IDG ENERGY INVESTMENT GROUP LIMITED
IDG 能源投資集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

The board (the "Board") of directors (the "Directors") of IDG Energy Investment Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries for the year ended 31 March 2018 ("FY2017") together with the comparative figures for the previous year.

CORPORATE PROFILE

The Company is an investment holding company, and is mainly engaged in global energy assets investment and management.

The Company is currently focusing on taking advantage of the substantial investment opportunities arising from China's increasing demand for imported nature gas and the emerging North America liquefied natural gas ("LNG") exporting market due to abundant low-cost shale gas supply. By investing in China's first non-state-owned LNG receiving terminal, one of the largest Canadian LNG export terminals under development, and a fully permitted greenfield LNG export terminal in the United States (the "U.S."), the Company has been making strategic investments throughout the LNG value chain. Other energy assets invested by the Company include an upstream crude oil block in China, and a world-class shale oil block in Eagle Ford, Texas of the U.S., etc.

With strong supports from its shareholders, mature investment strategies, sophisticated cross-border transaction capabilities and in-depth knowledge of the global energy market, the Company has best positioned itself to grasp the industry momentum brought by China's energy structural reform and the dynamic changes of the global natural gas market, and is committed to becoming the best cross-border energy assets investment manager in the region.

* *For identification purposes only*

FINANCIAL SUMMARY

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Revenue from sales of goods *(Note 1)*	**123,399**	76,779
Investment income *(Note 2)*	**74,395**	–
Subtotal	**197,794**	76,779
Total income from principal business activities, net of cost *(Note 3)*	**106,576**	(3,105)
EBITDA	**101,656**	(392,795)
Adjusted EBITDA *(Note 4)*	**101,656**	(32,175)
Profit/(loss) before taxation	**24,323**	(450,619)
Profit/(loss) for the year	**14,493**	(462,426)
Basic earnings/(loss) per share (HK$ per share)	**0.403 cent**	(0.33)
Diluted earnings/(loss) per share (HK$ per share)	**0.294 cent**	(0.33)

Note 1: The revenue from sales of goods represents the revenue generated from the net sales of crude oil produced by Xilin Gol League Hongbo Mining Development Company Limited* 錫林郭勒盟宏博礦業開發有限公司 ("Hongbo Mining") , a wholly-owned subsidiary of the Company.

Note 2: According to accounting policy, the investment income stated here mainly includes returns from one of the investments regarding upstream oil and gas assets, primarily in the form of interest income (which bears interest at the rate of 8.00% per annum) from the term loan (the "Term Loan") granted to Stonehold Energy Corporation ("Stonehold"), who holds the unconventional shale oil and gas assets in the Eagle Ford core region in the U.S., details of which are disclosed in the announcements of the Company dated 15 August 2017, 27 September 2017 and 28 February 2018 and the circular of the Company dated 29 September 2017.

Note 3: The total income from principal business activities, net of cost represents the above-mentioned revenue from sales of goods and investment income, net off the cost of sales of goods.

Note 4: Adjusted EBITDA refers to EBITDA adjusted to exclude non-recurring items, including the notional listing expense and related transaction costs in relation to the Transfer and the Transactions (collectively referred to as the "Reverse Takeover Transaction") (as defined in the circular of the Company dated 29 June 2016 (the "RTO Circular")).

OPERATING SUMMARY

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Upstream oil and gas business from Hongbo Mining		
Gross production volume *(barrels)*	**362,682**	291,809
Gross sales volume *(barrels)*	**357,387**	292,287
Net sales volume *(barrels)*	**285,910**	233,830
Average unit selling price *(HK$ per barrel) (Note 1)*	**432**	328
Average daily gross production volume *(barrels)*	**1,007**	811
Average unit production cost before depreciation and amortisation *(HK$ per barrel) (Note 1)*	**103**	139
Average unit production cost *(HK$ per barrel) (Note 1)*	**252**	272
Wells drilled during the year		
— Dry holes *(unit)*	**–**	1
— Oil producers *(unit) (Note 2)*	**22**	6
Fracturing workover during the year *(unit)*	**–**	13
Key investment income		
Term Loan to Stonehold *(Note 3)*	**60,942**	–
JOVO investment *(Note 3)*	**12,702**	–
Quebec investment *(Note 3)*	**7,449**	–

Notes:

(1) Hongbo Mining is the sole subsidiary of the Company engaged in exploration, development, production and sale of crude oil in PRC. Hongbo Mining's gross production volume was used in the calculation of average unit production cost and average unit production cost before depreciation and amortisation which includes the share of 20% production volume of crude oil to 陝西延長石油(集團)有限責任公司(延長油礦管理局) (Shaanxi Yanchang Petroleum (Group) Company Limited (Yanchang Oil Mineral Administrative Bureau)*) ("Yanchang"). The average unit selling price was calculated using the net sales amount and net sales volume which exclude Yanchang's 20% share in sales.

(2) In FY2017, Hongbo Mining had successfully drilled 22 wells, among which, as at 31 March 2018, 19 wells had been completed and the remaining 3 were pending for completion.

(3) Please refer to note 4 to the financial results and the section headed " Business Review" in this annual results announcement for further information.

FINANCIAL AND BUSINESS HIGHLIGHTS

In FY2017, the Company and its subsidiaries made strong progress in terms of financial results and business operations.

Significant increase in the EBITDA

The EBITDA turned positive to HK$101.7 million in FY2017 from a EBITDA loss of HK$392.8 million for the year ended 31 March 2017 (the "FY2016"). The turnaround from EBITDA loss to profit is primarily attributable to (i) the recovery of crude oil prices in FY2017, which led to an increase in the revenue of Hongbo Mining which is a wholly-owned subsidiary of the Company, (ii) the return on the investment regarding upstream oil and gas assets, in the form of interest income from the Term Loan granted to Stonehold, which holds unconventional shale oil and gas assets in the Eagle Ford core region in the U.S., and (iii) the absence in FY2017 of any one-off notional listing expenses and related transaction costs, which was a significant amount incurred in FY2016 as a result of the reverse takeover transaction completed in the same year.

Business development

The Company has successfully developed a more diversified and balanced investment portfolio through selective investments regarding energy assets at home and abroad.

Investment in LNG receiving terminal in China

On 28 July 2017, the Company, through its subsidiary, completed the subscription of shares allotted and issued by 江西九豐能源有限公司 (Jiangxi Jovo Energy Company Limited*) ("JOVO"), which is principally engaged in clean energy businesses, including importing, processing and sale of the industrial products of liquified petroleum gas and LNG in China, for the consideration of RMB100 million (equivalent to approximately HK$115.2 million). JOVO commenced its business in 1990s and has become a leading provider of clean energy in China. The Company believes that this strategic investment will not only bring good financial returns to the shareholders of the Company (the "Shareholders") but also provide great advantages for the Company to capture the opportunities in China's growing natural gas market.

Investment in shale oil and gas assets in the U.S.

On 14 August 2017 (local time in Houston, Texas, the U.S.), the Company and its subsidiary conditionally agreed to grant the Term Loan to Stonehold to finance the acquisition of certain shale oil and gas assets in the U.S. (the "Target Assets") and the subsequent operations of such assets by Stonehold. On 26 September 2017 (local time in Houston, Texas, the U.S.), the initial payment of the Term Loan with an amount of US$165.0 million (approximately HK$1,291.1 million) was released to Stonehold, and the acquisition of the Target Assets by Stonehold was consummated. In the year 2017, the three-year-long slump in the global oil and gas market has finally come to an end, international oil price bounced back and the energy industry began to recover. The performance of the Target Assets had made significant progress in 2017. According to the information provided by Stonehold, the total production and the revenue of the Target Assets for the year 2017 had reached approximately 1.5 million boe[Note] and US$53.4 million, respectively.

Also, there is a significant increase in the estimated reserves of Target Assets. As at 31 March 2018, the net 2P reserves of the Target Assets was expected to reach 30.1 million boe (representing an increase of 24.1% as compared to the previous year) based on the data provided by an external advisor of Stonehold,.

The amount generated from the Term Loan has provided to the Company a stable and considerable income. In addition, the Company believes that any increase in the reserve and valuation of the Target Assets may increase the expected returns for the Shareholders upon disposal of the Target Assets by Stonehold in the future.

Investment in LNG export terminal in Canada

On 30 November 2017, the Company, through its subsidiary, entered into an agreement of purchase and sale (the "Agreement of Purchase and Sale") with an investment fund (the "Fund") for purchasing its interests in LNG Quebec Limited Partnership (the "LNG Quebec Partnership") at the purchase price of US$3.15 million (equivalent to approximately HK$24,633,000) (the "LNG Quebec Acquisition"). All conditions precedent in the Agreement of Purchase and Sale have been satisfied and the completion of the LNG Quebec Acquisition took place on 7 February 2018. Upon completion of the LNG Quebec Acquisition, the Company holds a minority interest in LNG Quebec Partnership. The LNG Quebec Partnership, through its wholly-owned subsidiary GNL Quebec Inc. ("GNLQI"), is developing a state-of-the-art and low-carbon-emission LNG exporting terminal (the "Terminal") with a maximum nameplate liquefaction capacity of up to 11 million tons per annum, which is one of the largest Canadian LNG export terminals under development. The Terminal is designed to receive, liquefy and export up to 1.55 billion standard cubic feet of natural gas per day (equivalent to approximately 15.4 billion cubic meters per year) from gas supply sources in North America and is well-located to deliver cost-competitive LNG to Asia, Europe and South America, etc. The Company believes that the LNG Quebec Acquisition perfectly matches the business strategy of the Company and, together with the existing investments, has achieved the first step of the key layout of natural gas import and export, and will bring the Company synergies in the natural gas industry as well as sound financial returns.

Note: The barrel of oil equivalent, an energy unit based on the level of energy released by one barrel of crude oil.

Investment in LNG export terminal developed by LNGL

On 13 June 2018, the Company, through its subsidiary, completed the subscription for 56,444,500 shares to be allotted and issued by Liquefied Natural Gas Limited ("LNGL"), a company principally engaged in developing LNG export terminal projects in the U.S. and in Canada, at an aggregate subscription price of A$28.2 million (equivalent to approximately HK$166.8 million) (the "LNGL Subscription"). Upon completion of the LNGL Subscription, the Company holds 9.9% of the equity interests in LNGL and becomes the second largest shareholder of LNGL. The LNGL Subscription monies will principally be used in support of the ongoing downstream LNG offtake marketing efforts focusing on the Magnolia LNG project of LNGL and for general corporate purposes.

The Company believes that this strategic investment in LNGL will bring not only good financial returns for its Shareholders but also provide great competitive advantages for the Company to participate in the satisfaction of the rapidly growing need for natural gas in China. The Board believes that the LNGL Subscription is in line with the Company's investment strategy and will bring the Company synergies in the future.

