

IDG Energy Investment Limited

(formerly known as "IDG Energy Investment Group Limited")

(Incorporated in Bermuda with limited liability)

Stock Code: 650

Interim Report
2018

The background of the entire page is a photograph of industrial equipment, likely a valve or wellhead, silhouetted against a bright sunset sky. The sun is low on the horizon, creating a strong orange and yellow glow. The equipment consists of a vertical pipe with several large handwheels and smaller valves. A horizontal pipe runs across the middle ground, and another vertical pipe is visible to the left.

IDG Energy Investment

CONTENTS

	Pages
CORPORATE INFORMATION	2
CORPORATE PROFILE	3
FINANCIAL SUMMARY	5
OPERATING SUMMARY	6
FINANCIAL AND BUSINESS HIGHLIGHTS	7
MANAGEMENT DISCUSSION AND ANALYSIS	9
GENERAL INFORMATION	30
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	42
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	43
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	44
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	46
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	48
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT	49



CORPORATE INFORMATION

THE COMPANY

IDG Energy Investment Limited (the “Company”) (formerly known as “IDG Energy Investment Group Limited)

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

GE Aiji
SHI Cen
CHAU Shing Yim David

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

CHAU Shing Yim David (*Chairman*)
GE Aiji
SHONG Hugo

NOMINATION COMMITTEE

GE Aiji (*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

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

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 5507, 55/F., The Center
99 Queen’s Road Central
Hong Kong

LEGAL ADVISORS

Baker & McKenzie

AUDITORS

KPMG

STOCK CODE

SEHK: 650

WEBSITE

<http://www.idgenergyinv.com>

CORPORATE PROFILE

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

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

- Hongbo Mining is a portfolio company wholly acquired by the Company in 2016. It is an operating company engaged in exploration, development, production and sales of crude oil in China with its gross sales volume of approximately 189,034 barrels, and gross revenue from sales of approximately HK\$109.2 million for the six months ended 30 September 2018. The Company holds 100% equity interest in Hongbo Mining therefore Hongbo Mining's financial figures are fully consolidated to the Company's financial statements.
- Stonehold, a portfolio company in the upstream sector invested by the Company by way of a structured transaction in 2017, owns a world-class shale oil block in Eagle Ford, Texas of the U.S. The total production and the revenue of Stonehold's assets for the first half of 2018 had reached approximately 613,000 boe and US\$26.0 million, respectively. The Company invested in Stonehold through providing a Term Loan, where a fixed annual interest rate of 8% is recognized as financial assets at fair value through profit or loss in the Company's financial statements. In addition, the Company is also entitled to an amount equivalent to 92.5% of the disposal proceeds, which will also be recognized as fair value through profit or loss upon disposal of the underlying assets.
- JOVO, a LNG sector portfolio company invested by the Company in 2017, is principally engaged in clean energy businesses, including importing, processing and sale of the LNG and LPG in China. JOVO is the first private LNG receiving terminal operator in China and is one of the internationally recognized players in the LNG market, which imports over 1 million tons of LNG annually. The Company holds minority interest in JOVO, of which the financial results is recognized as financial assets at fair value through profit or loss in the Company's financial statements.
- GNL Quebec is another portfolio company invested by the Company along the LNG value chain. GNL Quebec owns and operates one of the largest Canadian LNG export terminals under development with planned capacity of 11 mmtpa. The Company holds minority interest in GNL Quebec, of which the financial results is recognized as financial assets at fair value through profit or loss in the Company's financial statements.
- LNGL, a listed company on the Australian Securities Exchange (ASX code: LNG), is another portfolio company that the Company recently invested. LNGL owns and operates a fully permitted greenfield LNG export terminal, the Magnolia LNG project, in Louisiana of the U.S., with the planned capacity of 8 mmtpa or greater and recognized as one of the most viable LNG projects in the U.S.. The Company is the second largest shareholder of LNGL, which holds 9.9% of the equity interest in LNGL. The financial results of LNGL is recognized as financial assets at fair value through profit or loss in the Company's financial statements.
- In September 2018, the Company announced its latest investment by entering into a joint venture agreement to form JUSDA Energy to be engaged in LNG logistics services using LNG ISO container model. The investment is in line with the Company's business and investment strategies and is another important investment along the LNG value chain, which the Company believes will not only bring good financial return for its Shareholders but also provide great advantages for the Company to meet the rapidly growing need for natural gas in China.

CORPORATE PROFILE

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

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

FINANCIAL SUMMARY

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

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

Note 1: The revenue from sales of goods for the six months ended 30 September of 2017 and 2018 represents the revenue generated from the net sales of crude oil produced by Xilin Gol League Hongbo Mining Development Company Limited* 錫林郭勒盟宏博礦業開發有限公司 (“Hongbo Mining”), a wholly-owned subsidiary of the Company.

Note 2: According to accounting policy, the investment income stated here mainly includes (i) the investment income in the form of fair value gain from the investment in Liquefied Natural Gas Limited (“LNG”), details of which are disclosed in the announcements of the Company dated 4 June 2018 and 13 June 2018, (ii) the returns from one of the investments regarding upstream oil and gas assets, primarily in the form of interest income (which bears interest at the rate of 8% per annum) from the term loan (the “Term Loan”) granted to Stonehold Energy Corporation (“Stonehold”), who holds the unconventional shale oil and gas assets in the Eagle Ford core region in the United States (“U.S.”), details of which are disclosed in the announcements of the Company dated 15 August 2017, 27 September 2017, and 28 February 2018 and the circular of the Company dated 29 September 2017; and (iii) the investment income in the form of fair value gain from the other projects.

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

OPERATING SUMMARY

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

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

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

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

FINANCIAL AND BUSINESS HIGHLIGHTS

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

Significant increase in investment income and EBITDA

The investment income increased to HK\$79.1 million for the six months ended 30 September 2018 from HK\$5.8 million for the six months ended 30 September 2017. The increase of investment income is primarily attributable to (i) the fair value change gain on the newly invested LNGL project, and (ii) the return on the investment regarding upstream oil and gas assets, in the form of interest income from the Term Loan granted to Stonehold, which holds unconventional shale oil and gas assets in the Eagle Ford core region in the U.S..

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

Business development

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

1. Investment in LNGL

On 13 June 2018, the Company, through its subsidiary, completed the subscription for 56,444,500 shares allotted and issued by LNGL, a company principally engaged in developing LNG export terminal projects in the U.S. and in Canada, at an aggregate subscription price of A\$28.2 million (equivalent to approximately HK\$166.8 million) (the “LNGL Investment”). Upon completion of the LNGL Investment, the Company holds 9.9% of the equity interests in LNGL and becomes the second largest shareholder of LNGL.

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

2. Further investment in GNL Quebec

On 30 November 2017, the Company, through its subsidiary, entered into an agreement of purchase and sale (the “Agreement of Purchase and Sale”) with an investment fund (the “Fund”) for purchasing its interests in LNG Quebec Limited Partnership (the “GNL Quebec”) at the purchase price of US\$3.15 million (equivalent to approximately HK\$24,633,000) (the “GNL Quebec Investment”). All conditions precedent in the Agreement of Purchase and Sale had been satisfied and the completion of the GNL Quebec Investment took place on 7 February 2018. Upon completion of the GNL Quebec Investment, the Company holds a minority interest in GNL Quebec.

