IDG Energy Investment Group Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 650

ANNUAL REPORT 2018

IDG Energy Investment

CONTENTS

This annual report is printed on environmentally friendly paper.

CORPORATE INFORMATION

THE COMPANY
IDG Energy Investment Group Limited (the "**Company**")

BOARD OF DIRECTORS
Executive Directors
WANG Jingbo *(Chairman and Chief Executive Officer)*
LEE Khay Kok

Non-executive Directors
LIN Dongliang
SHONG Hugo

Independent Non-executive Directors
CHEN Zhiwu
SHI Cen
CHAU Shing Yim David

AUDIT COMMITTEE
CHAU Shing Yim David *(Chairman)*
SHI Cen
LIN Dongliang

REMUNERATION COMMITTEE
CHAU Shing Yim David *(Chairman)*
CHEN Zhiwu
SHONG Hugo

NOMINATION COMMITTEE
CHEN Zhiwu *(Chairman)*
SHI Cen
WANG Jingbo

JOINT COMPANY SECRETARIES
TAN Jue *(Chief Financial Officer)*
KU Sau Shan Lawrence James

PRINCIPAL BANKERS
DBS Bank (Hong Kong) Limited
China Merchants Bank Tianjin Pilot Free Trade Zone Branch
Industrial Bank CO. LTD, Hong Kong Branch
Industrial and Commercial Bank of China,
East Ujimqin Banner Branch
China Construction Bank, Xilinhot Financial Street Branch

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE
MUFG Fund Services (Bermuda) Limited
Belvedere Building
69 Pitts Bay Road
Pembroke
HM08 Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
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Wanchai
Hong Kong

REGISTERED OFFICE
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Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suite 2302, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPLIANCE ADVISOR
Gram Capital Limited
Room 1209, 12th Floor, Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

LEGAL ADVISORS
Baker & McKenzie

AUDITORS
KPMG

STOCK CODE
SEHK: 650

WEBSITE
http://www.irasia.com/listco/hk/idgenergy

CORPORATE PROFILE

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

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

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

FINANCIAL SUMMARY

	As at 31 March				
			2016		
	2018	2017	(restated)	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**2,314,740**	588,396	654,561	416,234	571,044
Current assets	**1,948,721**	2,251,002	125,419	38,018	72,537
Total assets	**4,263,461**	2,839,398	779,980	454,252	643,581
Current liabilities	**287,003**	374,268	428,571	185,128	466,308
Non-current liabilities	**386,899**	387,766	37,858	374,151	168,920
Total liabilities	**673,902**	762,034	466,429	559,279	635,228
Net assets/(liabilities)	**3,589,559**	2,077,364	313,551	(105,027)	8,353

	Year ended 31 March				
			2016		
	2018	2017	(restated)	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from sales of goods *(Note 1)*	**123,399**	76,779	110,812	143,695	121,384
Investment income *(Note 2)*	**74,395**	–	–	–	–
Subtotal	**197,794**	76,779	110,812	143,695	121,384
Total income from principal business activities, net of cost *(Note 3)*	**106,576**	(3,105)	4,534	(378,624)	(319,157)
EBITDA	**101,656**	(392,795)	26,197	(172,506)	(136,164)
Adjusted EBITDA *(Note 4)*	**101,656**	(32,175)	26,197	(172,506)	(136,164)
Profit/(loss) before taxation	**24,323**	(450,619)	(34,636)	(234,934)	(197,773)
Profit/(loss) for the year	**14,493**	(462,426)	(38,943)	(234,934)	(197,773)
Basic earnings/(loss) per share (HK$ per share)	**0.403 cent**	(0.33)	(0.04)	(67.38)	(56.80)
Diluted earnings/(loss) per share (HK$ per share)	**0.294 cent**	(0.33)	(0.04)	(67.38)	(56.80)

FINANCIAL SUMMARY

Note 1: The revenue from sales of goods for the three years ended 31 March 2016, 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 returns from one of the investments regarding upstream oil and gas assets, primarily in the form of interest income (which bears interest at the rate of 8.00% per annum) from the term loan (the "**Term Loan**") granted to Stonehold Energy Corporation ("**Stonehold**"), who holds the unconventional shale oil and gas assets in the Eagle Ford core region in the U.S., details of which are disclosed in the announcements of the Company dated 15 August 2017, 27 September 2017 and 28 February 2018 and the circular of the Company dated 29 September 2017.

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

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

Note 5: The comparative figures for the financial years ended 31 March 2014 and 2015 represent the performance of the hotel and restaurant business of the Company and its subsidiaries in China, which was entirely disposed of on 29 July 2016. The comparative figures for the financial year ended 31 March 2016 have been restated to conform to the current year's presentation.

* for identification purposes only

OPERATING SUMMARY

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

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

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

Note 3: Please refer to note 4 to the financial statements and the section headed "Business Review" in this annual report for further information.

* *for identification purposes only*

FINANCIAL AND BUSINESS HIGHLIGHTS

For the year ended 31 March 2018 ("**FY2017**"), the Company and its subsidiaries made strong progress in terms of financial results and business operations.

Significant increase in the EBITDA

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

Business development

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

Investment in LNG receiving terminal in China

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

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

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

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

The income generated from the Term Loan has provided to the Company a stable and considerable revenue. 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.

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

* *for identification purposes only*

FINANCIAL AND BUSINESS HIGHLIGHTS

Investment in LNG export terminal in Canada

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

Investment in LNG export terminal developed by LNGL

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

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

FINANCIAL AND BUSINESS HIGHLIGHTS

Significant progress made by the upstream crude oil portfolio in China

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

Completion of Foxconn Subscription

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

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

Note: For the purpose of this report, 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.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I hereby report to you the annual results of the Company for FY2017.

Before discussing our business performance, I want to explain and emphasize the fact that as an energy investment company, we have many investment projects (especially equity investments in which we are holding a non-controlling stake) which excellent performance and value cannot be fully reflected in the fair value based on investment income figures recorded in our financial statements due to the requirements of the accounting standards. As for the shareholders who are not investment professionals and for whom accounting is a foreign language, I expect considerable confusion that the investment income does not constitute part of the Company's revenue but has to be presented as a separate line in its financial statements.

It seems that we and Warren Buffett have similar distress caused by accounting standards. In future, we will attempt to report our shareholders on more project information and highlights to help them better understand the Company's development strategy, investment rationale, project value and the potential value brought to the Company and Shareholders so as to solve this accounting related issue. With our specialized experience, we believe that high-quality project investments will eventually bring superior returns and value to the Company and our shareholders.

The Company is mainly engaged in global energy assets investment and management. The Company's objective is to achieve superior risk adjusted returns by making privately negotiated investments primarily in the energy sectors, which is a significant component of virtually all major economies. The Company's portfolio of five active investments with a strong emphasis on China and North America's low-cost oil basins and strategic LNG terminal projects makes it well placed to take advantage of the dynamic global energy market.

The oil market finally showed signs of a sustained recovery in the second half of 2017, with Brent and WTI reaching their highest levels in over three years by the end of 2017. While the improvement in the underlying commodity price did not fully translate into strong returns for upstream oil companies overall, we believe companies which are differentiated will be best positioned to grow value as the sector recovers. Our investment in the upstream oil company in China is an excellent example of our differentiated approach in practice. The Company acquired this oilfield project at a low cost in July 2016, where the consideration/2P reserves ratio was only US$7.5 per barrel. Through operations improvement, cost control and reserve and production increase over the past more than one year, the project has achieved a very impressive performance. In FY2017, its production increased by 24%, sales revenue increased by 61% and 2P reserves increased by 27% as compared with whose of last year, and its production cost decreased by 28% as compared with that of last year to US$13 per barrel, which was below the market level. Benefiting from the improvement of the above factors and the recovering of oil prices, the net present value of the oilfield assets increased significantly from US$115 million at the time of the acquisition to US$208 million.

Another project the Company invested in the upstream sector is a shale oil project in Eagle Ford, U.S., which was a completed investment in FY2017, again at an attractive consideration/2P reserves ratio equal to only US$7.2 per barrel. This investment is in line with the Company's "low-cost acquisition" investment strategy. This strategy has been effectively implemented due to the management team's excellent project resource network, strong project sourcing ability, solid negotiation skills and deep understanding of the energy sector and the U.S. market. It merits mentioning that the deal had a favorable transaction structure with the investment being made by way of a term loan (thus bringing the Company over HK$100 million per annum of interest income in addition to an amount equal to 92.5% of any disposal proceeds which will go to the Company under a credit agreement). This arrangement maximized the Company's interests and expedited transaction approval and closing. This provides a perfect example of the management team's creative re-structuring ability to handle complicated transactions and outstanding execution ability. The shareholders shall know that there is no simple transaction structure for cross-border M&A transactions in the energy industry.

During the past year, as one of its key investment strategies, the Company has been focusing on the substantial investment opportunities arising from China's increasing demand for imported natural gas and the emerging North America LNG export market due to abundant low-cost shale gas supply. By investing in China's first non-state-owned LNG receiving terminal, one of the largest Canadian LNG export terminals under development, and making equity investment in LNGL, a company principally engaged in developing LNG export terminal projects in the U.S. and in Canada, the Company has been making strategic investments focusing on the LNG business value chain.

Here I would like to share with you the Company's investment rationale in the LNG industry. China's domestic environmental pressure and energy structural reform have driven China's rapid growth in natural gas demand, with a compound annual growth rate of more than 10%. However, it is challenging to meet the demand with local natural gas production and the supply gap has been steadily increasing. Reliance on import of natural gas is expected to exceed 40% by 2020. China's inland regions rely on pipeline natural gas imports, while the economically developed Northern China and Southern Coast regions will rely heavily on LNG imports. The long-term supply of low-cost natural gas due to the shale gas revolution in North America will make the region the largest LNG exporter in the world. Therefore, the Company believes that strategic investments in LNG projects and companies in China and North America will benefit from the industry's fast growth and generate superior returns for the Company and our shareholders.

As at the date of this report, the Company completed equity investments in three LNG projects. JOVO, an investee company, is the first private LNG receiving terminal operator in China and an internationally recognized player in the LNG market. Its LNG receiving terminal in Dongguan, Guangdong has a receiving capacity of 1.5 million tons per annum and recorded an annual revenue of more than RMB10 billion in 2017. It demonstrated an excellent business performance and growth potential. LNGL, another investee company, operates the Magnolia LNG project in Louisiana of the U.S. The project has a designed LNG export capacity of 8 million tons per annum. It has obtained all regulatory approvals from the U.S. Department of Energy and Federal Energy Regulatory Commission and is one of the most viable greenfield LNG export terminal projects in the U.S. GNLQI, another investee company, is the operator of the Energie Saguenay LNG project in Quebec of Canada which has a designed LNG export capacity of 11 million tons per annum and is one of the most feasible LNG export projects in Canada.

CHAIRMAN'S STATEMENT

Investing in LNG assets requires best-in-class project insights and industry foresights. As infrastructure, LNG export terminals have a long project cycle and often require several years just to obtain regulatory approvals. While LNG export terminals don't necessarily provide decent income and cashflow immediately, they will bring superior risk-adjusted returns to investors once they are put into operation. For institutional investors, like the Company, it is a rare strategic investment opportunity. Our team, having a strong individual track record of making investments globally in the energy sector, will continue to utilize its extensive industry expertise and know-how to thoroughly evaluate these investment opportunities and use its significant experience in conducting due diligence, valuing assets and all other aspects of deal execution, to capitalize on the significant opportunities present in the LNG market today.

Lastly, in FY2017, the Company successfully introduced a new strategic shareholder, the Foxconn Subscribers, by issuing 1,485,000,000 shares at an aggregate subscription price of HK$1,485 million. After such subscription, the Foxconn Subscribers have become the second largest shareholder of the Company. Considering the strong financial position, the extensive energy end-user client base, the prominent background and the powerful business connections of Foxconn, we believe that the Foxconn Subscription can bring the Company more business opportunities and enhance the borrowing power and fund-raising ability to finance the Company's investments at more favorable terms.

With your strong supports to the Company, together with its 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. I believe the Company will achieve great success in FY2018 and beyond.

Wang Jingbo
Chairman and Chief Executive Officer

Hong Kong

20 June 2018

BUSINESS REVIEW

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

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

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

Use of proceeds from the Subscription and the Convertible Note Subscription

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

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

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

BUSINESS REVIEW (continued)

Use of proceeds from the Subscription and the Convertible Note Subscription (continued)

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

Transaction	Gross proceeds HK$ million	Amount received as at 31 March 2018 HK$ million	Amount receivable as at 31 March 2018 HK$ million	Intended use of proceeds as disclosed in the RTO Circular	Intended use of proceeds (after the change as announced on 8 March 2017 and the further change as announced on 27 September 2017)	Actual use of proceeds as at 31 March 2018
Subscription	2,690	2,626 *(Note 1)*	Nil *(Note 1)*	– approximately HK$60 million for the payment of the transaction expenses; – approximately HK$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$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$19 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

BUSINESS REVIEW (continued)

Use of proceeds from the Subscription and the Convertible Note Subscription (continued)

Transaction	Gross proceeds HK$ million	Amount received as at 31 March 2018 HK$ million	Amount receivable as at 31 March 2018 HK$ million	Intended use of proceeds as disclosed in the RTO Circular	Intended use of proceeds (after the change as announced on 8 March 2017 and the further change as announced on 27 September 2017)	Actual use of proceeds as at 31 March 2018
				– approximately HK$200 million for expanding the business of the Company and its subsidiaries by acquiring other oil companies and the further exploration, development and production of the other newly acquired oil and gas projects		– approximately HK$119 million from unutilized proceeds of development of Unit 2 and Unit 19 of Block 212 and working capital was used for the subscription of shares in Jovo and the transaction expenses.
CN Subscription	250 (being the principal amount of the convertible note)	250	Nil	– approximately HK$200 million to expand the business of the Company and its subsidiaries by acquiring other oil companies and the further exploration, development and production of the other newly acquired oil and gas projects; and – approximately HK$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.

BUSINESS REVIEW (continued)

Use of proceeds from the Subscription and the Convertible Note Subscription (continued)

Notes:

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

2. As disclosed in the section below headed "Investment regarding oil and gas assets in the U.S.", on 14 August 2017 (local time in Houston, Texas, the U.S.), the Company and Think Excel Investments Limited ("**Think Excel**", a wholly-owned subsidiary of the Company) entered into the credit agreement (the "**Credit Agreement**") with Stonehold, pursuant to which, the Company and Think Excel have conditionally agreed to grant the Term Loan to Stonehold. In order to finance the Term Loan under the Credit Agreement, the Company has made the following arrangements 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 annual report, the negotiation with commercial banks for obtaining senior debt (the "**Senior Debt**") is still ongoing. The board confirms that the delay in entering into the Senior Debt will not negatively affect the liquidity of the Company.

The Company will, from time to time, taking into account the investment opportunities arising from PRC domestic and overseas markets, assess and evaluate the business 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.

BUSINESS REVIEW (continued)

Use of proceeds from the Subscription and the Convertible Note Subscription (continued)

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

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

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

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

To raise additional capital for the business development of the Company, on 13 December 2017 the Company and Foxconn Subscribers entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to allot and issue a total of 1,485,000,000 subscription shares at an aggregate subscription price of HK$1,485 million to the Foxconn Subscribers, and each of the Foxconn Subscribers subscribed for 297,000,000 subscription shares for a subscription price of HK$297 million. The Foxconn Subscribers are all subsidiaries of Foxconn Technology Co., Ltd., a world-famous electronics manufacturer. The net subscription price per subscription share was approximately HK$0.998. The closing price of the Ordinary Shares as quoted on the Stock Exchange on the date of the Subscription Agreement was HK$1.370 per Ordinary Share.

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

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

BUSINESS REVIEW (continued)

Use of proceeds from the Foxconn Subscription

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

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

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

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

As at 31 March 2018, an aggregate amount of HK$83 million had been utilized for investments in the natural gas industry pursuant to the intend use and there was an outstanding utilized amount of HK$1,400 million, which the Company intends to utilize pursuant to the abovementioned intended uses in further 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.

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

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

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

BUSINESS REVIEW (continued)

Investment regarding oil and gas assets in the U.S. (continued)

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

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

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

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

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

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

BUSINESS REVIEW (continued)

Investment regarding oil and gas assets in the U.S. (continued)

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

Investment regarding LNG business along the industry chain

To 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.

In FY2017, the Company has stepped into 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 consumption in China in 2017 increased by 15.3% as compared to that of year 2016. During the period of China's 13th five-year plan (2016–2020), the Company will be continuously searching for investment opportunities in order to capture the opportunities brought by the growing Chinese natural gas market.

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

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

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

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

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

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

BUSINESS REVIEW (continued)

Review of the performance of Hongbo Mining

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

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

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

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

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

BUSINESS REVIEW (continued)

Review of the performance of Hongbo Mining (continued)

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

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

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

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

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

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

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

BUSINESS REVIEW (continued)

Review of the performance of Hongbo Mining (continued)

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

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

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

OUTLOOK

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

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

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

OUTLOOK (continued)

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

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

FINANCIAL RESULTS REVIEW

Revenue from sales of goods

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

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

Cost of sales of goods

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

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

FINANCIAL RESULTS REVIEW (continued)

Investment income

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

Administrative expenses

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

Taxes other than income tax

Taxes other than income tax increased by approximately HK$2.8 million, or approximately 51.9%, from approximately HK$5.4 million in FY2016 to approximately HK$8.2 million in FY2017, which was mainly due to the increase in resources tax levied on the sale of crude oil primarily attributable to the revenue growth of Hongbo Mining.

Exploration expenses, including dry holes

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

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

Listing expense and related transaction costs

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

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

Net finance income/(costs)

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

FINANCIAL RESULTS REVIEW (continued)

Profit/(loss) before taxation

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

Income tax

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

Profit/(loss) for the year

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

EBITDA and adjusted EBITDA

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

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

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

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

FINANCIAL RESULTS REVIEW (continued)

EBITDA and adjusted EBITDA (continued)

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES (continued)

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

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

MAJOR RISK MANAGEMENT

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

Oil price risk

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

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

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

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

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

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

MAJOR RISK MANAGEMENT (continued)

Oil price risk (continued)

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

Currency risk

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

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

Liquidity risk

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

Interest rate risk

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

ACQUISITIONS AND DISPOSALS (INCLUDING ANY SIGNIFICANT INVESTMENTS)

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

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

CHARGES ON ASSETS OF THE COMPANY AND ITS SUBSIDIARIES

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

CONTINGENT LIABILITIES

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

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

COMMITMENTS

Capital commitments

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

Operating lease commitments

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

DIVIDEND

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

EMPLOYEES

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

AUDIT COMMITTEE AND REVIEW OF RESULTS

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

* *for identification purposes only*

SUBSEQUENT EVENT

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 a floating interest rate in the principal amount of US$50 million (equivalent to approximately HK$392.4 million) issued by the Issuer on 10 April 2018 (the "**Notes**"). The Notes are redeemable at 100% of the principal amount on the scheduled maturity date of 17 October 2018, with early redemption permitted in occurrence of certain events and in the manner as described in the terms and conditions of the Notes.

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

Completion of investment in LNGL

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

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

Change of company name and logo

As disclosed in the announcement dated 19 June 2018, the Board proposes to change the English name of the Company from "IDG Energy Investment Group Limited" to "IDG Energy Investment Limited" and to adopt the Chinese name of "IDG能源投資有限公司" for identification purpose only in replacement of "IDG能源投資集團有限公司" which has been previously adopted for the same purpose. The proposed change of name of the Company is subject to the approval of the Shareholders at the special general meeting of the Company ("**SGM**") by way of a special resolution and the approval of the Registrar of Companies in Bermuda. The proposed change of name of the Company was approved by the Shareholders at the SGM on 9 July 2018.

Furthermore, as disclosed in the announcement dated 19 June 2018, the logo of the Company has been changed as IDG Energy Investment with effect from 19 June 2018.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS

Mr. WANG Jingbo (王靜波) — Chairman

Mr. Wang, aged 40, was appointed as executive director of the Company on 5 August 2016, and appointed as chairman on 26 August 2016. He is also a member of the nomination committee of the Company.

Mr. Wang has over 13 years of experience in research, management and investment in upstream oil and gas industry and other energy sectors, including around 7 years of practical experience in upstream oil and gas companies. Mr. Wang is a founder and a director of Titan Gas Technology Holdings Limited ("**Titan Gas Holdings**"), the immediate holding company of Titan Gas, and has been its executive director, managing director and chief executive officer since 2012. Titan Gas Holdings is principally engaged in development and investments in oil and gas upstream assets globally. During his tenure with Titan Gas Holdings, Mr. Wang has led sourcing, technical assessment, commercial negotiation, and development of a number of investment and acquisition opportunities in oil and gas sector in Mainland China, Middle East and North America.

Since 2011, Mr. Wang has also worked at IDG Capital as a partner, where he overseas the firm's operation and private equity investment.

From 2008 to 2011, Mr. Wang worked at D. E. Shaw & Co, a wall-street investment institution in US, during which period he was involved in several major energy investment projects, including investment projects in (i) First Wind Energy, LLC, a wind power company in the U.S.; (ii) Deepwater Wind, LLC, an offshore wind developer in the U.S.; and (iii) Green Rock Energy Limited, an industrial coal gasification company.

From 2005 to 2008, Mr. Wang was a senior engineer at Exxon Mobil Corporation, a major integrated oil and gas company, where he gained experience and knowledge in, among other things, well drilling optimisation and seismic data processing and analysis as well as co-invented two patents which relate to these two areas.

Mr. Wang graduated with a bachelor's degree in Engineering from the Mechanical Engineering Department of Tsinghua University and obtained a master's degree in Science, and a Ph.D in Mechanical Engineering from Cornell University and master's degree in Business and Administration from New York University.

EXECUTIVE DIRECTORS (continued)

Mr. LEE Khay Kok

Mr. Lee, aged 52, was appointed as an executive director of the Company on 5 August 2016.

Mr. Lee has over 21 years of experience involving upstream oil and gas exploration and development, in particular in the fields of production enhancement and fracturing stimulation. He has been the chief engineer of Titan Gas Holdings since 2013, where he was in charge of the firm's engineering and technology management.

From 1994 to 2013, Mr. Lee worked for Schlumberger Limited, a leading company providing a wide range of oilfield services globally from exploration through production. Mr. Lee held several key technical positions during his approximately 19-year tenure at Schlumberger Group, including Geomarket Technical Engineer — Principal (chief technical advisor in Schlumberger company), In Touch Manager — Stimulation (responsible for 24/7 technical support to Schlumberger worldwide stimulation community) and CHG Stimulation Domain Manager (regional chief technical engineer supporting North-east Asia area) providing technical support and advice to Schlumberger Technical personnel or to oil companies. At Schlumberger Group, Mr. Lee was involved in many key oilfield production enhancement projects. His involvement in these projects varied from the technical design of the job to field execution and in some cases where he was the engineer in-charge in operations.

Mr. Lee graduated with a bachelor's degree in Mineral and Petroleum Engineering from National Cheng Kung University in Taiwan and obtained a master's degree in Petroleum Engineering from the University of Oklahoma. Mr. Lee was also a recipient of the 1995 Rock Mechanics Award from the U.S. National Committee for Rock Mechanics for his Master's Thesis.