Significant progress made by the upstream crude oil portfolio in China

The upstream crude oil portfolio that the Company had previously invested in China had also achieved significant progress in FY2017. The Ministry of Land and Resources of the People's Republic of China (the "PRC") ("MOLR") has approved the application for the production permit covering Unit 2 and Unit 19 and other areas of Block 212 operated by Hongbo Mining (a wholly-owned subsidiary of the Company), which is valid for 15 years and will expire in May 2032. This represents a significant milestone in Block 212's developing history which marks a new level of business of Hongbo Mining. Hongbo Mining continued its drilling of wells in FY2017 and its oil production volume increased by about 24.3% to approximately 362,682 barrels as compared with that for FY2016. Hongbo Mining's gross and net sales volume of crude oil rose by approximately 22.3% to about 357,387 barrels and 285,910 barrels, respectively, and gross and net revenue from sales of crude oil increased by approximately 60.7% to about HK$154.2 million and HK$123.4 million, respectively, as compared with that for FY2016. The net 1P reserves of Hongbo Mining as at 31 March 2018 was 9.8 MMstb, representing an increase of 19.5% from the net 1P reserves as at 31 March 2017; the net 2P reserves as at 31 March 2018 was 15.5 MMstb, representing an increase of 27.0% from the net 2P reserves as at 31 March 2017. The significant progress in Block 212 shows excellent prospects of exploration and development, and provides a further long-term, stable and sustainable developing basis for Hongbo Mining.

Completion of Foxconn Subscription

The capital structure remains healthy and possesses potentials for further structural financing on either the company level or the portfolio level. The financing activities had also made strong progress in FY2017. On 13 December 2017, the Company and Foxconn Technology Pte. Ltd., High Tempo International Limited, World Trade Trading Limited, Q-Run Holdings Limited, and Q-Run Far East Corporation (collectively the "Foxconn Subscribers", all of which are wholly owned subsidiaries of Foxconn Technology Co., Ltd ("Foxconn Technology")) entered into a subscription agreement (the "Subscription Agreement"), pursuant to which the Company agreed to allot and issue, and the Foxconn Subscribers agreed to subscribe for a total of 1,485,000,000 subscription shares at the subscription price of HK$1.00 per subscription share (the "Foxconn Subscription"). On 22 January 2018, the Company received the aggregate subscription price of HK$1,485 million from the Foxconn Subscribers and had issued 297,000,000 subscription shares to each of the Foxconn Subscribers in accordance with the terms and conditions of the Subscription Agreement. Considering the extensive energy end-user client base, Foxconn Technology's powerful global and North America business connection as well as the synergy and supports on energy logistics, the Company believes that the Foxconn Subscription can offer the Company with more business opportunities and enhance the borrowing power and fundraising ability in order to finance the investments of the Company with more favorable terms.

For details of the financial results and business operations of the Company and its subsidiaries during FY2017 and the relevant analysis, please refer to the section headed "Business Review" in this annual results announcement.

FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2018
(Expressed in Hong Kong dollars)

	Note	Year ended 31 March **2018** ***HK$'000***	2017 *HK$'000*
Revenue from sales of goods		**123,399**	76,779
Cost of sales of goods		**(91,218)**	(79,884)
		32,181	(3,105)
Investment income		**74,395**	–
Total income from principal business activities, net of cost	*4*	**106,576**	**(3,105)**
Other net losses	*5*	**(163)**	–
Administrative expenses		**(73,836)**	(45,333)
Taxes other than income tax	*6*	**(8,205)**	(5,358)
Exploration expenses, including dry holes	*7*	**(1,343)**	(19,215)
Listing expense and related transaction costs		**–**	(360,620)
Profit/(loss) before net finance income/(costs) and taxation		**23,029**	(433,631)
Finance income		**24,337**	1,161
Finance costs		**(23,043)**	(18,149)
Net finance income/(costs)	*8*	**1,294**	(16,988)
Profit/(loss) before taxation		**24,323**	(450,619)
Income tax	*9*	**(9,830)**	(11,807)
Profit/(loss) for the year		**14,493**	(462,426)
Earnings/(loss) per share	*10*		
Basic		**HK$0.403 cent**	HK$(0.33)
Diluted		**HK$0.294 cent**	HK$(0.33)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018
(Expressed in Hong Kong dollars)

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Profit/(loss) for the year	**14,493**	(462,426)
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Equity investment at FVOCI — net movement in fair value reserve (non-recycling)	**(1,127)**	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
— financial statements of overseas subsidiaries	**25,933**	(17,572)
Other comprehensive income for the year	**24,806**	(17,572)
Total comprehensive income for the year	**39,299**	(479,998)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Note	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Non-current assets			
Property, plant and equipment		**622,774**	513,241
Construction in progress		**12,509**	4,792
Intangible assets		**28,943**	27,051
Lease prepayments		**11,057**	10,268
Financial assets at fair value through profit or loss	*11*	**1,550,377**	–
Financial assets at fair value through other comprehensive income		**56,369**	–
Other non-current assets		**32,711**	33,044
		2,314,740	588,396
Current assets			
Inventories		**7,294**	4,060
Trade receivables	*12*	**44,820**	49,368
Other receivables	*12*	**82,404**	1,063,053
Financial assets at fair value through profit or loss	*11*	**26,515**	–
Derivative financial instruments		**1,285**	–
Cash and cash equivalents		**1,786,403**	1,134,521
		1,948,721	2,251,002
Current liabilities			
Trade and other payables	*13*	**284,730**	272,893
Bank and other borrowings		**–**	101,375
Derivative financial instruments		**2,273**	–
		287,003	374,268
Net current assets		**1,661,718**	1,876,734
Total assets less current liabilities		**3,976,458**	2,465,130

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Note	**At 31 March 2018 *HK$'000***	At 31 March 2017 *HK$'000*
Non-current liabilities			
Convertible bond	*14*	**67,148**	116,541
Convertible note	*15*	**234,187**	222,615
Deferred tax liabilities		**25,358**	13,493
Provisions		**56,592**	35,117
Derivative financial instruments		**3,614**	–
		386,899	387,766
NET ASSETS		**3,589,559**	2,077,364
CAPITAL AND RESERVES			
Share capital	*16(b)*	**60,944**	43,646
Reserves		**3,528,615**	2,033,718
TOTAL EQUITY		**3,589,559**	2,077,364

NOTES TO THE FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

IDG Energy Investment Group Limited (the "Company") is an investment holding company, which was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business is located at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong.

On 29 July 2016 (the "Completion Date"), the Company completed a reverse takeover transaction (the "Reverse Takeover Transaction") which involved, among others, the acquisition by the Company of the entire equity interest of Xilin Gol League Hongbo Mining Development Company Limited 錫林郭勒盟宏博礦業開發有限公司 ("Hongbo Mining"), a limited liability company established in the People's Republic of China ("PRC"), with Titan Gas Technology Investment Limited ("Titan Gas") becoming the majority shareholder of the combined group as a result. Hongbo Mining is treated as the acquirer for accounting purpose. Accordingly, the consolidated financial information has been prepared as a continuation of the financial information of Hongbo Mining, and the results of the Company have been consolidated since the completion date of the Reverse Takeover Transaction.

During the year ended 31 March 2018, the principal activity of the Company is global energy assets investment and management. The principal activities of its subsidiaries and invested portfolios consist of oil and gas related businesses.

During the year ended 31 March 2018, the Company and its subsidiaries (the "Group") has successfully completed the JOVO investment, the grant of the Term Loan, the Quebec investment and other equity security investments to listed companies in the US and Hong Kong. The above mentioned investments involve the liquefied natural gas exporting, importing processing and sales business and upstream oil and gas and other related businesses.

Hongbo Mining, one of the Company's wholly-owned subsidiaries, entered into an exploration and production cooperation contract ("EPCC") with 陝西延長石油(集團)有限責任公司(延長油礦管理局) (Shaanxi Yanchang Petroleum (Group) Company Limited (Yanchang Oil Mineral Administrative Bureau), "Yanchang") in July 2010. The EPCC gives Hongbo Mining the right to explore, develop, produce and sell the crude oil extracted from the two blocks (Block 212 and Block 378) located at Xilin Gol League, Inner Mongolia and shared between Hongbo Mining and Yanchang in the proportion of 80% and 20% respectively. Hongbo Mining commenced production in Block 212 in 2010. The EPCC was renewed in June 2018 and the expiry date of the EPCC is extended to 30 June 2020. Current production and development in Block 212 rely upon the exploration permit and production permit held by Yanchang for Block 212.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

This financial information has 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 requirements of the Hong Kong Companies Ordinance. This financial information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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. Note 2(c) 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 this financial information.

(b) Basis of preparation

The financial information for the year ended 31 March 2018 comprises the Company and its subsidiaries. Considering the Company and its subsidiaries have developed a more diversified and balanced investment portfolio through selected investments regarding energy assets during the year ended 31 March 2018, the presentation of the consolidated statement of profit or loss has been changed to reflect the transformation of business structure. The comparative figures in the consolidated statement of profit or loss have been adjusted to conform to the current year's presentation.

The measurement basis used in the preparation of the financial information is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— Financial assets at fair value through profit or loss;

— Financial assets at fair value through other comprehensive income; and

— Derivative financial instruments.

The preparation of financial information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) 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.

The Group has not applied new standard or interpretation that is not yet effective for the current accounting period except for early adoption of HKFRS 9, *Financial Instruments*.

HKFRS 9*, Financial Instruments*

The Group has early adopted HKFRS 9, *Financial Instruments*, issued in July 2014 with a date of initial application of 1 January 2018. The requirements of HKFRS 9 represent a significant change from HKAS 39, *Financial instruments: Recognition and Measurement*.

The nature and effects of the key changes to the Group's accounting policies resulting from its adoption of HKFRS 9 are summarised below.

As a result of adoption of HKFRS 9, the Group adopted consequential amendments to HKFRS 7, *Financial instruments: Disclosures*, that are applied to disclosures about the year ended 31 March 2018 but generally have not been applied to comparative information.

(i) Classification of financial assets and financial liabilities

HKFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under HKFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. HKFRS 9 eliminates the previous HKAS 39 categories of held to maturity, loans and receivables and available for sale. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of HKFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instrument. Under HKFRS 9, credit losses are recognised earlier than under HKAS 39.

(iii) Effective date and transitional provisions

The general principle of HKFRS 9 is to apply the standard retrospectively in accordance with HKAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. For the new classification and measurement requirements, the Group has elected for the exception from the requirement to restate comparative information as set out in the transitional provisions. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. For the new impairment model, changes in accounting policies resulting from the adoption of HKFRS 9 (2014) have been applied retrospectively. There is no difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in accumulated losses as at 1 April 2017.

3 SEGMENT REPORTING

The principal activity of the Company is global energy assets investment and management. The principal activities of its subsidiaries and invested portfolios consist of oil and gas related businesses. The most senior executive management regularly review its financial statements as a whole to assess the performance and make resource allocation decisions. Accordingly, no segment information is presented.

The external customer and non-current assets (excluded deferred tax assets and financial instruments) are located in the PRC, which are mainly held by Hongbo Mining.

