IDG Energy Investment

IDG ENERGY INVESTMENT LIMITED
IDG能源投資有限公司*

(formerly known as "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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board (the "Board") of directors (the "Directors") of IDG Energy Investment Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 September 2018. The interim results of the Company and its subsidiaries are unaudited but have been reviewed by the audit committee of the Company (the "Audit Committee").

CORPORATE PROFILE

The Company is an investment holding company mainly engaged in global energy assets investment and management. The financial information of the Company is reported on a consolidated basis with portfolio companies controlled by it, whereas the Company's interests in other portfolio companies are mostly recognized as financial assets at fair value through profit or loss in the Company's financial statements.

As at 30 September 2018, the Company has invested in various energy portfolio companies, both in China and abroad, which include Hongbo Mining, Stonehold, JOVO, GNL Quebec, and LNGL etc., covering investments in upstream crude oil assets and strategic investments throughout LNG value chain.

- Hongbo Mining is a portfolio company wholly acquired by the Company in 2016. It is an operating company engaged in exploration, development, production and sales of crude oil in China with its gross sales volume of approximately 189,034 barrels, and gross revenue from sales of approximately HK$109.2 million for the six months ended 30 September 2018. The Company holds 100% equity interest in Hongbo Mining therefore Hongbo Mining's financial figures are fully consolidated to the Company's financial statements.

* *For identification purposes only*

- Stonehold, a portfolio company in the upstream sector invested by the Company by way of a structured transaction in 2017, owns a world-class shale oil block in Eagle Ford, Texas of the U.S. The total production and the revenue of Stonehold's assets for the first half of 2018 had reached approximately 613,000 boe and US$26.0 million, respectively. The Company invested in Stonehold through providing a Term Loan, where a fixed annual interest rate of 8% is recognized as financial assets at fair value through profit or loss in the Company's financial statements. In addition, the Company is also entitled to an amount equivalent to 92.5% of the disposal proceeds, which will also be recognized as fair value through profit or loss upon disposal of the underlying assets.

- JOVO, a LNG sector portfolio company invested by the Company in 2017, is principally engaged in clean energy businesses, including importing, processing and sale of the LNG and LPG in China. JOVO is the first private LNG receiving terminal operator in China and is one of the internationally recognized players in the LNG market, which imports over 1 million tons of LNG annually. The Company holds minority interest in JOVO, of which the financial results is recognized as financial assets at fair value through profit or loss in the Company's financial statements.

- GNL Quebec is another portfolio company invested by the Company along the LNG value chain. GNL Quebec owns and operates one of the largest Canadian LNG export terminals under development with planned capacity of 11 mmtpa. The Company holds minority interest in GNL Quebec, of which the financial results is recognized as financial assets at fair value through profit or loss in the Company's financial statements.

- LNGL, a listed company on the Australian Securities Exchange (ASX code: LNG), is another portfolio company that the Company recently invested. LNGL owns and operates a fully permitted greenfield LNG export terminal, the Magnolia LNG project, in Louisiana of the U.S., with the planned capacity of 8 mmtpa or greater and recognized as one of the most viable LNG projects in the U.S.. The Company is the second largest shareholder of LNGL, which holds 9.9% of the equity interest in LNGL. The financial results of LNGL is recognized as financial assets at fair value through profit or loss in the Company's financial statements.

- In September 2018, the Company announced its latest investment by entering into a joint venture agreement to form JUSDA Energy to be engaged in LNG logistics services using LNG ISO container model. The investment is in line with the Company's business and investment strategies and is another important investment along the LNG value chain, which the Company believes will not only bring good financial return for its Shareholders but also provide great advantages for the Company to meet the rapidly growing need for natural gas in China.

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.

Note: Terms used in this section have the same meanings as those defined in the subsequent sections of this interim results announcement.

FINANCIAL SUMMARY

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from sales of goods *(Note 1)*	**87,344**	53,961
Investment income *(Note 2)*	**79,054**	5,782
Subtotal	**166,398**	59,743
Total income from principal business activities, net of cost *(Note 3)*	**119,500**	15,105
EBITDA	**115,135**	19,389
Profit/(loss) before taxation	**79,314**	(19,281)
Profit/(loss) for the period	**74,842**	(24,637)
Basic earnings/(loss) per share (HK$ per share)	**1.230 cent**	(0.01)
Diluted earnings/(loss) per share (HK$ per share)	**1.035 cent**	(0.01)

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current assets	**2,493,630**	2,314,740
Current assets	**1,728,661**	1,948,721
Total assets	**4,222,291**	4,263,461
Current liabilities	**512,037**	287,003
Non-current liabilities	**158,354**	386,899
Total liabilities	**670,391**	673,902
Net assets	**3,551,900**	3,589,559

Note 1: The revenue from sales of goods for the six months ended 30 September of 2017 and 2018 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 (i) the investment income in the form of fair value gain from the investment in Liquefied Natural Gas Limited ("LNGL"), details of which are disclosed in the announcements of the Company dated 4 June 2018 and 13 June 2018, (ii) the 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% 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 United States ("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; and (iii) the investment income in the form of fair value gain from the other projects.

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 of the cost of sales of goods.

OPERATING SUMMARY

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Upstream oil and gas business from Hongbo Mining		
Gross production volume (barrels)	**191,653**	184,310
Gross sales volume (barrels)	**189,034**	181,501
Net sales volume (barrels)	**151,227**	145,201
Average unit selling price (HK$ per barrel) *(Note 1)*	**578**	372
Average daily gross production volume (barrels)	**1,065**	1,024
Average unit production cost before depreciation and amortisation (HK$ per barrel) *(Note 1)*	**117**	99
Average unit production cost (HK$ per barrel) *(Note 1)*	**245**	243
Wells drilled during the period		
Dry holes (unit)	**–**	–
Oil producers (unit) *(Note 2)*	**12**	19
Fracturing workover during the period (unit)	**4**	–
Key investment income		
LNGL investment *(Note 3)*	**52,467**	–
Stonehold investment *(Note 3)*	**46,471**	5,059

Note 1: Hongbo Mining is a subsidiary of the Company engaged in exploration, development, production and sale of crude oil in China. 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 attributable 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.

Note 2: During the six months ended 30 September 2018, Hongbo Mining had drilled 12 wells which had been completed as at 30 September 2018.

Note 3: Please refer to Note 5 to the unaudited financial results and the section headed "Business Review" in this interim results announcement for further information.

FINANCIAL AND BUSINESS HIGHLIGHTS

For the six months ended 30 September 2018, the Company and its subsidiaries made strong progress in terms of financial results and business operations.

Significant increase in investment income and EBITDA

The investment income increased to HK$79.1 million for the six months ended 30 September 2018 from HK$5.8 million for the six months ended 30 September 2017. The increase of investment income is primarily attributable to (i) the fair value change gain on the newly invested LNGL project, and (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..

The EBITDA increased to HK$115.1 million for the six months ended 30 September 2018 from HK$19.4 million for the six months ended 30 September 2017. The increase of EBITDA is primarily attributable to (i) the recovery of crude oil prices since the second half of year 2017, which led to an increase in the revenue of Hongbo Mining, a wholly-owned subsidiary of the Company, and (ii) the increase of investment income as stated above.

Business development

The Company made further investments along the liquefied natural gas (“LNG”) value chain during the six months ended 30 September 2018, and had successfully developed a more diversified and balanced investment portfolio through selective investments regarding energy assets at home and abroad.