NON-EXECUTIVE DIRECTORS

Mr. LIN Dongliang (林棟梁)

Mr. Lin, aged 55, was appointed as the non-executive director of the Company on 5 August 2016. He is also a member of the audit committee of the Company.

Mr. Lin joined International Data Group ("**IDG**") in 1994, served as the vice president of IDG Capital — IDG Technology Venture Investment, the China Risk Investment team of IDG, and has then served as a general partner of IDG Capital to date. He is also a partner of the IDG Capital Investment Consultancy (Beijing) Co., Ltd. and a director of Titan Gas Holdings. He is currently a non-executive director of NetDragon Websoft Holdings Limited (a company listed on the Stock Exchange) (stock code: 777)). Mr. Lin is also a director of 朗新科技股份有限公司 (LongShine Technology Co., Ltd.*) (stock code: 300682), and 四川雙馬水泥股份有限公司 (Sichuan Shuangma Cement Co., Ltd.*) (stock code: 000935), both of the shares are listed on the Shenzhen Stock Exchange, and a director of 北京數碼大方科技股份有限公司 (Beijing Digital Dafang Science and Technology Co., Ltd.*) (stock code: 832617), a company having its share quoted on the over the counter market in China.

Mr. Lin graduated with a master's degree in Engineering Management from Tsinghua University.

* *for identification purposes only*

NON-EXECUTIVE DIRECTORS (continued)

Mr. SHONG Hugo (熊曉鴿)

Mr. Shong, aged 62, was appointed as the non-executive director of the Company on 5 August 2016. He is also a member of the remuneration committee of the Company.

Mr. Shong joined IDG Capital in 1993 and was responsible for its business operations in the PRC. He has been focusing on the development of IDG Capital — IDG Technology Venture Investment in which he has been the general partner since 1994. Mr. Shong is a partner and a director of IDG Capital Investment Consultancy (Beijing) Co., Ltd and a director of IDG (China) Investment Co., Ltd. and Titan Gas Holdings. Mr. Shong is a non-executive director of Mei Ah Entertainment Group Ltd., (stock code: 391) and HJ Capital (International) Holdings Company Limited (formerly known as iOne Holdings Limited)(stock code: 982), both of the shares are listed on the Main Board of the Stock Exchange, China United Network Communications Group Co., Ltd., which its A shares are listed on the Shanghai Stock Exchange (stock code: 600050), and WPP plc, a company listed on the Main Market of the London Stock Exchange (stock code: WPP).

Mr. Shong graduated with a master's degree in Science from Boston University. He also completed the 151st session of the Advanced Management Program, the International Senior Managers Program of the Graduate School of Business Administration of Harvard University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SHI Cen (石岑)

Mr. Shi, aged 42, was appointed as an independent non-executive director of the Company on 5 August 2016. He is also a member of the audit committee and nomination committee of the Company.

Mr. Shi is a managing director of Ascendent Capital Partners (Asia) Ltd., which is a private equity investment company focusing on the Greater China market. Prior to joining Ascendent Capital Partners (Asia) Ltd. in April 2011, Mr. Shi was a senior vice president of D. E. Shaw & Co., responsible for its Greater China private equity investment business. Prior to joining D.E. Shaw & Co., Mr. Shi served as a vice president at CCMP Capital Asia Pte Ltd. (formerly known as JP Morgan Partners Asia), where he focused on buyouts and other private equity investments in China and the Asia Pacific region. He began his career at Goldman Sachs Investment Banking division, where he focused on providing overseas equity offerings and cross-border mergers and acquisitions advice for Chinese companies. Mr. Shi is also a director of 寧夏夏進乳業集團股份有限公司 (Ningxia XiaJin Dairy Group Co., Ltd.*), a company established in the PRC.

Mr. Shi graduated with a bachelor's degree in Economics, specialising in international finance, and obtained a master's degree in Economics from Tsinghua University.

* *for identification purposes only*

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. CHAU Shing Yim David (周承炎)

Mr. Chau, aged 54, was appointed as an independent non-executive director of the Company on 5 August 2016. He is also the chairman of the audit committee and remuneration committee of the Company.

Mr. Chau has over 21 years' experience in corporate finance covering projects ranging from initial public offering transactions and restructuring of enterprises in the PRC to cross border and domestic takeover transactions. Mr. Chau was formerly a partner of one of the big four accounting firms in Hong Kong, holding the position as the head of mergers and acquisitions and corporate advisory. He is a member of the Hong Kong Securities and Investment Institute, and a member of the Institute of Chartered Accountants of England and Wales ("**ICAEW**"), and was granted the Corporate Finance Qualification of ICAEW. He is a member of the Hong Kong Institute of Certified Public Accountant ("**HKICPA**") and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is a member of Jinan Municipal Committee of the Chinese People's Political Consultation Conference ("**CPPCC**") and Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital since 1 April 2017.

Mr. Chau is currently an independent non-executive director of seven companies which are listed on the Main Board of the Stock Exchange, namely, Lee & Man Paper Manufacturing Limited (stock code: 2314), Man Wah Holdings Limited (stock code: 1999), China Evergrande Group (stock code: 3333), Richly Field China Development Limited (stock code: 313), Evergrande Health Industry Group Limited (stock code: 708), Hengten Networks Group Limited (stock code: 136) and Branding China Group Limited (stock code: 863). Mr. Chau is also an independent non-executive director of Asia Grocery Distribution Limited (stock code: 8413) which is listed on the Growth Enterprise Market of the Stock Exchange.

Prof. CHEN Zhiwu (陳志武)

Prof. Chen, aged 55, was appointed as an independent non-executive director of the Company on 31 July 2015. He is also the chairman of the nomination committee of the Company and a member of the remuneration committee of the Company.

Prof. Chen is the director of the Asia Global Institute ("**AGI**") and the Victor and William Fung Professor in Economics at the School of Economics and Finance in The University of Hong Kong. Prior to joining the AGI as director, he had been a professor of finance for 17 years at Yale University. Prof. Chen is also a Special-Term Visiting Professor at the School of Economics at Peking University. Prof. Chen started his career by publishing research in economics and finance journals on topics related to financial markets and theories of asset pricing. In the early 2000s, Prof. Chen began to expand his research beyond mature markets by investigating market development.

Prof. Chen is currently an independent non-executive director of Bank of Communications Co., Ltd. (a company listed on the Stock Exchange (stock code: 3328) and Noah Holdings Limited (a company listed on the New York Stock Exchange (stock code: NOAH)).

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

SENIOR MANAGEMENT

Mr. WANG Jingbo (王靜波) — Chief Executive Officer

Mr. Wang, aged 40, was appointed as chief executive officer of the Company on 5 August 2016. He is primarily responsible for the Company's overall business development and growth strategies, Board governance and supervision of key management issues. Please refer to the above section headed "Executive Directors" for more detailed information.

Mr. LIU Zhihai (劉知海) — President

Mr. Liu, aged 34, was appointed as the vice president of the Company on 30 September 2016 and subsequently re-designated as president on 2 January 2017. He is primarily responsible for the Company's overall management and business operation, corporate governance, human resource management, as well as public and investor relations.

Mr. Liu has approximately 10 years of experience with energy companies and investments and broad knowledge of the oil and gas industry. He was a co-founder of Titan Gas Holdings and has worked for IDG Capital since 2011, where he headed the firm's oil and gas practice as a managing director and led and participated in several investments in the oil and energy sector. Prior to 2011, he worked as a business analyst at Accenture, covering strategy, mergers and acquisitions and operation optimization projects and consulting services for several major oil and gas companies and national oil companies.

Mr. Liu graduated with a bachelor's degree of Science and a master's degree of Science from the Mathematical School of Peking University.

Mr. TAN Jue (譚崛) — Chief Financial Officer

Mr. Tan, aged 35, was appointed as one of the joint company secretaries and the chief financial officer of the Company on 5 August 2016 and 30 September 2016 respectively. He is primarily responsible for the financing, financial reporting, budget planning, internal control, compliance, and financial management operations. He also leads or oversees the Company's major investment transactions.

Mr. Tan has over 11 years of experience in financial management, cross-border mergers & acquisitions, and corporate governance. He joined IDG Capital in 2013 and has been responsible for, as an executive director, the execution of the fund's investment in companies in growth and mature stages and has also gained extensive experiences in the management of portfolio companies in areas of finance, operation, internal control and corporate governance. From 2006 to 2013, he worked for the deals group of PricewaterhouseCoopers ("**PwC**") Consultants Shenzhen Limited Beijing Branch for 7 years.

Mr. Tan graduated with a bachelor's degree of Economics from Renmin University of China. He is a fellow member of the Association of Chartered Certified Accountants.

SENIOR MANAGEMENT (continued)

Mr. LEE Khay Kok — Vice President

Mr. Lee, aged 52, was appointed as vice president and the chief Engineer of the Company on 30 September 2016. He is primarily responsible for the Company's engineering management, technical assessment and review, operation overseeing, and technology innovation. Please refer to the above section headed "Executive Directors" for more detailed information.

Mr. HAO Xiang (郝翔) — Vice President

Mr. Hao, aged 31, was appointed as the vice president of the Company on 1 April 2017. He is primarily responsible for the Company's investment business, including sourcing, coordinating, negotiating and executing potential mergers and acquisitions or investment opportunities, as well as acquisition transaction execution and management.

Mr. Hao has always been working in oil and gas industry for many years, including upstream and LNG. Before joining the Company, he was with KKR-Yanchang Global Energy Fund where he has been involved in more than 10 oil and gas investments in various countries across Asia, North America and Europe. Mr. Hao holds a Master of Science degree in Engineering from University of Pennsylvania and received his bachelor's degree in Materials Science and Engineering from Beihang University (Beijing).

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

Details of the results in FY2017 are set out in the consolidated statement of profit or loss on page 99 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2018 (31 March 2017: Nil).

BUSINESS REVIEW

A fair review of the business of the Company as well as a discussion and analysis of the Company's performance during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Company and an indication of likely future developments in the Company's business, can be found in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of the report of the directors.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and its subsidiaries during the year are set out in note 13 to the consolidated financial statements.

BANK LOANS AND BORROWINGS

Details of bank loans and other borrowings during FY2017 are set out in note 26 to the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company and its subsidiaries for the last five financial years is set out in page 4 of this annual report.

SHARE CAPITAL, CONVERTIBLE BOND AND CONVERTIBLE NOTE

(A) Summary of outstanding Convertible Bond and Convertible Note

Convertible Bond

On 28 March 2008, the Company issued the Convertible Bond in the principal amount of HK$120,000,000 to Tanisca, pursuant to the subscription agreement dated 29 October 2007 (as amended on 28 March 2013, 3 June 2014 and 15 August 2017 (the last amendment between the Company and Titan Gas only), respectively). Tanisca later transferred to Titan Gas the Convertible Bond in the principal amount of HK$96,832,526, pursuant to a conditional sell and purchase agreement dated 22 June 2015 (as amended on 27 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016 respectively). Upon completion of the transfer, on 29 July 2016, Tanisca held the Convertible Bond in the principal amount of HK$23,167,474.

On 25 September 2017, Tanisca converted all the Convertible Bond it held with a principal amount of HK$23,167,474 into 344,754,077 Ordinary Shares at the conversion price of HK$0.0672 per conversion share in accordance with the terms and conditions of the Convertible Bond.

For details of the issuance, the amendments and the transfer of the Convertible Bond, please refer to (i) the announcement dated 31 October 2007 and the circular dated 21 November 2007; (ii) the announcement dated 28 March 2013 and the circular dated 30 April 2013, the announcement dated 3 June 2014 and the circular dated 13 June 2014, and the announcement dated 15 August 2017 and the circular dated 16 August 2017; and (iii) the announcements dated 27 October 2015, 20 November 2015, 28 January 2016, 23 March 2016, 28 June 2016 and 29 July 2016, and the RTO Circular of the Company published on the website of the Stock Exchange (http://www.hkexnews.hk/).

Convertible Note

On 29 July 2016, the Company issued the Convertible Note with an aggregate principal amount of HK$250,000,000 to League Way Ltd., pursuant to the convertible note subscription agreement dated 22 June 2015 (as amended on 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016 respectively).

For details of the issuance and amendments of the Convertible Note, please refer to the announcements dated 20 November 2015, 28 January 2016, 23 March 2016, 28 June 2016 and 29 July 2016, and the RTO Circular of Company published on the website of the Stock Exchange (http://www.hkexnews.hk/).

Details of the movements in the Convertible Bond and the Convertible Note during FY2017, and the relevant accounting treatment and the analysis on the financial and liquidity position of the Company are set out in note 27 and note 28 to the consolidated financial statements.

SHARE CAPITAL, CONVERTIBLE BOND AND CONVERTIBLE NOTE (continued)

(B) Dilutive impact of the Convertible Bond and the Convertible Note on the issued Ordinary Shares

As at 31 March 2018, the outstanding principal amount of the Convertible Bond and the Convertible Note was HK$96,832,526 and HK$250,000,000 respectively. Based on the conversion price of HK$0.0672 and HK$0.6696 per Ordinary Share for the Convertible Bond and the Convertible Note, the maximum number of Ordinary Shares issuable by the Company upon full conversion of the Convertible Bond and the Convertible Note (the "**Conversion**") will be 1,440,960,208 Ordinary Shares and 373,357,228 Ordinary Shares respectively.

The following table sets out the shareholding structure in terms of Ordinary Shares upon Conversion with reference to the shareholding structure of the Company as at 31 March 2018 and assuming no further issuance of Ordinary Shares by the Company:

Name of shareholders	As at the 31 March 2018 Numbers of Ordinary Shares	Percentage of total issued Ordinary Shares	Immediately following the Conversion Numbers of Ordinary Shares	Percentage of total issued Ordinary Shares
Titan Gas	**2,241,147,200**	**36.77**	2,241,147,200	28.34
Holder of the Convertible Bond (i.e., Titan Gas)	–	–	1,440,960,208	18.22
Foxconn Subscribers *(Note 1)*	**1,485,000,000**	**24.37**	1,485,000,000	18.78
Lin Dongliang *(Note 2)*	**12,910,000**	**0.21**	12,910,000	0.16
Public shareholders	**2,355,346,651**	**38.65**	2,355,346,651	29.78
Holder of the Convertible Note (i.e., League Way Ltd.)	–	–	373,357,228	4.72
Total	**6,094,403,851**	**100**	7,908,721,287	100

Note 1: The Foxconn Subscribers are Foxconn Technology Pte. Ltd., High Tempo International Limited, World Trade Trading Limited, Q-Run Holdings Limited, and Q-Run Far East Corporation respectively. Each of the Foxconn Subscribers holds 297,000,000 Ordinary Shares of the Company.

Note 2: As at 31 March 2018, Mr. Lin Dongliang, a non-executive Director (being a core connected person of the Company as defined under the Listing Rules), held 12,910,000 Ordinary Shares, which are not counted as Ordinary Shares held by public shareholders.

An analysis of the impact on the diluted earning/(loss) per share is set out in note 12 to the "Notes to the consolidated Financial Statements" of this report.

Save as mentioned above, no other Convertible Bond and Convertible Note had been converted for FY2017.

DONATIONS

During the year, the Company and its subsidiaries did not make any charitable donations to any charitable organisations.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws in Bermuda.

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

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

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 31(a) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under the laws of Bermuda, the Company had no reserve available for distribution to shareholders as at 31 March 2018.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2017, the two largest customers accounted for 100% of revenue from sales of goods of the Company and its subsidiaries while the five largest suppliers accounted for approximately 58% of the purchases of the Company and its subsidiaries. In addition, the largest customer accounted for approximately 98% of revenue from sales of goods of the Company and its subsidiaries while the largest supplier accounted for approximately 23% of the purchases of the Company and its subsidiaries.

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had any interest in the five largest customers or five largest suppliers mentioned above.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Wang Jingbo *(Chairman and Chief Executive Officer)*
Mr. Lee Khay Kok

Non-executive Directors

Mr. Lin Dongliang
Mr. Shong Hugo

Independent Non-executive Directors

Prof. Chen Zhiwu
Mr. Shi Cen
Mr. Chau Shing Yim David

None of the members of the Board is related to one another.

One third of the directors are subject to retirement by rotation at annual general meetings of the Company in accordance with the Company's Bye-laws.

In accordance with Bye-law 84(1) of the Bye-laws, Mr. Lee Khay Kok, Mr. Lin Dongliang and Mr. Shong Hugo will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Company are set out on pages 32 to 37 of this annual report.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into letters of appointment with each Director, pursuant to which each of the executive Directors, non-executive Directors and independent non-executive Directors is appointed for terms of three years, subject to re-election in accordance with Bye-laws of the Company at general meeting.

None of the Directors has entered into any service contract with the Company or any of its subsidiaries, which is not terminable by the Company within one year without the payment of compensation (other than statutory compensation).

REMUNERATION POLICY

The Company's remuneration policy is built upon the principle of providing an equitable, motivating and market-competitive remuneration package that can stimulate and drive staff at all levels to work towards achieving the strategic objectives of the Company and its subsidiaries.

The remuneration of the Directors is reviewed by the Remuneration Committee, having regard to Directors' duties, responsibilities, the operating results and comparable market statistics.

Details of the Directors' remuneration and the five highest paid individuals in the Company and its subsidiaries are set out in notes 10 and 11 to the consolidated financial statements.

MANAGEMENT CONTRACT

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

CONNECTED TRANSACTIONS

On 15 August 2017, the Company and Titan Gas entered into the third deed of amendment (the "**3rd Deed of Amendment**") to further extend the maturity date of the Convertible Bond, to add restriction on the exercise of conversion rights to ensure the compliance with the public float requirement of the Listing Rules, and to remove certain adjustment events to the conversion price of the Convertible Bond.

Pursuant to the 3rd Deed of Amendment, on the effective date of the proposed amendments, (i) the maturity date of the Convertible Bond will be extended to a date falling on 30 April 2022 and the expiry date of the conversion period will accordingly be extended to a date falling on 30 April 2022; (ii) the holder(s) of the Convertible Bond shall not exercise the conversion rights if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules; and (iii) the anti-dilutive adjustment events will be removed, and the conversion price will only be subject to adjustment for consolidation or sub-division of shares, capitalisation of profits or reserves and capital distribution to shareholders.

During FY2017, the Company's interest expenses on the Convertible Bonds paid and payable to Titan Gas were HK$968,000.

CONNECTED TRANSACTIONS (continued)

Titan Gas is the controlling shareholder of the Company, and therefore, a connected person of the Company under the Listing Rules. As such, the proposed amendments contemplated under the 3rd Deed of Amendment between the Company and Titan Gas constitute connected transactions of the Company.

For details of the transactions, please refer to (i) the announcement dated 31 October 2007 and the circular dated 21 November 2007 of the Company in relation to the issue of the Convertible Bond; (ii) the announcement dated 28 March 2013 and the circular dated 29 April 2013 of the Company in relation to the extension of the maturity date; (iii) the announcement dated 3 June 2014 and the circular dated 13 June 2014 of the Company in relation to the further extension of the maturity date; (iv) the announcement dated 28 October 2015 and the circular dated 29 June 2016 of the Company in relation to the transfer of part of the Convertible Bond from Tanisca to Titan Gas; and (v) the announcement dated 15 August 2017 and the circular dated 16 August 2017 in relation to the amendments to the terms and conditions of the Convertible Bond with an aggregate principal amount of HK$96,832,526 held by Titan Gas.

RELATED PARTIES' TRANSACTIONS

Details of related parties' transactions are set out in note 34 to the consolidated financial statements. The Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted connected transactions under the Listing Rules, namely the modification of terms of the Convertible Bond. Save as aforementioned, other related party transactions as set out in note 34 to the consolidated financial statements did not constitute connected transactions/continuing connected transactions under the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 34 to the consolidated financial statements and in the section headed "Connected Transactions" above, no other transactions, arrangements or contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries, or holding company or fellow subsidiaries was a party and in which any of the Company's Directors or an entity connected with the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2018, the interests and short positions of the Directors in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

(A) Long positions in Ordinary Shares:

Name of Director	Nature of interest	Number of Ordinary Shares	Percentage of the Company's issued shares
Wang Jingbo	Corporate	2,241,147,200 *(Note 1)*	36.77%
Shong Hugo	Corporate	2,241,147,200 *(Notes 1 and 2)*	36.77%
Lin Dongliang	Corporate Beneficial	2,241,147,200 12,910,000 *(Notes 1 and 3)*	36.77% 0.21%

Note 1: These shares are held by Titan Gas, a company which is controlled as to 77.38% by Titan Gas Holdings, which is in turn owned as to 35.13% by Standard Gas Capital Limited ("**Standard Gas**"), 49.14% by IDG-Accel China Capital II L.P. ("**IDG-Accel Capital II L.P.**") and IDG-Accel China Capital II Investors L.P. ("**IDG-Accel Investors II L.P.**")(collectively, "**IDG Funds**"), 8.05% by Mr. Wang Jingbo ("**Mr. Wang**") and 6.87% by 金世旗國際控股股份有限公司 (Kingsbury International Holdings Co., Ltd.*)("**Kingsbury**"), 0.73% by Zhang Weiwei and 0.08% by Bryce Wayne Lee. Under the SFO, Titan Gas Holdings, Standard Gas and IDG Funds are deemed to have interest in the Ordinary Shares in which Titan Gas has beneficial interest.

Standard Gas, Mr. Wang and Kingsbury have entered into an acting in concert arrangement for the purpose of facilitating a more efficient decision-making process in connection with the exercise of their shareholders' rights in Titan Gas Holdings pursuant to which, Standard Gas, Kingsbury and Mr. Wang agree to align with each other in respect of the voting of major actions in respect of Titan Gas Holdings' business and each of Standard Gas, Mr. Wang and Kingsbury will consult with each other and reach agreement on material matters of Titan Gas Holdings before it/he exercises its/his respective voting rights in Titan Gas Holdings, provided that Mr. Wang will have a casting vote and will have the final decision making power in the event that a consensus cannot be reached among Standard Gas, Mr. Wang and Kingsbury. Under the SFO, Mr. Wang is deemed to have interest in the Ordinary Shares in which Titan Gas has interest.

Note 2: All the issued voting shares in Standard Gas are held by Blazing Success Limited ("**Blazing Success**") which in turn is wholly owned by Lee Khay Kok. Blazing Success has granted a power of attorney to the board of directors of Standard Gas which comprise Mr. Wang, Lin Dongliang and Shong Hugo. Under the SFO, Shong Hugo is deemed to have interest in the shares in which Standard Gas has interest.

Note 3: All the issued voting shares in Standard Gas are held by Blazing Success which in turn is wholly owned by Lee Khay Kok. Blazing Success has granted a power of attorney to the board of directors of Standard Gas which comprise Mr. Wang, Lin Dongliang and Shong Hugo. Under the SFO, Lin Dongliang is deemed to have interest in the shares in which Standard Gas has interest.

The 12,910,000 Ordinary Shares are held by Lin Dongliang beneficially.

* *for identification purposes only*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

(B) Long positions in convertible bond of the Company ("Convertible Bond"):

Name of Director	Nature of interest	Number of underlying shares
Wang Jingbo	Corporate	1,440,960,208 *(Note 1)*
Shong Hugo	Corporate	1,440,960,208 *(Notes 1 and 2)*
Lin Dongliang	Corporate	1,440,960,208 *(Notes 1 and 3)*

Note 1: The 1,440,960,208 underlying shares represented the new Ordinary Shares to be issued upon full conversion of Convertible Bond with an aggregate principal amount of HK$96,832,526 held by Titan Gas at a conversion price of HK$0.0672 per Ordinary Shares issued by the Company. As explained in Note 1 of Section (A) above, under the SFO, Mr. Wang is deemed to have interests in the convertible bond in which Titan Gas has interest.