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

FINANCIAL AND BUSINESS HIGHLIGHTS

3. Investment in JUSDA Energy

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal activities of the Company and its subsidiaries

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

Summary of key investment portfolios

1. Investment in upstream crude oil assets

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

1.1 Hongbo Mining Investment

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

Under the exploration and production cooperation contract entered into between Hongbo Mining and Yanchang, Yanchang (as the mineral right owner) and Hongbo Mining (as the operator) cooperate to explore for crude oil in Block 212 and Block 378 which together cover a region of 591 km² in Inner Mongolia; and Hongbo Mining and Yanchang are entitled to share 80% and 20% of the sale proceeds (net of any sales related taxes), respectively. The current exploration permit in respect of Block 212 will expire on 5 March 2019, and the current exploration permit in respect of Block 378 will expire on 9 November 2019. Both exploration permits are renewable for a term of two years after expiration. Block 212 had obtained from the Ministry of Land and Resources of China a 15 years valid production permit covering Unit 2 and Unit 19 and other areas in May 2017. As at 30 September 2018, the exploration permit in respect of other areas of Block 212 remained to be valid.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

1. Investment in upstream crude oil assets (continued)

1.1 Hongbo Mining Investment (continued)

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

1. Investment in upstream crude oil assets (continued)

1.2 Stonehold Investment

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

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

On 14 August 2017 (local time in Houston, Texas, the U.S.), the Company and Think Excel Investments Limited ("Think Excel"), a wholly-owned subsidiary of the Company, entered into the credit agreement (the "Credit Agreement") with Stonehold, pursuant to which, the Company and Think Excel have conditionally agreed to grant the Term Loan to Stonehold for the purpose of financing the acquisition of the Target Assets and the subsequent operations of such assets by Stonehold. Stonehold is a company wholly owned and solely controlled by Breyer Capital L.L.C.. The principal amount of the Term Loan shall not exceed (i) the initial payment with an amount of US\$165.0 million (approximately HK\$1,291.1 million) on 26 September 2017; (ii) thereafter, US\$10 million (approximately HK\$78.3 million); and (iii) any guarantee payment made by the Company and Think Excel to Stonehold in respect of the senior debt (the "Senior Debt") to be obtained from commercial bank(s). The unpaid principal amount from time to time shall bear interest at the rate of 8% per annum (after the making of or the allocation of any applicable withholding tax), with an additional interest of an amount equal to 92.5% of the disposal proceeds received or recovered by Stonehold in respect of disposal of the Target Assets after deducting outstanding principals and interests as well as relevant fees and expenses. The Term Loan is secured, and shall be payable to the Company and Think Excel in full on the maturity date, which falls 10 years after 26 September 2017.

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

On 26 September 2017 (local time in Houston, Texas, the U.S.), the initial payment of the Term Loan with an amount of US\$165.0 million (approximately HK\$1,291.1 million) under the Credit Agreement was released to Stonehold and the acquisition of the Target Assets by Stonehold from Stonegate was consummated in accordance with the terms of the Acquisition Agreement, and a subsequent payment of the Term Loan with an amount of US\$5.0 million (approximately HK\$39.0 million) has been released to Stonehold on 22 November 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

1. Investment in upstream crude oil assets (continued)

1.2 Stonehold Investment (continued)

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

The income generated from the Term Loan in the form of interest income has provided the Company a stable and considerable revenue with an amount of US\$6.8 million for the six months ended 30 September 2018. In addition, the Company believes that any increase in the reserve and valuation of the Target Assets may increase the expected returns for the Shareholders upon disposal of the Target Assets by Stonehold in the future in an amount equivalent to 92.5% of any disposal proceeds which will go to the Company under the Credit Agreement .

For details of the Term Loan and the Credit Agreement, please refer to the announcements of the Company dated 15 August 2017, 27 September 2017 and 28 February 2018, and the circular of the Company dated 29 September 2017 published on the website of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (<http://www.hkexnews.hk/>).

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

2. Investment regarding LNG business along the value chain

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

2. Investment regarding LNG business along the value chain (continued)

2.1 JOVO Investment

On 28 July 2017, Valuevale Investment Limited, a wholly-owned subsidiary of the Company, completed the subscription of shares allotted and issued by 江西九豐能源有限公司 (Jiangxi Jovo Energy Company Limited*) ("JOVO"), which is principally engaged in clean energy businesses, including importing, processing and sale of LNG and liquefied petroleum gas ("LPG") in China, at the consideration of RMB100 million (equivalent to approximately HK\$115.2 million).

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

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

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

2.2 GNL Quebec Investment

On 30 November 2017, the Company, through its subsidiary, entered into the Agreement of Purchase and Sale with the Fund for purchasing its interests in GNL Quebec at the purchase price of US\$3.15 million (equivalent to approximately HK\$24,633,000). All conditions precedent in the Agreement of Purchase and Sale have been satisfied and the completion of the GNL Quebec Investment took place on 7 February 2018. Upon completion of the GNL Quebec Investment, the Company holds minority interest in GNL Quebec. On 26 July 2018, the Company made a subsequent investment of US\$1 million (equivalent to approximately HK\$7,800,000) to support the project's ongoing development.

* for identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

2. Investment regarding LNG business along the value chain (continued)

2.2 GNL Quebec Investment (continued)

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

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

2.3 LNGL Investment

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

2. Investment regarding LNG business along the value chain (continued)

2.4 JUSDA Energy Investment

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

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

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

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

For details of the above transactions, please refer to the Company's voluntary announcements dated 17 July 2017, 31 July 2017, 8 February 2018, 4 June 2018, 13 June 2018 and 25 September 2018 published on the website of the Stock Exchange (<http://www.hkexnews.hk>).

