HK$35.79 million which was classified as non-current assets) was promissory note receivable and approximately HK$0.13 million (31 December 2016: HK$0.39 million) was current tax recoverable.

Current liabilities amounted to approximately HK$90.52 million (31 December 2016: HK$81.88 million), of which approximately HK$88.14 million (31 December 2016: HK$44.27 million) was trade and other payables and approximately HK$2.38 million (31 December 2016: HK$37.61 million) was other borrowings which are due for repayment within one year.

The cash and cash equivalents of the Group as at 31 December 2017 was mainly denominated in Hong Kong Dollar, United States Dollar and Argentina Peso.

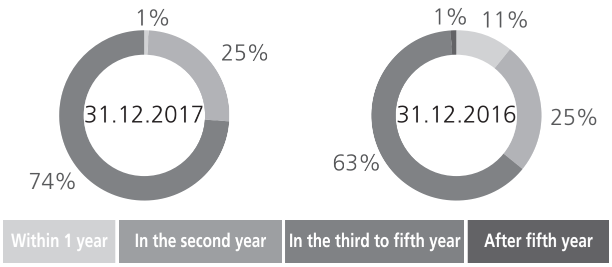
At 31 December 2017, the total equity of the Group was approximately HK$3,467.32 million (31 December 2016: HK$2,651.27 million) and the net asset value per share was approximately HK$0.39 (31 December 2016: HK$0.45). The debt ratio, calculated by total liabilities divided by total assets, was approximately 8.36% as at 31 December 2017 (31 December 2016: 13.51%).

Borrowings

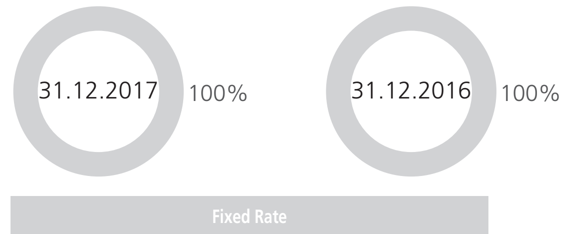
Total borrowings outstanding as at 31 December 2017 was approximately HK$213.78 million which comprised debt securities in issue, while total borrowings outstanding as at 31 December 2016 was approximately HK$331.76 million which comprised other borrowings and debt securities in issue.

The debt profile of the Group as at 31 December 2017 is detailed below.

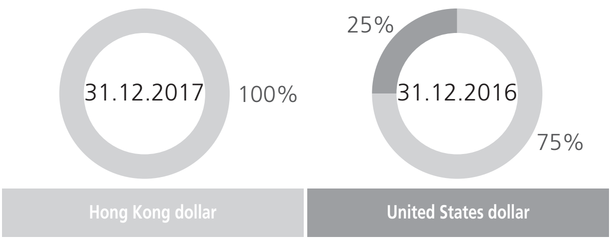
Debt Profile by Maturity



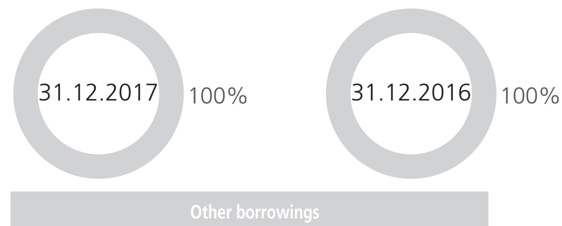
Debt Profile by Interest Rate Structure



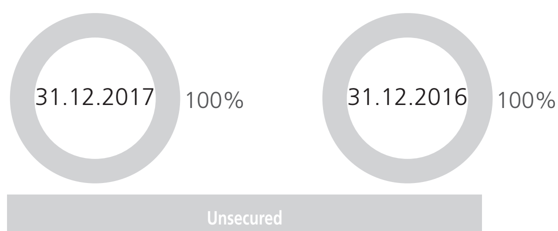
Debt Profile by Currencies



Debt Profile by Types of Borrowings



Debt Profile by Security Nature



Financial covenants

HK$54.40 million (31 December 2016: HK$54.40 million) of the Group's other borrowings are subject to fulfillment of covenants relating to the Company's assets/liabilities ratio and consolidated adjusted net tangible assets of the Group, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the other borrowings would become payable on demand. As at 31 December 2017 and 31 December 2016, none of the financial covenants relating to the other borrowings were breached.