Note 2: As explained in Notes 1 and 2 of Section (A) above, under the SFO, Shong Hugo is deemed to have interest in the shares in which Standard Gas has interest.

Note 3: As explained in Notes 1 and 3 of Section (A) above, under the SFO, Lin Dongliang is deemed to have interest in the shares in which Standard Gas has interest.

Save as disclosed above, as at 31 March 2018, none of the Directors or chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

(C) Interest in associated corporations of the Company:

Titan Gas Technology Holdings Limited

Name of Director	Long/short position	Capacity	Number of shares	Percentage of the associated corporation's issued voting shares
Ordinary Shares: Other than pursuant to equity derivatives				
Wang Jingbo	Long position	Corporate	13,000,000 *(Note 1)*	65.00%
		Beneficial	6,418,675	32.09%
Shong Hugo	Long position	Corporate	13,000,000 *(Notes 1 and 2)*	65.00%
Lin Dongliang	Long position	Corporate	13,000,000 *(Notes 1 and 3)*	65.00%
Series A-1 Preferred Shares: Unlisted derivatives — Physically settled options				
Wang Jingbo	Long position	Corporate	15,000,000 *(Note 1)*	75.00%
Shong Hugo	Long position	Corporate	15,000,000 *(Notes 1 and 2)*	75.00%
Lin Dongliang	Long position	Corporate	15,000,000 *(Notes 1 and 3)*	75.00%

Note 1: These shares are held by Standard Gas. All the issued voting shares in Standard Gas are held by Blazing Success which in turn is wholly owned by Lee Khay Kok. Blazing Success has granted a power of attorney to the board of directors of Standard Gas which comprises Mr. Wang, Lin Dongliang and Shong Hugo. Under the SFO, Mr. Wang is deemed to have interest in the shares in which Standard Gas has interest. Mr. Wang, Lin Dongliang and Shong Hugo are also directors of Titan Gas Holdings.

Note 2: Please see Note 2 of Section (A) above.

Note 3: Please see Note 3 of Section (A) above.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

(C) Interest in associated corporations of the Company: (continued)

Titan Gas Technology Investment Limited

Name of Director	Long/short position	Capacity	Number of shares	Percentage of the associated corporation's issued voting shares
Ordinary Shares				
Wang Jingbo	Long position	Corporate	137,814 *(Note 1)*	77.38%
Shong Hugo	Long position	Corporate	137,814 *(Notes 1 and 2)*	77.38%
Lin Dongliang	Long position	Corporate	137,814 *(Notes 1 and 3)*	77.38%

Note 1: These shares are held by Titan Gas Holdings, which is in turn owned as to 35.13% by Standard Gas, 49.14% by IDG Funds, 8.05% by Mr. Wang and 6.87% by Kingsbury, 0.73% by Zhang Weiwei and 0.08% by Bryce Wayne Lee.

Standard Gas, Mr. Wang and Kingsbury have entered into an acting in concert arrangement for the purpose of facilitating a more efficient decision-making process in connection with the exercise of their shareholders' rights in Titan Gas Holdings pursuant to which, Standard Gas, Kingsbury and Mr. Wang agree to align with each other in respect of the voting of major actions in respect of Titan Gas Holdings' business and each of Standard Gas, Mr. Wang and Kingsbury will consult with each other and reach agreement on material matters of Titan Gas Holdings before it/he exercises its/his respective voting rights in Titan Gas Holdings, provided that Mr. Wang will have a casting vote and will have the final decision-making power in the event that a consensus cannot be reached among Standard Gas, Mr. Wang and Kingsbury. Under the SFO, Mr. Wang is deemed to have interest in the shares in which Titan Gas Holdings has interest.

Note 2: Please see Note 2 of Section (A) above.

Note 3: Please see Note 3 of Section (A) above.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' interests and short positions in shares and underlying shares" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its fellow subsidiaries or subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2018, the following interests in the issued share capital and underlying shares of the Company were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Ordinary Shares or underlying Ordinary Shares *(Note 1)*	Percentage of the Company's issued share capital
Tanisca Investments Limited *(Note 2)*	Beneficial owner	344,754,077(L) *(Note 2)*	5.66%
MO Tian Quan *(Note 2)*	Interest of controlled corporations	379,507,486(L) *(Note 2)*	6.23%
Aquarius Growth Investment Limited *(Note 4)*	Beneficial owner	343,369,176(L) *(Note 3)*	5.63%
ZHAO Ming *(Note 4)*	Interest of a controlled corporation	343,369,176(L) *(Note 3)*	5.63%
League Way Ltd. *(Note 5)*	Beneficial owner	373,357,228(L) *(Note 5)*	6.13%
SHI Jianji *(Note 5)*	Interest of a controlled corporation	373,357,228(L) *(Note 5)*	6.13%
Sonic Gain Limited *(Note 6)*	Beneficial owner	319,820,786(L) *(Note 6)*	5.25%
KO Chun Shun, Johnson *(Note 6)*	Interest of a controlled corporation	319,820,786(L) *(Note 6)*	5.25%
Titan Gas Technology Investment Limited *(Note 7)*	Beneficial owner	3,682,107,408(L) *(Note 7)*	60.42%
Titan Gas Technology Holdings Limited *(Note 7)*	Interest of a controlled corporation	3,682,107,408(L) *(Note 7)*	60.42%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Name	Capacity/Nature of interest	Number of Ordinary Shares or underlying Ordinary Shares *(Note 1)*	Percentage of the Company's issued share capital
Standard Gas Capital Limited *(Note 7)*	Interest of controlled corporations	3,682,107,408(L) *(Note 7)*	60.42%
金世旗國際控股股份有限公司 (Kingsbury International Holdings Co., Ltd.) *(Note 7)*	Interest of controlled corporations	3,682,107,408(L) *(Note 7)*	60.42%
IDG-Accel China Capital GP II Associates Ltd. *(Note 9)*	Interest of controlled corporations	3,682,107,408(L) *(Note 7, 9)*	60.42%
IDG-Accel China Capital II Associates L.P. *(Note 10)*	Interest of controlled corporations	3,682,107,408(L) *(Notes 7,10)*	60.42%
IDG-Accel China Capital II L.P. *(Note 10)*	Interest of controlled corporations	3,682,107,408(L) *(Notes 7, 10)*	60.42%
Ho Chi Sing *(Note 11)*	Interest of controlled corporations	3,693,607,408(L) *(Notes 7, 9, 11)*	60.61%
ZHOU Quan *(Note 11)*	Interest of controlled corporations	3,693,607,408(L) *(Notes 7, 9, 11)*	60.61%
LUO Yuping	Interest of controlled corporations	3,682,107,408(L) *(Notes 7, 8,12)*	60.42%
Foxconn Technology Co., Ltd	Interest of controlled corporations	1,485,000,000(L) *(Notes 13)*	24.37%
Q-Run Holding Ltd.	Interest of controlled corporations	1,188,000,000(L) *(Notes 13)*	19.49%
	Beneficial owner	297,000,000(L) *(Notes 13)*	4.87%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Notes:

1. The letter "L" represents the individual's long position in the shares and the letter "S" represents the individual's short position in the shares. These interests in the underlying Ordinary Shares represent the derivative interests under the Convertible Bond and the Convertible Note.

2. Mr. Mo Tianquan ("**Mr. Mo**") has control over 100% interests of Tanisca and Upsky Enterprises Limited. Upsky Enterprises Limited has interest in 34,753,409 Ordinary Shares of the Company. Under the SFO, Mr. Mo is deemed to have interest in the Ordinary Shares in which Tanisca and Upsky Enterprises Limited have interest.

3. Aquarius Investment has interests in respect of 343,369,176 Ordinary Shares.

4. Aquarius Investment is controlled as to 91% by Zhao Ming and as to 9% by Mr. Wang, who is the sole director of Aquarius Investment. Under the SFO, Zhao Ming is deemed to have interest in the underlying Ordinary Shares in which Aquarius Investment has interest.

5. League Way Ltd. is controlled as to 70% by Shi Jianji. Under the SFO, Shi Jianji is deemed to have interest in the shares in which League Way Ltd. has interest. It has interest in 373,357,228 underlying Ordinary Shares through derivative interests in the Convertible Note.

6. Sonic Gain Limited is owned as to 100% by Ko Chun Shun, Johnson. Under the SFO, Ko Chun Shun, Johnson is deemed to have interest in the Ordinary Shares in which Sonic Gain Limited has interest.

7. Titan Gas is controlled as to 77.38% by Titan Gas Holdings, which is in turn controlled as to 35.13% by Standard Gas, 49.14% by the IDG Funds, 8.05% by Mr. Wang and 6.87% by Kingsbury, 0.73% by Zhang Weiwei and 0.08% by Bryce Wayne Lee. Under the SFO, Titan Gas Holdings, Standard Gas, IDG Funds are deemed to have interest in 3,682,107,408 Ordinary Shares in which Titan Gas has beneficial interest. Interest in such Ordinary Shares include interest in 1,440,960,208 underlying Ordinary Shares through derivative interests in the Convertible Bond in the principal amount of HK$96,832,526. As at 31 March 2018, Mr. Wang, Lin Dongliang and Shong Hugo are directors of Titan Gas Holdings.

8. Standard Gas, Mr. Wang and Kingsbury have entered into an acting in concert arrangement for the purpose of facilitating a more efficient decision making process in connection with the exercise of their shareholders' rights in Titan Gas Holdings pursuant to which, Standard Gas, Kingsbury and Mr. Wang agree to align with each other in respect of the voting of major actions in respect of Titan Gas Holdings' business and each of Standard Gas, Mr. Wang and Kingsbury will consult with each other and reach agreement on material matters of Titan Gas Holdings before it/he exercises its/his respective voting rights in Titan Gas Holdings, provided that Mr. Wang will have a casting vote and will have the final decision making power in the event that a consensus cannot be reached among Standard Gas, Mr. Wang and Kingsbury. The Ordinary Shares and underlying Ordinary Shares in which Mr. Wang has interest comprise 3,682,107,408 Ordinary Shares in which Titan Gas has beneficial interest (including derivative interest in 1,440,960,208 underlying Ordinary Shares).

9. The IDG Funds is under the control of its ultimate general partner, IDG-Accel China Capital GP II Associates Ltd. ("**IDG-Accel Ultimate GP**"). Under the SFO, IDG-Accel Ultimate GP is deemed to have interest in the Ordinary Shares and the underlying Ordinary Shares in which the IDG Funds have interest.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Notes: (continued)

10. IDG-Accel China Capital II Associates L.P. has control over IDG-Accel Capital II L.P. Under the SFO, IDG-Accel China Capital II Associates L.P. is deemed to have interest in the Ordinary Shares and the underlying Ordinary Shares in which IDG-Accel Capital II L.P. has beneficial interest.

11. Ho Chi Sing and Zhou Quan are directors of IDG-Accel Ultimate GP and are responsible for decision-making matters relating to the IDG Funds and their investments, and hence control the exercise of voting rights to the shares that the IDG Funds hold in Titan Gas Holdings. Therefore they are deemed to have interest in the Ordinary Shares and the underlying Ordinary Shares in which IDG-Accel Ultimate GP has interest.

12. Kingsbury is controlled as to 74.8% by Luo Yuping. By virtue of the acting in concert arrangement referred to in Note 9, Luo Yuping is deemed to have interest in the Ordinary Shares and the underlying Ordinary Shares in which Titan Gas Holdings has interest.

13. Foxconn Technology Co., Ltd. has control over Q-Run Holding Ltd., which in turn has direct and indirect controls of 297,000,000 Ordinary Shares and 1,188,000,000 Ordinary Shares of the Company, respectively. Under the SFO, Foxconn Technology Co., Ltd. is deemed to have all the interest in the Ordinary Shares of the Company in which Q-Run Holding Ltd. has interest.

Save as disclosed above, as at 31 March 2018, no person, other than the Directors or chief executives of the Company, whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the company or any associated corporation" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During FY2017, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Company.

PERMITTED INDEMNITY PROVISION

The Bye-laws provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

A directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 54 to 65 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float which is more than 25% of the Company's total issued share capital at the date of this annual report.

SHARE OPTION SCHEME

The Company did not adopt any share option scheme. However, the Company may consider to adopt one subject to compliance with the Listing Rules.

ENVIRONMENTAL POLICY AND PERFORMANCE

Details of the environmental policy and performance of the Company and its subsidiaries are set out in the Environmental, Social and Governance Report on pages 66 to 91 of this annual report.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

Details of the relationships of the Company and its subsidiaries with employees, suppliers and customers are set out in the Environmental, Social and Governance Report on pages 66 to 91 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws, rules and regulations by the Company and its subsidiaries that have significant impact on their businesses and operations.

AUDITORS

SHINEWING resigned as the auditors of the Company on 26 August 2016 at the request of the Board and following such resignation, KPMG has been appointed as the auditors of the Company with effect from 26 August 2016 to fill the casual vacancy and held office until the conclusion of the annual general meeting held on 28 September 2016 during which KPMG was re-elected as the auditors of the Company.

Pursuant to the resolution passed at the AGM of the Company on 11 August 2017, the Company reappointed KPMG as the auditor of the Company. The proposal of reappointing KPMG as the auditor of the Company will be put forward at the forthcoming AGM.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights in relation to, the shares of the Company, they are advised to consult an expert.

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 FY2017.

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 FY2017.

ON BEHALF OF THE BOARD

Wang Jingbo
Chairman and Chief Executive Officer

Hong Kong 20 June 2018

The Company is committed to achieving high standards of corporate governance and has always recognised the importance of accountability, transparency and protection of Shareholders' interest in general. The Company has adopted the code provisions of the CG Code set out in Appendix 14 of the Listing Rules as its own corporate governance policy, subject to amendments from time to time.

COMPLIANCE WITH THE CG CODE

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

BUSINESS MODEL AND STRATEGY

During the past year, as one of its existing strategies, the Company has aimed to widen its global footprint and develop a more diversified and balanced energy business portfolio through selective acquisition of overseas energy assets. The Company is currently focusing on the substantial investment opportunities arising from China's increasing demand for imported nature gas and the emerging North America LNG export market due to abundant low-cost shale gas supply. By investing in China's first non-state-owned LNG receiving terminal and one of the largest Canadian LNG export terminals under development, and making equity investment in LNGL, a company principally engaged in developing LNG export terminal projects in the U.S. and in Canada, the Company has been making strategic investments focusing on the LNG business value chain.

The Company captures investment opportunities in the energy sector and realizes value appreciation and extraordinary returns through enhancing the efficiency of asset operations, the diversification of energy asset portfolios, the cross-border mergers and acquisitions, and funds management with economies of scale.

With strong supports from shareholders, mature investment strategies, sophisticated cross-border transaction capabilities and in-depth knowledge of the global energy market, the Company is best positioned 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 of the region. To satisfy the capital needs for assets investment and management, subject to the market condition, the Company will look for the most suitable fund raising method which may include leveraging both equity and/or debt markets, as well as any other alternative fund raising methods. The Boards believes that the Company is well positioned to develop quickly when attractive assets become available, and outperform crude oil benchmarks. The Company endeavors to present a unique investment opportunity for its shareholders to gain exposure to a diversified, top quality global oil and gas asset portfolio.

BOARD OF DIRECTORS

As at the date of this Annual Report, the Board comprises seven directors of the Company ("**Directors**"), including 2 executive Directors (Mr. Wang Jingbo (chairman and chief executive officer) and Mr. Lee Khay Kok), 2 non-executive Directors (Mr. Lin Dongliang and Mr. Shong Hugo), and 3 independent non-executive Directors (Mr. Shi Cen, Prof. Chen Zhiwu, and Mr. Chau Shing Yim David). The biographical details of the Directors are set out in the section "Directors' and Senior Management's Biographies" on pages 32 to 37 of this annual report.

One of the independent non-executive Directors, Mr. Chau Shing Yim David, is a professional accountant and that is in compliance with the requirement of the Listing Rules. There are also 3 board committees under the Board, which are the audit committee, the nomination committee and the remuneration committee of the Company.

The key responsibilities of the Board include, among other things, formulating the Company's overall strategies, setting management targets, regulating and reviewing internal controls, formulating the Company's corporate governance policy, supervising management's performance while the day-to-day operations and management of the Company are delegated by the Board to management, and ensuring adequacy of resources, qualifications, experience and training programs and budget of the financial staff.

In accordance with the Company's Bye-laws, at each annual general meeting of the Company one-third of the Directors for the time being or, if the number of the Directors is not a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least once every three years.

As at the date of this Annual Report, each of the executive Directors, non-executive Directors and independent non-executive Directors is appointed for a specific term of not more than 3 years and is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws and the Listing Rules. At the forthcoming annual general meeting, Mr. Lee Khay Kok, Mr. Lin Dongliang and Mr. Shong Hugo will retire from office by rotation and, being eligible, offer themselves for re-election. To determine the non-executive Directors' independence, assessments are carried out upon appointment, annually and at any other time where the circumstances warrant reconsideration by the nomination committee of the Company ("**Nomination Committee**"). The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board determined that all the independent non-executive Directors had met the requirements for independence as set out in Rule 3.13 of the Listing Rules.

Every newly appointed Director will be given an introduction so as to ensure that he/she has appropriate understanding of the Company's business and of his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements. The Directors may request the Company to provide independent professional advice at the Company's expense to discharge his/her duties to the Company. Directors' training is an ongoing process. During the year, the Company had provided to the Directors regular updates and presentations on changes and developments to the Company's business and to the legislative regulatory environments in which the Company and its subsidiaries operate. All Directors are also encouraged to attend relevant training courses at the Company's expense. All Directors are required to provide the Company with their training record they received during FY2017.

During FY2017, the Board has reviewed and monitored the training and continuous professional development of Directors and senior management. The Board has also reviewed and ensured compliance of the relevant legal and regulatory requirements, the code of conducts, the CG Code and the disclosure in this Corporate Governance Report.

BOARD OF DIRECTORS (continued)

The Directors acknowledge their responsibility for preparing the financial statements and ensuring that the financial statements are prepared as to give a true and fair view and on a going concern basis in accordance with the statutory requirements and applicable financial reporting standards.

Audit Committee

The audit committee of the Company ("**Audit Committee**") currently comprises two independent non-executive Directors and one non-executive Director, namely Mr. Chau Shing Yim David (Chairman), Mr. Shi Cen and Mr. Lin Dongliang.

Under the terms of reference, the Audit Committee is required, among other things, to oversee the relationship with the independent auditor, to review the interim and annual consolidated financial statements, to monitor compliance with statutory and listing requirements, to ensure adequacy of resources, qualifications, experience and training programs and budget of the financial staff, and to oversee the Company's financial reporting system, risk management and internal control systems. The Audit Committee is also responsible for facilitating the risk assessment process and timely communication with the Board where appropriate, and ensuring key business and operational risks are properly identified and managed.

The terms of reference for the Audit Committee have been adopted in line with the CG Code. The written terms of reference of the Audit Committee are available on the website of the Stock Exchange and the Company.

During FY2017, the Audit Committee, among other matters, reviewed interim/annual results and reports from the independent auditor regarding the audit on annual consolidated financial statements, discussed the risk management and internal control of the Company and its subsidiaries, and met with the independent auditor. The Audit Committee reviewed the scope, extent and effectiveness of risk management and internal control systems of the Company and its subsidiaries.

Nomination Committee

The nomination committee of Company ("**Nomination Committee**") currently comprises two independent non-executive Directors and one executive Director, namely Prof. Chen Zhiwu (Chairman), Mr. Shi Cen, and Mr. Wang Jingbo.

The terms of reference of the Nomination Committee have been determined with reference to the CG Code. Under its terms of reference, the Nomination Committee is responsible for determining the policy for the nomination of Directors, identifying potential directors and making recommendations to the Board on the appointment or re-appointment of Directors. Potential new directors are selected on the basis of their qualifications, skills and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board.

The terms of reference for the Nomination Committee have been adopted in line with the CG Code. The written terms of reference of the Nomination Committee are available on the website of the Stock Exchange and the Company.

The Nomination Committee is also responsible for the review of the Board's diversity policy, considering factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of Board members, and review the measurable objectives that the Board has set for implementing the Board's diversity policy, and monitor the progress on achieving the measurable objectives.

During the year, the Nomination Committee reviewed the credentials of the incoming Directors and recommended the appointment of the same to the Board for approval, and evaluated the performance and contribution of the retiring Directors.

BOARD OF DIRECTORS (continued)

Remuneration Committee

The remuneration committee of the Company ("**Remuneration Committee**") currently comprises two independent non-executive Directors and one non-executive Director, namely Mr. Chau Shing Yim David (Chairman), Prof. Chen Zhiwu and Mr. Shong Hugo.

The terms of reference of the Remuneration Committee have been determined with reference to the CG Code. Under the terms of reference of the Remuneration Committee, the responsibilities of the Remuneration Committee include, inter alia, assisting the Company in the administration of a formal and transparent procedure for developing remuneration policies, making recommendations to the Board on the remuneration packages of individual executive Directors and senior management and ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration, assessing performance of executive Directors and approving the term of executive Directors' service contracts.

During the year, the Remuneration Committee reviewed and approved the remunerations of the Directors and the senior management of the Company, and recommended the same to the Board for approval.

The terms of reference for the Remuneration Committee have been adopted in line with the CG Code. The written terms of reference of the Remuneration Committee are available on the website of the Stock Exchange and the Company.

In FY2017, the work performed by the Remuneration Committee includes, inter alia, the review of the Company's remuneration policy for its executive Directors and senior management and their levels of remuneration.

BOARD DIVERSITY POLICY

In 2016, the Board adopted a board diversity policy (the "**Policy**") setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments are based on merit and contribution, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee reviews the Policy on a regular basis and discusses any revisions that may be required, and recommends any such revisions to the Board for consideration and approval.

ATTENDANCE RECORDS AT MEETINGS

The attendance records of each Director at the various meetings of the Company during FY2017 are set out below:

	Attended/Eligible to Attend					
	Annual general meeting	Special general meetings	Board meetings	Audit committee meetings	Nomination committee meetings	Remuneration committee meetings
Number of meetings	1	2	10	3	1	1
Executive Directors						
Mr. Wang Jingbo	1/1	2/2	10/10	N/A	1/1	N/A
Mr. Lee Khay Kok	1/1	2/2	10/10	N/A	N/A	N/A
Non-executive Directors						
Mr. Lin Dongliang	1/1	2/2	9/10	N/A	N/A	N/A
Mr. Shong Hugo	1/1	2/2	8/10	N/A	N/A	1/1
Independent Non-executive Directors						
Mr. Chau Shing Yim David	1/1	2/2	8/10	3/3	N/A	1/1
Mr. Shi Cen	1/1	2/2	8/10	3/3	1/1	N/A
Prof. Chen Zhiwu	1/1	2/2	8/10	3/3	1/1	1/1

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to CG Code provision A.6.5, all directors should participate in continuous professional development to develop and refresh their knowledge and skills during the year. This is to ensure that their contributions to the Board remains informed and relevant.