Use of proceeds from the Subscription and the CN Subscription

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

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

1. a subscription of certain ordinary shares and preferred shares issued by the Company to Titan Gas and other subscribers (the "Subscription"); and
2. a subscription of certain convertible note issued by the Company to League Way Ltd. (the "CN Subscription").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Use of proceeds from the Subscription and the CN Subscription (continued)

The following table summarizes the intended use of proceeds and the actual use of proceeds as at 30 September 2018:

Transaction	Gross proceeds (HK\$ million)	Amount received as at 30 September 2018 (HK\$ million)	Amount receivable as at 30 September 2018 (HK\$ million)	Intended use of proceeds as disclosed in the RTO circular dated 29 June 2016 (the "RTO Circular")	Intended use of proceeds (after the change as announced on 8 March 2017 and the further change as announced on 27 September 2017)	Actual use of proceeds as at 30 September 2018
Subscription	2,690	2,626 (Note 1)	Nil (Note 1)	<ul style="list-style-type: none"> — approximately HK\$60 million for the payment of the transaction expenses; — approximately HK\$665 million for the payment of the consideration for the acquisition of the entire equity interest of Hongbo Mining; — approximately HK\$400 million to finance the repayment of Hongbo Mining's outstanding payables and borrowings; — approximately HK\$800 million to finance the development plan of the currently explored areas in Block 212; — approximately HK\$450 million for exploration and development of other areas in Block 212; — approximately HK\$115 million to finance the operating expenses of Hongbo Mining as well as the Company and its subsidiaries; and — approximately HK\$200 million for expanding the business of the Company and its subsidiaries by acquiring other oil companies and the further exploration, development and production of the other newly acquired oil and gas projects. 	<ul style="list-style-type: none"> — 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). 	<ul style="list-style-type: none"> — approximately HK\$66 million was used to settle the payment of the transaction expenses; — approximately HK\$652 million was used to settle the payment of the consideration for the Acquisition; — approximately HK\$146 million was used for repayment of Hongbo Mining's outstanding payables and borrowings; — approximately HK\$88 million was used for the development work in Block 212 (Note 1); — approximately HK\$69 million was used for the general working capital of the Company and its subsidiaries — approximately HK\$661 million, together with HK\$465 million from unutilized proceeds of development of Unit 2 and Unit 19 of Block 212, totaling HK\$1,126 million was used for the provision of the Term Loan (Note 2); and — approximately HK\$119 million from unutilized proceeds of development of Unit 2 and Unit 19 of Block 212 and working capital was used for the subscription of shares in Jovo and the transaction expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Use of proceeds from the Subscription and the CN Subscription (continued)

Transaction	Gross proceeds (HK\$ million)	Amount received as at 30 September 2018 (HK\$ million)	Amount receivable as at 30 September 2018 (HK\$ million)	Proposed use of proceeds as disclosed in the RTO Circular	Proposed use of proceeds (after the change as announced on 8 March 2017 and the further change as announced on 27 September 2017)	Actual use of proceeds as at 30 September 2018
CN Subscription	250 (being the principal amount of the convertible note)	250	Nil	<ul style="list-style-type: none"> — 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. 	<ul style="list-style-type: none"> — 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. 	<ul style="list-style-type: none"> — approximately HK\$200 million was used in respect of the provision of the Term Loan (Note 2); and — approximately HK\$50 million was used for the general working capital of the Company and its subsidiaries.

Notes:

- On 29 July 2016, as part of the Subscription, the Company issued a total number of 443,369,176 preferred shares to Aquarius Growth Investment Limited ("Aquarius Investment") (the "Aquarius Subscription"), among which, 343,369,176 preferred shares were fully-paid and 100,000,000 preferred shares were partially-paid (the "Unpaid Preferred Shares"). With respect to the Unpaid Preferred Shares, Aquarius Investment partially paid an amount of HK\$3,348,000 (the "Partial Paid Amount") and an outstanding amount of HK\$63,612,000 remained unpaid, which became due and payable on 28 July 2017. On 28 September 2017, the Unpaid Preferred Shares, i.e., the whole of the 100,000,000 preferred shares, with the amount of HK\$66,960,000 were forfeited and cancelled. As agreed by the Company and Aquarius Investment, the Partial Paid Amount will not be refunded to Aquarius Investment and the Board has sole discretion on the use of the Partial Paid Amount. In light of such shortfall in the amount of proceeds received as compared to that contemplated at the time of the Subscription, taking into account the actual utilization of proceeds and the circumstances of the operations of the Company and its subsidiaries, the Company has decided that a total amount of HK\$736.39 million from the proceeds, being HK\$800 million minus HK\$63.61 million, be used to finance the development plan of the currently explored areas in Block 212, among which, an amount of HK\$88 million had been utilized with a remaining balance of HK\$648.39 million under such use. As at 30 September 2018, save for the amount of HK\$63,612,000 with respect to the aforesaid cancelled and forfeited preferred shares, the Company had received all proceeds from the Subscription.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Use of proceeds from the Subscription and the CN Subscription (continued)

2. As disclosed in the section headed “Stonehold investment”, on 14 August 2017 (local time in Houston, Texas, the U.S.), the Company and Think Excel, a wholly-owned subsidiary of the Company, entered into the Credit Agreement with Stonehold, pursuant to which, the Company and Think Excel have conditionally agreed to grant the Term Loan to Stonehold. In order to finance the Term Loan under the Credit Agreement, the Company has made the following arrangements for the use of proceeds (after the reallocation as announced on 8 March 2017):
 - (1) extend the use of “Acquisition and development of other oil and gas companies or projects” to “Investment in other oil and gas companies or projects, including but not limited to acquisition and development, equity or debt investment and other forms of investment that the Company considers appropriate and in line with the Company’s business strategy”; and
 - (2) temporarily use the unutilized proceeds of (i) an amount of HK\$532 million planned to be used for the development of Unit 2 and Unit 19 of Block 212 which was not required for any then immediate use and (ii) an amount of HK\$60.5 million planned to be used as working capital which was not required for any then immediate use for making the payment under the Term Loan on closing of the Stonegate Acquisition and replenish them with repayment from Stonehold after it has obtained further financing. As at the date of this interim report, the negotiation with commercial banks for obtaining the Senior Debt is still ongoing. The Board confirms that the delay in entering into the Senior Debt will not negatively affect the liquidity of the Company.

As at 30 September 2018, an aggregate amount of HK\$2,516 million of the proceeds from the Subscription and the CN Subscription had been utilized and there was an outstanding utilized amount of HK\$360 million, which the Company intends to utilize pursuant to the intended use of proceeds (after the change as announced on 8 March 2017 and the further change as announced on 27 September 2017) as set above in upcoming financial years. The Company will, from time to time, taking into account the investment opportunities arising from domestic and overseas markets, assess and evaluate the business needs of the Company and its subsidiaries and the optimal plan for allocation and deployment of the financial resources of the Company and its subsidiaries to strengthen the efficiency and effectiveness of the use of proceeds, including, but not limited to, making further change to the intended use of proceeds as and when appropriate.

For further details of the change in use of proceeds, the entering into of the Credit Agreement and the further change in use of proceeds, please refer to the section headed “Stonehold Investment” and the announcements of the Company dated 8 March 2017, 15 August 2017, 27 September 2017 and 28 February 2018 respectively published on the website of the Stock Exchange (<http://www.hkexnews.hk/>).

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Use of proceeds from the Foxconn Subscription

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

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

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

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

1. as to approximately HK\$1,100 million for potential investment in or acquisition of targets in the natural gas industry along the value chain, both in China and in North America (including but not limited to LNG export terminal projects in Canada, LNG receiving terminal projects in China, companies engaged in importing, processing and sale of LNG, and city gas companies or natural gas distribution companies in China), among which HK\$257.7 million had been utilized for investments in the natural gas industry as at 30 September 2018;
2. as to approximately HK\$300 million to expand the business of the Company through investments in upstream shale gas and/or shale oil assets or projects overseas, especially within high quality basins in North America, which had not been utilized as at 30 September 2018; and
3. as to approximately HK\$83 million to other investments for the future development that is in line with the business strategies of the Company, which had not been utilized as at 30 September 2018.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

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 Notes have been fully redeemed on 17 October 2018.