4 TOTAL INCOME FROM PRINCIPAL BUSINESS ACTIVITIES, NET OF COST

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Revenue from sales of goods *(note (a))*	**123,399**	76,779
Cost of sales of goods	**(91,218)**	(79,884)
	32,181	(3,105)
Investment income *(note (b))*	**74,395**	–
Total income from principal business activities, net of cost	**106,576**	(3,105)

(a) Revenue from sales of goods is generated by Hongbo Mining, which is a subsidiary of the Company and engaged in exploration, development production and sale of crude oil extracted from the two blocks in the PRC pursuant to the EPCC entered into with Yanchang (see note 1). The amount represents the sales value of crude oil supplied to the customers, net of value added tax. There is only one major customer with whom transactions have exceeded 10% of the revenue from sales of goods.

(b) Investment income

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Term Loan to Stonehold *(note (i))*	**60,942**	–
JOVO investment *(note (i))*	**12,702**	–
Quebec investment *(note (i))*	**7,449**	–
Trading securities — listed in the US *(note (i))*	**4,580**	–
Net realised and unrealised losses on derivative financial instruments *(note (ii))*	**(11,278)**	–
	74,395	–

Notes:

(i) These amounts represent fair value changes on the Term Loan to Stonehold, JOVO investment, Quebec investment, trading securities listed in the US during the year ended 31 March 2018. Such assets are measured at FVTPL (see note 11), any interest income arising from such assets is included in fair value changes.

(ii) The amount represents net changes in the fair value of crude oil price option contract and crude oil price swap contracts held for risk management purpose. The derivative financial instruments are measured at FVTPL.

5 OTHER NET LOSSES

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Net loss on disposal of property, plant and equipment	**163**	–

6 TAXES OTHER THAN INCOME TAX

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Resources tax	**7,404**	4,607
City construction tax	**493**	469
Education surcharge	**296**	282
Water resources tax	**12**	–
	8,205	5,358

7 EXPLORATION EXPENSES, INCLUDING DRY HOLES

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Staff cost	**1,343**	274
Dry holes	**–**	4,135
Geological and geophysical costs	**–**	14,806
	1,343	19,215

Exploration expenses, including dry holes were related to the exploration activities conducted by Hongbo Mining.

8 NET FINANCE INCOME/(COSTS)

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Interest income	**4,306**	165
Net gain on bank financing products	**446**	–
Changes in fair value on the derivative component of convertible note *(note 15)*	**1,110**	996
Gain on modifications of terms of convertible bond	**131**	–
Interest on bank and other borrowings	**(1,886)**	(4,863)
Interest on convertible bond and convertible note *(notes 14 and 15)*	**(18,932)**	(11,327)
Accretion expenses	**(2,092)**	(1,631)
Foreign exchange gain/(loss), net	**18,344**	(316)
Others	**(133)**	(12)
	1,294	(16,988)

9 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Deferred tax		
Origination and reversal of temporary differences	**9,830**	11,807

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rate:

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**24,323**	(450,619)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the countries concerned	**1,818**	(14,308)
Effect of non-taxable income	**(2,449)**	–
Effect of non-deductible expenses	**7,233**	4,555
Effect of unrecognised tax losses	**5,182**	21,560
Use of unrecognised tax losses	**(1,954)**	–
Actual tax expense	**9,830**	11,807

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (the "BVI"), the Company and its subsidiaries are not subject to any income tax in Bermuda and the BVI.

Hongbo Mining and other PRC incorporated subsidiaries of the Company are subject to PRC enterprise income tax at the statutory rate of 25%.

Certain Hong Kong incorporated subsidiaries of the Company are subject to Hong Kong Profits Tax which is calculated at 16.5% of the estimated assessable profits.

No provisions for Hong Kong profits tax and PRC enterprise income tax have been made as the Company and its subsidiaries do not have any estimated assessable income arising in Hong Kong or the PRC for both the current and prior year.

10 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company of HK$14,493,000 (2017: loss HK$462,426,000) and the weighted average of 3,598,754,000 ordinary shares (2017: 1,402,771,000 shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	Year ended 31 March 2018 *'000*
Issued ordinary shares at 1 April 2017	**1,616,741**
Effect of conversion of preferred shares *(note 16(b)(ii) and (iii))*	**1,360,976**
Effect of conversion of convertible bond *(note 14)*	**177,572**
Effect of issue of ordinary shares *(note 16(b)(iv))*	**443,465**
Weighted average number of ordinary shares at 31 March 2018	**3,598,754**

As the capital of Hongbo Mining is not sub-divided into shares, when calculating the basic loss per share for the year ended 31 March 2017, the weighted average number of shares used from the beginning of the year to the Completion Date is based on the number of ordinary shares that have been in substance issued by the Company for the acquisition of Hongbo Mining as part of the Reverse Takeover Transaction, and the weighted average number of shares for the rest of the period is based on the actual number of the Company's ordinary shares in issue from the Completion Date to 31 March 2017.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the year ended 31 March 2018 is based on the profit attributable to ordinary equity shareholders of the Company of HK$14,493,000 and the weighted average number of ordinary shares of 4,935,277,000 shares, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	Year ended 31 March 2018 *HK$'000*
Profit attributable to ordinary equity shareholders (diluted)	**14,493**

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

	Year ended 31 March 2018 *'000*
Weighted average number of ordinary shares at 31 March 2018	**3,598,754**
Effect of deemed conversion of the Company's preferred shares for nil consideration *(note 16(b))*	**1,336,523**
Weighted average number of ordinary shares (diluted) at 31 March 2018	**4,935,277**

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2017 in respect of a dilution as the impact of the convertible bond, convertible note and preferred shares had an anti-dilutive effect on the basic loss per share amounts presented.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 March 2018	At 31 March 2017
	HK$'000	*HK$'000*
Non-current assets		
Term Loan to Stonehold *(note (i))*	**1,389,206**	–
JOVO investment *(note (ii))*	**129,152**	–
Quebec investment *(note (iii))*	**32,019**	–
	1,550,377	–
Current assets		
Trading securities — listed in the US	**11,451**	–
Bank financing products	**15,064**	–
	26,515	–

Notes:

(i) On 14 August 2017 (local time in Houston, Texas, the U.S.), the Company and Think Excel Investments Limited ("Think Excel"), a wholly-owned subsidiary of the Company, entered into a credit agreement (the "Credit Agreement") with Stonehold Energy Corporation ("Stonehold"), pursuant to which, the Company and Think Excel have conditionally agreed to grant a Term Loan (the "Term Loan") to Stonehold for the purpose of financing the acquisition of certain oil and gas related assets (the "Target Assets") and the subsequent operations of such assets by Stonehold. On the same date Stonehold entered into the an acquisition agreement (the "Acquisition Agreement") with Stonegate Production Company, LLC (the "Stonegate"), pursuant to which, Stonegate has conditionally agreed to sell and Stonehold has conditionally agreed to purchase the Target Assets. All Target Assets are oil and gas assets owned by Stonegate as a non-operator.

On 26 September 2017 (local time in Houston, Texas, the U.S.), the initial payment of the Term Loan with an amount of US$165.0 million (approximately HK$1,291.1 million) under the Credit Agreement has been released to Stonehold and the acquisition of the Target Assets by Stonehold from Stonegate has also been consummated in accordance with the terms of the Acquisition Agreement, and a subsequent payment of the Term Loan with an amount of US$5.0 million (approximately HK$39.0 million) has been released to Stonehold on 22 November 2017. Under the Credit agreement, the Term Loan is interest bearing at a rate of 8% per annum (after the making of or the allocation of any applicable withholding tax), provided that an amount equal to 92.5% of the remainder cash proceeds received or recovered by Stonehold in respect of any disposal of the Target Assets after deducting outstanding principals and interests pursuant to the Credit Agreement, as well as fees, costs and expenses reasonably incurred by Stonehold with respect to such disposal, if applicable, be distributed to the Company and Think Excel, as additional interest to the Term Loan. The maturity date of Term Loan is 10 years after the initial payment of the Term Loan.

(ii) On 14 July 2017, Valuevale Investment Limited ("Valuevale"), a wholly-owned subsidiary of the Company, entered into a subscription agreement with Jiangxi Jovo Energy Company Limited ("JOVO"), pursuant to which Valuevale has conditionally agreed to subscribe for, and JOVO has conditionally agreed to allot and issue, shares of JOVO at a consideration of RMB100 million (equivalent to approximately HK$115.2 million) (the "Subscription"). The completion of the Subscription took place on 28 July 2017.

JOVO is a limited liability company incorporated in the PRC which engages in clean energy businesses, including importing, processing and sale of the industrial products of liquified petroleum gas and liquified natural gas.

(iii) On 30 November 2017, Golden Libra Investment Limited, a wholly-owned subsidiary of the Company, entered into an agreement of purchase and sale with an investment fund for purchasing its interests in LNG Quebec Limited Partnership (the "Partnership") at the purchase price of US$3.15 million (equivalent to approximately HK$24,633,000) (the "Quebec Acquisition"). The completion of the Quebec Acquisition took place on 7 February 2018.

The Partnership, through its wholly-owned subsidiary GNL Quebec Inc., is developing a state-of-the-art and low-carbon-emission liquefied natural gas exporting terminal with a maximum nameplate liquefaction capacity of up to eleven million tons per annum.

12 TRADE AND OTHER RECEIVABLES

	At 31 March 2018	At 31 March 2017
	HK$'000	*HK$'000*
Within 1 month	**18,647**	10,167
1 to 6 months	**26,173**	39,201
Trade receivables	**44,820**	49,368
Receivables of preferred shares	**–**	853,347
Other receivables	**50,510**	6,817
Prepayment to suppliers	**16,202**	21,005
Investment deposits	**–**	181,884
Deposit for derivative financial instruments investment	**15,692**	–
	127,224	1,112,421

Trade receivables relate to an independent customer that without any historical default record with Hongbo Mining. Based on past experience, current condition and management's view of economic condition over the expected lives of the trade receivables, management believes that there is not any possible default events over the expected lives of the trade receivables, so no loss allowance is necessary in respect of these balances.

13 TRADE AND OTHER PAYABLES

	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Within 1 year	**71,422**	55,503
Over 1 year but within 2 years	**26,944**	36,582
Over 2 years but within 3 years	**2,314**	33,226
Over 3 years	**20,014**	4,190
Trade payables	**120,694**	129,501
Taxes other than income tax payables	**12,542**	9,961
Guarantee deposit	**43,682**	39,424
Payable due to Yanchang	**83,767**	74,723
Interest payable	**11,084**	10,126
Others	**12,961**	9,158
	284,730	272,893

14 CONVERTIBLE BOND

	Liability component *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
At 29 July 2016	114,208	133,092	247,300
Interest expenses *(note 8)*	3,133	–	3,133
Interest payable	(800)	–	(800)
At 31 March 2017	116,541	133,092	249,633
Interest expenses *(note 8)*	6,250	–	6,250
Interest payable	(1,082)	–	(1,082)
Modification of terms of convertible bond	(31,720)	31,589	(131)
Conversion of convertible bond	(22,841)	(25,695)	(48,536)
At 31 March 2018	67,148	138,986	206,134

As at 29 July 2016, the convertible bonds originally had total nominal value of HK$120,000,000 and interest at 1% per annum which were payable half year in arrears. The convertible bonds were convertible into the Company's ordinary shares at a conversion price of HK$0.0672 per share at any time before 30 April 2018.