All Directors have been provided with training on their duties and responsibilities as a director of a listed company and the compliance issues under the Listing Rules. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure their compliance and enhance their awareness of their continuing obligations as Directors and good corporate governance practices. All Directors have provided the joint company secretaries of the Company with their training records for FY2017.

CONTINUOUS PROFESSIONAL DEVELOPMENT (continued)

The individual training record of each Director during FY2017 is set out below:

Executive Directors	
Mr. Wang Jingbo *(Chairman and Chief Executive Officer)*	Reading relevant materials and updates relating to the Listing Rules and other applicable regulatory requirements
Mr. Lee Khay Kok	Reading relevant materials and updates relating to the Listing Rules and other applicable regulatory requirements
Non-executive Directors	
Mr. Lin Dongliang	Reading relevant materials and updates relating to the Listing Rules and other applicable regulatory requirements
Mr. Shong Hugo	Reading relevant materials and updates relating to the Listing Rules and other applicable regulatory requirements
Independent Non-executive Directors	
Prof. Chen Zhiwu	Reading relevant materials and updates relating to the Listing Rules and other applicable regulatory requirements
Mr. Shi Cen	Reading relevant materials and updates relating to the Listing Rules and other applicable regulatory requirements
Mr. Chau Shing Yim David	Reading relevant materials and updates relating to the Listing Rules and other applicable regulatory requirements

CORPORATE GOVERNANCE FUNCTION

The Board recognizes that corporate governance should be the collective responsibility of Directors and the corporate governance duties include:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management. Details of the remuneration of each of the Directors for FY2017 are set out in note 10 to the consolidated financial statements.

The senior management's remuneration for FY2017 is within the following bands:

Emolument bands	Number of individuals
HK$500,001–HK$1,000,000	1
HK$1,000,001–HK$1,500,000	1
HK$1,500,001–HK$2,000,000	1
	3

Note: The members of the senior management disclosed above refer to the employees other than Directors.

Further particulars regarding the Directors and senior management's emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 10, 34(a) and 11 to the consolidated financial statements.

AUDITORS' REMUNERATION

For FY2017, services provided to the Company and its subsidiaries by KPMG, the existing auditors of the Company, and the respective fees paid and payable were:

	HK$'000
Audit services	3,300
Non-audit services — related to the acquisition of the Target Assets	801
Total	4,101

DIRECTORS' SECURITIES TRANSACTIONS

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

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

JOINT COMPANY SECRETARIES

The Company has appointed Mr. Tan Jue, the chief financial officer of the Company, and Mr. Ku Sau Shan Lawrence James as the joint company secretaries of the Company, the joint company secretaries report to the chairman of the Company and is responsible for advising the Board on governance matters, new Director's induction and professional development of Directors as well as ensuring good information flow between the Board members and the compliance of the policy and procedure of the Board.

In FY2017, each of the joint company secretaries of the Company had undertaken no less than 15 hours of relevant professional training.

RISK MANAGEMENT AND INTERNAL CONTROL

Responsibility of the Board

The Board has overall responsibilities for maintaining the Company's systems of risk management and internal control and reviewing their effectiveness. The systems of risk management and internal control systems of the Company are designed to provide reasonable assurance to minimise risk of failure in operational systems, and to assist in the achievement of the Company's goals. The systems are also structured to safeguard the Company's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations.

The Audit Committee has the final authority to review and approve the annual audit plan and all major changes to the plan. In addition, special reviews may also be performed on areas of concern identified by management from time to time.

The Risk Management and Internal Control Systems

The Company adopted the three lines of defence model in the management of risk. Operational management forms the core of the first line of defence as they contact with the risk sources in the first place. They are responsible for identifying, reporting and preliminarily managing risks in their daily operations. Our second line of defence is aimed to facilitate and monitor the implementation of effective risk management practices by operational management throughout the Company. Our internal audit function is the core of the third line of defence and mainly responsible for checking, auditing and monitoring the work performed by the first and second lines of defence.

The Company's risks are identified from business processes in our established enterprise-wide risk assessment methodologies. Key responsible personnel for the management of risk in each of the business process are selected as interviewees to identify the risks to form our risk universe. Each risk within the risk universe is assessed in terms of likelihood of occurrence and the significance of impact, taken into account the current internal controls in place to mitigate these risks. The risk assessment results are reported to senior management and the Board for them to evaluate whether risks have been appropriately managed and decide on our priorities in risk management, based on their preferences towards risk, and in particular how much risks the Company is willing to take for the achievement of its strategy and business objectives, the availability of resources for risk mitigation, and the effectiveness of current internal control system.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The Risk Management and Internal Control Systems (continued)

The key components of the Company's control structure are as follows:

Culture: The Board believes that good governance reflects the culture of an organisation. The Company aims at all times to act ethically and with integrity, and to instil this behaviour in all its employees by setting example by the Board. The Company has a code of conduct, which is posted on its internal intranet site. The Company is committed to developing and maintaining high professional and ethical standards. These are reflected in the rigorous selection process and career development plans for all employees. The organisation prides itself on being a long-term employer which instils in individuals, as they progress through the Company, a thorough understanding of the Company's ways of thinking and acting.

Channels of communication are clearly established which allow employees to express their views to senior staff. Employees are aware that, whenever the unexpected occurs, attention should be given not only to the event itself, but also to determining the cause. Through the Company's code of conduct, employees are encouraged (and instructed as to how) to report control deficiencies or suspicions of impropriety to those who are in a position to take necessary action.

Risk assessment: The Board of Directors and the management each have a responsibility to identify and analyse the risks underlying the achievement of business objectives, and to determine how such risks should be managed and mitigated. The management, among other matters, is responsible for facilitating risk assessment process and timely communication to the Board where appropriate, and ensuring that key business and operational risks are properly identified and managed.

Management structure: The Company has a clear organisational structure that, to the extent required, delegates the day-to-day responsibility for the design, documentation and implementation of procedures and monitoring of risk. Individuals appreciate where they will be held accountable in this process.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The Risk Management and Internal Control Systems (continued)

Controls and review: The control environment comprises policies and procedures intended to ensure that relevant management directives are carried out and actions that may be needed to address risks are taken. These may include approvals and verifications, reviews, safeguarding of assets and segregation of duties. Control activities can be divided into operations, financial reporting and compliance, although there may, on occasion, be some overlap between them. The typical control activities adopted by the Company include:

— analytical reviews: for example, conducting reviews of actual performance versus budgets, forecasts, prior periods and competitors

— direct functional or activity management: reviews of performance reports, conducted by managers in charge of functions or activities

— information-processing: performing controls intended to check the authorisation of transactions and the accuracy and completeness of their reporting, for example, exception reports

— physical controls: ensuring equipment, inventories, securities and other assets are safeguarded and subject to periodic checks

— performance indicators: carrying out analyses of different sets of data, operational and financial, examining the relationships between them, and taking corrective action where necessary

— segregation of duties: dividing and segregating duties among different people, with a view to strengthening checks and minimising the risk of errors and abuse.

— Hedging: place the Company in a hedged position, protecting it from a decline in the oil price over the stipulated period of time.

The Company has in place effective processes and systems for the identification, capture and reporting of operational, financial and compliance-related information in a form and time frame intended to ensure that staff carry out their designated responsibilities.

Any material internal control defects identified are timely communicated and carefully evaluated for their potential impacts. The departments or functions who are owners of these controls, are required to propose corrective measures and obtain approval from management before implementation. The implementation statues are monitored by both management and the internal audit function to ensure these control defects are properly resolved in a timely manner. The Company has also established policies and procedures for the handling and dissemination of inside information. The information to be disclosed should be properly reviewed and approved by our compliance functions and management to ensure its appropriateness and accuracy, and is closely monitored after disclosure.

In the financial year ending 31 March 2019, the Company plans to use its best endeavor to continuously refine our risk management and internal control systems whenever necessary, which would include the establishment of a more formalised risk response process, improvements to be made in control design and execution in high risk areas identified through our annual risk assessment, and a mechanism to monitor the resolution of control deficiencies, to mention but a few.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Internal Audit Function

The Company's internal audit department plays a major role in the monitoring of the Company's internal governance processes. The major tasks of the department include providing assurance on the effectiveness of the Company's governance, risk management and internal controls in areas of operations, safeguarding of assets, reporting, and compliance, and conducting risk-based audits of all branches and subsidiaries of the Company on a regular basis with recommended action plans to audit findings. The department also provides consulting services in risk management and internal control related issues within the Company.

Review of the Effectiveness and Adequacy of Systems

The management prepares and submits reports to the Board in risk and control related issues at least annually, detailing how risks have been managed and internal controls have been designed and implemented in accordance with the established risk and control frameworks, to keep our overall risk exposures within risk appetite and achieve our business objectives. The Board reviews the reasonableness of these reports and representations from management and makes sufficient enquiries whenever they feel necessary, before reaching their conclusions.

In respect of FY2017, the Board and the Audit Committee conducted annual review of the effectiveness of the risk management and the internal control system of the Company covering the finance, operational and compliance controls and risk management functions. Based on the review, the Board considered that the Company's risk management and internal control systems were effective and adequate for its present requirements.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Company and its subsidiaries and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The statement of the external auditors of the Company, KPMG, with regard to their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 92 to 98 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

The Company communicates with the shareholders of the Company through the publication of annual and interim reports, press announcements and circulars. The annual general meeting also provides a useful and convenient forum for shareholders to exchange views with the Board, and with each other. At the annual general meeting, the chairperson of the annual general meeting and chairman/member/duly appointed delegate of the Audit Committee, the Remuneration Committee and the Nomination Committee are available to answer the questions raised by shareholders.

The Directors present their report and the audited financial statements of the Company and its subsidiaries for FY2017.

An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called a special general meeting.

SHAREHOLDERS' RIGHT TO PROPOSE RESOLUTIONS AT GENERAL MEETING

Shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting; or (ii) not less than 100 shareholders, can submit a written request stating the resolution intended to be moved at an annual general meeting; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The written request/statements must be signed by the shareholder(s) concern and deposited at the Company's registered office at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal office at Suite 2302, Wing On Centre, 111 Connaught Road, Central, Hong Kong, for the attention of the joint company secretaries of the Company, not less than six weeks before an annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

PROCEDURES FOR SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

According to the Bye-laws of the Company and the Companies Act 1981 of Bermuda, a special general meeting shall be convened by the Board on the requisition of one or more Shareholders' holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company and deposited at the registered office of the Company. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) (or any of them representing more than one half of the total voting rights held by all of the requisitionists) may do so in the same manner (as nearly as possible). Any meeting so convened shall not be held after the expiration of 3 months from the date of deposit of the requisition. All reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR SHAREHOLDERS TO PUT ENQUIRES TO THE BOARD

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. In respect of other enquiries, Shareholders may put forward enquiries to the Board through the below contact details for handling. The contact details are as follows:

Address:	Suite 2302, Wing On Centre 111 Connaught Road Central Hong Kong
Tel No.:	(852) 2973 0332
Fax No.:	(852) 2973 6300

Shareholders may also make enquiries with the Board at the general meetings of the Company.

VOTING BY POLL

All resolutions put forward at shareholder meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each shareholder's meeting.

CHANGE IN CONSTITUTIONAL DOCUMENTS

There were no changes in the Company's constitutional documents during FY2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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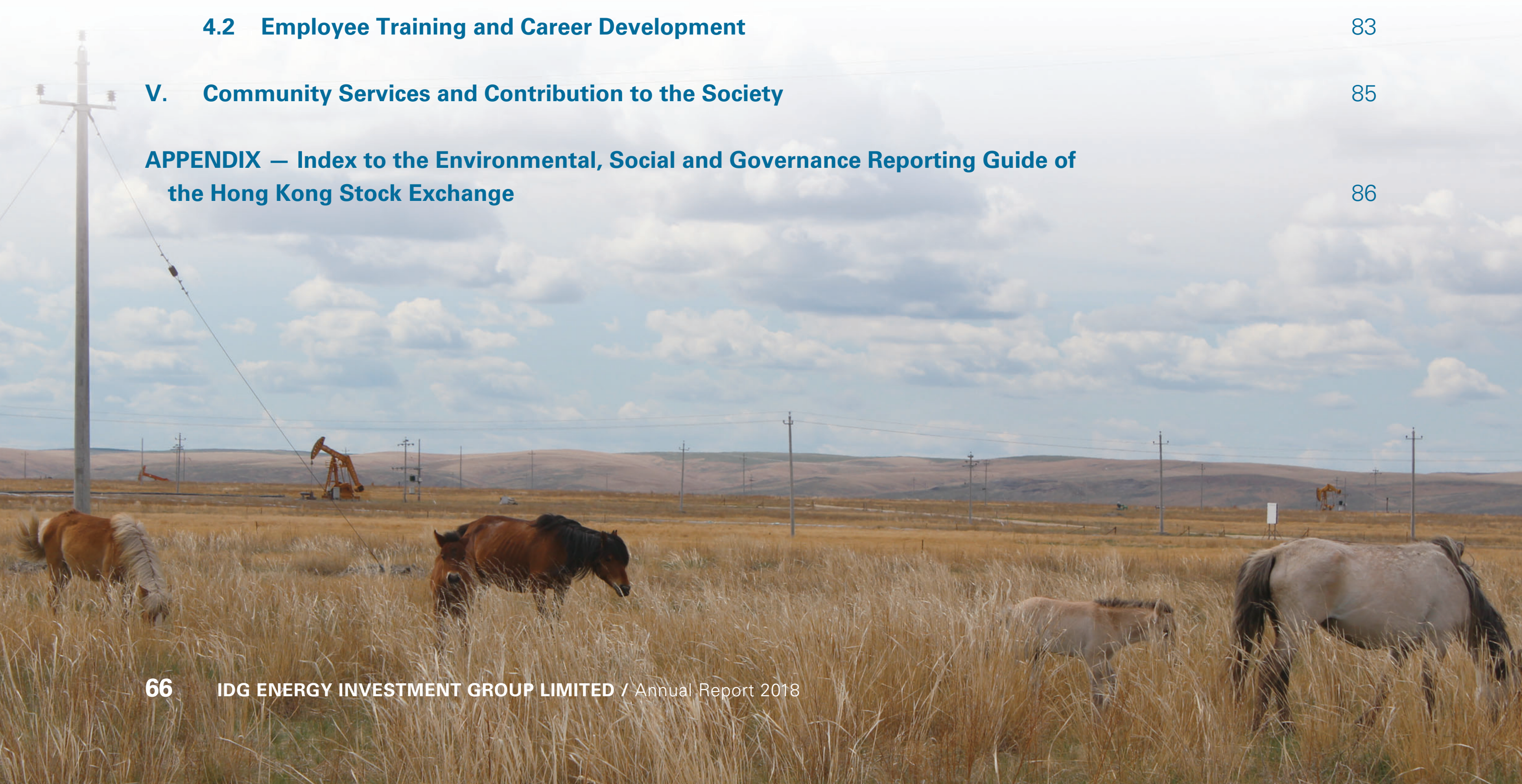

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. REPORT OVERVIEW

1.1 About This Report

This is the second Environmental, Social and Governance Report issued by IDG Energy Investment Group Limited (the "**Company**"). This report mainly introduces the Company's policies and measures regarding environmental, social and governance ("**ESG**") issues and is meant to strengthen communication and engagement with internal and external stakeholders.

The Board of Directors of the Company (the "**Board**") and its individual members assume full responsibility for the Company's ESG strategy and ESG reporting and are responsible for assessing and determining the Company's ESG risks and ensuring that the Company has an appropriate and effective ESG risk management and internal control system in place. The Board and its individual members affirm that this report contains no false or misleading statements or material omissions and that they are jointly and severally responsible for the truthfulness, accuracy, and completeness of its contents.

Scope of the Report

This report covers the Company and its subsidiaries. The Company is mainly engaged in global energy assets investment and management, its subsidiaries and investment portfolio of the main business activities including oil and gas related business. As the sole product manufacturing subsidiary of the Company, 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**") is responsible for the largest proportion of environmental responsibility, so the scope of disclosure of environmental data in this report is limited to Hongbo Mining.

Time Range

The Company's ESG report is an annual report and this report is for the period from 1 April 2017 to 31 March 2018.

Basis of Preparation

This report is prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") of Hong Kong Exchange and Clearing Limited ("**HKEx**").

1.2 Vision of ESG Management

The reporting period of this report represented the second year of the Company's ESG disclosure. Regarding its subsidiary, Hongbo Mining, engaged in upstream oil exploration, development and production, the Company has adhered to the development philosophy of "energy conservation, emissions reduction, green development, and safety as top priority" to achieve green and secure development while continuously improving quality and efficiency and provide society with high-quality oil resources. At the same time, the Company has further increased its comprehensive strength by focusing on talent development, technological innovation, management streamlining and performance optimization. The Company mainly focuses on investment and management of global energy assets. With respect to investment orientation, the Company is optimistic about China's huge demand for imported nature gas and the long-term availability of abundant low-price natural gas resources due to the shale gas revolution in North America, proactively made deployments along the clean energy (natural gas industry chain), and developing itself into an upstream and downstream integration, innovation, secure and environmentally friendly energy investment and management company.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT

Environmental protection is an important issue of common concern for the whole world. The Company and its subsidiaries has always strictly followed the national and local laws, regulations and policies on resource preservation and environmental protection, including Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and Plan of Ecological and Environmental Protection during the 13th Five-Year Plan Period (《「十三五」生態環境保護規劃》). The Company has been committed to fulfilling its environmental responsibilities by increasing investment in energy conservation and environmental protection, reducing pollutant emissions, and advancing environmental and ecological protection in the operating regions.

During the reporting period, the Company and its subsidiaries did not have any environmental pollution and ecological damage accidents, or waste management violation events.

2.1 Emissions Management

The Company's subsidiary Hongbo Mining has formulated strict internal Rules on Environmental Protection Management ("**Management Rules**") in accordance with relevant laws and regulations including Law of the People's Republic of China on Prevention and Control Atmospheric Pollution (《中華人民共和國大氣污染防治法》), Law of the People's Republic of China on Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), and Law of the People's Republic of China on Prevention and Control Water Pollution (《中華人民共和國水污染防治法》). The Management Rules have clear provisions in six major aspects such as environmental protection measures, environmental impact assessment, "three simultaneous" management, environmental hidden danger management, environmental monitoring, and environmental performance evaluation. In addition, the Management Rules include as appendices, namely Specifications of Environmental Protection Engineering on Drilling Construction Site (《鑽井施工現場環保工程規範》) and Specifications on Environmental Protection Engineering on Downhole Operation Construction Site (《井下作業施工現場環保工程規範》), which set out clear design and construction requirements on relevant facilities including seepage prevention, sump hole, industrial waste bin and waste pit.

Hongbo Mining has also put in place an effective management mechanism for implementation, where Exploration Engineering and Engineering Operation assume the overall responsibility and the relevant functional departments and project contractors supervise each other with clear definition of responsibilities and powers, which has achieved prominent effects.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.1 Emissions Management (continued)

2.1.1 Reduction of Greenhouse Gas Emissions

In line with the Greenhouse Gas Emissions Control Plan during the 13th Five-Year Plan Period (《「十三五」控制溫室氣體排放工作方案》) and other policy documents, the Company and its subsidiaries have thoroughly implemented national environmental protection guidelines and policies and strictly controlled its greenhouse gas emissions.

Greenhouse gas (GHG) emissions generated by Hongbo Mining from its crude oil production, collection, transmission and processing activities are mainly carbon dioxide. Scope 1[1] emissions are mainly from the following sources:

- GHG emissions resulting from diesel combustion in well drilling and oil-water well maintenance activities;
- GHG emissions resulting from natural gas combustion for oil and gas transmission pipeline hearting and domestic heating in winter;
- GHG emissions from well testing release, process release and escape during production.

Scope 2[1] emissions are mainly from the generation of purchased electricity.

During the reporting period, Hongbo Mining emitted a total of 10,164.25 tonnes of carbon dioxide equivalent, including 4,005.25 tonnes of Scope 1 emissions[2] and 6,159.00 tonnes of Scope 2 emissions, with the overall GHG emission intensity being 0.21 tonne of carbon dioxide equivalent per tonne of crude oil produced.

To reduce GHG emissions, Hongbo Mining has taken a series of measures. Examples include gathering associated natural gas in crude oil production and using it for heating and electricity generation of Hongbo Mining; adjusting thermal system parameters according to season in a timely way to plan natural gas utilization optimally; developing scientific working schedules with reasonable activation and deactivation for oil wells with insufficient liquid supply to pump oil by interval and thus effectively reduce electricity consumption; and promoting advanced applications such as intelligent variable frequency control cabinet and alloy anti-wax devices to save electricity consumption.

During the reporting period, Hongbo Mining saved 1,932.36 tonnes of standard coal equivalent and reducing 5,062.76 tonnes of carbon dioxide equivalent of GHG emissions by combusting 1.4529 million normal cubic metres of associated natural gas for heating and electricity generation.

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1 In accordance with Appendix 2: Reporting Guidance on Environmental KPIs published by HKEx, Scope 1 emissions are direct emissions from operations that are owned or controlled by the company and Scope 2 emissions are "energy indirect" emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the company.

2 Hongbo Mining does not use gas flares in its oil and gas production and therefore does not have GHG emissions from them. As Hongbo Mining has not yet established a process to collect GHG emissions data from well testing, process release and production escape, such data is not covered in this report and will be disclosed in future reports after it has put in place a statistical process for such data.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.1 Emissions Management (continued)

2.1.2 Waste Gas Generation and Management

The air pollutants generated by Hongbo Mining from its business operation are mainly sulphur dioxide, oxynitride and soot resulting from natural gas combustion of its heating furnaces and generating units and petrol and diesel combustion[3] . During the reporting period, Hongbo Mining emitted 0.27 tonne of sulphur dioxide, 2.56 tonnes of oxynitride and 0.34 tonne of soot, with their emission intensity being 5.46, 52.52 and 7.07 grams per crude oil produced, respectively.

To reduce the impact of its business operation on the atmospheric environment, Hongbo Mining has adopted the corresponding measures, including strengthening vehicle management by optimizing route planning, reducing frequency of use, and phasing out large-displacement fuel-hungry engineering vehicles to conserve petrol and diesel consumption.

According to the environmental impact assessment report issued by a third-party agency during the reporting period, the ratio of maximum landed concentration of atmospheric pollutant emission to standard concentration emitted by Hongbo Mining was only 0.23%, indicating that its business operation does not have a significant impact on ambient air quality.

The Company mainly focuses on investment and management of global energy assets. In terms of investment, the Company has begun making deployments along the clean energy-natural gas industry chain because natural gas, as a clean energy source, can reduce sulphur dioxide and soot emissions by nearly 100%, carbon dioxide emissions by 60% and oxynitride emissions by 50%. In July 2017, 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") for the consideration of RMB100 million. JOVO is principally engaged in clean energy businesses, including importing, processing and sale of the industrial products of liquified petroleum gas and LNG in China. In February 2018, the Company, acquired a stake in LNG Quebec Limited Partnership at the purchase price of US$3.15 million. LNG Quebec Limited Partnership is developing a state-of-the-art and low-carbon-emission LNG exporting terminal with a maximum nameplate liquefaction capacity of up to 11 million tons per annum, which is one of the largest Canadian LNG export terminals under development.