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

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

OUTLOOK

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK (continued)

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR RISK MANAGEMENT

The Company's market risk exposures primarily consist of oil price risk, currency risk, liquidity risk and interest rate risk.

Oil Price risk

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

As at 30 September 2018, the Company purchased swaps and/or put options for part of the production of Hongbo Mining and Stonehold. Both the swaps and/or the put options place the Company in a hedged position, protecting the Company from a decline in the oil price over the stipulated period of time and preserving the value of the assets of Hongbo Mining and Stonehold. For details of hedging activities with respect to Stonehold's production, please refer to the announcement of the Company dated 3 April 2018 published on the website of the Stock Exchange (<http://www.hkexnews.hk/>).

At 30 September 2018, it is estimated that an increase/decrease at the crude oil price exceed/be lower than the fixed maximum price set by the crude oil price option contract and crude oil price swaps contracts, with all other variables held constant, would have decreased/increased the profit after tax (and increased/decreased accumulated losses) of the Company and its subsidiaries.

Currency risk

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR RISK MANAGEMENT (continued)

Liquidity risk

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

Interest rate risk

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

REVIEW OF FINANCIAL RESULTS

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

Revenue from sales of goods

The revenue from sales of goods represents the crude oil net sales from Hongbo Mining, a wholly-owned subsidiary of the Company. It increased by HK\$33.3 million, or 61.9%, from HK\$54.0 million for the six months ended 30 September 2017 to HK\$87.3 million for the six months ended 30 September 2018.

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

Cost of sales of goods

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS (continued)

Comparing six months ended 30 September 2018 to six months ended 30 September 2017 (continued)

Cost of sales of goods (continued)

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

Investment income

Investment income (excluding exchange gain/loss) includes returns from the Term Loan granted to Stonehold on 26 September 2017, who holds the unconventional shale oil and gas assets in the Eagle Ford core region in the U.S, amounting to approximately HK\$45.7 million. The other component of investment income (excluding exchange gain/loss) mainly includes the fair value gain of approximately HK\$64.5 million from the LNG investment. On the other hand, the Company recorded exchange loss of approximately HK\$28.7 million for all the investments, and losses of approximately HK\$16.1 million with respect to the derivative financial instruments used to hedge against potential price fluctuations of crude oil.

Administrative expenses

Administrative expenses increased by approximately HK\$5.6 million, or approximately 20.2%, from HK\$27.7 million for the six months ended 30 September 2017 to HK\$33.3 million for the six months ended 30 September 2018. The increase in administrative expenses was primarily due to the increase of business development activities with the rapid development of the Company's business.

Taxes other than income tax

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

Exploration expenses, including dry holes

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

Net finance income/(costs)

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS (continued)

Comparing six months ended 30 September 2018 to six months ended 30 September 2017 (continued)

Profit/(loss) before taxation

Profit before taxation significantly increased by approximately HK\$98.6 million from a loss before taxation of approximately HK\$19.3 million for the six months ended 30 September 2017 to a profit before taxation of approximately HK\$79.3 million for the six months ended 30 September 2018, which was primarily due to the cumulative effects of factors as discussed above in this section.

Income tax

Income tax changed from a deferred tax expense of approximately HK\$5.4 million for the six months ended 30 September 2017 to a deferred tax expense of approximately HK\$4.5 million for the six months ended 30 September 2018. The change was mainly due to the movements of the deferred tax assets and liabilities arising from the temporary differences of the provision for abandonment, depreciation of oil and gas properties of Hongbo Mining, amortisation of intangible assets and accrued expenses.

Profit/(loss) for the period

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

EBITDA

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS (continued)

Comparing six months ended 30 September 2018 to six months ended 30 September 2017 (continued)

EBITDA (continued)

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

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

The EBITDA changed from HK\$19.4 million for the six months ended 30 September 2017 to HK\$115.1 million for the six months ended 30 September 2018. The significant increase of EBITDA is primarily attributable to (i) the recovery of crude oil prices started from the second half of year 2017, which led to an increase in the revenue of Hongbo Mining, which is a wholly-owned subsidiary of the Company, (ii) the investment income from LNGL, and (iii) the return on the investment regarding upstream oil and gas assets, in the form of interest income from the Term Loan granted to Stonehold, which holds unconventional shale oil and gas assets in the Eagle Ford core region in the U.S.

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES (continued)

As at 30 September 2018, the Company had Convertible Note with carrying amount of approximately HK\$238.9 million (31 March 2018: HK\$234.2 million). The principal amount of the Convertible Note is HK\$250 million pursuant to the CN Subscription Agreement (as defined in the RTO Circular), with the maturity date of 29 July 2019 and that no interest shall be payable on the entire principal amount of the Convertible Note.

Save as the information disclosed above or otherwise in this interim 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 30 September 2018.

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

As at 30 September 2018, the gearing ratio (ratio of the sum of total bank and other borrowings, Convertible Bond and Convertible Note to the total assets) was approximately 7.3% (31 March 2018: 7.1%).

CHARGES ON ASSETS OF THE COMPANY AND ITS SUBSIDIARIES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

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

ACQUISITIONS AND DISPOSALS (INCLUDING ANY SIGNIFICANT INVESTMENTS)

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

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

CONTINGENT LIABILITIES

So far as is known to the Directors, as at 30 September 2018, there had been no litigation, arbitration or claim of material importance in which the Company or its respective subsidiaries was engaged or pending or which as threatened against the Company or its respective subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

Capital commitments

As at 30 September 2018, the Company and its subsidiaries had capital commitments of HK\$7.3 million (31 March 2018: HK\$23.2 million) contracted but not provided for the acquisition of property, plant and equipment.

Operating lease commitments

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

INTERIM DIVIDEND

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

EMPLOYEES

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

AUDIT COMMITTEE AND REVIEW OF RESULTS

The Audit Committee of the Company was established with written terms of reference in compliance with Rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The primary duties of the Audit Committee, among other things, are to oversee the Company's financial report system, risk management and internal control procedures, provide advice and comments to the Board, and monitor the independence and objective of the external auditor. As at 30 September 2018, the Audit Committee of the Company comprises two independent non-executive Directors, namely Mr. Chau Shing Yim David (Chairman) and Mr. Shi Cen, and one non-executive Director, namely Mr. Lin Dongliang.

The unaudited condensed consolidated interim financial statements of the Company and its subsidiaries for the six months ended 30 September 2018 have been reviewed by the Audit Committee.