The convertible bonds have been accounted for as compound financial instruments containing an equity component and a liability component. The liability component was initially measured at fair value of HK$114,208,000 at discount rate of 4.12% per annum and carried at amortised cost.

On 15 August 2017, the Company entered into a deed of amendment with Titan Gas, one holder of the convertible bond, to further extend the maturity date of the convertible bond with nominal value of HK$96,832,526 from 30 April 2018 to 30 April 2022, and to remove certain adjustment events to the conversion price.

The modification resulted in the extinguishment of the financial liability of the convertible bond and the recognition of new financial liability and equity component. The fair value of the new financial liability regarding the convertible bond revised portion immediately following the modification was approximately HK$63,421,000. The fair value of the liability component was determined by discounted cash flows over the remaining terms of the convertible bonds at an effective interest rate of 10.88% per annum.

On 25 September 2017, Tanisca Investments Limited, another holder of the convertible bond, exercised the conversion rights to convert all the convertible bond held with the nominal value of HK$23,167,474 into 344,754,077 ordinary shares. As the result, the remaining convertible bond with the nominal value of HK$96,832,526 was solely held by Titan Gas.

15 CONVERTIBLE NOTE

	Liability component *HK$'000*	Derivative component *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
At 29 July 2016	211,218	4,199	34,583	250,000
Interest expenses *(note 8)*	8,194	–	–	8,194
Fair value changes on the derivative component *(note 8)*	–	(996)	–	(996)
At 31 March 2017	219,412	3,203	34,583	257,198
Interest expenses *(note 8)*	12,682	–	–	12,682
Fair value changes on the derivative component *(note 8)*	–	(1,110)	–	(1,110)
At 31 March 2018	232,094	2,093	34,583	268,770

On 29 July 2016, the Company issued the convertible note with an aggregate principal amount of HK$250,000,000. According to the terms of the convertible note, no interest shall be payable on the entire principal amount and the maturity date is the third anniversary of the completion date, i.e. 29 July 2019. The holder of the convertible note ("CN holder") has the right to convert the convertible note into the Company's 373,357,228 ordinary shares at a conversion price of HK$0.6696 per share. During the period starting from the first day of the 31st month following 29 July 2016, the CN holder has the right to request the Company to redeem the convertible note by paying the CN holder a redemption premium of HK$125,000,000 as well as the principal amount of HK$250,000,000.

16 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

There is no dividend declared attributable to the year ended 31 March 2018 (2017: Nil).

There is no dividends payable to owners of the Company attributable to previous financial year, approved and paid during the year ended 31 March 2018 (2017: Nil).

(b) Share capital

	Ordinary shares		Preferred shares		Total	
	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value
	'000	*HK$'000*	*'000*	*HK$'000*	*'000*	*HK$'000*
Shares of HK$0.01 each						
Authorised:						
At 1 April 2016	8,000,000	80,000	–	–	8,000,000	80,000
Increase in authorised shares *(note (i))*	–	–	5,000,000	50,000	5,000,000	50,000
At 31 March 2017	8,000,000	80,000	5,000,000	50,000	13,000,000	130,000
Increase in authorised shares *(note (i))*	3,000,000	30,000	–	–	3,000,000	30,000
At 31 March 2018	11,000,000	110,000	5,000,000	50,000	16,000,000	160,000
Issued, paid or payable:						
At 1 April 2016	347,326	3,473	–	–	347,326	3,473
Allotment and issuance of shares *(note (ii))*	1,269,415	12,694	2,747,909	27,479	4,017,324	40,173
At 31 March 2017	1,616,741	16,167	2,747,909	27,479	4,364,650	43,646
Conversion of convertible bond	344,754	3,448	–	–	344,754	3,448
Adjustment of unpaid preferred shares *(note (ii))*	–	–	(100,000)	(1,000)	(100,000)	(1,000)
Conversion of preferred shares *(note (iii))*	2,647,909	26,479	(2,647,909)	(26,479)	–	–
Issue of ordinary shares *(note (iv))*	1,485,000	14,850	–	–	1,485,000	14,850
At 31 March 2018	6,094,404	60,944	–	–	6,094,404	60,944

Notes:

(i) Pursuant to a special resolution passed on 22 July 2016, the authorised share capital of the Company was increased from HK$80,000,000 to HK$130,000,000 by the creation of 5,000,000,000 preferred shares of HK$0.01 each.

Pursuant to a special resolution passed on 11 January 2018, the authorised share capital of the Company was increased from HK$130,000,000 to HK$160,000,000 by the creation of 3,000,000,000 ordinary shares of HK$0.01 each.

(ii) At the Completion Date, the Company issued 1,269,414,575 ordinary shares at a subscription price of HK$0.6696 per share for cash and 2,747,909,199 preferred shares at a subscription price of HK$0.6696 per share. The total cash consideration for the subscription is HK$2,690,000,000, of which HK$2,626,388,000 have been received during the year ended 31 March 2018. The remaining consideration receivables of HK$63,612,000 related to 100,000,000 unpaid preferred shares was due from Aquarius Growth Investment Limited ("Aquarius"). Mr. Wang Jingbo is the director of Aquarius and holds a 9% equity interest in Aquarius. On 28 September 2017, the board of directors approved the cancellation and forfeiture of relevant 100,000,000 unpaid preferred shares and reversed the above receivable due from Aquarius.

(iii) During the year ended 31 March 2018, total number of 2,647,909,199 preferred shares have been converted into 2,647,909,199 ordinary shares of the Company.

(iv) On 13 December 2017, the Company issued a total of 1,485,000,000 ordinary shares at an aggregate subscription price of HK$1,485 million for cash.

BUSINESS REVIEW

The principal activities of the Company and its subsidiaries and effects on financial reporting for the Reverse Takeover Transaction

The Company is an investment holding company. In FY2017, the principal activity of the Company is global energy assets investment and management. The principal activities of its subsidiaries and invested portfolios consist of upstream oil and gas business, LNG liquefaction and exporting, as well as LNG importing, processing and sales, etc.

On 29 July 2016 (the "Completion Date"), the Company completed the Reverse Takeover Transaction which involved, among others, the acquisition by the Company of the entire equity interest of Hongbo Mining (the "Acquisition"), with Titan Gas Technology Investment Limited ("Titan Gas") becoming the majority shareholder of the combined group as a result. Hongbo Mining is treated as the acquirer for accounting purpose. Accordingly, the financial statements of the Company have been consolidated with those of Hongbo Mining since the Completion Date and the consolidated financial statements of the Company have been presented as a continuation of the financial statements of Hongbo Mining.

Use of proceeds from the Subscription and the Convertible Note Subscription

On the Completion Date, the Company completed, among others, the following transactions:

1. a subscription of certain ordinary shares and preferred shares issued by the Company to Titan Gas and other subscribers (the "Subscription"); and

2. a subscription of certain convertible note issued by the Company to League Way Ltd. (the "CN Subscription").

The following table summarizes the intended use of proceeds and the actual use of proceeds as at 31 March 2018.

Transaction	**Gross proceeds** *HK$ million*	**Amount received as at 31 March 2018** *HK$ million*	**Amount receivable as at 31 March 2018** *HK$ million*	**Intended use of proceeds as disclosed in the RTO Circular**	**Intended use of proceeds (after the change as announced on 8 March 2017 and the further change as announced on 27 September 2017)**	**Actual use of proceeds as at 31 March 2018**
Subscription	2,690	2,626 *(Note 1)*	Nil *(Note 1)*	– approximately HK$60 million for the payment of the transaction expenses;	– approximately HK$66 million for the payment of the transaction expenses;	– approximately HK$66 million was used to settle the payment of the transaction expenses;
				– approximately HK$665 million for the payment of the consideration for the acquisition of the entire equity interest of Hongbo Mining;	– approximately HK$652 million for the payment of the consideration for the Acquisition;	– approximately HK$652 million was used to settle the payment of the consideration for the Acquisition;
				– approximately HK$400 million to finance the repayment of Hongbo Mining's outstanding payables and borrowings;	– approximately HK$400 million to finance the repayment of Hongbo Mining's outstanding payables and borrowings;	– approximately HK$146 million was used for repayment of Hongbo Mining's outstanding payables and borrowings;
				– approximately HK$800 million to finance the development plan of the currently explored areas in Block 212;	– approximately HK$800 million to finance the development plan of the currently explored areas in Block 212 *(Notes 1 and 2)*;	– approximately HK$88 million was used for the development work in Block 212 *(Note 1)*;
				– approximately HK$450 million for exploration and development of other areas in Block 212;	– approximately HK$111 million to finance the operating expenses of Hongbo Mining as well as the Company and its other subsidiaries *(Note 2)*;	– approximately HK$19 million was used for the general working capital of the Company and its subsidiaries;

Transaction	Gross proceeds *HK$ million*	Amount received as at 31 March 2018 *HK$ million*	Amount receivable as at 31 March 2018 *HK$ million*	Intended use of proceeds as disclosed in the RTO Circular	Intended use of proceeds (after the change as announced on 8 March 2017 and the further change as announced on 27 September 2017)	Actual use of proceeds as at 31 March 2018
				– approximately HK$115 million to finance the operating expenses of Hongbo Mining as well as the Company and its subsidiaries; and	– approximately HK$661 million for expanding the business of the Company and its subsidiaries through investments in other oil and gas companies or projects *(Note 2)*.	– Approximately HK$661million, together with HK$465 millions from unutilized proceeds of development of Unit 2 and Unit 19 of Block 212, totaling HK$1,126 million was used in respect of the provision of the Term Loan *(Note 2)*;
				– approximately HK$200 million for expanding the business of the Company and its subsidiaries by acquiring other oil companies and the further exploration, development and production of the other newly acquired oil and gas projects		– approximately HK$119 million from unutilized proceeds of development of Unit 2 and Unit 19 of Block 212 and working capital was used for the subscription of shares in Jovo and the transaction expenses;
CN Subscription	250 (being the principal amount of the convertible note)	250	Nil	– approximately HK$200 million to expand the business of the Company and its subsidiaries by acquiring other oil companies and the further exploration, development and production of the other newly acquired oil and gas projects; and	– approximately HK$200 million to expand the business of the Company and its subsidiaries by investment in other oil and gas companies or projects *(Note 2)*;	– approximately HK$200 million was used in respect of the provision of the Term Loan *(Note 2)*;
				– approximately HK$50 million to finance the operations of Hongbo Mining and to be used as general working capital of the Company and its subsidiaries.	– approximately HK$50 million to finance the operations of Hongbo Mining and to be used as general working capital of the Company and its subsidiaries.	– approximately HK$50 million was used for the general working capital of the Company and its subsidiaries.