1. Investment in LNGL

On 13 June 2018, the Company, through its subsidiary, completed the subscription for 56,444,500 shares allotted and issued by 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 Investment”). Upon completion of the LNGL Investment, the Company holds 9.9% of the equity interests in LNGL and becomes the second largest shareholder of LNGL.

The Company believes that this strategic investment in LNGL will bring not only good financial returns for its shareholders (“Shareholders”) but also provide great competitive advantages for the Company to participate in the opportunity of satisfying the rapidly growing need for natural gas in China.

2. **Further investment in GNL Quebec**

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 "GNL Quebec") at the purchase price of US$3.15 million (equivalent to approximately HK$24,633,000) (the "GNL Quebec Investment"). All conditions precedent in the Agreement of Purchase and Sale had been satisfied and the completion of the GNL Quebec Investment took place on 7 February 2018. Upon completion of the GNL Quebec Investment, the Company holds a minority interest in GNL Quebec.

Based on the smooth progress from the project, on 26 July 2018, the Company, through its subsidiary, invested another US$1 million (equivalent to approximately HK$7,800,000) to support the ongoing development.

3. **Investment in JUSDA Energy**

On 25 September 2018, the Company, through one of its wholly-owned subsidiaries, entered into the agreement for a joint venture (the "JV Agreement") with JUSDA Supply Chain Management International CO., LTD. (準時達國際供應鏈管理有限公司) ("JUSDA") and the management team (the "Management"), in relation to the formation of Shanghai JUSDA Energy Co. Ltd. (上海準時達能源供應鏈有限公司) ("JUSDA Energy"), to be engaged in LNG logistics services.

JUSDA Energy will benefit from the extensive network of natural gas resources of the Company, which will give its customers access to LNG resources in the North America and the Asia Pacific Region. JUSDA, as the sole logistics chain management platform designated under Foxconn Technology Group, has a wide container transportation network and strong bargaining power among the industry, which will provide strong support to JUSDA Energy in improving its LNG logistics services and reducing relevant costs.

For details of the financial results and business operations of the Company and its subsidiaries during the six months ended 30 September 2018 and the relevant analysis, please refer to the section headed "Business Review" in this interim results announcement.

Note: 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.

FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018 — UNAUDITED
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2018	2017 *(Note)*
	Note	***HK$'000***	*HK$'000*
Revenue from sales of goods		**87,344**	53,961
Cost of sales of goods		**(46,898)**	(44,638)
		40,446	9,323
Investment income		**79,054**	5,782
Total income from principal business activities, net of cost	*5*	**119,500**	15,105
Administrative expenses		**(33,302)**	(27,707)
Taxes other than income tax		**(8,428)**	(3,631)
Exploration expenses, including dry holes		**(983)**	(529)
Profit/(loss) before net finance income/(costs) and taxation		**76,787**	(16,762)
Finance income		**15,799**	9,371
Finance costs		**(13,272)**	(11,890)
Net finance income/(costs)	*6(a)*	**2,527**	(2,519)
Profit/(loss) before taxation	*6*	**79,314**	(19,281)
Income tax	*7*	**(4,472)**	(5,356)
Profit/(loss) for the period		**74,842**	(24,637)
Earnings/(loss) per share	*8*		
Basic		**HK$1.230 cent**	HK$(0.01)
Diluted		**HK$1.035 cent**	HK$(0.01)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018 — UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2018	2017
		(Note)
	HK$'000	*HK$'000*
Profit/(loss) for the period	**74,842**	(24,637)
Other comprehensive income for the period (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)	**(10,922)**	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
— financial statements of overseas subsidiaries	**(46,571)**	10,451
Other comprehensive income for the period	**(57,493)**	10,451
Total comprehensive income for the period	**17,349**	(14,186)

Note: The Group has initially applied HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2018 — UNAUDITED

(Expressed in Hong Kong dollars)

	Note	**At 30 September 2018** *HK$'000*	At 31 March 2018 *(Note)* *HK$'000*
Non-current assets			
Property, plant and equipment		**589,308**	622,774
Construction in progress		**30,419**	12,509
Intangible assets		**25,942**	28,943
Lease prepayments		**9,922**	11,057
Financial assets at fair value through profit or loss	*9*	**1,760,903**	1,550,377
Financial assets at fair value through other comprehensive income		**45,447**	56,369
Other non-current assets		**31,689**	32,711
		2,493,630	2,314,740
Current assets			
Inventories		**5,495**	7,294
Trade receivables	*10*	**43,956**	44,820
Other receivables	*10*	**29,887**	82,404
Financial assets at fair value through profit or loss	*9*	**458,140**	26,515
Derivative financial instruments		**63**	1,285
Cash and cash equivalents	*11*	**1,191,120**	1,786,403
		1,728,661	1,948,721
Current liabilities			
Trade and other payables	*12*	**273,104**	284,730
Derivative financial instruments		**–**	2,273
Convertible note	*14*	**238,933**	–
		512,037	287,003
Net current assets		**1,216,624**	1,661,718
Total assets less current liabilities		**3,710,254**	3,976,458

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2018 — UNAUDITED
(Expressed in Hong Kong dollars)

	Note	**At 30 September 2018** **HK$'000**	At 31 March 2018 *(Note)* *HK$'000*
Non-current liabilities			
Convertible bonds	*13*	**70,327**	67,148
Convertible note	*14*	**–**	234,187
Deferred tax liabilities		**27,360**	25,358
Provisions		**48,059**	56,592
Derivative financial instruments		**12,608**	3,614
		158,354	386,899
NET ASSETS		**3,551,900**	3,589,559
CAPITAL AND RESERVES			
Share capital	*15(b)*	**60,478**	60,944
Reserves		**3,491,422**	3,528,615
TOTAL EQUITY		**3,551,900**	3,589,559

Note: The Group has initially applied HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

IDG Energy Investment Limited (formerly known as 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 Unit 5507, 55/F., The Center, 99 Queen's Road Central, Hong Kong.

Pursuant to a special resolution in relation to the change of company name passing at the special general meeting of the Company on 9 July 2018, the name of the Company was changed from IDG Energy Investment Group Limited to IDG Energy Investment Limited with effect from 20 July 2018.

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, these interim condensed consolidated financial statements have been prepared as a continuation of the financial statements of Hongbo Mining, and the results of the Company have been consolidated since the completion date of the Reverse Takeover Transaction.

During the six months ended 30 September 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 upstream oil and gas and other related businesses.

At 30 September 2018, the directors consider the immediate parent of the Group to be Titan Gas, incorporated in the British Virgin Islands, which is 75.73% held by Titan Gas Technology Holdings Limited. Titan Gas Technology Holdings Limited is owned as to 35.13% by Standard Gas Capital Limited, 49.14% by IDG-Accel China Capital II L.P. and IDG-Accel China Capital II Investors L.P., 8.05% by Mr. Wang Jingbo and 6.87% by Kingsbury International Holdings Co., Ltd., 0.73% by Zhang Weiwei and 0.08% by Bryce Wayne Lee.

2 BASIS OF PREPARATION

The interim financial information 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 since 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 period's presentation.

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 27 November 2018.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2018, except for the accounting policy changes that are expected to be reflected in annual financial statements for the year ending 31 March 2019. Details of any changes in accounting policies are set out in Note 3.

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

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries since the annual financial statements for the year ended 31 March 2018. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. The Group has early adopted HKFRS 9, *Financial Instruments* in the annual financial report ended 31 March 2018. The development of HKFRS 15, *Revenue from contracts with customers* is relevant to the Group's financial statements.

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

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The adoption of HKFRS 15 does not have any material impact on the financial position and the financial results of the Group.

4 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 upstream oil and gas and other 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.