Fund raising activities during the year

On 21 April 2017, the Company issued 2,955,160,996 Offer Shares of the Company pursuant to the open offer at the subscription price of HK$0.25 per Offer Share on the basis of one Offer Share for every two Shares held on 21 March 2017. The net proceeds of approximately HK$736.40 million from the open offer was raised. As at 31 December 2017, net proceeds of approximately HK$66.11 million from the open offer was used for the general working capital requirements for the repayment of loan and the payment of overhead expenses. As at 31 December 2017, the Company had unutilised proceeds of approximately HK$670.29 million raised from the open offer, of which (1) approximately HK$11.00 million will be used for the general working capital requirements for the repayment of loan and the payment of overhead expenses; (2) approximately HK$59.29 million will be used for Argentina operational purposes; and (3) approximately HK$600.00 million will be used to strengthen and build a lucrative and balanced oil and gas portfolio of the Group when the suitable opportunities arise.

Gearing ratio

At 31 December 2017, the gearing ratio, calculated on the basis of interest bearing borrowings divided by total equity, was approximately 6.17% (31 December 2016: 12.51%).

Charge on Assets

At 31 December 2017, the Group did not have any charge on its assets (31 December 2016: Nil).

Contingent Liabilities

At 31 December 2017, the Group did not have any material contingent liabilities (31 December 2016: Nil).

Capital Commitments

Details of the capital commitments of the Group as at 31 December 2017 are set out in notes to the consolidated financial statements of the annual report.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including business risks, operational risks and financial risks.

The Group re-entered the business of commodities trading during the year. The Group's business activities in commodities trading are exposed to the development risk and the supply chain risk. The Group strives to mitigate these risk factors by developing its customer base in order to achieve better operating performance on commodities trading and expanding its supplier base in order to achieve a stable supply of commodities.

The Group's business activities in exploration, development, production and sale of crude oil are susceptible to geological, exploration and development risks. Uncertainties exist with regard to the extension of the Group's production permit in the Palmar Largo concessions. Details are disclosed in note 12 to this announcement. The Group strives to establish comprehensive technical and operational teams. Through detailed planning, analysis and discussion among the teams, and with support from experienced consultants and experts, it would enable the Group to counter most of the foreseeable changes of circumstances and mitigate the risks to a reasonably acceptable level.

In the normal course of business of the Group, the Group is exposed to credit risk, liquidity risk, interest rate risk, currency risk, price risk arising from prices fluctuation of crude oil and commodities, and equity price risk arising from the Group's investment in equity securities. Details of the financial risk management of the Group are set out in notes to the consolidated financial statements of the annual report.

There may be other risks and uncertainties in addition to those as mentioned above which are not known to the Group or which may not be material now but could turn out to be material in the future.

Foreign Exchange Exposure

Assets and liabilities of the Group are mainly denominated in Hong Kong Dollar, United States Dollar and Argentine Peso. Most of these assets and liabilities are in the functional currency of the operations to which the transactions relate. The currencies giving rise to the foreign exchange risk is primarily arising from our exploration and production activities in Argentina and investments in foreign companies. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor the Group's foreign exchange exposure on an ongoing basis and will consider hedging instruments should the need arise.

Employees

As at 31 December 2017, the Group employed a total of 51 (2016: 55) permanent employees in Hong Kong and Argentina. Total employee remuneration from continuing operations (including directors' remuneration and benefits) for the year ended 31 December 2017 amounted to HK$27.59 million (2016: HK$20.05 million). The Group provides its employees with competitive remuneration packages relative to their job performance, qualifications, experience, and prevailing market conditions in the respective geographical locations and businesses in which the Group operates.

Relationship with Suppliers, Customers and other Stakeholders

The Group understands the importance of maintaining a good relationship with its suppliers, customers, social communities and governments to meet its objectives and long-term goals. Save as disclosed in the section headed "Business Review", there was no material or significant dispute between the Group and its suppliers, customers and/or other stakeholders during the year.

Material Acquisitions and Disposals

Save as disclosed in notes 5 and 10 to this announcement, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2017.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavors to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Details of the environmental policies and performance of the Group are set out in "Environmental, Social and Governance Report" section of this annual report.

Significant Investments

At 31 December 2017, the Group held available-for-sale investments and other financial assets (see note 13 to this announcement) amounted to approximately HK$36.62 million (31 December 2016: HK$58.43 million) and approximately HK$329.61 million (31 December 2016: HK$242.28 million) respectively, together representing approximately 9.68% (31 December 2016: 9.81%) of the Group's total assets.

The following described the information about the available-for-sale investments and other financial assets held by the Group.