Notes:

1. On 29 July 2016, as part of the Subscription, the Company issued a total number of 443,369,176 preferred shares to Aquarius Growth Investment Limited ("Aquarius Investment") (the "Aquarius Subscription"), among which, 343,369,176 preferred shares were fully-paid and 100,000,000 preferred shares were partially-paid (the "Unpaid Preferred Shares"). With respect to the Unpaid Preferred Shares, Aquarius Investment partially paid an amount of HK$3,348,000 (the "Partial Paid Amount") and an outstanding amount of HK$63,612,000 remained unpaid, which became due and payable on 28 July 2017. On 28 September 2017, the Unpaid Preferred Shares, i.e., the whole of the 100,000,000 preferred shares, with the amount of HK$66,960,000 were forfeited and cancelled. As agreed by the Company and Aquarius Investment, the Partial Paid Amount will not be refunded to Aquarius Investment and the Board has sole discretion on the use of the Partial Paid Amount. As at 31 March 2018, save as the outstanding amount of HK$63,612,000 with respect to the aforesaid cancelled and forfeited preferred shares, the Company had received all proceeds from the Subscription. In light of such shortfall in the amount of proceeds received as compared to that contemplated at the time of the Subscription, taking into account the actual utilization of proceeds and the circumstances of the operations of the Company and its subsidiaries, the Company has decided that a total amount of HK$736.39 million from the proceeds, being HK$800 million minus HK$63.61 million, be used to finance the development plan of the currently explored areas in Block 212. As at 31 March 2018, an amount of HK$88 million had been utilized with a balance of HK$648.39 million under such use. In view of the development plan of the currently explored areas of Block 212 and the funding requirement for its underlying capital and operating expenditures of Hongbo Mining, the Board believes that such balance is sufficient for the underlying capital and operating expenditure of the development of the currently explored areas in Block 212 of Hongbo Mining and such adjustment will not have any adverse impact on the business plans and operations of the Company and its subsidiaries.

2. As disclosed in the section below headed "Investment regarding oil and gas assets in the U.S.", on 14 August 2017 (local time in Houston, Texas, the U.S.), the Company and Think Excel Investments Limited (the "Think Excel", a wholly-owned subsidiary of the Company) entered into the credit agreement (the "Credit Agreement") with Stonehold, pursuant to which, the Company and Think Excel have conditionally agreed to grant the Term Loan to Stonehold. In order to finance the Term Loan under the Credit Agreement, the Company has made the following arrangements to the use of proceeds (after reallocation as announced on 8 March 2017):

   (1) enrich the contents of the use of "Acquisition and development of other oil and gas companies or projects" to "Investment in other oil and gas companies or projects, including but not limited to acquisition and development, equity or debt investment and other forms of investment that the Company considers appropriate and in line with the Group's business strategy"; and

   (2) temporarily use the unutilized proceeds of (i) an amount of HK$532 million planned to be used for the development of Unit 2 and Unit 19 of Block 212 which are not in immediate use and (ii) an amount of HK$60.5 million planned to be used for working capital which are not in immediate use for making the payment under the Term Loan on closing of the Stonegate Acquisition and replenish them with repayment from Stonehold after its obtaining of further financing. As at the date of this annual results, the negotiation with commercial banks for obtaining the senior debt (the "Senior Debt") is still ongoing. The board confirms that the delay in entering into the Senior Debt will not negatively affect the liquidity of the Company.

The Company will, from time to time, taking into account the investment opportunities arising from PRC domestic and overseas markets, assess and evaluate the business need of the Company and its subsidiaries and the optimal plan for allocation and deployment of the financial resources of the Company and its subsidiaries to strengthen the efficiency and effectiveness of the use of proceeds, including, but not limited to, making further change to the intended use of proceeds as and when appropriate.

For further details of the change in use of proceeds, the entering into of the Credit Agreement and the further change in use of proceeds, please refer to the section headed "Investment regarding oil and gas assets in the U.S." below and the announcements of the Company dated 8 March 2017, 15 August 2017 and 27 September 2017 respectively published on the website of the Stock Exchange (http://www.hkexnews.hk/).

For further details of the Subscription and the CN Subscription, please refer to the RTO Circular and the Company's announcement dated 29 July 2016 published on the website of the Stock Exchange (http://www.hkexnews.hk/).

For further details of the Aquarius Subscription, please refer to the Company's announcements dated 27 October 2015, 20 November 2015, 28 January 2016 and 23 March 2016 respectively, in relation to, among others, the amendments of the subscription agreement entered into between the Company and Aquarius Investment, as one of the subscribers, on 22 June 2015, and the RTO Circular published on the website of the Stock Exchange (http://www.hkexnews.hk/).

Issue of new ordinary shares of the Company (the "Ordinary Shares") under specific mandate

To raise additional capital for the business development of the Company, on 13 December 2017 the Company and Foxconn Technology Pte. Ltd., High Tempo International Limited, World Trade Trading Limited, Q-Run Holdings Limited and Q-Run Far East Corporation (the "Foxconn Subscribers") entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to allot and issue a total of 1,485,000,000 subscription shares at an aggregate subscription price of HK$1,485 million to the Foxconn Subscribers, and each of the Foxconn Subscribers subscribed for 297,000,000 subscription shares for a subscription price of HK$297 million. The Foxconn Subscribers are all subsidiaries of Foxconn Technology Co., Ltd., a world-famous electronics manufacturer.

The Shareholders approved and granted a specific mandate in relation to the allotment and issue of the subscription shares on a special general meeting of the Company held on 11 January 2018. All conditions precedent in respect of the Foxconn Subscription set out under the section headed "Conditions Precedent of the Subscription" in the "Letter from the Board" in the circular of the Company dated 23 December 2017 (the "Foxconn Circular") were fulfilled and the completion of the Foxconn Subscription took place on 22 January 2018. Upon completion, the Company received the aggregate subscription price of HK$1,485 million from the Foxconn Subscribers and issued a total of 1,485,000,000 subscription shares, and each of the Foxconn Subscribers subscribed for 297,000,000 subscription shares at the subscription price of HK$1.00 per subscription share in accordance with the terms and conditions of the Subscription Agreement.

The gross proceeds from the Foxconn Subscription is HK$1,485 million. The net proceeds from the Foxconn Subscription (after deducting the expenses incurred in the Foxconn Subscription) is estimated to be approximately HK$1,483 million.

Use of proceeds from the Foxconn Subscription

The Company intends to use and has used the net proceeds from the Foxconn Subscription as follows:

(i) as to approximately HK$1,100 million for potential investment in or acquisition of targets in the natural gas industry along the value chain, both in the PRC and in North America (including but not limited to LNG export terminal projects in Canada, LNG receiving terminal projects in the PRC, companies engaged in importing, processing and sale of LNG, and city gas companies or natural gas distribution companies in the PRC), among which HK$83 million had been utilized for investments in the natural gas industry as at 31 March 2018;

(ii) as to approximately HK$300 million to expand the business of the Company through investments in upstream shale gas and/or shale oil assets or projects overseas, especially within high quality basins in North America, which had not been utilized as at 31 March 2018; and

(iii) as to approximately HK$83 million to other investments for the future development that is in line with the business strategies of the Company, which had not been utilized as at 31 March 2018.

As at 31 March 2018, an aggregate amount of HK$83 million had been utilized for investments in the natural gas industry with a balance of HK$1,400 million.

Investment regarding oil and gas assets in the U.S.

As one of the existing strategies, the Company has widened its global footprint and has successfully developed a more diversified and balanced portfolio through selective investments of oil and gas assets in the U.S. during FY2017.

On 21 November 2016 (local time in Houston, Texas, the U.S.), the Company entered into an Asset Purchase Agreement (the "APA") with Stonegate Production Company, LLC, Stonegate Dimmit Properties, LLC and Dimmit/La Salle Saltwater Disposal Company, LLC (collectively the "Stonegate Sellers"). Pursuant to the APA, the Company has conditionally agreed to acquire and the Stonegate Sellers have conditionally agreed to sell the oil and gas related assets of the Stonegate Sellers in the Eagle Ford region of South Texas, the U.S., at a purchase price of US$278 million (equivalent to HK$2,156 million) (subject to adjustments in accordance with the APA) (the "Stonegate Transaction"). The APA was subsequently terminated by the parties upon mutual agreement and the parties had been actively negotiating a transaction under an alternative structure regarding the assets of the Stonegate Sellers.

On 14 August 2017 (local time in Houston, Texas, the U.S.), the Company and Think Excel, a wholly-owned subsidiary of the Company, entered into the Credit Agreement with Stonehold, pursuant to which, the Company and Think Excel have conditionally agreed to grant the Term Loan to Stonehold for the purpose of financing the acquisition of the Target Assets and the subsequent operations of such assets by Stonehold. Stonehold is a company wholly owned and solely controlled by Breyer Capital L.L.C., which is a globally renowned venture capital and private equity investor whose portfolio investments include, among others, Facebook, Legendary, Etsy, and Marvel Entertainment. The principal amount of the Term Loan shall not exceed (i) the initial payment with an amount of US$165.0 million (approximately HK$1,291.1 million) on 26 September 2017; (ii) thereafter, US$10 million (approximately HK$78.3 million); and (iii) any guarantee payment made by the Company and Think Excel to Stonehold in respect of the Senior Debt to be obtained from commercial bank(s). The unpaid principal amount from time to time shall bear interest at the rate of 8.00% per annum (after the making of or the allocation of any applicable withholding tax), with an additional interest of an amount equal to 92.5% of the disposal proceeds received or recovered by Stonehold in respect of disposal of the Target Assets after deducting outstanding principals and interests pursuant to the Credit Agreement, as well as fees, costs and expenses reasonably incurred by Stonehold with respect to such disposal, if applicable, pursuant to the terms of the Credit Agreement. The Term Loan shall be payable to the Company and Think Excel in full on the maturity date, which falls 10 years after 26 September 2017. The Term Loan is secured by a second ranking security in respect of all the assets subject to the Senior Debt, if applicable, which will be created and perfected in favour of the Company and Think Excel, provided that the security interest created in favour of the Company and Think Excel shall constitute a first ranking security over all the assets and equity interests of Stonehold until the incurrence of the Senior Debt.

On the same date of the Credit Agreement, Stonehold entered into an acquisition agreement (the "Acquisition Agreement") with Stonegate, pursuant to which, Stonegate has conditionally agreed to sell and Stonehold has conditionally agreed to purchase the Target Assets. The Target Assets form part of the assets originally agreed to be purchased by the Company under the Stonegate Transaction. All Target Assets are non-operated oil and gas assets of Stonegate.

On 26 September 2017 (local time in Houston, Texas, the U.S.), the initial payment of the Term Loan with an amount of US$165.0 million (approximately HK$1,291.1 million) under the Credit Agreement was released to Stonehold and the acquisition of the Target Assets by Stonehold from Stonegate was consummated in accordance with the terms of the Acquisition Agreement.