5 TOTAL INCOME FROM PRINCIPAL BUSINESS ACTIVITIES, NET OF COST

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Revenue from sales of goods *(note (a))*	**87,344**	53,961
Cost of sales of goods	**(46,898)**	(44,638)
	40,446	9,323
Investment income *(note (b))*	**79,054**	5,782
Total income from principal business activities, net of cost	**119,500**	15,105

(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 in the PRC. 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

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Stonehold investment *(note (i))*	**46,471**	5,059
JOVO investment *(note (i))*	**(8,392)**	–
GNL Quebec investment *(note (i))*	**7,009**	–
Trading securities listed in the US *(note (i))*	**1,184**	723
Notes *(note (i))*	**(1,579)**	–
LNGL investment *(note (i))*	**52,467**	–
Dividend income	**1,938**	–
Net realised and unrealised losses on derivative financial instruments *(note (ii))*	**(20,044)**	–
	79,054	5,782

Notes:

(i) These amounts represent fair value changes on the Stonehold investment, JOVO investment, GNL Quebec investment, trading securities listed in the US, Notes and LNGL investment during the period ended 30 September 2018. Such assets are measured at FVTPL (see note 9), 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 contracts and crude oil price swap contracts held for risk management purpose. The derivative financial instruments are measured at FVTPL.

6 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after crediting/(charging):

(a) Net finance income/(costs)

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Interest income	**13,026**	2,703
Net gain on bank financing products	**915**	17
Changes in fair value on the derivative component of convertible note	**1,858**	2,317
Foreign exchange (loss)/gain, net	**(1,662)**	4,203
Gain on modifications of terms of convertible bond	**–**	131
Interest on bank and other borrowings	**–**	(1,719)
Interest expenses on convertible bonds and convertible note	**(10,267)**	(9,085)
Others	**(1,343)**	(1,086)
	2,527	(2,519)

(b) Other items

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Amortisation	**2,300**	2,171
Depreciation	**23,254**	25,695
Operating leases charges: minimum lease payments — buildings	**209**	942

7 INCOME TAX

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Deferred tax		
— Origination and reversal of temporary differences	**4,472**	5,356

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 does not have any estimated assessable income arising in Hong Kong or the PRC for both the current and prior period.

8 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$74,842,000 (six months ended 30 September 2017: loss HK$(24,637,000)) and the weighted average of 6,083,709,000 ordinary shares (six months ended 30 September 2017: 1,853,430,000 shares) in issue during the interim period.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the period ended 30 September 2018 is based on the profit attributable to ordinary equity shareholders of the Company of HK$77,901,000 and the weighted average number of 7,524,669,000 ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 September 2017 in respect of a dilution as the impact of the convertible bonds, convertible note and preferred shares had an anti-dilutive effect on the basic loss per share amounts presented.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2018 *HK$'000*	At 31 March 2018 *HK$'000*
Non-current assets		
Stonehold investment *(note (i))*	**1,372,172**	1,389,206
JOVO investment *(note (ii))*	**120,760**	129,152
GNL Quebec investment *(note (iii))*	**46,828**	32,019
LNGL investment *(note (iv))*	**221,143**	–
	1,760,903	1,550,377
Current assets		
Notes *(note (v))*	**390,886**	–
Trading securities listed in the US	**12,635**	11,451
Bank financing products	**54,619**	15,064
	458,140	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 to Stonehold (the "Stonehold investment") 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 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.

By the end of current reporting period, the total payment of the Stonehold investment with an amount of US$170.0 million (approximately HK$1,330.1 million) has been released to Stonehold. Under the Credit agreement, the Stonehold investment 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 Stonehold investment. The maturity date of Stonehold investment is 10 years after the initial payment of the Stonehold investment.

Stonehold holds the unconventional shale oil and gas assets in the Eagle Ford core region in the U.S.

(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 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 LNG and LPG.

(iii) On 30 November 2017, Golden Libra Investment Limited ("Golden Libra"), 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 "GNL Quebec") at the purchase price of US$3.15 million (equivalent to approximately HK$24,633,000). The completion of the acquisition took place on 7 February 2018.

On 26 July 2018, Golden Libra invested another US$1 million (equivalent to approximately HK$7,800,000) in GNL Quebec to support ongoing development.

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

(iv) On 2 June 2018, the Company entered into a subscription agreement with Liquefied Natural Gas Limited ("LNGL"), which is listed in Australia, pursuant to which the Company has agreed to subscribe for, and LNGL has agreed to issue, 56,444,500 ordinary shares of LNGL at an aggregate subscription price of A$28.2 million (equivalent to approximately HK$166.8 million). Upon completion of the subscription, the Company held 9.9% of the equity interests in LNGL and became the second largest shareholder of LNGL. The completion of the subscription took place on 13 June 2018.

LNGL owns and operates a fully permitted greenfield LNG export terminal, the Magnolia LNG project, in Louisiana of the U.S., with planned capacity of 8 mmtpa or greater and recognized as one of the most viable LNG projects in the U.S.

(v) On 3 April 2018, the Company entered into a term sheet with 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.

10 TRADE AND OTHER RECEIVABLES

	At 30 September 2018 *HK$'000*	At 31 March 2018 *HK$'000*
Within 1 month	**22,816**	18,647
1 to 6 months	**21,140**	26,173
Trade receivables	**43,956**	44,820
Other receivables	**5,804**	50,510
Prepayment to suppliers	**8,429**	16,202
Deposit for derivative financial instruments investment	**15,654**	15,692
	73,843	127,224

11 CASH AND CASH EQUIVALENTS

	At 30 September 2018 *HK$'000*	At 31 March 2018 *HK$'000*
Deposit with banks	**951,834**	1,131,847
Cash at bank and in hand	**239,286**	654,556
	1,191,120	1,786,403

12 TRADE AND OTHER PAYABLES

	At 30 September 2018 *HK$'000*	At 31 March 2018 *HK$'000*
Within 1 year	**74,748**	71,422
Over 1 year but within 2 years	**22,496**	26,944
Over 2 years but within 3 years	**16,485**	2,314
Over 3 years	**18,178**	20,014
Trade payables	**131,907**	120,694
Taxes other than income tax	**12,965**	12,542
Guarantee deposit	**39,775**	43,682
Payable due to Shanxi Yanchang Petroleum (Group) Company Limited (Yanchang Oil Mineral Administrative Bureau)	**68,674**	83,767
Others	**19,783**	24,045
	273,104	284,730

13 CONVERTIBLE BONDS

As at 29 July 2016, the convertible bonds originally had a 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 bonds, 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 bond at an effective interest rate of 10.88% per annum.

On 25 September 2017, Tanisca Investment 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.

On 22 August 2018, Titan Gas transferred part of the Convertible Bonds to three entities with the nominal value of HK$16,832,526.

14 CONVERTIBLE NOTE

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.

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No dividends were paid, declared or proposed during the six months ended 30 September 2018 and 2017.

(b) Share capital

	Ordinary shares		Preferred shares		Total	
	Number of shares '000	*Nominal value HK$'000*	*Number of shares '000*	*Nominal value HK$'000*	*Number of shares '000*	*Nominal value HK$'000*
Shares of HK$0.01 each						
Authorised:						
At 1 April 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 and 30 September 2018	11,000,000	110,000	5,000,000	50,000	16,000,000	160,000
Issued, paid or payable:						
At 1 April 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	–	–	(100,000)	(1,000)	(100,000)	(1,000)
Conversion of preferred shares *(note (ii))*	2,259,540	22,595	(2,259,540)	(22,595)	–	–
At 30 September 2017	4,221,035	42,210	388,369	3,884	4,609,404	46,094
Conversion of preferred shares *(note (ii))*	388,369	3,884	(388,369)	(3,884)	–	–
Issue of ordinary shares *(note (iii))*	1,485,000	14,850	–	–	1,485,000	14,850
At 31 March 2018	6,094,404	60,944	–	–	6,094,404	60,944
Purchase of own shares *(note (iv))*	(46,600)	(466)	–	–	(46,600)	(466)
At 30 September 2018	6,047,804	60,478	–	–	6,047,804	60,478

Notes:

(i) 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) 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.