(i) Available-for-sale investments

The Group's available-for-sale investments comprised unlisted equity investment in Nordaq Energy Inc. ("**Nordaq**") and Foothills Exploration Inc. ("**Foothills Exploration**") amounted to approximately HK$31.24 million (31 December 2016: HK$33.63 million) and HK$5.37 million (31 December 2016: HK$24.80 million) respectively.

Nordaq is an oil and gas company based in Anchorage, Alaska and is mainly engaged in exploration, appraisal and development of hydrocarbon reserves in the State of Alaska, the United States of America. For the year ended 31 December 2017, the Group recognised a loss of approximately HK$2.38 million (31 December 2016: gain of HK$8.39 million) on the change in fair value of the equity interest in Nordaq in the other comprehensive income. For the year ended 31 December 2016, the Group recognised an impairment loss of approximately HK$1.70 million on the equity interest in Nordaq in the profit or loss.

Foothills Exploration is an oil and gas exploration and production company engaged in the acquisition and development of oil and natural gas properties in the United States of America. During the year under review, there was a decline in the fair value of the equity interest in Foothills Exploration and such decline indicated that the equity interest in Foothills Exploration Inc. had been impaired. Accordingly, an impairment loss of approximately HK$19.43 million (31 December 2016: Nil) was recognised in the profit or loss.

(ii) Other financial assets

The Group's other financial assets comprised listed equity securities at fair value, unlisted investment funds at fair value and unlisted equity-linked securities amounted to approximately HK$198.97 million (31 December 2016: HK$242.28 million), approximately HK$100.78 million (31 December 2016: Nil) and approximately HK$29.86 million (31 December 2016: Nil) respectively.

Listed equity securities at fair value represented shares in Beijing Gas Blue Sky Holdings Limited (Stock Code: 6828) ("**Blue Sky**"). The principal activity of Blue Sky is investment holding and Blue Sky's subsidiaries are principally engaged in sales and distribution of natural gas and other related products. For the year ended 31 December 2017, the Group recognised a loss of approximately HK$39.53 million (31 December 2016: a gain of approximately HK$10.49 million) on the change in fair value of the shares in Blue Sky in the profit or loss.

During the year under review, the Group invested in unlisted investment funds at fair value funds with the use of surplus cash for short term investment purpose pursuant to the treasury policy on investment of surplus cash adopted by the Group. For the year ended 31 December 2017, the Group recognised dividend income of approximately HK$0.73 million (31 December 2016: Nil) on unlisted investment funds at fair value and a gain of approximately HK$0.80 million (31 December 2016: Nil) on the change in fair value of the unlisted investment funds at fair value. The Group considers that the unlisted investment funds at fair value would generate steady income stream and provide a better rate of return.

The unlisted investment funds at fair value comprised certain funds. The business coverage of the unlisted investment funds at fair value included, but not limited to, investment in a global multi-sector range of fixed income securities, investment in different asset classes in emerging markets including equities, debt securities, money market instruments and commodities, investment in different asset classes in Europe including European equities, European debt securities and European cash instruments, investment in subordinated euro-denominated bonds issued by financial institutions including higher rated bonds (investment grade) on a diversified exposure approach, investment in worldwide high yield bonds across a number of issuers, and investment in money market instruments, worldwide bonds including government bonds, investment grade corporate bonds and high yield corporate bonds, and worldwide equities across a number of industries.

During the year under review, the Group invested in unlisted equity-linked securities with the use of the surplus cash for short term investment purpose pursuant to the treasury policy on investment of surplus cash adopted by the Group. For the year ended 31 December 2017, the Group recognised interest income of approximately HK$0.66 million (31 December 2016: Nil) on unlisted equity-linked securities and a loss of approximately HK$0.14 million (31 December 2016: Nil) on the change in fair value of the unlisted equity-linked securities. Subsequent to the end of the reporting period, all of the unlisted equity-linked securities were early redeemed by the issuer.

The unlisted equity-linked securities with coupon rate at 10.00% per annum and maturity within three months contain embedded derivatives and are linked to the performance of pre-agreed basket of underlying equity securities listed in Hong Kong. During its tenor as long as the unlisted equity-linked securities have not been early redeemed or early terminated, the pre-agreed fixed coupon will be paid at the end of each periodic fixed coupon payment date, regardless of the performance of the underlying stocks in the basket. The terms of the unlisted equity-linked securities enable the issuer, on the maturity date, either to deliver the worst performing underlying stock in the basket at the pre-agreed strike price if the closing prices of all the underlying stocks in the basket are below the pre-agreed strike prices on the valuation date or cash settlement of the principal and the coupon if the closing prices of all the underlying stocks in the basket are equal to or greater than the pre-agreed strike prices on the valuation date. The terms of the unlisted equity-linked securities also enable the issuer, on a pre-set early redemption event observation date, to redeem the unlisted equity-linked securities at its principal amount plus the coupon if the closing prices of all the underlying stocks in the basket are equal to or greater than the pre-agreed knock-out prices.