CHANGE OF COMPANY NAME AND LOGO

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES IN INFORMATION OF DIRECTORS

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

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

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

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

GENERAL INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 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 of the Company (the "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)	37.06%
Shong Hugo	Corporate	2,241,147,200 (Notes 1 and 2)	37.06%
Lin Dongliang	Corporate Beneficial	2,241,147,200 12,910,000 (Notes 1 and 3)	37.06% 0.21%

Note 1: These shares are held by Titan Gas, a company which is controlled as to 75.73% by Titan Gas Technology Holdings Limited ("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

GENERAL INFORMATION

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	1,190,476,190 (Note 1)
Shong Hugo	Corporate	1,190,476,190 (Notes 1 and 2)
Lin Dongliang	Corporate	1,190,476,190 (Notes 1 and 3)

Note 1: The 1,190,476,190 underlying shares represented the new Ordinary Shares to be issued upon full conversion of Convertible Bond with an aggregate principal amount of HK\$80,000,000 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 30 September 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.

GENERAL INFORMATION

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 <i>(Note 1)</i>	65.00%
		Beneficial	6,418,675	32.09%
Shong Hugo	Long position	Corporate	13,000,000 <i>(Notes 1 and 2)</i>	65.00%
Lin Dongliang	Long position	Corporate	13,000,000 <i>(Notes 1 and 3)</i>	65.00%
Series A-1 Preferred Shares: Unlisted derivatives – Physically settled options				
Wang Jingbo	Long position	Corporate	15,000,000 <i>(Note 1)</i>	75.00%
Shong Hugo	Long position	Corporate	15,000,000 <i>(Notes 1 and 2)</i>	75.00%
Lin Dongliang	Long position	Corporate	15,000,000 <i>(Notes 1 and 3)</i>	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.

GENERAL INFORMATION

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	134,873 (Note 1)	75.73%
Shong Hugo	Long position	Corporate	134,873 (Notes 1 and 2)	75.73%
Lin Dongliang	Long position	Corporate	134,873 (Notes 1 and 3)	75.73%

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.

GENERAL INFORMATION

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

As at 30 September 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)	5.70%
Mo Tian Quan (Note 2)	Interest of controlled corporations	379,507,486(L) (Note 2)	6.28%
Aquarius Growth Investment Limited (Note 4)	Beneficial owner	343,369,176(L) (Note 3)	5.68%
Zhao Ming (Note 4)	Interest of a controlled corporation	343,369,176(L) (Note 3)	5.68%
League Way Ltd. (Note 5)	Beneficial owner	373,357,228(L) (Note 5)	6.17%
Shi Jianji (Note 5)	Interest of a controlled corporation	373,357,228(L) (Note 5)	6.17%
Sonic Gain Limited (Note 6)	Beneficial owner	319,820,786(L) (Note 6)	5.29%
Ko Chun Shun, Johnson (Note 6)	Interest of a controlled corporation	319,820,786(L) (Note 6)	5.29%
Titan Gas Technology Investment Limited (Note 7)	Beneficial owner	3,431,623,390(L) (Note 7)	56.74%
Titan Gas Technology Holdings Limited (Note 7)	Interest of a controlled corporation	3,431,623,390(L) (Note 7)	56.74%
Standard Gas Capital Limited (Note 7)	Interest of a controlled corporation	3,431,623,390(L) (Note 7)	56.74%

GENERAL INFORMATION

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
金世旗國際控股股份有限公司 (Kingsbury International Holdings Co., Ltd.) (Note 7)	Interest of controlled corporations	3,431,623,390(L) (Note 7)	56.74%
IDG-Accel China Capital GP II Associates Ltd. (Note 9)	Interest of controlled corporations	3,431,623,390(L) (Note 7, 9)	56.74%
IDG-Accel China Capital II Associates L.P. (Note 10)	Interest of controlled corporations	3,431,623,390(L) (Notes 7, 10)	56.74%
IDG-Accel China Capital II L.P. (Note 10)	Interest of controlled corporations	3,431,623,390(L) (Notes 7, 10)	56.74%
Ho Chi Sing (Note 11)	Interest of controlled corporations	3,443,123,390(L) (Notes 7, 9, 11)	56.93%
Zhou Quan (Note 11)	Interest of controlled corporations	3,443,123,390(L) (Notes 7, 9, 11)	56.93%
Luo Yuping	Interest of controlled corporations	3,431,623,390(L) (Notes 7, 8, 12)	56.74%
Foxconn Technology Co., Ltd	Interest of controlled corporations	1,485,000,000(L) (Notes 13)	24.55%
Q-Run Holding Ltd.	Interest of controlled corporations	1,188,000,000(L) (Notes 13)	19.64%
	Beneficial owner	297,000,000(L) (Notes 13)	4.91%

GENERAL INFORMATION

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 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 75.73% 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 3,431,623,390 Ordinary Shares in which Titan Gas has beneficial interest. Interest in such Ordinary Shares include interest in 1,190,476,190 underlying Ordinary Shares through derivative interests in the Convertible Bond in the principal amount of HK\$80,000,000. As at 30 September 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 3,431,623,390 Ordinary Shares in which Titan Gas has beneficial interest (including derivative interest in 1,190,476,190 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.

GENERAL INFORMATION

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. Mr. Ho Chi Sing and Mr. 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 74.80% by Luo Yuping. By virtue of the acting in concert arrangement referred to in Note 8, 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 in which Q-Run Holding Ltd. has interest.

Save as disclosed above, as at 30 September 2018, no person, other than the Directors or chief executives of the Company, whose interests are set out in the section "Director's interests and short positions in shares and underlying Shares" 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.

GENERAL INFORMATION

SHARE CAPITAL, CONVERTIBLE BONDS AND CONVERTIBLE NOTE

(A) Summary of outstanding Convertible Bonds and Convertible Note

Convertible Bonds

On 28 March 2008, the Company issued the Convertible Bonds in the principal amount of HK\$120,000,000 to Tanisca Investments Limited ("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. On 22 August 2018, Titan Gas transferred the Convertible Bond in the principal amount of HK\$16,832,526 with a conversion price of HK\$0.0672 per share to three entities, upon conversion of which 250,484,018 Ordinary Shares will be issued.

For details of the issuance, the amendments and the transfer of the Convertible Bonds, 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 websites 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 CN 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 the six months ended 30 September 2018, and the relevant accounting treatment and the analysis on the financial and liquidity position of the Company are set out in note 17 and note 18 to the unaudited financial statements.

GENERAL INFORMATION

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 30 September 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 30 September 2018 and assuming no further issuance of Ordinary Shares by the Company:

Name of shareholders	As at the 30 September 2018		Immediately following the Conversion	
	Numbers of Ordinary Shares	Percentage of total issued Ordinary Shares	Numbers of Ordinary Shares	Percentage of total issued Ordinary Shares (Note 4)
Titan Gas	2,241,147,200	37.06	2,241,147,200	28.51
Holders of the Convertible Bond (i.e. Titan Gas and other holders)	–	–	1,440,960,208 (Note 1)	18.33
Foxconn Subscribers (Note 2)	1,485,000,000	24.55	1,485,000,000	18.89
Lin Dongliang (Note 3)	12,910,000	0.21	12,910,000	0.16
Public shareholders	2,308,746,651	38.17	2,308,746,651	29.37
Holder of the Convertible Note (i.e., League Way Ltd.)	–	–	373,357,228	4.75
Total	6,047,803,851	100	7,862,121,287	100

Note 1: Titan Gas will hold 1,190,476,190 Ordinary Shares among the total of 1,440,960,208 Ordinary Shares converted by the Convertible Bond immediately following the Conversion, representing 15.14% of the then total issued Ordinary Shares. Therefore, upon the Conversion, Titan Gas will hold an aggregate of 3,431,623,390 Ordinary Shares, representing 43.65% of the then total issued Ordinary Shares.