(iii) 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.

(iv) During the six months ended 30 September 2018, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		HK$	*HK$*	*HK$'000*
July 2018	42,024,000	1.25	1.03	49,414
August 2018	4,576,000	1.25	1.20	5,594
	46,600,000			55,008

All the repurchased shares were cancelled by the Company upon such repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on the repurchase was charged against the share premium account.

16 COMMITMENT

(a) Capital commitment outstanding not provided for in the interim financial information is as follows:

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
Contracted, but not provide for:		
— property, plant and equipment	**7,273**	23,150

(b) As at the respective reporting period end dates, total future minimum lease payments under non-cancellable operating leases payable are as follows:

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
Within 6 months	**674**	376
After 6 months but within 1 year	**754**	–
After 1 year but within 5 years	**4,418**	–
	5,846	376

17 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to directors and certain of the highest paid employees, is as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Short-term employee benefits	**4,324**	4,082
Post-employment benefits	**122**	109
	4,446	4,191

(b) Transactions with other related parties

Apart from the transactions disclosed elsewhere in this interim financial information, there were following material transactions with related parties during the reporting period.

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
With the immediate holding company		
— increase in interest payable on convertible bonds *(note (i))*	**(468)**	(484)
— interest paid on the convertible bonds	**–**	1,004

Note:

(i) Interest on the convertible bonds was payable to Titan Gas at 1% per annum. As at 30 September 2018, Titan Gas held the Company's convertible bonds with principal amount of HK$80,000,000. Details of the transaction and the terms of the convertible bonds were disclosed in note 13.

The outstanding balances with related parties are as follows:

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
Trade and other payables		
— immediate holding company	**1,082**	614
Convertible bonds (liability component)		
— immediate holding company	**58,102**	67,148

BUSINESS REVIEW

Principal activities of the Company and its subsidiaries

The Company is an investment holding company and its principal activity 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, LNG importing, processing and sales, as well as LNG logistics services.

Summary of key investment portfolios

1. *Investment in upstream crude oil assets*

The Company had made an acquisition of an upstream crude oil asset in 2016 at favorable costs and completed the investment in another upstream shale oil project in 2017. Benefiting from the operation improvement and recovering of oil prices, the net present value of the oilfield assets increased significantly.

1.1 Hongbo Mining Investment

Hongbo Mining, one of the upstream portfolios, is the Company's wholly-owned subsidiary and is engaged in exploration, development, production and sale of crude oil in China. The Company completed the acquisition of Hongbo Mining in July 2016 at the consideration of RMB558.88 million (equivalent to approximately HK$652 million).

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), respectively. 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 for a term of two years after expiration. Block 212 had obtained from the Ministry of Land and Resources of China a 15 years valid production permit covering Unit 2 and Unit 19 and other areas in May 2017. As at 30 September 2018, the exploration permit in respect of other areas of Block 212 remained to be valid.

Starting from the 2017 financial year, the upstream oil industry experienced a substantial business cyclical upturn. As at 30 September 2018, the Brent Crude oil price reached US$78.9 (equivalent to HK$617) per barrel. In view of the optimistic oil price trend, Hongbo Mining drilled 12 wells during the six months ended 30 September 2018 (including 3 wells drilled from the end of March 2018), all of which were successfully completed and had achieved the anticipated target formations with a success rate of 100%.

As a result, Hongbo Mining's oil production volume increased by approximately 4.0% to approximately 191,653 barrels; gross and net oil sales volume increased by approximately 4.2% to approximately 189,034 barrels and 151,227 barrels, respectively, and gross and net revenue from sales of crude oil increased by approximately 61.9% to approximately HK$109.2 million and HK$87.3 million, respectively, as compared with the six months ended 30 September 2017.

The average unit production cost remained stable at approximately HK$245 per barrel (equivalent to US$31.2 per barrel) and approximately HK$243 per barrel (equivalent to US$31.1 per barrel) for the six months ended 30 September 2018 and 2017, respectively. Besides, as the industry recovers the cost of various operation services will normally increase. Accordingly, the average unit production cost before depreciation and amortization increased by HK$18 per barrel, or approximately 18.6%, from HK$99 per barrel (equivalent to US$12.4 per barrel) for the six months ended 30 September 2017 to HK$117 per barrel (equivalent to US$15.0 per barrel) for the six months ended 30 September 2018.

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

	Six months ended 30 September	
	2018	2017
Average daily gross production volume (barrels)	**1,065**	1,024
Average daily gross sales volume (barrels)	**1,050**	1,008
Average unit production cost before depreciation and amortisation (HK$ per barrel)	**117**	99
Average unit production cost (HK$ per barrel)	**245**	243
Average unit selling price (HK$ per barrel)	**578**	372

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

	Summary of expenditures incurred for the six months ended 30 September			
	2018		2017	
	Number	**Cost *(HK$'000)* (Unaudited)**	Number	Cost *(HK$'000)* (Unaudited)
Wells drilled during the period				
Oil producers *(Note)*	**12**	**58,780**	19	83,525
Total	**12**	**58,780**	19	83,525
Fracturing workover	**4**	**1,791**	–	–
Geological and geophysical costs	**–**	**983**	–	529

Note: During the six months ended 30 September 2018, Hongbo Mining had successfully drilled 12 wells (including 3 wells drilled from the end of March 2018). As at 30 September 2018, all of the 12 wells had been completed.

1.2 Stonehold Investment

The Company had widened its global footprint in the upstream oil sector by successfully completing the investment in Stonehold in September 2017 by way of a structured transaction.

Stonehold holds certain world-class unconventional shale oil and gas assets, covering approximately 25,366 gross acres (9,735 net acres) across Dimmit and La Salle counties in the Eagle Ford region of South Texas of U.S.. The area of the target assets (the "Target Assets") is liquid-rich, and the majority of the reserves are crude oil and natural gas liquid. Based on the information provided by Stonehold, the Target Assets consist of 183 producing wells currently, and the total net production and revenue of the Target Assets for the first half of year 2018 were approximately 613,000 boe[Note] and US$26.0 million, respectively.

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 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 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.. 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 (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% 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 as well as relevant fees and expenses. The Term Loan is secured, and shall be payable to the Company and Think Excel in full on the maturity date, which falls 10 years after 26 September 2017.

On the same date of the Credit Agreement, Stonehold entered into an acquisition agreement (the "Acquisition Agreement") with Stonegate Production Company, LLC ("Stonegate"), pursuant to which, Stonegate has conditionally agreed to sell and Stonehold has conditionally agreed to purchase the Target Assets. All Target Assets are non-operated oil and gas assets of Stonegate (the "Stonegate Acquisition").

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, 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.

During the period, oil market has shown a very positive sign of recovery with global inventory dropped below 5-year average. With the demand getting close to 100mbbl/day, the Company believes that the market has shifted into a balanced state with steadily growing price, which will create great value for upstream assets globally. Accordingly, Stonehold drilled more wells following the uprising oil price and effectively controlled the operation cost in order to turn more proved undeveloped ("PUD") reserves to proved developed producing ("PDP") reserves. Based on the information provided by Stonehold, efficient cost control has resulted in a cash cost, which includes all operating costs and general administrative expenses of below US$13 per boe for the Target Assets.