Compliance with Relevant Laws and Regulations

As far as the Board of Directors and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

The Group strives to attain and maintain high standards of corporate governance best suited to the needs of its businesses and the best interests of its stakeholders as the Board believes that effective governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Company has adopted and applied the principles of the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. In the opinion of the Directors, the Company was in compliance with the applicable code provisions of the CG Code for the year ended 31 December 2017 (the "**Year**") and, where appropriate, the applicable recommended best practices of the CG Code, save and except for the following deviations:

Code Provision A.2.1

Pursuant to code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officers ("**CEO**") should be separate and should not be performed by the same individual. Given the corporate structure of the Board, Mr. Cheng Kam Chiu, Stewart, being the Chairman and an Executive Director of the Company, was assuming the role of CEO of the Company, responsible for the strategic planning and day-to-day management of the Group during the Year under review.

For the purpose of complying with code provision A.2.1 of the CG Code, the Board has appointed Mr. Tang John Wing Yan as an Executive Director and CEO of the Company with effect from 30 June 2017. The Board considers that, given the current Board structure, a clear division of responsibilities between the Chairman and the CEO has been achieved to ensure effective running of the Board and the day-to-day management of the businesses of the Group.

Code Provision A.4.1

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. During the Year under review, all Non-executive Director and Independent Non-executive Directors were not appointed for a specific term. They were, however, subject to the requirements of retirement and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's bye-laws (the "**Bye-laws**") and code provision A.4.2 of the CG Code. As such, the Company considers that sufficient measures were taken to ensure that the Company's corporate governance practices were no less exacting than those in the code provisions of the CG Code.

Code Provision A.6.7

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings. During the Year under review, two independent non-executive Directors were unable to attend the general meetings of the Company as they had other business engagements.

Code Provision C.1.2

Under code provision C.1.2 of the CG Code, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. During the Year under review, the management of the Company did not provide monthly updates to all members of the Board as required by the code provision C.1.2 of the CG Code, as all the Executive Directors were involved in the daily operations of the Group and were fully aware of the performance, position and prospects of the Company, and the management of the Company has provided to all Directors (including Independent Non-executive Directors) of the Board quarterly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details prior to the regular board meetings of the Company. In addition, the management of the Company has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board.

Review of Annual Results

The annual results of the Group for the year ended 31 December 2017 have been reviewed by the Audit Committee of the Company.

Purchase, Sale and Redemption of Listed Securities

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on The Stock Exchange of Hong Kong Limited.

Closure of register of members

The register of members of the Company will be closed from Monday, 4 June 2018 to Friday, 8 June 2018 (both days inclusive), for the purpose of determining shareholders' entitlement to attend and vote at the forthcoming annual general meeting to be held on Friday, 8 June 2018, during which period no transfers of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 1 June 2018.

Publication of annual results and annual report

This annual results announcement is published on the websites of the Company (www.nt-energy.com) and The Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2017 containing all the information required by the Listing Rules shall be despatched to the Shareholders and made available on the abovementioned websites in due course.

GLOSSARY

"BOPD"	Barrels of oil per day
"km^2"	Square kilometers
"MBBL"	Thousand barrels of oil
"MMBOE"	Million barrels of oil equivalent
"Prospective Resources"	Quantities of petroleum which are estimated to be potentially recovered from undiscovered accumulations
"Probable Reserves"	Additional reserves that are less certain to be recovered than Proven Reserves but which, together with Proven Reserves, are as likely as not to be recovered

"Proven Reserves"	Proven oil and gas reserves are those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible
"2P Reserves"	Proven Reserves + Probable Reserves

By order of the board of directors
New Times Energy Corporation Limited
Cheng Kam Chiu, Stewart
Chairman

Hong Kong, 23 March 2018

At the date of this announcement, the Board comprises:

EXECUTIVE DIRECTORS:
Mr. CHENG Kam Chiu, Stewart
Mr. TANG John Wing Yan

NON-EXECUTIVE DIRECTOR:
Mr. CHENG Ming Kit

INDEPENDENT NON-EXECUTIVE DIRECTORS:
Mr. WONG Man Kong, Peter
Mr. CHAN Chi Yuen
Mr. YUNG Chun Fai, Dickie
Mr. CHIU Wai On