3 The HKEx "Appendix 2: Environmental Key Performance Indicators Reporting Guide" requires disclosure of driving mileage data by vehicle type, but as statistics on this indicator were not collected during the reporting period, data of oxynitride and soot resulting from petrol and diesel combustion is not disclosed in this report.

* *for identification purposes only*

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.1 Emissions Management (continued)

2.1.3 Waste Generation and Management

All oil and gas exploitation projects of Hongbo Mining are contracted, but Hongbo Mining is responsible for supervision of waste transfer, transport and storage of the contractors. Hongbo Mining attaches great importance to waste generation, gathering, transport, storage and disposal. Typically, Hongbo Mining signs a labour contract with a project contractor, supervises its waste disposal, and conducts strict acceptance inspection of waste disposal. By promoting technological innovation, improving management mechanisms, adopting centralized recovery, and improving utilization efficiency, Hongbo Mining has been continuously advancing non-hazardous disposal and resourcification of waste.

Hazardous Waste

The main hazardous wastes resulting from the crude oil exploitation, treatment, storage and formation testing activities of Hongbo Mining are collectively referred to as oil sludge, including paraffin wax coagulated from crude oil, heavy oil deposited on tank bottoms, flocs formed by cleaning agents during wastewater treatment, and waste resulting from pipeline corrosion. These substances have some toxicity and flammability and if directly discharged without proper treatment will cause pollution to soil, water and air and if landfilled without remediation will cause serious pollution to underground water and seriously damage the existing ecosystem such as trees and vegetation.

During the reporting period, Hongbo Mining generated a total of 14.88 tonnes of oil sludge, with the generate intensity being 0.31 kilograms per tonne of crude oil produced.

In line with the principle of "reduce and recycle", Hongbo Mining has taken effective measures to reduce oil sludge, including injecting liquid active solvents into producing wells and washing the wax deposited on well walls and bottoms with high-temperature liquid on a regular basis; and washing pipelines with neutral or faintly acid aqueous solutions to accelerate breakdown of coagulations and sediments and achieve grease and grime removal. Hongbo Mining has established a strict management system of hazardous waste collection and disposal, with a dedicated environmental protection officer responsible for having the equipment cleansed on a regular basis and supervising relevant personnel to transport hazardous wastes to the gathering and transportation station for centralized disposal, where oil sludge and other wastes are converted to non-hazardous wastes through a series of processes including heating, filtration, precipitation and dehydration. This work is contracted to a local certified hazardous waste disposal company.

Hongbo Mining has recycled all toner cartridges by adding carbon powder and did not generate any hazardous office waste including waste toner cartridge during the reporting period.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.1 Emissions Management (continued)

2.1.3 Waste Generation and Management (continued)

Non-hazardous Waste

Non-hazardous wastes generated by Hongbo Mining from its business activities mainly include packaging materials of purchased equipment, scrap metal (tools, wires and parts) and domestic waste.

During the reporting period, Hongbo Mining generated 148.45 tonnes of non-hazardous waste, included 2.2 tonnes of packaging materials, 128 tonnes of scrap metal and 18.25 tonnes of domestic waste, and the intensity of the total non-hazardous waste being 3.05 kilograms per tonne of crude oil produced.

Hongbo Mining has striven to reduce the generation of non-hazardous waste by tackling their sources through multiple effective measures, including: maintaining, repairing and treating for corrosion resistance pipelines on a regular basis to extend their service life; using neutral detergents to extend the service life of pipelines and equipment; repairing and reusing decommissioned pipelines, with the decommissioned pipelines being put into use again safely after expiration of service life accounting for approximately 25% of all decommissioned pipelines; advocating paperless office and repairing and reusing electronic products such as computers, so that Hongbo Mining did not generate any office waste including computer scrap; and separating domestic wastes by type to facilitate disposal.

Hongbo Mining separates non-hazardous wastes by type, with solid wastes that cannot be reused such as packaging materials and scrap metal being handed over to qualified solid waste disposal companies and domestic wastes being transported to sites designated by competent local authorities for centralized disposal in accordance with local environmental requirements.

2.1.4 Wastewater Management

Hongbo Mining has strictly complied with relevant laws and regulations and national, local and industry standards including Water Law of the People's Republic of China (《中華人民共和國水法》), Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》) and Integrated Wastewater Discharge Standard (《污水綜合排放標準》(GB 8978-1996)) by taking the measures of "locating the source, controlling the process, utilizing by different levels and recycling" based on the principle of source control and recycling, which involve collecting the sewage generated during crude oil exploitation through the gathering station for separation from the crude oil and sedimentation, and then injecting it back to the stratum after wastewater treatment to facilitate oil exploitation. The whole system is a closed loop where the wastewater can be fully recycled, thereby achieving zero emission.

During the reporting period, the wastewater generated from oil exploitation was completely injected back to the stratum with a reinjection rate of 100%, which significantly reduced consumption of fresh water.

During the reporting period, Hongbo Mining discharged a total of 29,200 tonnes of domestic sewage, which was biologically degraded to meet the discharge standard before being discharged for vegetation irrigation.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.2 Use of Resources and Management

Hongbo Mining has adopted measures to use electricity, water, petrol and diesel more efficiently with a view to improving resource utilization, with plans to put in place a resource consumption calculation and assessment system with detailed management policy documentation within two years. The Vehicle Management Department of Hongbo Mining has formulated a vehicle management system which regulates petrol and diesel use by providing for fuel consumption per 100 km and requiring a monthly statement of vehicle use.

2.2.1 Energy Management

Hongbo Mining has strictly complied with the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and relevant requirements of the Plan of Integrated Work of Energy Conservation and Emission Reduction during the 13th Five-year Plan Period (《「十三五」節能減排綜合工作方案》) to become a resource-conserving enterprise.

The Company's energy consumption is mainly from its subsidiary, Hongbo Mining, whose main sources of energy consumption include electricity for well site equipment, gas and oil gathering and transmission, and water filling; petrol for cars for inspection and supervision purposes; diesel for engineering vehicles, generators for well sites without grid connection, and domestic heating on project site in winter; and natural gas as domestic fuel and for winter heating and combustion-based electricity generation.

In daily management, Hongbo Mining has responded to the call for energy conservation and environmental protection by adhering to the guidelines of using clean energy and improving energy efficiency. Measures include strengthening vehicle management by centrally scheduling vehicle use, planning routes efficiently, merging trips and sharing vehicles wherever possible, and phasing out large-displacement fuel-hungry engineering vehicles; and using energy-efficient electric motors in well site equipment and installing variable frequency electric control cabinets and reactive power compensation devices.

During the reporting period, Hongbo Mining consumed 6,964,830 kWh of electricity, 42.41 tonnes of petrol, 230.25 tonnes of diesel, and 1.4529 million normal cubic metres of associated natural gas, including 1.3329 million normal cubic metres for heating (saving approximately 51,891.13 GJ of thermal energy) and 120,000 normal cubic metres for electricity generation (saving approximately 210,000 kWh of electricity). Overall, it consumed 5,143.20 tonnes of standard coal equivalent[4] with an energy intensity of 105.65 kg of standard coal per tonne of crude oil produced.

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4 Calculation on this indicator performed with reference to converted standard coal coefficient data in China Energy Statistical Yearbook (《中國能源統計年鑒》) and General Principles for Calculation of the Comprehensive Energy Consumption (《綜合能耗計算通則》(GB/T 2589-2008), etc

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.2 Use of Resources and Management (continued)

2.2.2 Water Resource Management

Hongbo Mining's water resource management goal is to achieve 100% produced water treatment, 100% produced water reinjection, and efficient and controlled use of fresh water.

Hongbo Mining's main sources of water use include water use for well drilling, completion and maintenance, water injection to supplement producing energy and increase oil recovery, and a small amount of domestic water.

In its production and operation process, Hongbo Mining has adopted measures in the following aspects to conserve water resource:

- Adopting clean production processes and implementing water conservation practices to increase water recycling and reduce water withdrawal.

- Ensuring effective day-to-day maintenance, keeping the pipeline network in normal working condition, guaranteeing safe water supply, and preventing pipeline seepage, with all anti-seepage measures having a permeability coefficient of less than 1.0×10^{-7}cm/s.

- Cleaning wells with treated wastewater, which not only reduces the use of flushing fluid but also mitigates pollution and damage to oil reservoir, and recycling flushing liquid.

Through the abovementioned measures, Hongbo Mining consumed 55,515 cubic metres of fresh water with an approximately 5% reduction in fresh water consumption, representing a water intensity of 1.14 cubic metres per tonne of crude oil produced. In the future, Hongbo Mining will establish a dynamic water use monitoring system capable of real-time monitoring and control of makeup water to achieve optimal water use, where production and living water are planned and supplied according to quantity and quality requirements to maintain water balance.

During the reporting period, the Company and its subsidiaries did not have any violation regarding water usage.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.2 Use of Resources and Management (continued)

2.2.3 Land Rehabilitation

Oil field development will create a new artificial ecosystem, and its environmental impact is mainly shown as the excavation face being not entirely rehabilitated, leading to reduced vegetation coverage, vegetation biomass loss, and impaired vegetation structure.

Based on the guidelines of relevant documents such as the Guidance on Gradual Establishment of the Responsibility Mechanism for Environment Control and Ecology Recovery of Mine Fields (《關於逐步建立礦山環境治理和生態恢復責任機制的指導意見》) and the Notice on Matters Relating to Reporting and Review of Land Rehabilitation (《關於組織土地復墾編報和審查有關問題的通知》), Hongbo Mining has formulated and issued its Land Rehabilitation Plan which combines rehabilitation engineering and project development with the focus on comprehensive environment management for construction projects by prioritizing ecology protection and integrating a succession of measures including land levelling, topsoil coverage, forestation and grass plantation to achieve "exploiting while rehabilitating". All projects of Hongbo Mining have passed the acceptance inspection performed by national environmental protection authorities.

2.3 Innovation and Safety

2.3.1 Technological Innovation

The Company and its subsidiaries' innovation-driven performance enhancement policy is underpinned by the respect for labour, for knowledge, for talent, and for creation and encourages team collaboration as well as independent innovation. The Company and its subsidiaries have a talent development program geared to developing high-level talent and making innovations in urgently needed technologies and has formed a strong R&D team led by leading technologists to support the innovation-driven sustainable development. The Company's subsidiary Hongbo Mining, based on its Staff Innovation Workshop, has mobilized its staff at various levels to make technological innovations in various ways including joint research to make breakthroughs in key technologies, technological renovation, invention, repair and waste recycling. By organising activities such as collaborative research in key technologies, management innovation and project-based research and promoting advanced concepts, technologies and methods, Hongbo Mining has solved technical bottlenecks confronting its oil blocks and achieved steady progress in its exploration and development capabilities.

During the reporting period, Hongbo Mining won the Inner Mongolia Autonomous Region level "Xilin Gol League Staff Innovation Workshop" title.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.3 Innovation and Safety (continued)

2.3.2 Safe Production

The Company and its subsidiaries care for every employee and is committed to protecting their health. They strictly comply with Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and adhere to the guideline of "safety first, prevention foremost, and integrated management", always highlighting occupational health, work safety and environmental protection as an important part of its corporate social responsibility and reflecting this commitment into the full life cycle of Hongbo Mining's production and operation activities. It has established a health, safety and environment ("**HSE**") management system and operating mechanism which integrates decision management, business operation, technical support, and regulation and incentivization.

During the reporting period, the Company and its subsidiaries did not have any violation of China's relevant current labour and safety laws and regulations or experience any major accident seriously jeopardizing employee safety or causing employee death, with zero lost workday due to work-related injury.

Improvement of HSE System

Hongbo Mining has been committed to continuously improving its HSE system by striving to establish comprehensive management and implementation mechanisms in line with its HSE system and mechanism, including a safety work leading group led by the general manager which is responsible for enforcing safety management down to every production team and every employee and providing strong organizational support for HSE implementation and decision-making. Adhere to its standard of HSE system, Hongbo Mining has planned, formulated and amended more than 30 safety and health management rules including Employee Safety Manual, Common Non-Compliances and Corrective Actions, and Hazard Identification and Prevention, and improved its HSE evaluation mechanisms, including by establishing a safety incentive fund to improve HSE management performance.

Strengthening Risk Management and Control

Hongbo Mining has been committed to developing its environmental and safety responsibility enforcement and level-based risk control mechanisms and improving its emergency response force comprising full-time and part-time roles and accident prevention and early warning mechanism. In accordance with the requirement of "double duties in one position", Hongbo Mining conducts safety hazard identification on a regular basis to identify and remove all types of problems and hazards in a timely way while advancing the institutionalization and standardization of hazard identification and control.

Safety Education for Employees

Hongbo Mining has been committed to increasing employees' safety awareness by organizing different types of safety training on a regular basis and publicizing HSE in various forms and through different channels, such as pre-job training and educational safety video watching, to ensure employees' work safety competence and compliance. Hongbo Mining has established an integrated HSE training system based on solid HSE theory and rich content, covering HSE management concept, job responsibility awareness and emergency response management. The Company and its subsidiaries have stringent requirements on employee safety training, with safety training covering all employees, and on-boarding training covering all new recruits.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.3 Innovation and Safety (continued)

2.3.2 Safe Production (continued)

Protection of Occupational Health of Employees

The Company and its subsidiaries have been committed to strengthening its employee occupational health management system and have established an occupational health management accountability mechanism which involves the appointment of dedicated occupational health officers, the engagement of qualified agencies to conduct workplace occupational health assessment and testing, and the supervision of hazardous process rectification. The Company and its subsidiaries also provides health check for employees before employment, on the job and before separation and maintains their occupational health records, in addition to providing all employees with safe working conditions and adequate labour protection and carrying out employee occupational health monitoring and education, thereby implementing occupational health management in a comprehensive, well-regulated way. During the reporting period, the Company and its subsidiaries experienced no new occupational disease case.

III. COMPLIANT BUSINESS OPERATION TO BUILD A SAFE AND HARMONIOUS PRODUCTION CHAIN

The Company adheres to compliant business operation based on comprehensive compliance management policies covering business integrity, external communication, professional ethics, internal relations, corporate interests, and social responsibility. The Company is committed to communicating with all internal and external stakeholders to achieve mutual benefit and win-win.

3.1 Anti-corruption

The Company and its subsidiaries strictly comply with laws and regulations relating to anti-corruption, anti-extortion, anti-fraud and anti-money laundering including the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), Anti-money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》). In corporate development, the Company and its subsidiaries have proceeded in a way which combines clean governance and business growth by building an ideological and institutional firewall against corruption, which clearly defines the rights and obligations of the shareholders' meeting, board of directors and the management under a check and balance mechanism where the decision-making, management and supervision functions are relatively independent from one another, and inculcating correct values. The Company has established an internal management committee led by the CEO with members comprising president and vice presidents in charge of various divisions, which operates in accordance with the principle of democratic centralism to eliminate "rule by the voice of one man alone" and backroom dealing, and enforce coordination, mutual supervision, and synergistic collaboration.

The Company and its subsidiaries make continuous innovation in education methods and carry out in-depth education of honest practices. On one hand, the Company and its subsidiaries have provided special coverage of anti-corruption in the section headed "Basic Literacy and Business Etiquettes of Employees" in the induction training materials for new employees; on the other hand, the Company and its subsidiaries have distributed the Employee Manual which clearly prohibits deliberate fabrication, leakage of confidential information, corruption, embezzlement, misappropriation, dinner invitation and gift exchange among the employees to improve employee loyalty and integrity.

III. COMPLIANT BUSINESS OPERATION TO BUILD A SAFE AND HARMONIOUS PRODUCTION CHAIN (continued)

3.1 Anti-corruption (continued)

The Company has established a comprehensive top-down system, which requires continuously improving the systems in various aspects such as corporate operation, procurement, sales, project budget and final accounting, capital and finance and strengthening corporate self-discipline and internal control mechanisms. The Company's subsidiary Hongbo Mining requires signing suppliers and contractors to sign statements of honest practice to prevent commercial bribery while encouraging employees to file complaints or blow the whistle directly bypassing the immediate leadership for non-compliance identified. If the non-compliance is proven to be true, the responsible person will be dismissed immediately, subject to further sanctions through litigation if the circumstance is severe. This represents an approach of combining process control and violation punishment to prevent non-compliance.

The Company and its subsidiaries, in response to the national call to improve party conduct, uphold integrity and fight corruption, has organized various party member and non-party member employee workshops and trainings on relevant topics to increase the overall integrity awareness of the staff and build a corporate firewall against corruption.

During the reporting period, the Company and its subsidiaries experienced no litigation brought against it or its employees on corruption charge.

3.2 Ensuring Production Quality and Consolidating Customer Relationship

The Company attaches importance to product quality responsibility, and Hongbo Mining, as the Company's only product manufacturing subsidiary, has always deemed engineering quality as the lifeline for its existence and development and inculcated the management goal of "building top projects with excellence in every detail" in the mind of every employee. Besides strictly complying with national standards and quality specifications for the petroleum and natural gas industry, Hongbo Mining, in the light of its own conditions, has formulated and issued internal construction management specifications, quality management rules, assessment standards and punishment rules, which in some cases impose even more stricter requirements than industry standards. These internal specifications and rules are reviewed, adjusted and optimized annually to reflect the company's business development and priorities.

In product quality management, during the reporting period, Hongbo Mining summarized the abovementioned systems and formulated a guidebook integrating its existing acceptance and other procedures to make all work procedure-based and under control. In employee management, it has always focused on the three dimensions of safety, quality and speed, where managers have the whole picture in mind and pay attention to detail as well throughout the project by directly controlling major processes, supervising key links, eliminating all hazards, and strictly enforcing acceptance standards. It has put in place a "three inspections" system-self-inspection by contractor, mutual inspection by collaborative entities, and special inspection by the supervision department, to ensure its effective implementation based on clear accountability. In line with the principle of "fairness, justice and openness", Hongbo Mining has put the construction personnel under comprehensive oversight and evaluation in extensive aspects including materials, manning, construction progress, project quality, work safety and environmental protection, with clearly defined punishments for non-compliances and violations. During the reporting period, in particular, Hongbo Mining further substantiated and refined evaluation of such aspects as oil reservoir protection and wellbore quality. Through these measures, Hongbo Mining has put in place a fairly comprehensive quality supervision system.

III. COMPLIANT BUSINESS OPERATION TO BUILD A SAFE AND HARMONIOUS PRODUCTION CHAIN (continued)

3.2 Ensuring Production Quality and Consolidating Customer Relationship (continued)

Hongbo Mining has taken the following specific measures to control product quality: 1) engaging internationally recognized third-party agencies to perform product testing; 2) increasing product quality testing frequency from once a year to once every half year; 3) providing standby weighing equipment for sales to improve weighing accuracy; and 4) asking the quality inspection authority to calibrate its measuring equipment on a regular basis to increase measuring accuracy and avoid measuring errors. In addition, Hongbo Mining has strictly complied with relevant regulations including Measures for the Administration of the Crude Oil Market (《原油市場管理辦法》) and Administrative Measures for Oil Prices (《石油價格管理辦法》) in product pricing and sale.

Hongbo Mining has committed to protecting customer privacy in accordance with the law and has included a confidentiality clause in contracts, among other measures. The Company and its subsidiaries do not involve advertising and labelling in the process of providing products.

During the reporting period , the Company and its subsidiaries did not have any significant violation regarding product or service liability or privacy matters.

3.3 Supplier Management

Hongbo Mining is the sole subsidiary of the Company with businesses involving suppliers of exchange and coorporation during its production and operation. By service type, Hongbo Mining's suppliers are divided into engineering contactors (34: 12 in Xilin Gol League and 22 outside) and material suppliers (36: 10 in Xilin Gol League and 26 outside).

Hongbo Mining has attached great importance to the responsibility management of its engineering contractors and material suppliers by strictly implementing its supplier admission, maintenance, management and removal procedures to ensure that their products and services always meet its relevant requirements:

- Strict preliminary review: Focus on obtaining the background information of the enterprise, such as the strength in technology, management, capital and other aspects. Hongbo Mining has established a contractor assessment group with members comprising the heads of its various business departments to select contractors through tender and negotiation based on the principles of quality first and fair competition.

- Signing the HSE statement: Include it in Hongbo Mining's safety and environmental protection management system and convene special meetings on safety and environmental protection on a regular basis.

- Strengthening tracking of key procedures and enforcing comprehensive supervision: Implement comprehensive management of service providers to ensure high-quality services and products.

- Regular assessment: Conduct classification and regular quality assessment of the products or services provided, continuously improve the awareness of responsibility and service ability of suppliers and strive to build a sustainable service chain and supply chain to achieve win-win and mutual development with the suppliers.

III. COMPLIANT BUSINESS OPERATION TO BUILD A SAFE AND HARMONIOUS PRODUCTION CHAIN (continued)

3.3 Supplier Management (continued)

- Year-end inspection and visit to major suppliers: Register and verify basic information, inspect their management systems and have face-to-face communication with managerial personnel in order to get a truthful understanding and comprehensive assessment of their business operation and reduce the operating risk and bring it under control.

- Procurement: In order to reduce cost and enhance efficiency, procurement is carried out within a radius of 1,500 kilometres from the oilfields and from qualified oilfield equipment manufacturers which hold API (American Petroleum Institute) certification and have been approved by China National Petroleum Corporation and Sinopec Group, based on the principle of mainly sourcing from suppliers possessing ISO9001, ISO14001 and OHSAS18001 certifications and complementing it with local procurement of small spare parts, with all suppliers and service providers being confirmed in the Hongbo Mining's supplier and provider database under a well-documented procedure-based system.

During the reporting period, Hongbo Mining included all its engineering contractors in its supplier management system, with 23 material suppliers having API certification and ISO management system certifications. It will urge its existing material suppliers with potential for future cooperation that have not yet obtained relevant certifications to get the certifications as soon as possible to enhance their social responsibilities while introducing more certified high-quality suppliers.

IV. CARE FOR EMPLOYEES AND MUTUAL DEVELOPMENT

4.1 Employment and Protection of Employees' Rights and Benefits

The Company and its subsidiaries put people first, respects and protect the lawful rights and interests of their employees and implement a labour policy of equality and non-discrimination, and are committed to continuously refining its democratic system, building an excellent career development platform for employees, advancing workforce localization and diversification, providing employees with a fair and harmonious work environment, and achieving common growth of the enterprise and the employees.

Employment Policy

The Company and its subsidiaries strictly comply with the Law of Employment Promotion of the People's Republic of China (《中華人民共和國就業促進法》), Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other laws and regulations on recruitment and promotion, dismissal, working hours, etc., and have established comprehensive employment management rules and systems, implemented fair and nondiscriminatory employment policy, including fair and just treatment to employees with different nationalities, skin colors, ethnicities, genders, religions and culture background. The Company enters into labour contracts with its employees with a signing rate of 100%. The Company has set up a working hour system with no more than 8 hours of work time per day. The Company confirms the age of job applicants by reviewing the identity, verifying the qualification and checking the contribution to social security fund, and strictly prohibits the employment of child labour in any form. In order to implement the paid leave system, the Company has taken various measures such as signing of agreements and strict supervision of working times to eliminate forced labour. The Company has established a staff recruitment system, reasonable and fair recruitment of personnel to meet the requirements of the company's positions. The Company has developed an Employee handbook (《員工手冊》) that requires all employees to learn and follow through. Meanwhile, the Company attaches great importance to the business ability of human resources personnel in all levels, and organizes various trainings related to labour policies and regulations.