The income generated from the Term Loan in the form of interest income has provided the Company a stable and considerable revenue with an amount of US$6.8 million for the six months ended 30 September 2018. 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 in an amount equivalent to 92.5% of any disposal proceeds which will go to the Company under the Credit Agreement .

For details of the Term Loan and the Credit Agreement, please refer to 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 published on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (http://www.hkexnews.hk/).

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

2. *Investment regarding LNG business along the value chain*

To roll 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.

From the 2017 financial year, the Company had stepped into the LNG industry with a focus on Chinese domestic market with the strong belief that natural gas will be the most attractive energy sector in China. The natural gas market in China has continuously grown in 2018, with first eight months' consumption increased by 18.2% as compared to the same period of 2017. On the supply side, natural gas imports have increased by 38.9% for the first eight months as compared to the same period of 2017. The Company will continuously search for investment opportunities in order to capture the opportunities brought by the growing Chinese natural gas market.

2.1 JOVO Investment

On 28 July 2017, Valuevale Investment Limited, a wholly-owned subsidiary of the Company, 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 LNG and liquefied petroleum gas ("LPG") in China, at the consideration of RMB100 million (equivalent to approximately HK$115.2 million).

According to the information provided by JOVO, JOVO's operational performance remained robust in 2017, with its revenue increased by 41% to RMB10,520.0 million and net income increased by 17% to RMB329.2 million. In regard to the LNG product, JOVO had delivered 973,000 tons to end-users which represents a 42% increase as compared to 2016. As the first non-state-owned LNG receiving terminal operator in China, JOVO has successfully captured the opportunities in the rapidly growing gas market, and helped relieving the supply pressure in the fourth quarter of 2017 by importing more LNG. JOVO is planning to steadily increase utilization rate of its terminal, which currently has a 2 mmtpa capacity.

In September 2018, JOVO filed documents for its initial public offering (IPO) in China, which the Company believes will not only provide good returns for its shareholders, but also carry the investment of the Company to a new level. JOVO plans to use proceeds from IPO to purchase two state-of-art mid-size LNG vessels. This will further expand its LNG business in terms of volume and coverage area.

The Company believes that JOVO's performance is in line with its expectation and the high demand of gas supply in China will keep JOVO growing at a fast speed. Also, being internationally recognized, JOVO is expanding its business to South East Asian region and trying to apply its successful business model over there.

2.2 GNL Quebec Investment

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 GNL Quebec 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 GNL Quebec Investment took place on 7 February 2018. Upon completion of the GNL Quebec Investment, the Company holds minority interest in GNL Quebec. On 26 July 2018, the Company made a subsequent investment of US$1 million (equivalent to approximately HK$7,800,000) to support the project's ongoing development.

* *for identification purposes only*

According to the information provided by GNL Quebec, GNL Quebec, through its wholly-owned subsidiary, is developing a state-of-the-art LNG export terminal project with planned capacity of 11 mmtpa, Energie Saguenay, in Quebec of Canada. The project has achieved numerous enhancements which mainly include 1) reassessing the facility's layout by moving it farther away from the Saguenay River and aligning the infrastructure to minimize its visual impact and footprint; 2) introducing innovative approaches to mitigate nighttime light emissions; 3)applying technological improvements, such as substituting the traditional elevated flare stacks, which can be over 100 meters tall, with a confined ground-level flare to reduce visual impacts, etc. The environmental impact study of the project will be completed in a near future and be submitted to both the federal and provincial governments.

Construction of the plant and the gas pipeline of the project is expected to start in the first and third quarter of 2021, respectively.

2.3 LNGL Investment

On 13 June 2018, the Company, through its subsidiary, completed the subscription for 56,444,500 shares allotted and issued by 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). Upon completion of the LNGL Investment, the Company holds 9.9% of the equity interests in LNGL and becomes the second largest shareholder of LNGL. The LNGL Investment monies were principally used to support the ongoing downstream LNG offtake marketing efforts focusing on the Magnolia LNG project of LNGL and for general corporate purposes.

According to the information provided by LNGL, the Magnolia LNG project, located in Lake Charles of Louisiana, the U.S., with planned capacity of 8 mmpta or greater, is recognized as one of the most viable greenfield LNG projects in the U.S.. It has obtained all required U.S. Federal Energy Regulatory Commission and U.S. Department of Energy permits and approvals. LNGL has focused on signing long-term off-taking contracts for Magnolia LNG project. While trade issues with the Chinese market impact the process temporarily, its negotiations with customers in other parts of the world remain smoothly. This trade tensions over the past months caused some headwinds for LNG transactions. However, LNGL remains hopeful in bringing a final investment decision ("FID") for Magnolia LNG project in the first half of 2019. The other project of LNGL, Bear Head LNG, continues to progress in a positive direction with productive discussions with Western Canada resource holders. The recent FID for LNG Canada in the market has brought additional attention to the need for LNG export projects on Canada's coasts, and the LNGL management team believes that Bear Head is the next best option.

2.4 JUSDA Energy Investment

On 25 September 2018, the Company, through one of its wholly-owned subsidiaries, has entered into the JV Agreement with JUSDA and the Management, in relation to the formation of JUSDA Energy, to be engaged in LNG logistics services.

JUSDA Energy will benefit from the extensive network of natural gas resources of the Company, which will give its customers access to LNG resources in the North America and the Asia Pacific Region. JUSDA, as the sole logistics chain management platform designated under Foxconn Technology Group, has a wide container transportation network and strong bargaining power among the industry, which will provide strong support to JUSDA Energy in improving its LNG logistics services and reducing relevant costs.

The Company believes that the GNL Quebec Investment, the LNGL Investment and the JUSDA Energy Investment perfectly match the business strategy of the Company and, together with the existing investments (JOVO Investment), have achieved the first step of the key layout of natural gas import and export, and will bring the Company not only good financial returns but also great competitive advantages to participate in the opportunity of satisfying the rapidly growing need for natural gas in China.

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, 8 February 2018, 4 June 2018, 13 June 2018 and 25 September 2018 published on the website of the Stock Exchange (http://www.hkexnews.hk).

Use of proceeds from the Subscription and the CN Subscription

On 29 July 2016 (the "Completion Date"), the Company completed the reverse takeover transaction (the "RTO") 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.

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 30 September 2018:

Transaction	**Gross proceeds** *(HK$ million)*	**Amount received as at 30 September 2018** *(HK$ million)*	**Amount receivable as at 30 September 2018** *(HK$ million)*	**Intended use of proceeds as disclosed in the RTO circular dated 29 June 2016 (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 30 September 2018**
Subscription	2,690	2,626 *(Note 1)*	Nil *(Note 1)*	— approximately HK$60 million for 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$400 million to finance the 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$450 million for exploration and development of other areas in Block 212; — approximately HK$115 million to finance the operating expenses of Hongbo Mining as well as the Company and its subsidiaries; and — 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$66 million for the payment of the transaction expenses; — approximately HK$652 million for 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$800 million to finance the development plan of the currently explored areas in Block 212 *(Notes 1 and 2)*; — approximately HK$111 million to finance the operating expenses of Hongbo Mining as well as the Company and its other subsidiaries *(Note 2)*; 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$66 million was used to settle the payment of the transaction expenses; — approximately HK$652 million was used to settle the payment of the consideration for the Acquisition; — approximately HK$146 million was used for repayment of Hongbo Mining's outstanding payables and borrowings; — approximately HK$88 million was used for the development work in Block 212 *(Note 1)*; — approximately HK$69 million was used for the general working capital of the Company and its subsidiaries — approximately HK$661 million, together with HK$465 million from unutilized proceeds of development of Unit 2 and Unit 19 of Block 212, totaling HK$1,126 million was used for the provision of the Term Loan *(Note 2)*; and — 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.