Note 2: 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.

GENERAL INFORMATION

SHARE CAPITAL, CONVERTIBLE BOND AND CONVERTIBLE NOTE (continued)

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

Note 3: As at 30 September 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.

Note 4: The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as totals may not be the arithmetic aggregation of the figures preceding them.

An analysis of the impact on the diluted earning/(loss) per share is set out in note 8 to the “Notes to the Unaudited Financial Statements” of this report.

Save as mentioned above, no other Convertible Bond and Convertible Note had been converted for the six months ended 30 September 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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

CORPORATE GOVERNANCE

Compliance with the Model Code for Securities Transactions by Directors

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

Compliance with Corporate Governance Code

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

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. At present, Mr. Wang Jingbo is both the Chairman of the Board and the Chief Executive Officer of the Company. The Board is of the opinion that such arrangement will not result in undue concentration of power and is conducive to the efficient formulation and implementation of the Company’s strategies thus allowing the Company to develop its business more effectively.

GENERAL INFORMATION

NON-COMPETITION DEED

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

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

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

SUBSEQUENT EVENT AFTER 30 SEPTEMBER 2018

Change of Directors

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

Energy Fund Management

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018 — unaudited
(Expressed in Hong Kong dollars)

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

The notes on pages 49 to 68 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018 — Unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
Profit/(loss) for the period	74,842	(24,637)
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Equity investment at FVOCI — net movement in fair value reserve (non-recycling)	(10,922)	—
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
— financial statements of overseas subsidiaries	(46,571)	10,451
Other comprehensive income for the period	(57,493)	10,451
Total comprehensive income for the period	17,349	(14,186)

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

The notes on pages 49 to 68 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018 — Unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2018	At 31 March 2018
	<i>Note</i>	HK\$'000	HK\$'000 <i>(Note)</i>
Non-current assets			
Property, plant and equipment	9	589,308	622,774
Construction in progress	10	30,419	12,509
Intangible assets	11	25,942	28,943
Lease prepayments		9,922	11,057
Financial assets at fair value through profit or loss	12	1,760,903	1,550,377
Financial assets at fair value through other comprehensive income		45,447	56,369
Other non-current assets	13	31,689	32,711
		2,493,630	2,314,740
Current assets			
Inventories		5,495	7,294
Trade receivables	14	43,956	44,820
Other receivables	14	29,887	82,404
Financial assets at fair value through profit or loss	12	458,140	26,515
Derivative financial instruments		63	1,285
Cash and cash equivalents	15	1,191,120	1,786,403
		1,728,661	1,948,721
Current liabilities			
Trade and other payables	16	273,104	284,730
Derivative financial instruments		–	2,273
Convertible note	18	238,933	–
		512,037	287,003
Net current assets			
		1,216,624	1,661,718
Total assets less current liabilities			
		3,710,254	3,976,458

The notes on pages 49 to 68 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018 — Unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2018	At 31 March 2018
	<i>Note</i>	HK\$'000	(Note) HK\$'000
Non-current liabilities			
Convertible bonds	17	70,327	67,148
Convertible note	18	–	234,187
Deferred tax liabilities		27,360	25,358
Provisions	19	48,059	56,592
Derivative financial instruments		12,608	3,614
		158,354	386,899
NET ASSETS			
		3,551,900	3,589,559
CAPITAL AND RESERVES			
Share capital	20(b)	60,478	60,944
Reserves		3,491,422	3,528,615
TOTAL EQUITY			
		3,551,900	3,589,559

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

The notes on pages 49 to 68 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018 — unaudited

(Expressed in Hong Kong dollars)

	Share capital HK\$'000 (note 20(b))	Share premium HK\$'000	Specific reserve HK\$'000	Exchange reserves HK\$'000	Fair value reserve (non-recycling) HK\$'000 (note 20(c))	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 April 2017	43,646	2,768,895	5,609	8,861	–	(36,592)	(713,055)	2,077,364
Changes in equity for the six months ended 30 September 2017:								
Loss for the period	–	–	–	–	–	–	(24,637)	(24,637)
Other comprehensive income	–	–	–	10,451	–	–	–	10,451
Total comprehensive income	–	–	–	10,451	–	–	(24,637)	(14,186)
Appropriation of safety production fund	–	–	487	–	–	–	(487)	–
Utilisation of safety production fund	–	–	(18)	–	–	–	18	–
Conversion of convertible bonds	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
Balance at 30 September 2017 and 1 October 2017	46,094	2,748,023	6,078	19,312	–	(27,350)	(738,161)	2,053,996
Changes in equity for the six months ended 31 March 2018:								
Profit for the period	–	–	–	–	–	–	39,130	39,130
Other comprehensive income	–	–	–	15,482	(1,127)	–	–	14,355
Total comprehensive income	–	–	–	15,482	(1,127)	–	39,130	53,485
Appropriation of safety production fund	–	–	495	–	–	–	(495)	–
Utilisation of safety production fund	–	–	(22)	–	–	–	22	–
Issue of ordinary shares	14,850	1,467,228	–	–	–	–	–	1,482,078
Balance at 31 March 2018 (Note)	60,944	4,215,251	6,551	34,794	(1,127)	(27,350)	(699,504)	3,589,559

The notes on pages 49 to 68 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018 — unaudited

(Expressed in Hong Kong dollars)

	Share capital HK\$'000 <i>(note 20(b))</i>	Share premium HK\$'000	Specific reserve HK\$'000	Exchange reserves HK\$'000	Fair value reserve (non-recycling) HK\$'000 <i>(note 20(c))</i>	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 April 2018	60,944	4,215,251	6,551	34,794	(1,127)	(27,350)	(699,504)	3,589,559
Changes in equity for the six months ended 30 September 2018:								
Profit for the period	-	-	-	-	-	-	74,842	74,842
Other comprehensive income	-	-	-	(46,571)	(10,922)	-	-	(57,493)
Total comprehensive income	-	-	-	(46,571)	(10,922)	-	74,842	17,349
Appropriation of safety production fund	-	-	500	-	-	-	(500)	-
Utilisation of safety production fund	-	-	(163)	-	-	-	163	-
Purchase of own shares	(466)	(54,542)	-	-	-	-	-	(55,008)
Balance at 30 September 2018	60,478	4,160,709	6,888	(11,777)	(12,049)	(27,350)	(624,999)	3,551,900