The performance of the Stonehold's assets has made significant progress during the year 2017. According to the information provided by Stonehold, the production during the year 2017 is approximately 1.5million boe, and the revenue is approximately US$53.4 million. There's also a significant increase of the estimated 2P reserves. As at 31 March 2018, the net 2P reserves of Stonehold's assets was estimated to be 30.1 million boe based on data provided by an external advisor of Stonehold, representing an increase of 24.1% from the net 2P reserves as at 31 March 2017.

Since the entering into of the Credit Agreement, the Term Loan has been providing the Company with considerable fixed income. In addition, the Company also believes that the increase in the reserves and valuation of Stonehold's assets may increase the expected returns for the Company upon disposal of the assets.

For details of the Stonegate Transaction, please refer to the announcements of the Company dated 22 November 2016, 31 March 2017, 28 April 2017, 3 August 2017, 11 August 2017 and 13 August 2017, and the circular of the Company dated 9 March 2017 published on the website of the Stock Exchange (http://www.hkexnews.hk/).

For details of the Term Loan and the Credit Agreement, please refer to the announcements of the Company dated 15 August 2017 and 27 September 2017, and the circular of the Company dated 29 September 2017 published on the website of the Stock Exchange (http://www.hkexnews.hk/).

Investment regarding LNG business along the industry chain

To carry out the existing strategies, the Company, through its subsidiaries, has also made reasonable expansion of the business portfolio and business model, in order to capture the market opportunities and dynamics.

In FY2017, the Company has stepped into LNG industry with focus on Chinese domestic market with the strong belief that natural gas will be the most attractive sector of energy in China. The natural gas consumption in China in 2017 has increased by 15.3% as compared to that of year 2016. During the period of China's 13^{th} five-year plan (2016–2020), the Company will be continuously searching for investment opportunities in order to capture the opportunities brought by the growing Chinese natural gas market.

On 28 July 2017, Valuevale Investment Limited, a wholly-owned subsidiary of the Company, completed the subscription of shares allotted and issued by JOVO, which was principally engaged in clean energy businesses, including importing, processing and sale of the industrial products of liquefied petroleum gas and LNG in the PRC, for the consideration of RMB100 million (equivalent to approximately HK$115.2 million).

The Company believes that this strategic investment will not only bring good financial return for its Shareholders but will also provide great advantages for the Company to participate in the satisfaction of the rapidly growing need of natural gas in China.

On 30 November 2017, the Company, through its subsidiary, entered into the Agreement of Purchase and Sale with the Fund for purchasing its interests in LNG Quebec Partnership at the purchase price of US$3.15 million (equivalent to approximately HK$24,633,000). All conditions precedent in the Agreement of Purchase and Sale have been satisfied and the completion of the LNG Quebec Acquisition took place on 7 February 2018. Upon completion of the LNG Quebec Acquisition, the Company holds minority interest in the LNG Quebec Partnership.

The Company believes that the LNG Quebec Acquisition perfectly matches the business strategy of the Company and, together with the existing investments, has achieved the first step of the key layout of natural gas import and export, and will bring the Company synergies in natural gas industry as well as good financial returns.

The Company will continue to look for opportunities to invest in other LNG projects worldwide with a view to enhancing the Company's asset portfolio and overall investment return.

For details of the above transactions, please refer to the Company's voluntary announcements dated 17 July 2017, 31 July 2017, and 8 February 2018 published on the website of the Stock Exchange (http://www.hkexnews.hk).

Review of the performance of Hongbo Mining

The upstream crude oil portfolio, of which the Company had previously invested in China, had also achieved significant progress in FY2017. Hongbo Mining, the Company's wholly-owned subsidiary, is engaged in exploration, development, production and sale of crude oil in China.

Under the exploration and production cooperation contract entered into between Hongbo Mining and Yanchang, Yanchang (as the mineral right owner) and Hongbo Mining (as the operator) cooperate to explore for crude oil in Block 212 and Block 378 which together cover a region of 591 km^2 in Inner Mongolia; and Hongbo Mining and Yanchang are entitled to share 80% and 20% of the sale proceeds (net of any sales related taxes). The current exploration permit in respect of Block 212 will expire on 5 March 2019, and the current exploration permit in respect of Block 378 will expire on 9 November 2019. Both exploration permits are renewable after expiry for terms of two years each time. In FY2017, MOLR has approved the application for the production permit covering Unit 2 and Unit 19 and other areas, which is valid for 15 years and will expire in May 2032. It's a big milestone in Block 212's developing history which marks a new level of business of Hongbo Mining. Besides, the grant of production permit, the exploration permit granted in respect of other areas of Block 212 continues to be valid.

In FY2017, the upstream oil and gas industry experienced a substantial business cyclical upturn. The Brent Crude oil price rebounded from the average price of US$50 (equivalent to HK$391) per barrel in FY2016 to US$58 (equivalent to HK$451) per barrel in FY2017, and as at 31 March 2018, it reached US$69.5 (equivalent to HK$546) per barrel. In view of the optimistic oil price trend, Hongbo Mining drilled 22 wells during FY2017 (including 3 wells which were started drilling at the end of March 2018), 19 of which were successfully completed. All the 19 completed wells drilled in FY2017 had achieved the anticipated target formations with a success rate of 100%. One of the exploration wells gained 112-meter net pay which is the thickest of all the wells in Block 212. In addition, 4 new oil-bearing regions and 9 oil layers have been discovered in the southwest of the Block 212. 3 of the 9 oil layers are new breakthroughs in Block 212.

As a result, Hongbo Mining's oil production volume increased by approximately 24.3% to approximately 362,682 barrels; gross and net oil sales volume increased by approximately 22.3% to approximately 357,387 barrels and 285,910 barrels, respectively, and gross and net revenue from sales of crude oil increased by approximately 60.7% to approximately HK$154.2 million and HK$123.4 million, respectively, as compared with those of FY2016.

In FY2017, Hongbo Mining continued to make strong operational progress, reduce operating costs and improve production efficiency. As a result, the average unit production cost decreased by HK$20 per barrel, or approximately 7.4%, from HK$272 (equivalent to US$35.9 per barrel) per barrel in FY2016 to HK$252 per barrel (equivalent to US$32.2 per barrel) in FY2017. Accordingly, the average unit production cost before depreciation and amortization decreased by HK$36 per barrel, or approximately 25.9%, from HK$139 per barrel (equivalent to US$18.3 per barrel) in FY2016 to HK$103 per barrel (equivalent to US$13.1 per barrel) in FY2017.

The following table provides a recap of Hongbo Mining's key operational metrics and product prices for the periods indicated.

	Year ended 31 March	
	2018	**2017**
Average daily gross production volume *(barrels)*	1,007	811
Average daily gross sales volume *(barrels)*	993	812
Average unit production cost before depreciation and amortisation *(HK$ per barrel)*	103	139
Average unit production cost *(HK$ per barrel)*	252	272
Average unit selling price *(HK$ per barrel)*	432	328

The summary of Hongbo Mining's exploration and development expenditures incurred is as follows:

	Summary of expenditures incurred for the year ended 31 March			
	2018		2017	
	Number	***Cost (HK$'000)***	*Number*	*Cost (HK$'000)*
Wells drilled during the year				
Dry holes	**–**	**–**	1	4,135
Oil producers *(Note)*	**22**	**87,092**	6	11,902
Total	**22**	**87,092**	7	16,037
Fracturing workover	**–**	**–**	13	8,988
Geological and geophysical costs	**–**	**1,343**	1	14,806

Note: In FY2017, Hongbo Mining had successfully drilled 22 wells. As at 31 March 2018, 19 of them had been completed and the remaining 3 were pending for completion.

In FY2017, Hongbo Mining's reserves also achieved substantial increase accordingly, which can be ascribed to several major reasons, including upturn effect of water-flooding of old blocks, improvement on well-pattern, and increased reserves of new blocks discovered.

Based on the reserves estimates as at 31 March 2018 as reviewed by the independent technical consultants, the net 1P reserves of Hongbo Mining was 9.8 MMstb, representing an increase of 19.5% from the net 1P reserves as at 31 March 2017; the net 2P reserves was 15.5 MMstb, representing an increase of 27.0% from the net 2P reserves as at 31 March 2017. Effective excavation of the potential reserves in old areas and discovery of reserves in new area in FY2017 resulted in higher reserves replacement rate, and more effective promotion of the scale development and commercialised production of Block 212.

The below are the summary and review of the reserves and resources of Hongbo Mining as at 31 March 2018 and 31 March 2017, as conducted by the independent technical consultants, Gaffney, Cline & Associates ("GCA"):

	As at 31 March 2018		**As at 31 December 2017**	
	Gross *(MMstb)*	**Net** *(MMstb)*	**Gross** *(MMstb)*	**Net** *(MMstb)*
Proved (1P)	12.3	9.8	10.2	8.2
Proved + Probable (2P)	19.4	15.5	15.3	12.2
Proved + Probable + Possible (3P)	26.6	21.3	22.0	17.6
Contingent resources (1C)	0.49	0.39	0.49	0.39
Contingent resources (2C)	0.71	0.57	0.71	0.57
Contingent resources (3C)	1.67	1.34	1.67	1.34
Prospective resources	9.7	7.76	9.7	7.76

Note: The reserve estimates and the future net revenue have been prepared in accordance with generally accepted petroleum engineering and evaluation principles set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. Independent technical consultants used standard engineering and geosciences methods or a combination of methods, including performance analysis, volumetric analysis, and analogy, that it considered to be appropriate and necessary to classify, categorize, and estimate volumes in accordance with the 2007 PRMS (the Petroleum Resources Management System published by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council, and Society of Petroleum Evaluation Engineers in March 2007) definitions and guidelines. These reserve amounts are estimates only and should not be construed as exact quantities.

OUTLOOK

The Company is mainly engaged in global energy assets investment and management. Currently, the Company invests and manages energy assets in China and abroad through direct investment with its owned cash. The Company will capture investment opportunities in the energy sector and realize value appreciation and extraordinary returns through enhancing the efficiency of asset operations, the diversification of energy asset portfolios, the cross-border mergers and acquisitions, and funds management with economies of scale.

Due to the recovery of macroeconomic growth, the improvement of major gas consumption industries, the environmental protection policies, and the competitive price of natural gas since year 2017, China's consumption of natural gas hit a high record with a significant increase in the output and import of natural gas and LNG. Considering the current market landscape of the Chinese domestic natural gas industry and the global natural gas industry, the Board does not believe that there is any worldwide shortage in natural gas supply. The natural gas supply shortage and the price increase in China were caused by the lack of natural gas infrastructures, including the LNG import and re-gasification terminals, which in turn will influence the natural gas price in a short term.