Transaction	Gross proceeds *(HK$ million)*	Amount received as at 30 September 2018 *(HK$ million)*	Amount receivable as at 30 September 2018 *(HK$ million)*	Proposed use of proceeds as disclosed in the RTO Circular	Proposed 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 30 September 2018
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$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$200 million to expand the business of the Company and its subsidiaries by investment in other oil and gas companies or projects *(Note 2)*; and — 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$200 million was used in respect of the provision of the Term Loan *(Note 2)*; and — 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. 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, among which, an amount of HK$88 million had been utilized with a remaining balance of HK$648.39 million under such use. As at 30 September 2018, save for the 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.

2. As disclosed in the section headed "Stonehold investment", 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. In order to finance the Term Loan under the Credit Agreement, the Company has made the following arrangements for the use of proceeds (after the reallocation as announced on 8 March 2017):

   (1) extend 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 Company'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 was not required for any then immediate use and (ii) an amount of HK$60.5 million planned to be used as working capital which was not required for any then immediate use for making the payment under the Term Loan on closing of the Stonegate Acquisition and replenish them with repayment from Stonehold after it has obtained further financing. As at the date of this interim results announcement, the negotiation with commercial banks for obtaining 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.

As at 30 September 2018, an aggregate amount of HK$2,516 million of the proceeds from the Subscription and the CN Subscription had been utilized and there was an outstanding utilized amount of HK$360 million, which the Company intends to utilize pursuant to the intended use of proceeds (after the change as announced on 8 March 2017 and the further change as announced on 27 September 2017) as set above in upcoming financial years. The Company will, from time to time, taking into account the investment opportunities arising from domestic and overseas markets, assess and evaluate the business needs 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 "Stonehold Investment" and the announcements of the Company dated 8 March 2017, 15 August 2017, 27 September 2017 and 28 February 2018 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/).

Use of proceeds from the Foxconn Subscription

On 22 January 2018, the Company received an aggregate subscription price of HK$1,485 million from Foxconn Technology Pte. Ltd., High Tempo International Limited, World Trade Trading Limited, Q-Run Holdings Limited, and Q-Run Far East Corporation (collectively known as the "Foxconn Subscribers") and issued to each of the Foxconn Subscribers 297,000,000 subscription shares at the subscription price of HK$1.00 per subscription share totalling 1,485,000,000 subscription shares in accordance with the terms and conditions of the subscription agreement (the "Foxconn Subscription").

For details of the Foxconn Subscription, please refer to the announcements of Company dated 13 December 2017 and 22 January 2018 and the circular of the Company dated 23 December 2017 published on the website of the Stock Exchange (http://www.hkexnews.hk/).

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

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

1. 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 China and in North America (including but not limited to LNG export terminal projects in Canada, LNG receiving terminal projects in China, companies engaged in importing, processing and sale of LNG, and city gas companies or natural gas distribution companies in China), among which HK$257.7 million had been utilized for investments in the natural gas industry as at 30 September 2018;

2. 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 30 September 2018; and

3. 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 30 September 2018.

As at 30 September 2018, an aggregate amount of HK$257.7 million had been utilized for investments in the natural gas industry pursuant to the intended use. As for the remaining unutilized amount of HK$1,225.3 million the Company intends to follow the abovementioned intended uses in the upcoming financial years. The Company will, from time to time, after taking into account the investment opportunities, the business needs and the optimal plan for financial resources allocation, strengthen the efficiency and effectiveness of the use of proceeds and make further announcements as and when appropriate.

Subscription of notes

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 afloating 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 Notes have been fully redeemed on 17 October 2018.

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.

For details of the above transaction, please refer to the Company's announcements dated 3 April 2018 published on the website of the Stock Exchange (http://www.hkexnews.hk).

OUTLOOK

The Company seeks to achieve superior risk-adjusted returns by making privately negotiated investments in the energy sector, with dedicated investment professionals focusing exclusively on energy but analyzing opportunities across sub-sectors, geographies, and the capital structure. The Company endeavours to leverage its expertise to build differentiated businesses in parts of the energy value chain where we see value. The Company's current portfolios are primarily within the areas of oil upstream assets and LNG business in the energy sector.

Oil prices experienced their first sustained period above $60 per barrel since the market downturn in 2014. This reflects a tighter global market following five years of strong global oil demand growth and supply reductions resulting from geopolitical instability and Organization of Petroleum Exporting Countries (OPEC) actions. The improved market fundamentals are supportive for oil upstream companies optimizing the economics and growing their value. The Company's two upstream portfolios were both benefiting from the bullish market environment and continuing to perform well operationally. The Company will remain focused on growing our Shareholder value in two principal ways. On one hand the Company seeks to drive operational improvements and identify attractive growth opportunities within these upstream portfolios, on the other hand the Company is monitoring the environment for potentially exiting its mature investments and will take advantage of attractive windows to crystalize value.

For LNG players, the 2017 winter market ended on a high note. These higher LNG prices were achieved even with the global LNG market absorbing approximately 30 million tonnes per year of additional supply. It clearly indicated the acceleration in LNG demand globally and potential future supply constraints. With increasing demand and unsustainably low numbers of recent FID for new LNG liquefaction facilities globally, a tighter LNG market is unfolding. As the Company expected, rising demand is concentrated in Asian market, with Japan remaining the world's largest LNG importer, followed by China which eclipsed South Korea for the first time. In China, government initiatives to increase gas consumption are taking effect. New energy policies targeting urban air pollution, coal-to-gas switching, and primary energy structural reform are to create huge natural gas and LNG demand upside. In 2017, China's LNG imports had achieved a record high of 50% year-on-year growth and such high growth is expected to continue.

The Company is to re-emphasize on its strategic focus on LNG sector. The Company's investment strategy is to grasp the great opportunities arising from China's increasing demand for imported LNG supplied by the North America market, where abundant low-cost shale gas exists. By investing in China's first non-state-owned LNG import terminal, two of the most viable LNG export terminal developers in North America, and most recently an LNG logistics service company, the Company has been making strategic investments throughout the LNG value chain. The Company believes its LNG portfolio companies are extremely well positioned to take advantage of the LNG market dynamics outlined above. The Magnolia LNG project and Energie Saguenay LNG project are each one of the most mature of all the competing U.S. and Canada LNG projects, respectively, and are working hard to contract off-taking agreements from credit worthy customers and progress to a positive FID to begin construction of the projects. The Company's portfolio of LNG receiving terminal operator JOVO is enjoying a favorable buyer-market and a first mover advantage with robust revenue and profit, whereas the other LNG portfolio, JUSDA Energy, is introducing a disruptive model of LNG ISO container transportation, which is expected to shift the market landscape. The Company remains positive on its LNG strategy and the performance of its LNG portfolios.

It's worth reflecting on the Company's longer term performance, as this has been an incredibly tumultuous time for the energy industry, with highly volatile commodity prices and dynamic geopolitical environment. The Company's investment philosophy has allowed the Company to exploit opportunities arising from industry's distress. Also, the Company is of the view that the energy sector by its nature is a favorable option for the Company to achieve sustainable long-term growth and prosperity. Despite of its positive cash position, the Company may also consider looking for suitable capital raising method which may include leveraging both equity and/or debt markets, as well as any other alternative fund raising methods. The Company believes that it's well positioned to develop quickly when attractive assets become available. The Company will endeavor to present a unique investment opportunity for its Shareholders to gain exposure to a diversified, top quality global energy asset portfolio and to achieve superior returns.