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

The notes on pages 49 to 68 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018 — unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September	
		2018	2017
		HK\$'000	(Note) HK\$'000
Operating activities			
Cash generated from operations		29,152	22,481
Net cash generated from operating activities		29,152	22,481
Investing activities			
Net cash inflow/(outflow) for Stonehold investment		42,120	(1,289,264)
Payment for the purchase of property, plant and equipment		(63,866)	(72,148)
Net cash outflow from other investments		(785,672)	(124,387)
Interest received		63,505	—
Dividend received		1,938	—
Net cash inflow from investment deposit		—	175,451
Proceeds from sales of other investments		165,991	—
Net cash used in investing activities		(575,984)	(1,310,348)
Financing activities			
Proceeds from issuing preferred shares		—	789,735
Repayment of advances and borrowings		—	(101,375)
Purchase of own shares		(55,008)	—
Interest paid		—	(1,886)
Net cash (used in)/generated from financing activities		(55,008)	686,474
Net decrease in cash and cash equivalents		(601,840)	(601,393)
Cash and cash equivalents at the beginning of the reporting period		1,786,403	1,134,521
Effect of foreign exchange rate changes		6,557	(8,574)
Cash and cash equivalents at the end of the reporting period	15	1,191,120	524,554

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

The notes on pages 49 to 68 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

IDG Energy Investment Limited (formerly known as IDG Energy Investment Group Limited) (the “Company”) is an investment holding company, which was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business is located at Unit 5507, 55/F., The Center, 99 Queen’s Road Central, Hong Kong.

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

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

During the six months ended 30 September 2018, the principal activity of the Company is global energy assets investment and management. The principal activities of its subsidiaries and invested portfolios consist of upstream oil and gas and other related businesses.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION

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

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES

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

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

HKFRS 15, Revenue from contracts with customers

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

4 SEGMENT REPORTING

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

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

5 TOTAL INCOME FROM PRINCIPAL BUSINESS ACTIVITIES, NET OF COST

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

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

(b) Investment income

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(b) Investment income (continued)

Notes:

- (i) These amounts represent fair value changes on the Stonehold investment, JOVO investment, GNL Quebec investment, trading securities listed in the US, Notes and LINGL investment during the period ended 30 September 2018. Such assets are measured at FVTPL (see note 12), any interest income arising from such assets is included in fair value changes.
- (ii) The amount represents net changes in the fair value of crude oil price option contracts and crude oil price swap contracts held for risk management purpose. The derivative financial instruments are measured at FVTPL.

6 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Net finance income/(costs)

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

(b) Other items

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX

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

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

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

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

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

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company of HK\$74,842,000 (six months ended 30 September 2017: loss HK\$(24,637,000)) and the weighted average of 6,083,709,000 ordinary shares (six months ended 30 September 2017: 1,853,430,000 shares) in issue during the interim period.

(b) Diluted earnings/(loss) per share

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

9 PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Machinery and equipment	Motor vehicle	Oil and gas properties	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:						
At 31 March 2018	117,520	83,562	11,525	890,636	24,405	1,127,648
Transferred from construction in progress	–	–	–	48,376	–	48,376
Additions	–	4,932	211	1,877	–	7,020
Reassessment of provision	–	–	–	(6,736)	–	(6,736)
Exchange adjustments	(10,511)	(9,623)	(1,031)	(81,615)	(2,183)	(104,963)
At 30 September 2018	107,009	78,871	10,705	852,538	22,222	1,071,345
Accumulated depreciation:						
At 31 March 2018	(18,375)	(40,140)	(7,789)	(418,592)	(19,978)	(504,874)
Charge for the period	(1,425)	(2,793)	(484)	(17,734)	(818)	(23,254)
Exchange adjustments	1,708	3,716	718	38,236	1,713	46,091
At 30 September 2018	(18,092)	(39,217)	(7,555)	(398,090)	(19,083)	(482,037)
Net book value:						
At 31 March 2018	99,145	43,422	3,736	472,044	4,427	622,774
At 30 September 2018	88,917	39,654	3,150	454,448	3,139	589,308

10 CONSTRUCTION IN PROGRESS

	Cost of wells drilled and other capital expenditure
	HK\$'000
At 31 March 2018	12,509
Additions	68,302
Transferred to property, plant and equipment	(48,376)
Exchange adjustments	(2,016)
At 30 September 2018	30,419

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INTANGIBLE ASSETS

	Cooperation right HK\$'000
Cost:	
At 31 March 2018	37,441
Exchange adjustments	(3,348)
	34,093
At 30 September 2018	34,093
Accumulated amortisation:	
At 31 March 2018	(8,498)
Charge for the period	(413)
Exchange adjustments	760
	(8,151)
At 30 September 2018	(8,151)
Net book value:	
At 31 March 2018	28,943
At 30 September 2018	25,942

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 September 2018 HK\$'000	At 31 March 2018 HK\$'000
Non-current assets		
Stonehold investment (note (ii))	1,372,172	1,389,206
JOVO investment (note (iii))	120,760	129,152
GNL Quebec investment (note (iii))	46,828	32,019
LNGL investment (note (iv))	221,143	–
	1,760,903	1,550,377
Current assets		
Notes (note (v))	390,886	–
Trading securities listed in the US	12,635	11,451
Bank financing products	54,619	15,064
	458,140	26,515

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

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

Notes:

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

By the end of current reporting period, the total payment of the Stonehold investment with an amount of US\$170.0 million (approximately HK\$1,330.1 million) has been released to Stonehold. Under the Credit agreement, the Stonehold investment is interest bearing at a rate of 8% per annum (after the making of or the allocation of any applicable withholding tax), provided that an amount equal to 92.5% of the remainder cash proceeds received or recovered by Stonehold in respect of any disposal of the Target Assets after deducting outstanding principals and interests pursuant to the Credit Agreement, as well as fees, costs and expenses reasonably incurred by Stonehold with respect to such disposal, if applicable, be distributed to the Company and Think Excel, as additional interest to the Stonehold investment. The maturity date of Stonehold investment is 10 years after the initial payment of the Stonehold investment.

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

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

JOVO is a limited liability company incorporated in the PRC which engages in clean energy businesses, including importing, processing and sale of LNG and LPG.

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

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

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

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

13 OTHER NON-CURRENT ASSETS

	At 30 September 2018 HK\$'000	At 31 March 2018 HK\$'000
Prepayments for construction in progress	8,091	6,523
Performance deposit due from Shanxi Yanchang Petroleum (Group) Company Limited (Yanchang Oil Mineral Administrative Bureau) ("Yanchang")	6,200	6,809
Expenditures on public facilities	17,398	19,379
	31,689	32,711

14 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

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

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

15 CASH AND CASH EQUIVALENTS

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

16 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

17 CONVERTIBLE BONDS

	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
At 1 April 2018	67,148	138,986	206,134
Interest expenses	3,663	–	3,663
Interest payable	(484)	–	(484)
At 30 September 2018	70,327	138,986	209,313

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

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

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

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

On 25 September 2017, Tanisca Investment Limited, another holder of the convertible bond, exercised the conversion rights to convert all the convertible bond held with the nominal value of HK\$23,167,474 into 344,754,077 ordinary shares.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

18 CONVERTIBLE NOTE

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

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 derivative financial instruments and has been included in the balance of convertible note in the consolidated statement of financial position.