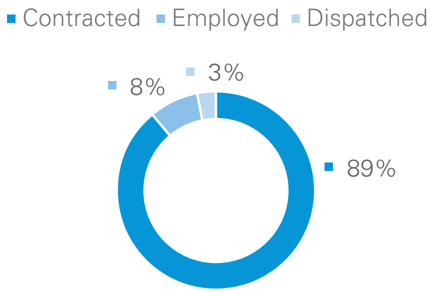
IV. CARE FOR EMPLOYEES AND MUTUAL DEVELOPMENT (continued)

4.1 Employment and Protection of Employees' Rights and Benefits (continued)

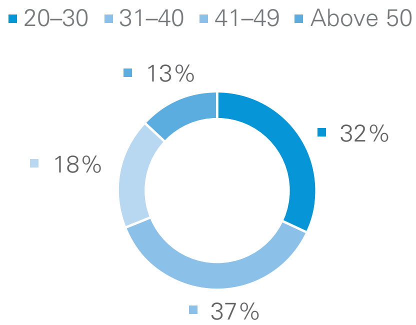
Employment Policy (continued)

During the reporting period, the Company and its subsidiaries did not have any violation relating to employee rights and other labour regulations, and no child labour and forced labour incidents occurred.

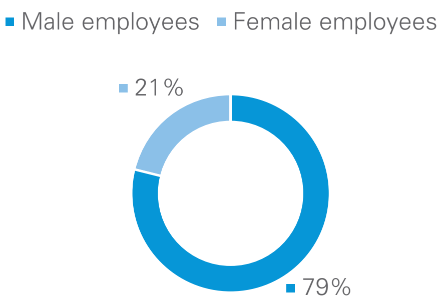
As at 31 December 2018 reporting period, the Company and its subsidiaries had a total of 113 employees, with 14 employees leaving, representing a turnover rate of 12.4%. In view of factors including the Company's and its subsidiaries's scope of business and work environment, they have more male employees than female employees, but there is no discrimination for gender, race, region or any other reason.



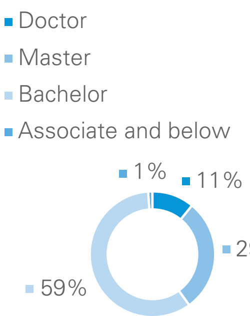
Distribution of the Employees by Employment Type



Distribution of the Employees by Ages



Distribution of the Employees by Genders

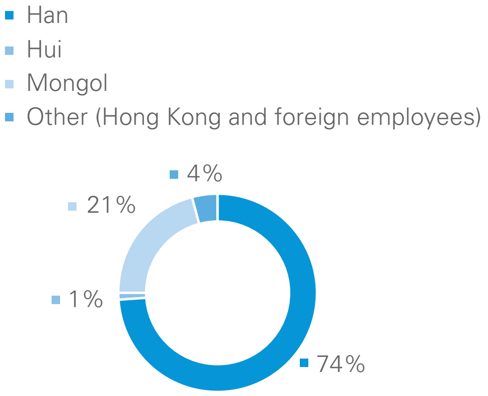


Distribution of the Employees by Education Background

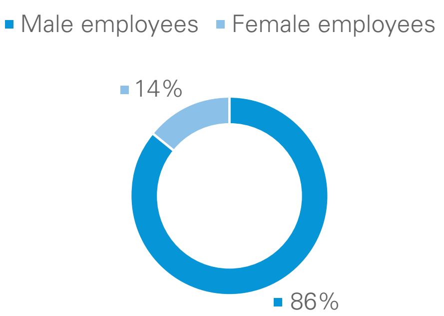
IV. CARE FOR EMPLOYEES AND MUTUAL DEVELOPMENT (continued)

4.1 Employment and Protection of Employees' Rights and Benefits (continued)

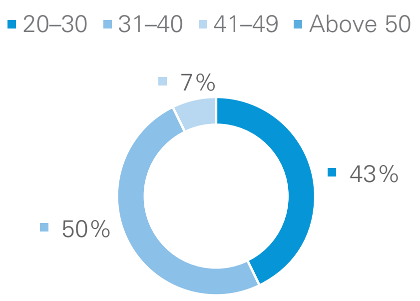
Employment Policy (continued)



Distribution of the Employees by Ethnicities



Distribution of the Employees Turnover by Genders



Distribution of the Employees Turnover by Ages

IV. CARE FOR EMPLOYEES AND MUTUAL DEVELOPMENT (continued)

4.1 Employment and Protection of Employees' Rights and Benefits (continued)

Democratic Management

The Company and its subsidiaries have established a sound mechanism of democratic management, emphasize on giving play to the employees' function in democratic management, democratic participation and democratic supervision, and publish all matters related to the rights and benefits of its employees. The Company and its subsidiaries insist on implementing democratic procedures, strengthen the disclosure of factory operation through multiple channels such as departmental meetings or regular meetings of the Company, special meetings for business discussion, face-to-face conversations, internal publications and the social media platform such as WeChat, encourage the employees to participate in the discussion and receive opinions from the employees.

Remuneration and Benefits

The Company and its subsidiaries have established a protective and competitive system of remuneration and benefits and built a system of remuneration management based on job position, personal ability and performance which geared to achieving effective interaction between corporate performance and employee income. The Company and its subsidiaries have committed to optimizing its remuneration structure with innovative incentives and remuneration communication to make allocation fair and scientific. The Company has strictly complied with national social security, employee welfare and other relevant regulations by making corporate contributions to their social security accounts such as pension, medical care, work-related injury, maternity, unemployment and housing provident fund with a social security coverage rate of 100%. Meanwhile, it provides employees with commercial insurance and other benefits including paid annual leave.

During the reporting period, the Company and its subsidiaries did not have any violation relating to employee remuneration, working time, equality of opportunity, anti-discrimination and other welfare matters.

4.2 Employee Training and Career Development

The Company and its subsidiaries support talent cultivation, attach importance to facilitating talent education, pays attention to the improvement of professional ability and comprehensive quality of its employees, establish a career development platform that enables mutual development of the Company and its employees, adheres to the guidelines of "providing quality training to facilitate development", form a comprehensive training system with multiple layers, formulates training plans based on the advices and recommendations from the employees, and provides the employees with planned trainings related to corporate culture, professional knowledge, post skills and comprehensive quality. In addition to taught trainings, the Company and its subsidiaries also offer other trainings in various forms such as self-learning, special seminars, exchange sessions and job rotation, in order to enhance the training efficiency and result and continuously improve the employees' knowledge and working initiatives. During the reporting period, the Company and its subsidiaries's training program covered 100% of its employees, with each employee receiving an average of 31 hours of training.

Based on the training needs collected from different departments every year, the Company and its subsidiaries formulate a training plan for all employees at the beginning of every year and implements such plan according to priority in the quarters. After the completion of relevant professional and personal improvement trainings, the Company and its subsidiaries collect feedback from the trained employees in a timely manner. The trainings during the reporting period were well received, which provided supplemental knowledge and skills improvement for the employees' career development.

IV. CARE FOR EMPLOYEES AND MUTUAL DEVELOPMENT (continued)

4.2 Employee Training and Career Development (continued)

During the reporting period, trainings organized by the Company and its subsidiaries included: eight sessions of investment and management trainings, five sessions of specialised technical trainings, six sessions of personal improvement trainings, five sessions of safety trainings, and other special trainings.

Investment and Management Trainings

Oil and gas industry financing and M&A trainings (4 sessions)	Internal control and internal auditing trainings
Legal knowledge trainings	HSE management system trainings
Training on new international accounting standards	

Professional Technical Trainings (Hongbo Mining)

Gas genset troubleshooting trainings	Hydrogen sulphide protection trainings
Well control trainings	Level 3 drilling supervision trainings
HSE management position trainings	

Personal Improvement Trainings

Document writing trainings	Managerial Personnel Lectures (3 sessions)
Pre-job trainings for new employees in the collection and transportation station	Leadership development trainings

Safety Trainings

Safety Management Trainings	Work Safety Law and Regulation Trainings
Full-time and part-time safety officer certification trainings	Fire drill (2 sessions)

Employee Promotion Mechanism

The Company and its subsidiaries, in view of employees' career development needs and in the light of the characteristics of different types of talent, have committed to improving its two-channel career development system where employees can choose to develop towards the managerial or specialised direction, supported by platforms and mechanisms geared to "unleashing and utilising the talent of everyone". In this regard, it has put in place fair and scientific assessment methods to ensure that high-calibre employees stand out while continuously expanding the career development potential for all employees and providing them with a career development ladder whether an employee is of a material or technical rank, and the corresponding resources to support the effective implementation of these mechanisms. In particular, the Company and its subsidiaries have formulated and implemented the Measures on Talent Pipeline Development for Middle Management with clear procedures of rank determination and promotion for different positions.

V. COMMUNITY SERVICES AND CONTRIBUTION TO THE SOCIETY

The Company and its subsidiaries have committed to developing a platform of communication with the local community, with the public relations department serving as the interface of communication in line with the guideline of "mutual benefit, win-win and common development" to listen to and understand their expectations and concerns, increase mutual understanding, better accommodate local traditions and customs, and promote community engagement, thereby delivering value on different dimensions including job creation, environmental protection, poverty relief, and tax payment and driving and promoting local economic, social and cultural development.

During the reporting year, parts of the Company and its subsidiaries's participation and investment in social welfare projects are as follows:

Care local soldiers

Hongbo Mining had visited the locally stationed garrison with materials worth RMB50,000 on "1 August" Army Day.

Poverty Alleviation

Hongbo Mining had helped local herders resist ice and snow and clear roads, and providing assistance for 40 herder households.

Interaction with Community

Hongbo Mining had invited the local herdsmen and local army to carry out various culture activities.

Employment

Hongbo Mining had arranged employment for local herders, with some employees of the Company being from the local community.

Through the cooperation with the local government, army, non-profit organizations and non-governmental entities, Hongbo Mining has built a positive image within the local community, created a harmonious social environment and made contribution to the overall development and harmonious improvement of the community.

APPENDIX — INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE HONG KONG STOCK EXCHANGE

Environmental, Social and Governance Reporting Guide		Page Number	Content of the Report
A. Environmental			
Aspect A1: Emissions			
A1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOxand other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	68	II. Environmental Protection and Green Development 2.1 Emissions Management
A1.1	The types of emissions and respective emissions data.	70, 72	2.1.2 Waste Gas Generation and Management 2.1.4 Wastewater Management
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	69	2.1.1 Reduction of Greenhouse Gas Emissions
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	71	2.1.3 Waste Gas Generation and Management
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	72	2.1.3 Waste Generation and Management
A1.5	Description of measures to mitigate emissions and results achieved.	69–70, 72	2.1.1 Reduction of Greenhouse Gas Emissions 2.1.2 Waste Gas Generation and Management 2.1.4 Wastewater Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	71–72	2.1.3 Waste Generation and Management

APPENDIX — INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE HONG KONG STOCK EXCHANGE (continued)

Environmental, Social and Governance Reporting Guide		Page Number	Content of the Report
Aspect A2: Use of Resources			
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	73	2.2 Use of Resources and Management
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	73	2.2.1 Energy Management
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	74	2.2.2 Water Resource Management
A2.3	Description of energy use efficiency initiatives and results achieved.	73	2.2.1 Energy Management
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	74	2.2.2 Water Resource Management
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	–	The products of the Company is crude oil, no packaging material were used, so it is not applicable
Aspect A3: Environment and Natural Resources			
A3	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	68–75	II. Environmental Protection and Green Development
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	68–75	II. Environmental Protection and Green Development

APPENDIX — INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE HONG KONG STOCK EXCHANGE (continued)

Environmental, Social and Governance Reporting Guide		Page Number	Content of the Report
B. Social			
Employment and Labour Practices			
Aspect B1: Employment			
B1	General Disclosure Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	80	4.1 Employment and Protection of Employees' Rights and Benefits
B1.1	Total workforce by gender, employment type, age group and geographical region.	81–82	4.1 Employment and Protection of Employees' Rights and Benefits
B1.2	Employee turnover rate by gender age group and geographical region.	82	4.1 Employment and Protection of Employees' Rights and Benefits
Aspect B2: Health and Safety			
B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	76	2.3.2 Safe Production
B2.1	Number and rate of work-related fatalities.	76	2.3.2 Safe Production
B2.2	Lost days due to work injury.	76	2.3.2 Safe Production
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	76–77	2.3.2 Safe Production

APPENDIX — INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE HONG KONG STOCK EXCHANGE (continued)

Environmental, Social and Governance Reporting Guide		Page Number	Content of the Report
Aspect B3: Development and Training			
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	83–84	4.2 Employee Training and Career Development
B3.2	The average training hours completed per employee by gender and employee category.	83	4.2 Employee Training and Career Development
Aspect B4: Labour Standards			
B4	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	80	4.1 Employment and Protection of Employees' Rights and Benefits
B4.1	Description of measures to review employment practices to avoid child and forced labour.	80	4.1 Employment and Protection of Employees' Rights and Benefits
B4.2	Description of steps taken to eliminate such practices when discovered.	80–81	4.1 Employment and Protection of Employees' Rights and Benefits
Operating Practices			
Aspect B5: Supply Chain Management			
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	79	3.3 Supplier Management
B5.1	Number of suppliers by geographical region.	79	3.3 Supplier Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	79–80	3.3 Supplier Management

APPENDIX — INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE HONG KONG STOCK EXCHANGE (continued)

Environmental, Social and Governance Reporting Guide		Page Number	Content of the Report
Aspect B6: Product Responsibility			
B6	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	78–79	3.2 Ensuring Production Quality and Consolidating Customer Relationship
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	–	Not applicable
B6.4	Description of quality assurance process and recall procedures.	78–79	3.2 Ensuring Production Quality and Consolidating Customer Relationship
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	79	3.2 Ensuring Production Quality and Consolidating Customer Relationship The business of the Company does not involve product recalls.
Aspect B7: Anti-corruption			
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing bribery, extortion, fraud and money laundering.	77–78	3.1 Anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	78	3.1 Anti-corruption
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	77–78	3.1 Anti-corruption

APPENDIX — INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE HONG KONG STOCK EXCHANGE (continued)

Environmental, Social and Governance Reporting Guide		Page Number	Content of the Report
Community			
Aspect B8: Community Investment			
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	85	V. Community Services and Contribution to the Society
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	85	V. Community Services and Contribution to the Society
B8.2	Resources contributed (e.g. money or time) to the focus area.	85	V. Community Services and Contribution to the Society

INDEPENDENT AUDITOR'S REPORT

KPMG

To the shareholders of
IDG Energy Investment Group Limited
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of IDG Energy Investment Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 99 to 168, which comprise the consolidated statement of financial position as at 31 March 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the Term Loan

Refer to note 18(i) to the consolidated financial statements.

The Key Audit Matter

On 14 August 2017, the Group granted a term loan to Stonehold Energy Corporation ("Stonehold") for the purpose of financing Stonehold's acquisition of certain oil and gas related assets of Stonegate Production Company, LLC ("Stonegate") (the "Target Assets") and the subsequent operations of such assets (the "Term Loan"). On the same date, Stonehold entered into an acquisition agreement (the "Acquisition Agreement") with Stonegate to purchase the Target Assets.

On 26 September 2017, the initial payment of the Term Loan with an amount of US$165 million (approximately HK$1,291.1 million) was released to Stonehold and the acquisition of the Target Assets from Stonegate has also been consummated in accordance with the Acquisition Agreement.

The Term Loan is interest bearing at a rate of 8% per annum (after the making of or the allocation of any applicable withholding tax), provided that an amount equal to 92.5% of the remainder cash proceeds received or recovered by Stonehold in respect of any disposal of the Target Assets after repayment of outstanding principal and interest and deducting fees, costs and expenses reasonably incurred by Stonehold with respect to such disposal, if applicable, be distributed to the Group, as additional interest to the Term Loan. The maturity date of Term Loan is 10 years after the initial payment of the Term Loan.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of the Term Loan included the following:

- inspecting all the agreements relating to the Term Loan and evaluating the initial recognition of the Term Loan with reference to the requirements of the prevailing accounting standards;

- engaging our internal valuation specialists to assist us in performing independent valuation of the Term Loan and comparing our valuation with the valuation report issued by the independent valuer. Our procedures included developing parallel models, obtaining inputs independently and verifying the inputs; and

KEY AUDIT MATTERS (continued)

Valuation of the Term Loan (continued)

Refer to note 18(i) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The carrying amount of the Term Loan formed a significant part of the Group's assets. At 31 March 2018, the fair value of the Term Loan was HK$1,389,206,000, which was determined by the directors of the Company with reference to a valuation report issued by an independent valuer. Valuation of the Term Loan is based on a combination of market data and valuation model which often requires a considerable number of inputs. We identified the valuation of the Term Loan as a key audit matter because of the degree of complexity involved in valuing the Term Loan and the degree of judgement exercised by management in determining the inputs used in the valuation model.	• considering the disclosures in the consolidated financial statements in respect of the Term Loan with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (continued)

Assessing potential impairment of property, plant and equipment

Refer to note 13 to the consolidated financial statements and the accounting policies 2(j)(ii).

The Key Audit Matter

The Group's property, plant and equipment, which had a carrying value of HK$622,774,000 as at 31 March 2018, was principally used in the crude oil production operations carried out by Xilin Gol League Hongbo Mining Development Company Limited.

As at 31 March 2018, management reviewed the property, plant and equipment, which was assessed to comprise one cash-generating unit, for the indicators of potential impairment.

Due to the crude oil prices kept fluctuating at a middle/ low level, management considered that indicators of potential impairment existed as at 31 March 2018 and performed an impairment assessment by comparing the carrying amounts of property, plant and equipment with their recoverable amounts, which were estimated by calculating their value in use based on a discounted cash flow forecast.

The preparation of the discounted cash flow forecast involved the exercise of significant management judgment in determining the key assumptions adopted therein. Management relied on an oil and gas reserves report issued by an independent valuer to estimate future production volumes for oil and gas, future selling prices and future operating costs.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of property, plant and equipment included the following:

- assessing the design and implementation of key internal controls over the preparation and review of the impairment assessment;
- evaluating the methodology applied in the preparation of the discounted cash flow forecast with reference to the requirements of the prevailing accounting standards;
- assessing the independence, competence, capabilities and objectivity of the independent valuer engaged by the Group to estimate the oil and gas reserves and evaluating whether the methodology adopted by the independent valuer was consistent with the requirements of recognised industry standards;
- challenging the key assumptions adopted in the discounted cash flow forecast, which included forecast production volumes for oil and gas, forecast crude oil selling prices and forecast operating costs, by comparison with the Group's business plans, historical production information, market and other externally available information and the oil and gas reserves report issued by the independent valuer;

KEY AUDIT MATTERS (continued)

Assessing potential impairment of property, plant and equipment (continued)

Refer to note 13 to the consolidated financial statements and the accounting policies 2(j)(ii).

The Key Audit Matter	How the matter was addressed in our audit
We identified assessing potential impairment of property, plant and equipment as a key audit matter because of the inherent uncertainties involved in estimating the recoverable amounts of property, plant and equipment and because the selection of the various assumptions adopted in the discounted cash flow forecast could be subject to management bias.	• engaging our internal valuation specialists to assist us in assessing whether the discount rate applied in the discounted cash flow forecast was within the range adopted by other companies in the same industry; and • evaluating the sensitivity of the outcomes of the impairment assessment by considering possible downside scenarios against reasonably plausible changes to the key assumptions, which included lower production volumes for oil and gas, lower selling prices for crude oil, higher operating costs and a higher discount rate, and considering the possibility of management bias in the selection of these assumptions.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Kwok Keung Raymond.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2018

(Expressed in Hong Kong dollars)

	Note	Year ended 31 March 2018 HK$'000	2017 HK$'000
Revenue from sales of goods		**123,399**	76,779
Cost of sales of goods		**(91,218)**	(79,884)
		32,181	(3,105)
Investment income		**74,395**	–
Total income from principal business activities, net of cost	*4*	**106,576**	(3,105)
Other net losses	*5*	**(163)**	–
Administrative expenses		**(73,836)**	(45,333)
Taxes other than income tax	*6*	**(8,205)**	(5,358)
Exploration expenses, including dry holes	*7*	**(1,343)**	(19,215)
Listing expense and related transaction costs	*8(c)*	**–**	(360,620)
Profit/(loss) before net finance income/(costs) and taxation		**23,029**	(433,631)
Finance income		**24,337**	1,161
Finance costs		**(23,043)**	(18,149)
Net finance income/(costs)	*8(a)*	**1,294**	(16,988)
Profit/(loss) before taxation		**24,323**	(450,619)
Income tax	*9*	**(9,830)**	(11,807)
Profit/(loss) for the year		**14,493**	(462,426)
Earnings/(loss) per share	*12*		
Basic		**HK$0.403 cent**	HK$(0.33)
Diluted		**HK$0.294 cent**	HK$(0.33)

The notes on pages 105 to 168 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

(Expressed in Hong Kong dollars)

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

The notes on pages 105 to 168 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Note	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Non-current assets			
Property, plant and equipment	*13*	**622,774**	513,241
Construction in progress	*14*	**12,509**	4,792
Intangible assets	*15*	**28,943**	27,051
Lease prepayments	*16*	**11,057**	10,268
Financial assets at fair value through profit or loss	*18*	**1,550,377**	–
Financial assets at fair value through other comprehensive income	*19*	**56,369**	–
Other non-current assets	*20*	**32,711**	33,044
		2,314,740	588,396
Current assets			
Inventories	*21*	**7,294**	4,060
Trade receivables	*22*	**44,820**	49,368
Other receivables	*22*	**82,404**	1,063,053
Financial assets at fair value through profit or loss	*18*	**26,515**	–
Derivative financial instruments	*23*	**1,285**	–
Cash and cash equivalents	*24*	**1,786,403**	1,134,521
		1,948,721	2,251,002
Current liabilities			
Trade and other payables	*25*	**284,730**	272,893
Bank and other borrowings	*26*	**–**	101,375
Derivative financial instruments	*23*	**2,273**	–
		287,003	374,268
Net current assets		**1,661,718**	1,876,734
Total assets less current liabilities		**3,976,458**	2,465,130
Non-current liabilities			
Convertible bond	*27*	**67,148**	116,541
Convertible note	*28*	**234,187**	222,615
Deferred tax liabilities	*29(b)*	**25,358**	13,493
Provisions	*30*	**56,592**	35,117
Derivative financial instruments	*23*	**3,614**	–
		386,899	387,766
NET ASSETS		**3,589,559**	2,077,364

The notes on pages 105 to 168 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Note	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
CAPITAL AND RESERVES			
Share capital	*31(c)*	**60,944**	43,646
Reserves	*31(d)*	**3,528,615**	2,033,718
TOTAL EQUITY		**3,589,559**	2,077,364

Approved and authorised for issue by the board of directors on 20 June 2018.