MAJOR RISK MANAGEMENT

The Company's 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, LNG importing, processing and sales, as well as LNG Logistics services 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 30 September 2018, the Company purchased swaps and/or put options for part of 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. For details of hedging activities with respect to Stonehold's production, please refer to the announcement of the Company dated 3 April 2018 published on the website of the Stock Exchange (http://www.hkexnew.hk).

At 30 September 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$, US$, A$ 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.

REVIEW OF FINANCIAL RESULTS

Comparing six months ended 30 September 2018 to six months ended 30 September 2017

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$33.3 million, or 61.9%, from HK$54.0 million for the six months ended 30 September 2017 to HK$87.3 million for the six months ended 30 September 2018.

The increase was mainly due to the increase in crude oil prices and Hongbo Mining's net sales volume. Hongbo Mining's crude oil is priced mainly with reference to Brent Crude oil prices. The average Brent Crude oil price for the six months ended 30 September 2018 increased to approximately HK$598 per barrel as compared to approximately HK$404 per barrel for the six months ended 30 September 2017. The average unit selling price of Hongbo Mining's crude oil increased to approximately HK$578 per barrel for the six months ended 30 September 2018 from HK$372 per barrel for the six months ended 30 September 2017, which was consistent with the trend of global oil prices. Hongbo Mining's net sales volume increased to approximately 151,227 barrels for the six months ended 30 September 2018 from approximately 145,201 barrels for the six months ended 30 September 2017, which was mainly due to more wells drilled and the impact of fracture in the six months ended 30 September 2018. For further details on the increase of the production volume, please refer to "Business Review — Hongbo Mining Investment".

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$2.3 million, or approximately 5.1%, from approximately HK$44.6 million for the six months ended 30 September 2017 to approximately HK$46.9 million for the six months ended 30 September 2018 with the gross production volume and gross sales volume of Hongbo Mining for the six months ended 30 September 2018 increased by 7,343 barrels and 7,533 barrels, or approximately 4.0% and 4.2%, respectively, as compared with that for the six months ended 30 September 2017.

The average unit production cost remained stable at approximately HK$245 per barrel (equivalent to US$31.2 per barrel) and approximately HK$243 per barrel (equivalent to US$31.1 per barrel) for the six months ended 30 September 2018 and 2017, respectively. Besides, as the industry recovers, normally the cost of various operation services will also increase. Accordingly, the average unit production cost before depreciation and amortization increased by HK$18 per barrel, or approximately 18.6%, from HK$99 per barrel (equivalent to US$12.4 per barrel) for the six months ended 30 September 2017 to HK$117 per barrel (equivalent to US$15.0 per barrel) for the six months ended 30 September 2018.

Investment income

Investment income (excluding exchange gain/loss) includes returns 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, amounting to approximately HK$45.7 million. The other component of investment income (excluding exchange gain/loss) mainly includes the fair value gain of approximately HK$64.5 million from the LNGL investment. On the other hand, the Company recorded exchange loss of approximately HK$28.7 million for all the investments, and losses of approximately HK$16.1 million 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$5.6 million, or approximately 20.2%, from HK$27.7 million for the six months ended 30 September 2017 to HK$33.3 million for the six months ended 30 September 2018. The increase in administrative expenses was primarily due to the increase of business development activities with the rapid development of the Company's business.

Taxes other than income tax

Taxes other than income tax increased by approximately HK$4.8 million, or approximately 132.1%, from approximately HK$3.6 million for the six months ended 30 September 2017 to approximately HK$8.4 million for the six months ended 30 September 2018, which was mainly due to (i) the increase in resources tax levied on the sale of crude oil primarily attributable to the revenue growth of Hongbo Mining, and (ii) the accrual for petroleum special profit taxation attributable to the oil prices accessing US$65 per barrel.

Exploration expenses, including dry holes

The exploration expense remained stable at approximately HK$0.5 million and approximately HK$0.9 million for the six months ended 30 September 2017 and 2018, respectively.

Net finance income/(costs)

The Company and its subsidiaries recorded net finance income of approximately HK$2.5 million for the six months ended 30 September 2018 and net finance costs of approximately HK$2.5 million for the six months ended 30 September 2017, which was primarily due to the increase of bank interest income of approximately HK$13.0 million from the abundant cash owned by the Company, especially after the Foxconn Subscription.

Profit/(loss) before taxation

Profit before taxation significantly increased by approximately HK$98.6 million from a loss before taxation of approximately HK$19.3 million for the six months ended 30 September 2017 to a profit before taxation of approximately HK$79.3 million for the six months ended 30 September 2018, 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$5.4 million for the six months ended 30 September 2017 to a deferred tax expense of approximately HK$4.5 million for the six months ended 30 September 2018. The change was mainly due 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 of Hongbo Mining, amortisation of intangible assets and accrued expenses.

Profit/(loss) for the period

The profit for the period significantly increased by HK$99.4 million from a loss of approximately HK$24.6 million for the six months ended 30 September 2017 to a profit of approximately HK$74.8 million for the six months ended 30 September 2018, which was primarily due to the cumulative effects of factors as discussed above in this section.

EBITDA

The management of the Company prepared a reconciliation of EBITDA to profit/loss before taxation, its most directly comparable financial performance measures calculated and presented in accordance with financial reporting standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants. EBITDA refers to earnings before interest expenses, income tax, depreciation and amortisation.

The management of the Company believes that EBITDA is a financial measure 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 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 fails to account for income tax, interest expenses, depreciation and amortisation.

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

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(loss) before taxation	**79,314**	(19,281)
Add: Interest expenses	**10,267**	10,804
Add: Depreciation and amortisation	**25,554**	27,866
EBITDA	**115,135**	19,389

The EBITDA changed from HK$19.4 million for the six months ended 30 September 2017 to HK$115.1 million for the six months ended 30 September 2018. The significant increase of EBITDA is primarily attributable to (i) the recovery of crude oil prices started from the second half of year 2017, which led to an increase in the revenue of Hongbo Mining, which is a wholly-owned subsidiary of the Company, (ii) the investment income from LNGL, and (iii) 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.

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 CN Subscription" and "Business Review — Use of proceeds from the Foxconn Subscription" in this interim results announcement.

The cash and cash equivalents are mostly denominated in US$, HK$ and RMB. As at 30 September 2018, the Company and its subsidiaries had unpledged cash and bank deposits of HK$1,191.1 million (31 March 2018: HK$1,786.4 million).

The Notes in the principal amount of US$50 million (equivalent to approximately HK$392.4 million) have been fully redeemed on 17 October 2018.

As at 30 September 2018, the Company and its subsidiaries had no outstanding loans (31 March 2018: Nil).

As at 30 September 2018, the Company had Convertible Bonds with carrying amount of approximately HK$70.3 million (31 March 2018: HK$67.1 million). The aggregate principal amount of the Convertible Bonds is HK$96.8 million, with maturity date of 30 April 2022 and payable at an interest rate of 1% per annum.

As at 30 September 2018, the Company had Convertible Note with carrying amount of approximately HK$238.9 million (31 March 2018: HK$234.2 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 interim 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 30 September 2018.

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

As at 30 September 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 7.3% (31 March 2018: 7.1%).