Accordingly, the Company's current investment strategy is to focus on grasping the great opportunities arising from China's increasing demand for imported nature gas and LNG from the North America market, which has abundant low-cost shale gas supply. By investing in China's first non-state-owned LNG import terminal and one of the largest Canadian LNG export terminals under development in its investment portfolio, and making an investment in LNGL, a company principally engaged in developing LNG export terminal projects in the U.S. and in Canada, the Company is making strategic investments throughout the LNG value chain. In addition, the Company has an extensive potential projects pipeline which covers the entire industrial chain of LNG export business between China and the North America.

Also, the Company completed the investment of a shale oil block in Eagle Ford, Texas of the U.S. by way of providing the Term Loan in FY2017 before the rising of crude oil price. The Company will enjoy the investment returns from the cyclical upturn in the oil industry.

Besides, the Board is of the view that the energy assets investment and management is a favorable option for the Company to achieve sustainable long-term growth and prosperity. The Board expects that the Company will continue to capture investment opportunities globally by best leveraging its industry and business development expertise, establishing an investment platform, and adopting contrarian investment strategy. To satisfy the capital needs for assets investment and management, subject to the market condition, the Company will look for the most suitable fund raising method which may include leveraging both equity and/or debt markets, as well as any other alternative fund raising methods. The Boards believes that the Company is well positioned to develop quickly when attractive assets become available. The Company endeavors to present a unique investment opportunity for its Shareholders of the Company to gain exposure to a diversified, top quality global energy asset portfolio.

FINANCIAL RESULTS REVIEW

Revenue from sales of goods

The revenue from sales of goods represents the crude oil net sales from Hongbo Mining, a wholly-owned subsidiary of the Company. It increased by HK$46.6 million, or 60.7%, from HK$76.8 million in FY2016 to HK$123.4 million in FY2017.

Hongbo Mining's crude oil is priced mainly with reference to Brent Crude oil prices. The increase was mainly due to the increase in crude oil prices and Hongbo Mining's net sales volume. The average Brent Crude oil price in FY2017 increased to approximately HK$450 per barrel as compared to approximately HK$360 per barrel in FY2016. The average unit selling price of Hongbo Mining's crude oil increased to approximately HK$432 per barrel in FY2017 from HK$328 per barrel in FY2016, which was consistent with the trend of global oil prices. Hongbo Mining's net sales volume increased to approximately 285,910 barrels in FY2017 from approximately 233,830 barrels in FY2016, which was mainly due to more wells drilled in FY2017. For further details on the increase of the production volume, please refer to "Business Review — Review of the performance of Hongbo Mining".

Cost of sales of goods

Cost of sales of goods represents the crude oil sales cost from Hongbo Mining, which only increased by approximately HK$11.3 million, or approximately 14.2%, from approximately HK$79.9 million in FY2016 to approximately HK$91.2 million in FY2017 with the gross production volume and gross sales volume of Hongbo Mining in FY2017 increased by 70,873 barrels and 65,100 barrels, or approximately 24.3% and 22.3%, respectively, as compared with that in FY2016.

Due to the strong operational progress made and the improvement of production efficiency, the average unit production cost decreased by HK$20 per barrel, or approximately 7.4%, from HK$272 per barrel (equivalent to US$35.9 per barrel) in FY2016 to HK$252 per barrel (equivalent to US$32.2 per barrel) in FY2017. Accordingly, the average unit production cost before depreciation and amortization decreased by HK$36 per barrel, or approximately 25.9%, from HK$139 per barrel (equivalent to US$18.3 per barrel) in FY2016 to HK$103 per barrel (equivalent to US$13.1 per barrel) in FY2017.

Investment income

Investment income primarily includes returns from one of the investments of the Company and its subsidiary regarding upstream oil and gas assets, which is amounting to approximately HK$60.9 million (about six-months interests) from the Term Loan granted to Stonehold on 26 September 2017, who holds the unconventional shale oil and gas assets in the Eagle Ford core region in the U.S.. The other components of investment income are the fair value gain of approximately HK$24.8 million from other energy related investments and the losses of approximately HK$11.3 million recorded with respect to the derivative financial instruments used to hedge against potential price fluctuations of crude oil.

Administrative expenses

Administrative expenses increased by approximately HK$28.5 million, or approximately 62.9%, from HK$45.3 million in FY2016 to HK$73.8 million in FY2017. The increase in administrative expenses was primarily due to (i) the increase of approximately HK$19.6 million of professional services expenses related to the vibrant investment activities of the Company in FY2017, and (ii) that for FY2016, only the administrative expenses of the Company incurred after the RTO Completion Date (29 July 2016) were accounted while for FY2017, the administrative expenses incurred throughout the whole year were accounted, resulting in a significant increase of approximately HK$10.4 million in FY2017.

Taxes other than income tax

Taxes other than income tax increased by approximately HK$2.8 million, or approximately 53.1%, from approximately HK$5.4 million in FY2016 to approximately HK$8.2 million in FY2017, which was mainly due to the increase in resources tax levied on the sale of crude oil primarily attributable to the revenue growth of Hongbo Mining.

Exploration expenses, including dry holes

Hongbo Mining, the wholly-owned subsidiary of the Company, explored 22 wells in Block 212 (19 completed and 3 pending for completion) in FY2017, 3 of which are exploration wells. Since all the 19 completed wells were successfully completed and 100% converted to production wells, there were no dry holes during FY2017.

Hongbo Mining carried out exploration activities and drilled one exploratory well in Block 378 in FY2016, which resulted in geological and geophysical costs of HK$14.8 million and dry hole expense of HK$4.1 million, and no such expenses were recognized in FY2017 due to no further exploration activities being carried out in Block 378.

Listing expense and related transaction costs

Listing expense and related transaction costs of approximately HK$294.4 million and HK$66.2 million, respectively, were recorded in FY2016, and no such expenses were recognized in FY2017, primarily due to no further recognition of such as a result of the completion of the Reverse Takeover Transaction in FY2016.

The listing expense is a notional expense without any impact on the net assets and cash flow.

Net finance income/(costs)

The Company and its subsidiaries recorded net finance costs of approximately HK$17.0 million in FY2016 and net finance income of approximately HK$1.3 million in FY2017, which was primarily due to the financial income of approximately HK$24.3 million recorded in FY2017 which mainly included the fair value gain recognized, the change in fair value on the derivative component of the convertible note of the Company (the "**Convertible Note**"), the exchange gain and interest income recorded in FY2017, netting off by finance costs of approximately HK$23.0 million which mainly included interest expenses on the convertible bond of the Company (the "**Convertible Bond**") and the Convertible Note and interest on bank and other borrowings.

Profit/(loss) before taxation

Profit before taxation significantly increased by approximately HK$474.9 million from a loss before taxation of approximately HK$450.6 million for FY2016 to a profit before taxation of approximately HK$24.3 million for FY2017, which was primarily due to the cumulative effects of factors as discussed above in this section.

Income tax

Income tax changed from a deferred tax expense of approximately HK$11.8 million for FY2016 to a deferred tax expense of approximately HK$9.8 million for FY2017. The change was mainly in relation to the movements of the deferred tax assets and liabilities arising from the temporary differences of the provision for abandonment, depreciation of oil and gas properties for Hongbo Mining, amortisation of intangible assets and accrued expenses.

Profit/(loss) for the year

The profit for the year significantly increased by HK$476.9 million from a loss of approximately HK$462.4 million for FY2016 to a profit of approximately HK$14.5 million for FY2017, which was primarily due to the cumulative effects of factors as discussed above in this section.

EBITDA and adjusted EBITDA

The management of the Company prepared a reconciliation of EBITDA and adjusted EBITDA to profit/loss before taxation, our most directly comparable financial performance measures calculated and presented in accordance with HKFRS. EBITDA refers to earnings before interest expenses, income tax, depreciation and amortisation. Adjusted EBITDA refers to EBITDA adjusted to exclude non-recurring items, including the notional listing expense and related transaction costs in relation to the Reverse Takeover Transaction.

The management of the Company believes that EBITDA and adjusted EBITDA are financial measures commonly used as supplemental financial measures by the management of the Company and by investors, research analysts, bankers and others to assess the operating performance, cash flow, return on capital and the ability to take on financing of the Company and its subsidiaries as compared to those of other companies. However, EBITDA and adjusted EBITDA should not be considered in isolation or construed as alternatives to profit from operations or any other measure of performance or as an indicator of the operating performance or profitability of the Company and its subsidiaries. EBITDA and adjusted EBITDA fail to account for income tax, interest expenses, depreciation and amortisation.

The following table presents a reconciliation of EBITDA and adjusted EBITDA to profit/(loss) before taxation for the periods indicated.

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**24,323**	(450,619)
Add: Interest expenses	**20,818**	16,190
Add: Depreciation and amortisation	**56,515**	41,634
EBITDA	**101,656**	(392,795)
Add: Listing expense and related transaction costs	**–**	360,620
Adjusted EBITDA	**101,656**	(32,175)

The EBITDA changed from a loss of HK$392.8 million in FY2016 to a profit of HK$101.7 million in FY2017. The turnaround from an EBITDA loss to profit is primarily attributable to (i) the recovery of crude oil prices in FY2017, which led to an increase in the revenue of Hongbo Mining, (ii) the return on its investment regarding upstream oil and gas assets, in the form of interest income from the Term Loan granted to Stonehold, which holds unconventional shale oil and gas assets in the Eagle Ford core region in the U.S., and (iii) the absence of significant notional listing expenses and related transaction costs, where a significant amount was incurred in FY2016 as a result of the completion of the Reverse Takeover Transaction.

The adjusted EBITDA changed from a loss of HK$32.2 million in FY2016 to a profit of HK$101.7 million in FY2017, which was primarily attributable to the recovery of crude oil prices and the return on its investment regarding upstream oil and gas assets, in the form of interest income from the Term Loan granted to Stonehold.

LIQUIDITY AND FINANCIAL RESOURCES

The Company and its subsidiaries finance their operations primarily through a combination of bank and other borrowings and proceeds from the Subscription, the CN Subscription and the Foxconn Subscription. For further details of use of proceeds from the Subscription, the CN Subscription and the Foxconn Subscription, please refer to "Business Review — Use of Proceeds from the Subscription and the Convertible Note Subscription" and "Business Review — Use of proceeds from the Foxconn Subscription" in this annual results announcement.

The cash and cash equivalents are mostly denominated in US$, HK$ and RMB. As at 31 March 2018, the Company and its subsidiaries had unpledged cash and bank deposits of HK$1,786.4 million (31 March 2017: HK$1,134.5 million).

As at 31 March 2018, the Company and its subsidiaries had no outstanding entrusted loans (31 March 2017: Third party unsecured entrusted loans of approximately HK$101.4 million).

As at 31 March 2018, the Company had Convertible Bond with carrying amount of approximately HK$67.1 million (31 March 2017: HK$116.5 million). The aggregate principal amount of the Convertible Bond is HK$96.8 million, with maturity date of 30 April 2022 and payable at an interest rate of 1% per annum. The Convertible Bond with the principal amount of approximately HK$23.2 million held by Tanisca Investments Limited ("Tanisca") was fully converted into 344,754,077 Ordinary Shares in FY2017.