Wang Jingbo
Director

Lee Khay Kok
Director

The notes on pages 105 to 168 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

(Expressed in Hong Kong dollars)

	Note	Share capital HK$'000 (note 31(c))	Share premium HK$'000 (note 31(d)(i))	Specific reserve HK$'000 (note 31(d)(ii))	Exchange reserves HK$'000 (note 31(d)(iii))	Fair value Reserve (non-recycling) HK$'000 (note 31(d)(iv))	Other reserve HK$'000 (note 31(d)(v))	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2016		3,473	119,068	5,161	26,433	–	409,597	(250,181)	313,551
Changes in equity for the year ended 31 March 2017:									
Loss for the year		–	–	–	–	–	–	(462,426)	(462,426)
Other comprehensive income		–	–	–	(17,572)	–	–	–	(17,572)
Total comprehensive income		–	–	–	(17,572)	–	–	(462,426)	(479,998)
Appropriation of safety production fund		–	–	897	–	–	–	(897)	–
Utilisation of safety production fund		–	–	(449)	–	–	–	449	–
Arising from the Reverse Takeover Transaction									
Issue of ordinary shares		12,694	837,306	–	–	–	–	–	850,000
Issue of preferred shares		27,479	1,812,521	–	–	–	–	–	1,840,000
Issue of convertible note		–	–	–	–	–	34,583	–	34,583
Cash consideration for the acquisition of Hongbo Mining		–	–	–	–	–	(652,211)	–	(652,211)
Deemed shares issued by Hongbo Mining		–	–	–	–	–	171,439	–	171,439
Balance at 31 March 2017		43,646	2,768,895	5,609	8,861	–	(36,592)	(713,055)	2,077,364
Changes in equity for the year ended 31 March 2018:									
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**14,493**	**14,493**
Other comprehensive income		**–**	**–**	**–**	**25,933**	**(1,127)**	**–**	**–**	**24,806**
Total comprehensive income		**–**	**–**	**–**	**25,933**	**(1,127)**	**–**	**14,493**	**39,299**
Appropriation of safety production fund		**–**	**–**	**982**	**–**	**–**	**–**	**(982)**	**–**
Utilisation of safety production fund		**–**	**–**	**(40)**	**–**	**–**	**–**	**40**	**–**
Conversion of convertible bond		**3,448**	**45,088**	**–**	**–**	**–**	**(25,695)**	**–**	**22,841**
Adjustment of unpaid preferred shares		**(1,000)**	**(65,960)**	**–**	**–**	**–**	**3,348**	**–**	**(63,612)**
Modification of terms of convertible bond	27	**–**	**–**	**–**	**–**	**–**	**31,589**	**–**	**31,589**
Issue of ordinary shares		**14,850**	**1,467,228**	**–**	**–**	**–**	**–**	**–**	**1,482,078**
Balance at 31 March 2018		**60,944**	**4,215,251**	**6,551**	**34,794**	**(1,127)**	**(27,350)**	**(699,504)**	**3,589,559**

The notes on pages 105 to 168 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2018

(Expressed in Hong Kong dollars)

	Note	2018 HK$'000	2017 HK$'000
Operating activities			
Cash generated from/(used in) operations		**47,000**	(9,085)
Net cash generated from/(used in) operating activities	*24(b)*	**47,000**	(9,085)
Investing activities			
Net cash outflow for Term Loan		**(1,386,593)**	–
Payment for the purchase of property, plant and equipment		**(103,350)**	(54,160)
Net cash outflow for other investments		**(334,986)**	–
Net cash outflow for the Reverse Takeover Transaction		**–**	(717,946)
Net cash inflow from/(outflow) for investment deposits		**175,451**	(194,729)
Proceeds from sales of other investments		**92,616**	–
Net cash used in investing activities		**(1,556,862)**	(966,835)
Financing activities			
Proceeds from issuing convertible note		**–**	250,000
Proceeds from issuing ordinary shares	*31(c)*	**1,485,000**	850,000
Proceeds from issuing preferred shares		**789,735**	986,653
Proceeds from advances and borrowings	*24(c)*	**79,789**	109,299
Repayment of advances and borrowings	*24(c)*	**(182,211)**	(105,401)
Interest paid	*24(c)*	**(1,886)**	(4,572)
Net cash generated from financing activities		**2,170,427**	2,085,979
Net increase in cash and cash equivalents		**660,565**	1,110,059
Cash and cash equivalents at the beginning of the reporting period	*24(a)*	**1,134,521**	15,266
Effect of foreign exchange rate changes		**(8,683)**	9,196
Cash and cash equivalents at the end of the reporting period	*24(a)*	**1,786,403**	1,134,521

The notes on pages 105 to 168 form part of these financial statements.

1 CORPORATE INFORMATION

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

On 29 July 2016 (the "**Completion Date**"), the Company completed a reverse takeover transaction (the "**Reverse Takeover Transaction**") which involved, among others, the acquisition by the Company of the entire equity interest of Xilin Gol League Hongbo Mining Development Company Limited 錫林郭勒盟宏博礦業開發有限公司 ("**Hongbo Mining**"), a limited liability company established in the People's Republic of China ("**PRC**"), with Titan Gas Technology Investment Limited ("**Titan Gas**") becoming the majority shareholder of the combined group as a result. Hongbo Mining is treated as the acquirer for accounting purpose. Accordingly, these 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 year ended 31 March 2018, the principal activity of the Company is global energy assets investment and management. The principal activities of its subsidiaries and invested portfolios consist of oil and gas related businesses.

During the year ended 31 March 2018, the Company and its subsidiaries (the "**Group**") has successfully completed the JOVO investment, the grant of the Term Loan, the Quebec investment and other equity security investments to listed companies in the US and Hong Kong (as defined in notes 18 and 19). The above mentioned investments involve the liquefied natural gas exporting, importing processing and sales business and upstream oil and gas and other related businesses.

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

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

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

— Financial assets at fair value through profit or loss (see note 2(e));

— Financial assets at fair value through other comprehensive income (see note 2(e)); and

— Derivative financial instruments (see note 2(f)).

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 24(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

HKFRS 9, Financial Instruments

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

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

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

(i) *Classification of financial assets and financial liabilities*

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

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

(ii) *Credit losses*

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 9, Financial Instruments (continued)

(iii) Effective date and transitional provisions

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

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVTPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 32(g). These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

— fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value at profit or loss (FVTPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI, are recognised in profit or loss as investment income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)(ii))

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, other than oil and gas properties, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Buildings and structures	40 years
— Machinery and equipment	14 years
— Motor vehicle	8 years
— Others	3–5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Oil and gas properties for the relevant area are amortised on a unit-of-production basis. Unit-of-production rate is based on oil and gas reserves estimated to be recoverable from known reservoirs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Exploration and evaluation costs

Geological and geophysical costs are charged to profit or loss as incurred.

Costs directly associated with an exploration well are initially capitalised as exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors.

Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as exploration and evaluation assets.

If no potentially commercial hydrocarbons are discovered, the exploration and evaluation asset is written off through the profit or loss as a dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried as exploration and evaluation assets while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons.

Regular review is undertaken for each area to determine the appropriateness of continuing to carry forward accumulated capitalised exploration and evaluation expenditure. To the extent that capitalised exploration and evaluation expenditure is no longer expected to be recovered, it is charged to profit or loss.

No amortisation is charged during the exploration and evaluation phase.

When the technical feasibility and commercial viability of extracting natural resources become demonstrable, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to property, plant and equipment — oil and gas properties.

(i) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss. Cooperation right is amortised on a unit-of-production basis. Unit-of-production rate is based on oil and gas reserves estimated to be recoverable from known reservoirs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 April 2017

The Group recognises a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);

Financial assets measured at fair value, including equity securities measured at FVTPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 April 2017 (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(v)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(B) Policy applicable prior 1 April 2017

Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised.

Impairment loss on current and non-current receivables carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

For impairment losses recognised in respect of trade debtors, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— construction in progress;

— intangible assets;

— lease prepayments; and

— investment in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*
The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*
An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*
An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(j)(i) and (ii)).

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Leased assets (continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Lease prepayments represent land use rights paid to the relevant government authorities. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 2(j)(ii)). The cost of lease prepayments is amortised on a straight line basis over the respective periods of the land use rights.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less loss allowances (see note 2(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Convertible note and bond

Convertible note and bond that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the derivative component of the convertible note is measured at fair value and presented as part of derivative financial instruments (see note 2(f)) and the liability component of the convertible note and bond are measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the derivative component and liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the derivative, liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note or bond is converted or redeemed.

If the note and bond are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note or bond is redeemed, the capital reserve is released directly to retained profits.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Provisions for future dismantlement costs are initially recognised based on the present value of the future costs expected to be incurred in respect of the Group's expected dismantlement and abandonment costs at the end of related oil and gas development and production activities. Any subsequent change in the present value of the estimated costs, other than the change due to passage of time which is regarded as interest cost, is reflected as an adjustment to the provision and the oil and gas properties.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenue from sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Company and its subsidiaries' various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The principal activity of the Company is global energy assets investment and management. The principal activities of its subsidiaries and invested portfolios consisted of upstream oil and gas and other related businesses. 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.

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.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Key Sources of estimation uncertainty are as follow:

(a) Oil and gas properties and reserves

The accounting for the oil and gas exploration and production activities is subject to accounting rules that are unique to the oil and gas industry. Engineering estimates of the oil and gas reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved" or "probable". Proved and probable reserves estimates are updated at least annually and take into account recent production and technical information about each field. In addition, as prices and cost levels change from year to year, the estimate of proved and probable reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in relation to depreciation rates.

Future dismantlement costs for oil and gas properties are estimated with reference to engineering estimates after taking into consideration the anticipated method of dismantlement required in accordance with industry practices in similar geographic area, including estimation of economic life of oil and gas properties, technology and price level. The present values of these estimated future dismantlement costs are capitalised as oil and gas properties with equivalent amounts recognised as provisions for dismantlement costs.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expense, impairment loss and future dismantlement costs. Depreciation rates are determined based on estimated proved developed reserve quantities (the denominator) and capitalised costs of producing properties (the numerator). Producing properties' capitalised costs are amortised based on the units of oil or gas produced.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(b) Impairment losses of non-financial assets

If circumstances indicate that the carrying amount of a non-financial asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised. The carrying amounts of non-financial assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets or cash-generating units are not readily available. In determining the value in use, expected cash flows generated by the asset or the cash-generating unit are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(c) Depreciation

Property, plant and equipment, other than oil and gas properties, are depreciated on a straight line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and the residual values of the assets regularly in order to determine the amount of depreciation charge to be recorded during any reporting period. The determination of the useful lives and the residual values are based on the historical experience with similar assets and taking into account anticipated technological changes. The depreciation charge for future periods is adjusted if there are significant changes from previous estimates.

4 TOTAL INCOME FROM PRINCIPAL BUSINESS ACTIVITIES, NET OF COST

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

4 TOTAL INCOME FROM PRINCIPAL BUSINESS ACTIVITIES, NET OF COST (continued)

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

(b) Investment income

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

Notes:

(i) These amounts represent fair value changes on the Term Loan to Stonehold, JOVO investment, Quebec investment, trading securities listed in the US during the year ended 31 March 2018. Such assets are measured at FVTPL (see note 18), any interest income arising from such assets is included in fair value changes.

(ii) The amount represents net changes in the fair value of crude oil price option contract and crude oil price swap contracts held for risk management purpose. The derivative financial instruments are measured at FVTPL (see note 23).

5 OTHER NET LOSSES

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

6 TAXES OTHER THAN INCOME TAX

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

7 EXPLORATION EXPENSES, INCLUDING DRY HOLES

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

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

8 PROFIT/(LOSS) BEFORE TAXATION

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

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
(a) Net finance income/(cost)		
Interest income	**4,306**	165
Net gain on bank financing products	**446**	–
Changes in fair value on the derivative component of convertible note *(note 28)*	**1,110**	996
Gain on modifications of terms of convertible bond	**131**	–
Interest on bank and other borrowings	**(1,886)**	(4,863)
Interest on convertible bond and convertible note *(notes 27 and 28)*	**(18,932)**	(11,327)
Accretion expenses *(note 30)*	**(2,092)**	(1,631)
Foreign exchange gain/(loss), net	**18,344**	(316)
Others	**(133)**	(12)
	1,294	(16,988)

8 PROFIT/(LOSS) BEFORE TAXATION (continued)

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
(b) Staff costs		
Salaries, wages and other benefits	**31,611**	17,645
Contributions to defined contribution retirement plan	**1,392**	1,069
	33,003	18,714

Pursuant to the relevant labour rules and regulations in the PRC, the Company and its subsidiaries participate in defined contribution retirement scheme (the "Scheme") organised by the relevant local government authority for their employees. The Company and its subsidiaries are required to make contributions to the Scheme. The local government authority is responsible for the entire pension obligations payable to retired employees. The Company and its subsidiaries have no other material obligation to make payments in respect of pension benefits associated with this scheme other than the annual contribution described above.

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
(c) Other items		
Amortisation		
— intangible assets	**973**	810
— lease prepayments	**302**	296
— other non-current assets	**3,201**	2,979
Depreciation		
— property, plant and equipment	**52,039**	37,549
Operating leases charges: minimum lease payments		
— buildings	**1,952**	1,479
Expenses incurred in relation to the Reverse Takeover Transaction		
— listing expense	**–**	294,390
— related transaction costs	**–**	66,230
Auditors' remuneration		
— audit services	**3,300**	3,113
— other services	**801**	2,263
Cost of inventories# *(note 21(b))*	**91,218**	79,884

Cost of inventories includes HK$62,145,000 (2017: HK$44,239,000) relating to staff costs, depreciation and amortisation charges, which amount is also included in the respective total amounts disclosed separately above or in note 8(b) for each of these types of expenses.

9 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

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

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

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

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

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

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

10 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended 31 March 2018				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary Bonuses HK$'000	Retirement scheme contributions HK$'000	2018 Total HK$'000
Executive directors					
Wang Jingbo	–	1,361	252	18	1,631
Lee Khay Kok	–	1,237	200	–	1,437
Non-executive directors					
Lin Dongliang	–	–	–	–	–
Shong Hugo	–	–	–	–	–
Independent non-executive directors					
Shi Cen	300	–	–	–	300
Chau Shing Yim	300	–	–	–	300
Chen Zhiwu	300	–	–	–	300
Total	900	2,598	452	18	3,968

10 DIRECTORS' EMOLUMENTS (continued)

	Period ended 31 March 2017*				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary Bonuses HK$'000	Retirement scheme contributions HK$'000	2017 Total HK$'000
Executive directors					
Wang Jingbo (appointed on 5 August 2016)	–	672	–	19	691
Cao Jing (resigned on 26 August 2016)	–	–	–	–	–
Lee Khay Kok (appointed on 5 August 2016)	–	559	288	–	847
Zhang Shaohua (resigned on 26 August 2016)	1	–	–	–	1
Non-executive directors					
Lin Dongliang (appointed on 5 August 2016)	–	–	–	–	–
Shong Hugo (appointed on 5 August 2016)	–	–	–	–	–
Mo Tianquan (resigned on 26 August 2016)	7	–	–	–	7
Independent non-executive directors					
Shi Cen (appointed on 5 August 2016)	150	–	–	–	150
Chau Shing Yim (appointed on 5 August 2016)	150	–	–	–	150
Chen Zhiwu	150	–	–	–	150
Ye Jianping (resigned on 26 August 2016)	1	–	–	–	1
Palaschuk Derek Myles (resigned on 26 August 2016)	2	–	–	–	2
Total	461	1,231	288	19	1,999

* The directors' remuneration was calculated for the period from 29 July 2016, the Completion Date of the Reverse Takeover Transaction, to 31 March 2017.

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments during the year ended 31 March 2018, two (2017: two) are directors whose emoluments during their appointment as a director of the Company are set out in note 10 above. The aggregate of the emoluments of the five highest paid individuals are as follows:

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Salaries and other emoluments	**5,950**	3,215
Discretionary bonuses	**1,454**	1,564
Retirement scheme contributions	**60**	73
	7,464	4,852

The emoluments of the 5 (2017: 5) individuals with the highest emoluments are within the following bands:

HK$	**2018 Number of individuals**	2017 Number of individuals
Nil–1,000,000	**–**	4
1,000,001–2,000,000	**5**	1

12 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

(i) Weighted average number of ordinary shares

	Year ended 31 March 2018 '000
Issued ordinary shares at 1 April 2017	**1,616,741**
Effect of conversion of preferred shares *(note 31(c)(ii) and (iii))*	**1,360,976**
Effect of conversion of convertible bond *(note 27)*	**177,572**
Effect of issue of ordinary shares *(note 31(c)(iv))*	**443,465**
Weighted average number of ordinary shares at 31 March 2018	**3,598,754**

12 EARNINGS/(LOSS) PER SHARE (continued)

(a) Basic earnings/(loss) per share (continued)

(i) Weighted average number of ordinary shares (continued)

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

(b) Diluted earnings/(loss) per share

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

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

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

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

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

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

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures HK$'000	Machinery and equipment HK$'000	Motor vehicle HK$'000	Oil and gas properties HK$'000	Others HK$'000	Total HK$'000
Cost:						
At 1 April 2016	113,007	72,025	10,921	747,410	23,044	966,407
Additions	–	1,105	768	811	982	3,666
Reassessment of provision *(note 30)*	–	–	–	(863)	–	(863)
Transferred from construction in progress	–	–	–	10,704	–	10,704
Exchange adjustments	(6,942)	(4,450)	(689)	(46,163)	(1,439)	(59,683)
At 31 March 2017	106,065	68,680	11,000	711,899	22,587	920,231
Additions	–	7,050	–	6,799	55	13,904
Reassessment of provision *(note 30)*	–	–	–	7,807	–	7,807
Transferred from construction in progress	–	–	–	81,576	–	81,576
Disposal	–	–	(626)	–	(643)	(1,269)
Exchange adjustments	11,455	7,832	1,151	82,555	2,406	105,399
At 31 March 2018	**117,520**	**83,562**	**11,525**	**890,636**	**24,405**	**1,127,648**
Accumulated depreciation:						
At 1 April 2016	(11,924)	(27,176)	(5,813)	(335,360)	(14,277)	(394,550)
Charge for the year	(2,761)	(5,675)	(1,186)	(25,041)	(2,886)	(37,549)
Exchange adjustments	797	1,802	384	21,183	943	25,109
At 31 March 2017	(13,888)	(31,049)	(6,615)	(339,218)	(16,220)	(406,990)
Charge for the year	(2,822)	(5,418)	(1,013)	(40,359)	(2,427)	(52,039)
Written back on disposals	–	–	574	–	532	1,106
Exchange adjustments	(1,665)	(3,673)	(735)	(39,015)	(1,863)	(46,951)
At 31 March 2018	**(18,375)**	**(40,140)**	**(7,789)**	**(418,592)**	**(19,978)**	**(504,874)**
Net book value:						
At 31 March 2017	92,177	37,631	4,385	372,681	6,367	513,241
At 31 March 2018	**99,145**	**43,422**	**3,736**	**472,044**	**4,427**	**622,774**

14 CONSTRUCTION IN PROGRESS

	Cost of wells drilled and other capital expenditure HK$'000
At 1 April 2016	1,502
Additions	18,301
Transferred to property, plant and equipment	(10,704)
Transferred to exploration expenses, including dry holes	(4,135)
Exchange adjustments	(172)
At 31 March 2017	4,792
Additions	88,375
Transferred to property, plant and equipment	(81,576)
Exchange adjustments	918
At 31 March 2018	**12,509**

15 INTANGIBLE ASSETS

	Cooperation right HK$'000
Cost:	
At 1 April 2016	36,004
Exchange adjustments	(2,212)
At 31 March 2017	33,792
Exchange adjustments	3,649
At 31 March 2018	37,441
Accumulated amortisation:	
At 1 April 2016	(6,340)
Charge for the year	(810)
Exchange adjustments	409
At 31 March 2017	(6,741)
Charge for the year	(973)
Exchange adjustments	(784)
At 31 March 2018	(8,498)
Net book value:	
At 31 March 2017	27,051
At 31 March 2018	28,943

16 LEASE PREPAYMENTS

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC as follows:

	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Land use rights held under medium-term leases	**11,057**	10,268

(Expressed in Hong Kong dollars unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Issued and fully paid up capital	Effective percentage of equity attributable to the Company		Principal activity
			Direct	Indirect	
Xilin Gol League Hongbo Mining Development Company Limited ("**Hongbo Mining**")	PRC	RMB434,920,000	–	100%	Exploration, development, production and sale of crude oil
Think Excel Investments Limited	the BVI	United States dollars ("**US$**") 1	100%	–	Investment holding
Valuevale Investment Limited	Hong Kong ("**HK**")	HK$100,000	100%	–	Investment holding
Golden Libra Investment Limited	HK	HK$100,000	100%	–	Investment holding
Beijing Valuevale Technology Limited	PRC	HK$679,363,214	91.9%	8.1%	Technology development and consulting
Beijing Value Top Technology Limited	PRC	RMB596,076,388	–	100%	Technology development and consulting

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Notes:

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

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

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

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

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

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

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

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Equity investment designated as FVOCI (non-recycling) — listed in HK	**56,369**	–

The equity investment designated as FVOCI is shares of a company listed in Hong Kong. Golden Libra designated the investment at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends were received on this investment during the year ended 31 March 2018.

20 OTHER NON-CURRENT ASSETS

	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Prepayments for construction in progress — third parties	**6,523**	6,275
Performance deposit due from Yanchang	**6,809**	6,145
Expenditures on public facilities	**19,379**	20,624
	32,711	33,044

21 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Spare parts and consumables	**5,303**	2,442
Finished goods	**1,991**	1,618
	7,294	4,060

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 March	
	2018 HK$'000	2017 HK$'000
Carrying amount of inventories sold *(note 8(c))*	**91,218**	79,884

22 TRADE AND OTHER RECEIVABLES

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

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

22 TRADE AND OTHER RECEIVABLES (continued)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Within 1 month	**18,647**	10,167
1 to 6 months	**26,173**	39,201
	44,820	49,368

(b) ECLs as at 31 March 2018

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

Comparative information under HKAS 39

As of 31 March 2017, there was no trade receivables impaired. The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	At 31 March 2017 HK$'000
Neither past due nor impaired	39,423
Less than 1 month past due	9,945
	49,368

23 DERIVATIVE FINANCIAL INSTRUMENTS

	At 31 March 2018	
	Assets HK$'000	Liabilities HK$'000
Non-current liabilities		
— Crude oil price swap	–	3,614
Current assets and liabilities		
— Crude oil price put option	1,285	–
— Crude oil price swap	–	2,273
	1,285	5,887

At 31 March 2018, the Company and Valuevale held one crude oil price put option contract and two crude oil price swap contracts in place to manage certain exposure to the changes in crude oil price.

The net changes in the fair value the above derivative contracts which did not meet the criteria for hedge accounting for accounting purposes amounting to HK$11,278,000 were debited to the consolidated statements of profit or loss during the year ended 31 March 2018 (see note 4).