19 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 2018	56,592
Additions	1,877
Reassessment	(6,736)
Accretion expense	1,224
Exchange adjustments	(4,898)
At 30 September 2018	48,059

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Share capital

	Ordinary shares		Preferred shares		Total	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Shares of HK\$0.01 each						
Authorised:						
At 1 April 2017	8,000,000	80,000	5,000,000	50,000	13,000,000	130,000
Increase in authorised shares (note (i))	3,000,000	30,000	–	–	3,000,000	30,000
At 31 March 2018 and 30 September 2018	11,000,000	110,000	5,000,000	50,000	16,000,000	160,000
Issued, paid or payable:						
At 1 April 2017	1,616,741	16,167	2,747,909	27,479	4,364,650	43,646
Conversion of convertible bond	344,754	3,448	–	–	344,754	3,448
Adjustment of unpaid preferred shares	–	–	(100,000)	(1,000)	(100,000)	(1,000)
Conversion of preferred shares (note (iii))	2,259,540	22,595	(2,259,540)	(22,595)	–	–
At 30 September 2017	4,221,035	42,210	388,369	3,884	4,609,404	46,094
Conversion of preferred shares (note (ii))	388,369	3,884	(388,369)	(3,884)	–	–
Issue of ordinary shares (note (iii))	1,485,000	14,850	–	–	1,485,000	14,850
At 31 March 2018	6,094,404	60,944	–	–	6,094,404	60,944
Purchase of own shares (note (iv))	(46,600)	(466)	–	–	(46,600)	(466)
At 30 September 2018	6,047,804	60,478	–	–	6,047,804	60,478

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Share capital (continued)

Notes:

- (i) Pursuant to a special resolution passed on 11 January 2018, the authorised share capital of the Company was increased from HK\$130,000,000 to HK\$160,000,000 by the creation of 3,000,000,000 ordinary shares of HK\$0.01 each.
- (ii) During the year ended 31 March 2018, total number of 2,647,909,199 preferred shares have been converted into 2,647,909,199 ordinary shares of the Company.
- (iii) On 13 December 2017, the Company issued a total of 1,485,000,000 ordinary shares at an aggregate subscription price of HK\$1,485 million for cash.
- (iv) During the six months ended 30 September 2018, the Company repurchased its own shares on the Stock Exchange as follows:

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

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

(c) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at fair value through other comprehensive income (FVOCI) under HKFRS 9 that are held at the end of the reporting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

	Fair value at	Fair value measurements as		
	30 September	at 30 September 2018 categorised into		
	2018	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements				
<i>Financial assets:</i>				
— Stonehold investment	1,372,172	–	1,372,172	–
— JOVO investment	120,760	–	–	120,760
— GNL Quebec investment	46,828	–	46,828	–
— LNGL investment	221,143	221,143	–	–
— Notes	390,886	–	390,886	–
— Trading securities listed in the US	12,635	12,635	–	–
— Bank financing products	54,619	–	54,619	–
— Crude oil price put options	63	–	63	–
— Equity investment designate as FVOCI — listed in HK	45,447	45,447	–	–
<i>Financial liabilities:</i>				
— Derivative component of the convertible note	235	–	235	–
— Crude oil price swap	12,608	–	12,608	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(i) Fair value hierarchy (continued)

	Fair value at	Fair value measurements as		
	31 March 2018 HK\$'000	at 31 March 2018 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurements				
<i>Financial assets:</i>				
— Stonehold investment	1,389,206	—	1,389,206	—
— JOVO investment	129,152	—	—	129,152
— GNL Quebec investment	32,019	—	32,019	—
— Trading securities listed in the US	11,451	11,451	—	—
— Bank financing products	15,064	—	15,064	—
— Crude oil price put options	1,285	—	1,285	—
— Equity investment designate as FVOCI — listed in HK	56,369	56,369	—	—
<i>Financial liabilities:</i>				
— Derivative component of the convertible note	2,093	—	2,093	—
— Crude oil price swap	5,887	4,088	1,799	—

During the six months ended 30 September 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 September 2017: nil). 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.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of Stonehold investment 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 GNL Quebec investment in Level 2 is measured determined using market approach by reference to the price of a recent transaction carried out by investors involving similar instruments with adjustment made to reflect the specific factor to the shares held by Golden Libra.

The fair value of Notes in Level 2 is measured determined using the Binomial Tree Option Pricing Model, by reference to risk-free rate, the underlying fund market data, and the adjusted volatility reflect the historical market data of the underlying fund.

The fair value of crude oil price options and swap in Level 2 is the estimated amount that the Company would receive or pay to terminate the options and swap at the end of the reporting period, taking into account forward crude oil prices and risk-free rate.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements (continued)

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:

Date of valuation	Derivative component of the convertible note	
	30 September 2018	31 March 2018
Stock price	HK\$1.3	HK\$1.12
Exercise price	HK\$0.6696	HK\$0.6696
Expected dividend yield (note (i))	0%	0%
Annualised volatility (note (i))	35%	26%
Time to maturity	0.8 year	1.3 years
Discount rate (note (i))	3.43%	8.56%

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 is based on historical dividends.

(iii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Weighted average
JOVO investment	Discounted cash flow	Discount rate	20% (31 March 2018: 23%)

The fair value 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 30 September 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\$6,093,000 and HK\$5,437,000 respectively (31 March 2018: HK\$3,999,000 and HK\$3,639,000 respectively).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(iii) Information about Level 3 fair value measurements (continued)

The movements during the period in the balance of Level 3 fair value measurements is as follows:

	At 30 September 2018 HK\$'000	At 30 September 2017 HK\$'000
JOVO investment:		
At the beginning of the reporting period	129,152	–
Payment for purchases	–	116,450
Net unrealised losses recognised in profit or loss during the period	(8,392)	–
At the end of the reporting period	120,760	116,450
Total losses for the period included in profit or loss for assets held at the end of the reporting period	(8,392)	–

(b) Financial assets and liabilities measured 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.

22 COMMITMENT

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

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

23 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

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

(b) Transactions with other related parties

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

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

Note:

- (i) Interest on the convertible bonds was payable to Titan Gas at 1% per annum. As at 30 September 2018, Titan Gas held the Company's convertible bonds with principal amount of HK\$80,000,000. Details of the transaction and the terms of the convertible bonds were disclosed in note 17.

The outstanding balances with related parties are as follows:

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

24 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

25 COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 at 1 April 2018. Under the transaction methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

A number of amendments and new standards are effective for annual periods beginning after 1 April 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of HKFRS 16, *Leases*, which may have a significant impact on the Group’s consolidated financial statements.

HKFRS 16, *Leases*

As discussed in the annual financial statements for the year ended 31 March 2018, 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. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding “right-of-use” asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group’s accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

The Group’s future minimum lease payments, based on the non-cancellable operating leases, have been disclosed in note 22(b).

Upon the initial adoption of HKFRS 16 at 1 April 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. 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.