As at 31 March 2018, the Company had Convertible Note with carrying amount of approximately HK$234.2 million (31 March 2017: HK$222.6 million). The principal amount of the Convertible Note is HK$250 million pursuant to the CN Subscription Agreement (as defined in the RTO Circular), with the maturity date of 29 July 2019 and that no interest shall be payable on the entire principal amount of the Convertible Note.

Save as the information disclosed above or otherwise in this annual results announcement, the Company and its subsidiaries had no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, borrowings, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities as at 31 March 2018.

The Company and its subsidiaries has not used any financial instrument to hedge potential fluctuation in interest rates and exchange rates.

As at 31 March 2018, the gearing ratio (ratio of the sum of total bank and other borrowings, Convertible Bond and Convertible Note to the total assets) was approximately 7.1% (31 March 2017: 15.5%).

MAJOR RISK MANAGEMENT

Our market risk exposures primarily consist of oil price risk, currency risk, liquidity risk and interest rate risk.

Oil price risk

The principal activity of the Company is global energy assets investment and management. The principal activities of its subsidiaries and invested portfolios consist of upstream oil and gas business, LNG liquefaction and exporting, as well as LNG importing, processing and sales, etc. Hongbo Mining, a wholly-owned subsidiary of the Company, is engaged in petroleum-related activities in the PRC. The Company also has the Term Loan granted to Stonehold, which is engaged in petroleum-related activities as well. Prices of crude oil are affected by a wide range of global and domestic political, economic and military factors which are beyond the control of the Company. A decrease in such prices could adversely affect the financial position of the Company and its subsidiaries. The Company actively used derivative instruments to hedge against potential price fluctuations of crude oil.

As at 31 March 2018, the Company purchased swaps and/or put options for the production of Hongbo Mining and Stonehold. Both the swaps and/or the put options place the Company in a hedged position, protecting the Company from a decline in the oil price over the stipulated period of time and preserving the value of the assets of Hongbo Mining and Stonehold. Under the swaps, the Company will be paid by the counterparty the price difference should the oil price be lower than the fixed maximum price upon settlements, conversely, the Company will pay the counterparty the price difference should the oil price exceed the fixed maximum price upon settlements. Under the put options, the counterparty is obliged to pay the Company the price difference as if it were to buy the oil at the specified price should the Company choose to exercise the put options in circumstances of oil price being lower than the specified price.

For hedging activities with respect to Stonehold's production, reference is made to the announcement of the Company dated 3 April 2018, in relation to, among others, the hedging agreement structured with put options and swaps with respect to Stonehold's oil production (the "Hedging Agreement") entered into between the Company and a financial institution.

Based on the arrangements under the Hedging Agreement, should the oil price fall substantially between the hedging date and the settlement dates, the Company will benefit from having secured its pricing at a fixed amount and the negative impact on Stonehold's cash flow and its ability to repay the Term Loan in circumstances of lower oil price will be compensated by the Company's gains from the hedging arrangements. By entering into the Hedging Agreement, the Company will be able to manage the risk associated with Stonehold's ability to repay the Term Loan resulted from the volatility in oil price and therefore realize a more stable and predictable financial performance and cash flows.

As at 31 March 2018, the Company had only entered into swaps under the Hedging Agreement and none of these swaps had been settled.

The Company expects to enter into put option transactions in due course depending on the prevailing market conditions.

At 31 March 2018, it is estimated that an increase/decrease at the crude oil price exceed/be lower than the fixed maximum price set by the crude oil price option contract and crude oil price swaps contracts, with all other variables held constant, would have decreased/increased the profit after tax (and increased/decreased accumulated losses) of the Company and its subsidiaries.

Currency risk

The Company and its subsidiaries are exposed to currency risk primarily through overseas investment which gives rise to other receivables and cash balances that are denominated in a foreign currency, i.e., a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily HK$, US$ and RMB.

The Company and its subsidiaries currently do not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Company and its subsidiaries will continue to monitor foreign exchange changes to best preserve the cash value.

Liquidity risk

The Company and its individual operating entities are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The policy of the Company and its subsidiaries is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Interest rate risk

The interest rate risk of the Company and its subsidiaries arises primarily from interest-bearing borrowings. The Company and its subsidiaries regularly review and monitor the mix of fixed and variable rate bank borrowings in order to manage the interest rate risks.

ACQUISITIONS AND DISPOSALS (INCLUDING ANY SIGNIFICANT INVESTMENTS)

Please refer to the section headed "Investment regarding oil and gas assets in the U.S." above for the Company's investment regarding certain oil and gas assets in the U.S. and the section headed "Investment regarding LNG business along the industry chain" for the Company's investment regarding certain natural gas business in China and North America.

Save as disclosed above, the Company or its subsidiaries did not hold any significant investments in FY2017.

CHARGES ON ASSETS OF THE COMPANY AND ITS SUBSIDIARIES

As at 31 March 2018, the Company and its subsidiaries did not have any charges on assets (31 March 2017: Nil)

CONTINGENT LIABILITIES

Hongbo Mining was involved in a legal dispute with 北京炅湘鈺技術開發有限公司 (Beijing Jiongxiangyu Technology Development Co. Ltd.*) (the "**Claimant**"), the details of which can be found in the sections headed "History and Business of the PRC Target — Litigation" and note 31 of Section B to "Appendix III — Accountants' Report of the PRC Target" in the RTO Circular. The Supreme People's Court of the PRC ("**PRC Supreme Court**") issued a judgment on 19 June 2017 in the re-trial initiated by the Claimant (the "**Judgment**"). Pursuant to the Judgment, the PRC Supreme Court dismissed the Claimant's case against Hongbo Mining on the ground that the latter was not a contracting party to the agreement which was the subject matter of the dispute. The PRC Supreme Court also stated that the Judgment was a final judgment.

Save as disclosed above, so far as known to the Directors, as at 31 March 2018, there had been no other litigation, arbitration or claim of material importance in which the Company or its respective subsidiaries was engaged or pending or which as threatened against the Company or its respective subsidiaries.

COMMITMENTS

Capital commitments

As at 31 March 2018, the Company and its subsidiaries had capital commitments of HK$23.2 million (31 March 2017: HK$28.6 million) contracted but not provided for the acquisition of property, plant and equipment.

Operating lease commitments

As at 31 March 2018, the Company and its subsidiaries had operating lease commitments as lessee of HK$0.4 million (31 March 2017: HK$2.2 million).

DIVIDEND

The Directors do not recommend the payment of a final dividend for FY2017 (FY2016: Nil).

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed in FY2017.

EMPLOYEES

As at 31 March 2018, the Company and its subsidiaries had 113 (31 March 2017: 97) employees in Hong Kong and the PRC. In FY2017, the total staff costs (including the directors' emoluments) amounted to HK$33.0 million (FY2016: HK$18.7 million). Employees' remuneration package was reviewed periodically and determined with reference to the performance of the individual and the prevailing market practices. Employees' remuneration package includes basic salary, year-end bonus, medical and contributory provident fund.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares in FY2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance and has always recognised the importance of accountability, transparency and protection of Shareholders' interest in general. The Company has adopted the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own corporate governance policy, subject to amendments from time to time.

In the opinion of the Board, the Company had complied with the code provisions of the CG Code throughout FY2017, except for the CG Code provision A.2.1, which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During FY2017, Mr. Wang Jingbo was both the chairman of the Board and the chief executive officer of the Company. The Board is of the opinion that such arrangement does not result in undue concentration of power and is conducive to the efficient formulation and implementation of the Company's strategies thus allowing the Company to develop its business more effectively.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules to regulate the Directors' securities transactions.

Having made specific enquiries to all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout FY2017.

AUDIT COMMITTEE AND REVIEW OF RESULTS

The Audit Committee currently comprises two independent non-executive Directors, namely, Mr. Chau Shing Yim David (Chairman) and Mr. Shi Cen and one non-executive Director, namely, Mr. Lin Dongliang. The Audit Committee has adopted the terms of reference which are in line with the CG Code. The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Company and discussed the risk management and internal controls and financial reporting matters, including a review of the consolidated financial statements and the annual results of FY2017.

SUBSEQUENT EVENT AFTER THE END OF FINANCIAL YEAR

On 3 April 2018, the Company entered into a term sheet with the Goldman Sachs Finance Corp International Ltd (the "Issuer"), to subscribe for the 6-Month Quanto USD Participation Notes with a floating interest rate in the principal amount of US$50 million (equivalent to approximately HK$392.4 million) issued by the Issuer on 10 April 2018 (the "Notes"). The Notes are redeemable at 100% of the principal amount on the scheduled maturity date of 17 October 2018, with early redemption permitted in occurrence of certain events and in the manner as described in the terms and conditions of the Notes.

The Board believes that without affecting the Company's operational liquidity and fund security, appropriate short-term wealth management is conducive to enhancing the utilization of capital. By utilizing certain idle funds to subscribe for the Notes, the Company would balance its investment portfolio and increase its income from idle funds.

On 13 June 2018, the Company, through its subsidiary, completed the subscription for 56,444,500 shares to be allotted and issued by LNGL at an aggregate subscription price of A$28.2 million (equivalent to approximately HK$166.8 million). Upon completion of the LNGL Subscription, the Company holds 9.9% of the equity interests in LNGL and becomes the second largest shareholder of LNGL. The LNGL Subscription monies will principally be used in support of the ongoing downstream LNG offtake marketing efforts focusing on the Magnolia LNG project of LNGL and for general corporate purposes.

The Company believes that this strategic investment in LNGL will bring not only good financial returns for its Shareholders but also provide great competitive advantages for the Company to participate in the satisfaction of the rapidly growing need for natural gas in China. The Board believes that the LNGL Subscription is in line with the Company's investment strategy and will bring the Company synergies in the future.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Hong Kong Exchanges and Clearing Limited's website ("HKExnews website ") at **www.hkexnews.hk** and the Company's website at **www.irasia.com/listco/hk/idgenergy**.

The annual report for the FY2017 containing all the information required by Appendix 16 of the Listing Rules will be despatched to Shareholders and published on the HKExnews website and the Company's website in due course.

For the purpose of this announcement, unless otherwise indicated, exchange rates used are for the purpose of illustration only and do not constitute a representation that any amount has been, could have been or may be exchanged at such rate or any other rate or at all on the date or dates in question or any other date. In respect of information of exchange rates that have been previously disclosed in the Company's announcements, the same exchange rates as disclosed in the respective announcements have been used herein.

By order of the Board
IDG Energy Investment Group Limited
WANG Jingbo
Chairman and Chief Executive Officer

Hong Kong, 20 June 2018

As at the date hereof, the Board comprises seven Directors, of whom two are executive Directors, namely Mr. Wang Jingbo (Chairman and Chief Executive Officer), and Mr. Lee Khay Kok; two are non-executive Directors, namely Mr. Lin Dongliang and Mr. Shong Hugo; and three are independent non-executive Directors, namely Prof. Chen Zhiwu, Mr. Shi Cen, and Mr. Chau Shing Yim David.