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Deposit with banks	**1,131,847**	139
Cash at bank and on hand	**654,556**	1,134,382
	1,786,403	1,134,521

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of profit/(loss) before taxation to cash generated from/(used in) operations:

	Note	2018 HK$'000	2017 HK$'000
Profit/(loss) before taxation		**24,323**	(450,619)
Adjustments for:			
Depreciation	8(c)	**52,039**	37,549
Amortisation of intangible assets	8(c)	**973**	810
Amortisation of lease prepayments	8(c)	**302**	296
Amortisation of other non-current assets	8(c)	**3,201**	2,979
Net financial costs		**3,012**	17,153
Expenses incurred in relation to the Reverse Takeover Transaction	8(c)	**–**	360,620
Expenses incurred in relation to a terminated acquisition		**6,433**	12,845
Expenses incurred in relation to the Term Loan to Stonehold		**15,950**	–
Net realised and unrealised gains on financial assets at FVTPL	4	**(85,673)**	–
Net realised and unrealised losses on derivative financial instruments	4	**11,278**	–
Net loss on disposal of property, plant and equipment	5	**163**	–
Related well costs expensed as dry hole	7	**–**	4,135
Changes in working capital:			
(Increase)/decrease in inventories		**(3,234)**	1,705
Decrease/(increase) in trade and other receivables		**8,037**	(2,202)
Increase in trade and other payables		**10,196**	5,644
Cash generated from/(used in) operations		**47,000**	(9,085)

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings HK$'000 *(Note 26)*	Convertible bond HK$'000 *(Note 27)*	Convertible note HK$'000 *(Note 28)*	Conversion option embedded in convertible note HK$'000 *(Note 28)*	Total HK$'000
At 1 April 2017	101,375	116,541	219,412	3,203	440,531
Changes from financing cash flows:					
Proceeds from new other borrowings	79,789	–	–	–	79,789
Repayment of other borrowings	(182,211)	–	–	–	(182,211)
Interest paid	(1,886)	–	–	–	(1,886)
Total changes from financing cash flows	(104,308)	–	–	–	(104,308)
Exchange adjustments	1,047	–	–	–	1,047
Changes in fair value	–	–	–	(1,110)	(1,110)
Other changes:					
Interest expenses *(note 8(a))*	1,886	6,250	12,682	–	20,818
Interest payable	–	(1,082)	–	–	(1,082)
Modification of terms of convertible bond	–	(31,720)	–	–	(31,720)
Conversion of convertible bond	–	(22,841)	–	–	(22,841)
Total other changes	1,886	(49,393)	12,682	–	(34,825)
At 31 March 2018	**–**	**67,148**	**232,094**	**2,093**	**301,335**

25 TRADE AND OTHER PAYABLES

	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Trade payables	**120,694**	129,501
Taxes other than income tax payables	**12,542**	9,961
Guarantee deposit	**43,682**	39,424
Payable due to Yanchang	**83,767**	74,723
Interest payable	**11,084**	10,126
Others	**12,961**	9,158
	284,730	272,893

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

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date (or date of recognition, if earlier), is as follows:

	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Within 1 year	**71,422**	55,503
Over 1 year but within 2 years	**26,944**	36,582
Over 2 years but within 3 years	**2,314**	33,226
Over 3 years	**20,014**	4,190
Trade payables	**120,694**	129,501

26 BANK AND OTHER BORROWINGS

At 31 March 2018, the bank and other borrowings were repayable as follows:

	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Within 1 year or on demand	–	101,375

At 31 March 2018, the bank and other borrowings were as follows:

	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Other borrowings — unsecured — third party	–	101,375

27 CONVERTIBLE BOND

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

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

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

27 CONVERTIBLE BOND (continued)

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

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

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

28 CONVERTIBLE NOTE

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

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

The convertible note has been accounted for as a compound financial instrument containing an equity component, a liability component and a derivative component. The liability component was initially measured at fair value of HK$211,218,000 at discount rate of 5.78% per annum and carried at amortised cost. The redemption option is classified as a derivative financial instrument and has been included in the balance of convertible note in the consolidated statement of financial position.

29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current tax recoverable in the statement of financial position represents:

	2018 HK$'000	2017 HK$'000
At the beginning of the reporting period	**–**	26,403
Offset payable due to Yanchang	**–**	(25,736)
Exchange adjustments	**–**	(667)
At the end of the reporting period	**–**	–

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the statement of financial position and the movements during the year are as follows:

	Provision for assets retirement obligation HK$'000	**Property, plant and equipment** HK$'000	**Intangible assets** HK$'000	**Accruals** HK$'000	**Total** HK$'000
Deferred tax arising from:					
At 1 April 2016	(3,311)	20,159	57	(14,818)	2,087
(Credited)/charged to profit or loss	(408)	9,960	(11)	2,266	11,807
Exchange adjustments	214	(1,470)	(3)	858	(401)
At 31 March 2017	(3,505)	28,649	43	(11,694)	13,493
At 1 April 2017	(3,505)	28,649	43	(11,694)	13,493
(Credited)/charged to profit or loss	(523)	9,414	(12)	951	9,830
Exchange adjustments	(410)	3,649	4	(1,208)	2,035
At 31 March 2018	**(4,438)**	**41,712**	**35**	**(11,951)**	**25,358**

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(t), the Company and its subsidiaries has not recognised deferred tax assets in respect of cumulative tax losses amounting to HK$147,493,000 (2017: HK$134,940,000) as at 31 March 2018, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction of the Company and its subsidiaries.

The unutilised tax losses in the PRC established entities will expire in five years after the tax losses generated under current tax legislation in 2022 and thereafter. The tax losses in those Hong Kong incorporated companies can be utilised to offset any future taxable profits under current tax legislation.

30 PROVISIONS

The amount represents provision for future dismantlement costs of oil and gas properties. Movements of provision during the reporting period are set out as follows:

	Assets retirement obligations HK$'000
At 1 April 2016	35,771
Additions	811
Reassessment	(863)
Accretion expense	1,631
Exchange adjustments	(2,233)
At 31 March 2017	35,117
Additions	6,799
Reassessment	7,807
Accretion expense	2,092
Exchange adjustments	4,777
At 31 March 2018	56,592

31 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Share capital HK$'000 (note 31(c))	Share premium HK$'000 (note 31(d)(i))	Other reserve HK$'000 (note 31(d)(v))	Accumulated losses HK$'000	Total equity HK$'000
Balance at 1 April 2016	3,473	119,068	194,142	(426,985)	(110,302)
Changes in equity for the year ended 31 March 2017:					
Total comprehensive income for the year	–	–	–	(111,610)	(111,610)
Arising from the Reverse Takeover Transaction:					
Issue of ordinary shares	12,694	837,306	–	–	850,000
Issue of preferred shares	27,479	1,812,521	–	–	1,840,000
Issue of convertible note	–	–	34,583	–	34,583
Balance at 31 March 2016 and 1 April 2017	43,646	2,768,895	228,725	(538,595)	2,502,671
Changes in equity for the year ended 31 March 2018:					
Total comprehensive income for the year	**–**	**–**	**–**	**(49,319)**	**(49,319)**
Arising from the Reverse Takeover Transaction:					
Conversion of convertible bond	**3,448**	**45,088**	**(25,695)**	**–**	**22,841**
Adjustment of unpaid preferred shares	**(1,000)**	**(65,960)**	**3,348**	**–**	**(63,612)**
Modification of terms of convertible bond	**–**	**–**	**31,589**	**–**	**31,589**
Issue of ordinary shares	**14,850**	**1,467,228**	**–**	**–**	**1,482,078**
Balance at 31 March 2018	**60,944**	**4,215,251**	**237,967**	**(587,914)**	**3,926,248**

31 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

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

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

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

Notes:

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

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

31 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital (continued)

Notes:I (continued)

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

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

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

(d) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the nominal value and the subscription price of ordinary shares and preferred shares issued by the Company.

(ii) Specific reserve

According to relevant PRC rules and regulations, Hongbo Mining is required to transfer an amount to specific reserve for the safety production fund based on the production volume of crude oil and natural gas. The amount of safety production fund utilised would be transferred from the specific reserve back to retained earnings.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(w).

(iv) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investment designated at FVOCI under HKFRS 9 that are held at the end of reporting period in accordance with the accounting policy in note 2(e).

(v) Other reserve

The other reserve comprises the equity component of convertible bond and convertible note, and reserves arising from the Reverse Takeover Transaction.

31 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Capital management

The Company and its subsidiaries' primary objectives when managing capital are to safeguard the Company and its subsidiaries' ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company and its subsidiaries actively and regularly review and manage their capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions.

The Company and its subsidiaries monitor their capital structure on the basis of gearing ratio (ratio of the sum of total bank and other borrowings, convertible bond and convertible note to the total assets).

The Company and its subsidiaries' strategy is to maintain adequate funding from bank and related parties according to the operating needs and the capital commitments, and to maintain the gearing ratio at a range considered reasonable by management.

The Company and its subsidiaries' gearing ratio at 31 March 2018 and 2017 was as follows:

	Note	**2018** **HK$'000**	2017 HK$'000
Interest-bearing debts:			
— Bank and other borrowings	*26*	**–**	101,375
— Convertible bond	*27*	**67,148**	116,541
— Convertible note	*28*	**234,187**	222,615
Total debt		**301,335**	440,531
Total assets		**4,263,461**	2,839,398
Gearing ratio		**7%**	16%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, currency and price risks arises in the normal course of the Company and its subsidiaries' business.

The Company and its subsidiaries' exposure to these risks and the financial risk management policies and practices used by the Company and its subsidiaries to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company and its subsidiaries. The Company and its subsidiaries' credit risk is primarily attributable to cash at bank, derivative financial instruments and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Company and its subsidiaries' credit risk arising from cash at bank and derivative financial instrument is limited because the counterparities are state-owned/controlled or listed banks and well-known financial institutions which the directors assessed the credit risk to be insignificant.

In respect of trade and other receivables, individual credit evaluations are performed on all debtors. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

According to the crude oil sales agreement, a guarantee deposit of RMB35,000,000 was paid by the customer to Hongbo Mining (as included in trade and other payables) in return for a maximum 180 days credit period for an amount up to RMB35,000,000.

The Company and its subsidiaries do not provide any guarantees which would expose the Company and its subsidiaries to credit risk.

(b) Liquidity risk

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 Company and its subsidiaries' policy 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.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Company and its subsidiaries' non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Company and its subsidiaries can be required to pay:

	Year ended 31 March 2018 Contractual undiscounted cash outflow					Year ended 31 March 2017 Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount at 31 March**	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 March
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank and other borrowings	**–**	**–**	**–**	**–**	**–**	102,690	–	–	102,690	101,375
Trade and other payables	**284,730**	**–**	**–**	**284,730**	**284,730**	272,893	–	–	272,893	272,893
Convertible bond	**968**	**968**	**98,850**	**100,786**	**67,148**	1,200	120,100	–	121,300	116,541
Convertible note	**–**	**375,000**	**–**	**375,000**	**234,187**	–	–	375,000	375,000	222,615
	285,698	**375,968**	**98,850**	**760,516**	**586,065**	376,783	120,100	375,000	871,883	713,424

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company and its subsidiaries' interest rate risk arises primarily from interest-bearing borrowings. The Company and its subsidiaries regularly review and monitor the mix of fixed and variable rate borrowing in order to manage their interest rate risks.

(i) Interest rate profile

The following table details the interest rate profile of the Company and its subsidiaries' interest-bearing borrowings at the respective reporting period end dates.

	31 March 2018		31 March 2017	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
Fixed rate borrowings:				
Other borrowings	–	–	4.35%–4.80%	101,375
Convertible note	**5.78%**	**234,187**	5.78%	222,615
Convertible bond	**10.88%**	**67,148**	4.12%	116,541
		301,335		440,531
Fixed rate borrowings as a percentage of total borrowings		**100%**		100%

(ii) Sensitivity analysis

As all the Company and its subsidiaries' interest-bearing borrowings are fixed rate borrowings and carried at other than fair value as at 31 March 2018 and 2017, there is no significant interest rate risk because of changes in market interest rates.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk

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

(i) Recognised assets and liabilities

In respect of other receivables and payables denominated in foreign currencies, the Company and its subsidiaries ensure that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Most of the Company and its subsidiaries' borrowings are denominated in the functional currency of the entity taking out the loan. Given this, management does not expect that there will be any significant currency risk associated with the Company and its subsidiaries' borrowings.

(ii) Exposure to currency risk

The following table details the Company and its subsidiaries' exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the presentation currency are excluded.

	Exposure to foreign currencies (expressed in Hong Kong dollars)					
	31 March 2018			31 March 2017		
	United States Dollars HK$'000	**RMB HK$'000**	**Hong Kong Dollars HK$'000**	United States Dollars HK$'000	RMB HK$'000	Hong Kong Dollars HK$'000
Cash and cash equivalents	**695,388**	**23**	**25,128**	29	–	26,496
Trade and other receivables	**58,071**	**–**	**–**	181,884	–	–
Trade and other payables	**–**	**–**	**–**	–	(2,399)	–
Amount due to group companies	**–**	**–**	**(233,810)**	–	–	(69,550)
Net exposure arising from recognised assets and liabilities	**753,459**	**23**	**(208,682)**	181,913	(2,399)	(43,054)

(iii) Sensitivity analysis

The directors of the Company considered that the Company and its subsidiaries' exposure to currency risk is not significant. It is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would not be materially affected by any changes in movement in value of the United States dollar against other currencies.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Oil price risk

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

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

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

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

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

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

At 31 March 2018, it is estimated that an increase/decrease of 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.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(f) Equity price risk

The Company and its subsidiaries are exposed to equity price changes arising from equity investments classified as financial assets at FVTPL (see note 18) and financial assets at FVOCI (see note 19).

The Company and its subsidiaries hold investments in the securities listed on the Stock Exchange of Hong Kong and National Association of Securities Dealers Automated Quotations. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indicators, as well as the Company and its subsidiaries' liquidity needs. Securities held in the financial assets at FVOCI portfolio have been chosen based on its longer term growth potential and are monitored regularly for performance against expectations. The portfolio is mainly focused on the oil and gas related industry, in accordance with the limits set by the Company and its subsidiaries.

The Company and its subsidiaries are also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives of the Company and its subsidiaries. As at the end of the reporting period the Company and its subsidiaries are exposed to this risk through the conversion rights attached to the convertible note issued by the Company as disclosed in note 28.

At 31 March 2018, it is estimated that an increase/decrease of 5% in the prices of respective listed financial securities investments, with all other variables held constant, would have increased/decreased the profit after tax (and decreased/increased accumulated losses) by HK$573,000 (2017: Nil) as a result of the change in fair value of financial assets FVTPL and would have increased/decreased the other comprehensive income (and total comprehensive income) by HK$2,818,000 (2017: Nil) as a result of the change in fair value of financial assets FVOCI.

(g) Fair value measurement of financial instruments

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

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

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

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

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(g) Fair value measurement of financial instruments (continued)

	Fair value at 31 March 2018 HK$'000	Fair value measurements as at 31 March 2018 categorised into		
		Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurements				
Assets:				
— Term Loan to Stonehold	**1,389,206**	**–**	**1,389,206**	**–**
— JOVO investment	**129,152**	**–**	**–**	**129,152**
— Quebec investment	**32,019**	**–**	**32,019**	**–**
— Equity investment designate as FVOCI — listed in HK	**56,369**	**56,369**	**–**	**–**
— Trading securities — listed in the US	**11,451**	**11,451**	**–**	**–**
— Bank financing products	**15,064**	**–**	**15,064**	**–**
— Crude oil price put option	**1,285**	**–**	**1,285**	**–**
Liabilities:				
— Derivative component of the convertible note	**2,093**	**–**	**2,093**	**–**
— Crude oil price swaps	**5,887**	**4,088**	**1,799**	**–**

	Fair value at 31 March 2017 HK$'000	Fair value measurements as at 31 March 2017 categorised into		
		Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurements				
Liabilities:				
— Derivative component of the convertible note *(note 28)*	3,203	–	3,203	–

During the years ended 31 March 2017 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Company and its subsidiaries' policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(Expressed in Hong Kong dollars unless otherwise indicated)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(g) Fair value measurement of financial instruments (continued)

(i) Fair value of financial assets and liabilities measured at fair value

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of Term Loan to Stonehold in Level 2 is measured determined using a Hull-White Model, by reference to comparable market data and probability of call (or put) being exercised.

The fair value of Quebec investment in Level 2 is measured determined using market approach by reference to the price of a recent transaction carried out by other investors involving similar instruments with adjustment made to reflect the specific factor to the shares held by Golden Libra.

The fair value of crude oil price option and swaps in Level 2 is the estimated amount that the Company and Valuevale would receive or pay to terminate the option and swaps at the end of the reporting period, taking into account forward crude oil prices and risk free rate.

The fair value of the derivative component of the convertible note in Level 2 is determined using the Binomial Option Pricing Model. Details of the major parameters and assumptions adopted in the valuation are listed as follows:

	Derivative component of the convertible note	
Date of valuation	**31 March 2018**	31 March 2017
Stock price	**HK$1.12**	HK$2.45
Exercise price	**HK$0.6696**	HK$0.6696
Expected dividend yield *(note (i))*	**0%**	0%
Annualised volatility *(note (i))*	**26%**	120%
Time to maturity	**1.3 years**	2.3 years
Discount rate *(note (i))*	**8.56%**	5.22%

Note:

(i) The discount rate used is derived from the risk free interest rate with reference to the HKMA Exchange Fund Notes rate and Government Bonds yields quoted at the valuation date with same life span as life of the convertible note plus a relevant credit spread with appropriate credit rating stated in the Moody's Financial Metrics™ Key Ratios by Rating and Industry for Global Non-Financial Corporates: December 2016 and country risk premium. Annualised volatility is based on the historical volatility. Dividend yield are based on historical dividends.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(g) Fair value measurement of financial instruments (continued)

(i) Fair value of financial assets and liabilities measured at fair value (continued)

Information about level 3 fair value measurement

	Valuation techniques	Significant unobservable inputs	Weighted average
JOVO investment	Discounted cash flow	Discount rate	23%

The fair values of the JOVO investment measured at FVTPL is based on the Discounted Cash Flow Model. The cost of equity is determined based on the Capital Asset Pricing Model with additional risk premium built in to reflect the risks specific to JOVO. The discount rate is then estimated by using the debt/equity weights of JOVO. As at 31 March 2018, it is estimated that with all other variables held constant, a decrease/increase in discount rate by 1% would have increased/decreased the profit after tax (and decreased/increased accumulated losses) by HK$3,999,000 and HK$3,639,000 respectively.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2018 HK$'000
JOVO investment:	
At the beginning of the reporting period	–
Payment for purchases	116,450
Net unrealised gains recognised in profit or loss during the period	12,702
At the end of the reporting period	129,152
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	12,702

(ii) Fair value of financial assets and liabilities carried at other than fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

33 COMMITMENTS

(a) Capital commitments outstanding at 31 March 2018 not provided for in the financial statements were as follows:

	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Contracted, but not provided for		
— property, plant and equipment	**23,150**	28,553

(b) At 31 March 2018, total future minimum lease payments under non-cancellable operating leases payable are as follows:

	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Within 1 year	**376**	1,841
After 1 year but within 2 years	**–**	365
	376	2,206

The Company and its subsidiaries lease certain buildings through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

34 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
Short-term employee benefits	**9,742**	6,567
Post-employment benefits	**80**	113
	9,822	6,680

Total remuneration is included in "staff costs" *(see note 8(b))*.

(b) Material related party transactions

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

	Year ended 31 March	
	2018	2017
	HK$'000	HK$'000
With former holding company and fellow subsidiaries		
— advances received	**–**	(31)
— repayment of advances	**–**	3,549
— rental expense	**–**	317
— decrease in net payables	**–**	(317)
With the immediate holding company		
— increase in interest payable on convertible bond *(note (i))*	**968**	650

Note:

(i) Interest on the convertible bond was payable to Titan Gas at 1% per annum. Titan Gas acquired the Company's convertible bond with an aggregate principal amount of HK$96,833,000 on 29 July 2016. Details of the transaction and the terms of the convertible bond were disclosed in note 27.

34 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Related party balances

The outstanding balances with related parties are as follows:

	At 31 March 2018 HK$'000	At 31 March 2017 HK$'000
Trade and other payables		
— the immediate holding company	**1,618**	650
Convertible bond		
— the immediate holding company	**67,148**	94,042

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of the modification of terms of convertible bond (see note 27) above constitutes connected transaction as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section headed "Connected Transactions" of the report of the directors.

35 CONTINGENT LIABILITIES

Hongbo Mining has been involved in a legal dispute with 北京炅湘鈺技術開發有限公司 (Beijing Jiongxiangyu Technology Development Co. Ltd.) (the "Claimant"). Pursuant to a judgement issued by Shaanxi Higher People's Court dated 4 April 2014, the Claimant's claims for profit and management rights of the two oil wells in Block 212 of Hongbo Mining were dismissed. On 10 August 2015, the Supreme People's Court of the PRC ("PRC Supreme Court") issued an order for rehearing of the same case by the Supreme People's Court. PRC Supreme Court issued a judgment on 19 June 2017 in the re-trial initiated by the Claimant. Pursuant to the Judgment, the PRC Supreme Court dismissed the Claimant's case against Hongbo Mining on the ground that the latter was not a contracting party to the agreement which was the subject matter of the dispute. The PRC Supreme Court also stated that the Judgment was a final judgment.

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND COMPANY-LEVEL OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	At 31 March 2018 HK$'000	2017 HK$'000
Non-current assets			
Investments in subsidiaries		**652,979**	652,622
Loan to a subsidiary		**233,810**	–
		886,789	652,622
Current assets			
Prepayments, deposits and other receivables		**1,869,713**	1,115,729
Financial assets at fair value through profit or loss		**8,305**	–
Derivative financial instruments		**1,285**	–
Cash and cash equivalents		**1,479,799**	1,086,785
		3,359,102	2,202,514
Current liabilities			
Other payables and accruals		**16,509**	13,309
Derivative financial instruments		**1,799**	–
		18,308	13,309
Net current assets		**3,340,794**	2,189,205
Total assets less current liabilities		**4,227,583**	2,841,827
Non-current liabilities			
Convertible bond	*27*	**67,148**	116,541
Convertible note	*28*	**234,187**	222,615
		301,335	339,156
NET ASSETS		**3,926,248**	2,502,671
CAPITAL AND RESERVES			
Share capital	*31(c)*	**60,944**	43,646
Reserves		**3,865,304**	2,459,025
TOTAL EQUITY		**3,926,248**	2,502,671

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND COMPANY-LEVEL OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	At 31 March 2018 HK$'000	2017 HK$'000
Investment income	**(1,384)**	–
Total income from principal business activities, net of cost	**(1,384)**	–
Administrative expenses	**(41,827)**	(35,047)
Listing expense and related transaction costs	**–**	(66,230)
Loss before net finance costs and taxation	**(43,211)**	(101,277)
Finance income	**11,583**	994
Finance costs	**(17,691)**	(11,327)
Net finance costs	**(6,108)**	(10,333)
Loss before taxation	**(49,319)**	(111,610)
Income tax	**–**	–
Loss for the year	**(49,319)**	(111,610)
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**(49,319)**	(111,610)

Approved and authorised for issue by the board of directors on 20 June 2018.

Wang Jingbo
Director

Lee Khay Kok
Director

(Expressed in Hong Kong dollars unless otherwise indicated)

37 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

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

38 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 March 2018, the directors consider the immediate parent of the Company and its subsidiaries to be Titan Gas, incorporated in the British Virgin Islands, which is 77.38% 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.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the interim financial report for the six months ending 30 September 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 (continued)

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is now in the process of performing a detailed assessment of the impact resulting from the application of HKFRS 15 on the consolidated financial statements. Based on the preliminary assessment, the Group expects that the initial application of HKFRS 15 will not have a significant impact on the consolidated financial statements.

HKFRS 16, *Leases*

As disclosed in note 2(l), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019.