CHARGES ON ASSETS OF THE COMPANY AND ITS SUBSIDIARIES

As at 30 September 2018, the Company and its subsidiaries did not have any charges on assets (31 March 2018: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company expects to achieve further progress in the investment in JUSDA Energy, and will publish further announcement as and when appropriate.

Save as disclosed above, the Company and its subsidiaries did not have any other concrete future plans for material investments or capital assets as at 30 September 2018. However, the Company always seeks for new investment opportunities in its operations to broaden the revenue and profit potential of the Company and enhance shareholders' value in long term.

ACQUISITIONS AND DISPOSALS (INCLUDING ANY SIGNIFICANT INVESTMENTS)

Please refer to the section headed "Stonehold Investment" 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 value chain" for the Company's investment regarding certain natural gas business in China and North America.

Save as disclosed above, the Company and its subsidiaries did not hold any significant investments during the six months ended 30 September 2018.

CONTINGENT LIABILITIES

So far as is known to the Directors, as at 30 September 2018, there had been no 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 30 September 2018, the Company and its subsidiaries had capital commitments of HK$7.3 million (31 March 2018: HK$23.2 million) contracted but not provided for the acquisition of property, plant and equipment.

Operating lease commitments

As at 30 September 2018, the Company and its subsidiaries had operating lease commitments as lessee of HK$5.9 million (31 March 2018: HK$0.4 million).

INTERIM DIVIDEND

The Directors do not recommend the payment of a interim dividend for the six months ended 30 September 2018 (31 March 2018: Nil).

EMPLOYEES

As at 30 September 2018, the Company and its subsidiaries had 116 (31 March 2018: 113) employees in Hong Kong and the PRC. For the six months ended 30 September 2018, the total staff costs (including the Directors' emoluments) amounted to HK$17.2 million (Six months ended 30 September 2017: HK$12.9 million). Employees' remuneration packages were reviewed periodically and determined with reference to the performance of the individual and the prevailing market practices. Employees' remuneration packages include basic salary, year-end bonus, medical and contributory provident fund.

AUDIT COMMITTEE AND REVIEW OF RESULTS

The Audit Committee of the Company was established with written terms of reference in compliance with Rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The primary duties of the Audit Committee, among other things, are to oversee the Company's financial report system, risk management and internal control procedures, provide advice and comments to the Board, and monitor the independence and objective of the external auditor. As at 30 September 2018, the Audit Committee of the Company 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 unaudited condensed consolidated interim financial statements of the Company and its subsidiaries for the six months ended 30 September 2018 have been reviewed by the Audit Committee.

CHANGE OF COMPANY NAME AND LOGO

The English name of the Company has been changed from "IDG Energy Investment Group Limited" to "IDG Energy Investment Limited" and the Company has adopted "IDG能源投資有限公司*" as the Chinese name of the Company to replace the Chinese name "IDG能源投資集團有限公司*" for identification purpose only. The change of name of the Company was approved by the Shareholders at the special general meeting of the Company by way of a special resolution on 9 July 2018 and was approved by the Registrar of Companies in Bermuda on 20 July 2018.

The logo of the Company has been changed as IDG Energy Investment with effect from 19 June 2018.

For details of the change of company name and logo, please refer to the announcements of the Company dated 19 June 2018 and 7 August 2018 and the circular of the Company dated 19 June 2018 published on the website of the Stock Exchange (http://www.hkexnews.hk/).

CHANGES IN INFORMATION OF DIRECTORS

The changes in certain information of Directors subsequent to the date of the 2018 annual report of the Company are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Shong Hugo, an non-executive Director of the Company, resigned as non-executive director of WPP plc ,a company listed on the Main Market of the London Stock Exchange (stock code: WPP) with effect from 31 July 2018.

Mr. Chau Shing Yim David, an independent non-executive Director of the Company, resigned as an independent non-executive director of Asia Grocery Distribution Limited (stock code: 8413) (a company listed on the growth enterprise market of the Stock Exchange) and Richly Field China Development Limited (stock code: 313) (a company listed on the main board of the Stock Exchange) on 31 August 2018 and 3 September 2018, respectively.

Save as disclosed above, there is no other change in information of the Directors required to be disclosed pursuant to Rule13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As at 30 September 2018, the Company had purchased a total of 46,600,000 shares of the Company with an aggregate consideration of HK$55,007,582.20 on the Stock Exchange. All purchased shares were subsequently cancelled by the Company and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2018.

CORPORATE GOVERNANCE

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' dealings in securities of the Company. Having made specific enquiry, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2018.

Compliance with Corporate Governance Code

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company had complied with the applicable provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 September 2018, except that:

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. At present, Mr. Wang Jingbo is both the Chairman of the Board and the Chief Executive Officer of the Company. The Board is of the opinion that such arrangement will 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.

NON-COMPETITION DEED

As disclosed in the RTO Circular, each of the Controlling Shareholders (as defined in the RTO Circular) and Lin Dongliang (together, the "Covenantors") have entered into a Non-Competition Deed (as defined in the RTO Circular) in favour of the Company (for itself and for the benefit of its subsidiaries). With reference to the RTO Circular, the Company organised a working meeting with the Covenantors in which the Company reviewed their business portfolios and considered that there was no opportunity to operate a Restricted Business (as defined in the RTO Circular).

The Company has received confirmations from each of the Covenantors on full compliance with the Non-Competition Deed for the six months ended 30 September 2018.

The independent non-executive Directors have reviewed the confirmations provided by the Covenantors, and concluded that each of the Covenantors complied with the relevant terms of the Non-Competition Deed for the six months ended 30 September 2018.

SUBSEQUENT EVENT AFTER 30 SEPTEMBER 2018

Change of Directors

On 19 October 2018, Ms. Ge Aiji was appointed as an independent non-executive Director, a member of the remuneration committee and a member and the chairman of the nomination committee of the Company, and on the same date, Prof. Chen Zhiwu resigned from the same positions. For details of the change of Directors, please refer to the announcement of the Company dated 19 October 2018 published on the websites of the Stock Exchange (http://www.hkexnews.hk/) and the Company (http://www.idgenergyinv.com/).

Energy Fund Management

On 20 November 2018, as a significant step and part of its principal activity of global energy assets investment and management, the Company and its subsidiary, Hengqin Harmony Rongtai Investment Management Limited* (橫琴和諧榮泰投資管理有限公司) ("Rongtai Investment Management"), set foot in energy funds management through entering into a framework agreement (the "Framework Agreement") with Yantai Jereh Petroleum Service Group Co., Ltd.* (煙台傑瑞石油服務集團股份有限公司) ("Jereh") for cooperation on the establishment, operation and management of an energy investment fund (the "Fund"). The Fund will be primarily focusing on investments along China's natural gas value chain as well as other energy-related industries. The expected size of the Fund is RMB3 billion to RMB5 billion, where Jereh, as a cornerstone investor, proposes to make a capital contribution of RMB1 billion. Rongtai Investment Management will be responsible for the operation and management of the Fund.

For details of the Framework Agreement, please refer to the announcement of the Company dated 20 November 2018 published on the websites of the Stock Exchange (http://www.hkexnews.hk/) and the Company (http://www.idgenergyinv.com/).

PUBLICATION OF RESULTS ANNOUNCEMENT

The results announcement is published on the website of the Stock Exchange at http://www.hkex.com.hk and the Company's website at http://www.idgenergyinv.com. The interim report of the Company and its subsidiaries will be despatched to the shareholders of the Company and will be published on the above websites in due course.

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

Hong Kong, 27 November 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 Ms. Ge Aiji, Mr. Shi Cen, and Mr. Chau Shing Yim David.