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

(Incorporated in Bermuda with limited liability)

(Stock Code: 00166)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2018	Year ended 31 December 2017
Revenue *(HK$'000)*	**297,989**	287,557
(Loss)/profit before taxation *(HK$'000)*	**(246,447)**	95,260
(Loss)/profit for the year *(HK$'000)*	**(257,224)**	101,697
(Loss)/earnings per share – Basic *(HK cent)*	**(2.91)**	1.26

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018.

*　*For identification purposes only*

The board of directors (the "**Board**") of New Times Energy Corporation Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	2018	2017 (note)
		HK$'000	*HK$'000*
Revenue	*5*	**297,989**	287,557
Cost of sales		**(286,863)**	(280,651)
Gross profit		**11,126**	6,906
Other income	*6*	**(10,747)**	16,250
General and administrative expenses		**(53,224)**	(63,332)
(Provision)/reversal of impairment loss of assets	*7(c)*	**(72,771)**	228,611
Net investment loss	*7(d)*	**(100,321)**	(37,492)
Exploration expenses	*11(c)*	**(371)**	(35,544)
Gain on partial disposal of interest in a joint venture		–	3,304
(Loss)/profit from operations		**(226,308)**	118,703
Finance costs	*7(a)*	**(15,687)**	(19,293)
Share of losses of joint ventures		**(4,452)**	(4,150)
(Loss)/profit before taxation	*7*	**(246,447)**	95,260
Income tax	*8*	**(10,777)**	6,437
(Loss)/profit for the year		**(257,224)**	101,697
Attributable to:			
Owners of the Company		**(257,218)**	101,710
Non-controlling interests		**(6)**	(13)
(Loss)/profit for the year		**(257,224)**	101,697
(Loss)/earnings per share	*10*		
Basic *(HK cent)*		**(2.91)**	1.26
Diluted *(HK cent)*		**(2.91)**	1.26

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 4.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
		(note (i))
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(257,224)**	101,697
Other comprehensive income for the year (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
Other investment in equity securities at fair value through other comprehensive income ("**FVOCI**") – net movement in fair value reserves (non-recycling)	**(17,923)**	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas and the People's Republic of China ("**PRC**") subsidiaries	**409,850**	(19,660)
Available-for-sale investments: net movement in the fair value reserve (recycling) *(note (ii))*	**–**	(2,383)
Other comprehensive income for the year	**391,927**	(22,043)
Total comprehensive income for the year	**134,703**	79,654
Attributable to:		
Owners of the Company	**134,709**	79,667
Non-controlling interests	**(6)**	(13)
Total comprehensive income for the year	**134,703**	79,654

Notes:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 4.

(ii) This amount arose under the accounting policies applicable prior to 1 January 2018. As part of the opening balance adjustments as at 1 January 2018, the balance of fair value reserve (recycling) has been reclassified to fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods. See note 4.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018	2017
			(note)
	Note	***HK$'000***	*HK$'000*
Non-current assets			
Exploration and evaluation assets	*11*	**2,337,497**	2,303,481
Property, plant and equipment		**32,811**	49,301
Intangible assets		**–**	16,296
Goodwill		**–**	234
Interest in joint ventures		**12,827**	18,104
Other investment in equity securities		**18,694**	–
Available-for-sale investments		**–**	36,617
Prepayments, deposits and other receivables	*14*	**15,462**	40,286
Deferred tax assets		**–**	11,149
Total non-current assets		**2,417,291**	2,475,468
Current assets			
Inventories		**21,032**	17,144
Trade and other receivables	*14*	**32,756**	74,659
Promissory note receivable	*13*	**–**	42,687
Current tax recoverable		**66**	133
Other financial assets	*15*	**80,468**	329,610
Cash and cash equivalents		**928,476**	843,948
Total current assets		**1,062,798**	1,308,181
Current liabilities			
Trade and other payables	*16*	**93,057**	88,142
Other borrowings		**56,792**	2,380
Provision		**5,131**	–
Total current liabilities		**154,980**	90,522
Net current assets		**907,818**	1,217,659
Total assets less current liabilities		**3,325,109**	3,693,127

	2018	2017
		(note)
	HK$'000	*HK$'000*
Non-current liabilities		
Other borrowings	**154,000**	211,400
Deferred tax liabilities	**31,436**	–
Provisions	**9,697**	14,411
Total non-current liabilities	**195,133**	225,811
NET ASSETS	**3,129,976**	3,467,316
CAPITAL AND RESERVES		
Share capital	**87,589**	88,655
Reserves	**3,042,180**	3,427,346
Total equity attributable to owners of the Company	**3,129,769**	3,516,001
Non-controlling interests	**207**	(48,685)
TOTAL EQUITY	**3,129,976**	3,467,316

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 4.

Notes:

1. STATEMENT OF COMPLIANCE

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

3. ADOPTION OF HYPERINFLATION ACCOUNTING IN ARGENTINA

In May 2018, the Argentine peso underwent a severe devaluation resulting in the three-year cumulative inflation of Argentina to exceed 100%, thereby triggering the requirement to transition to hyperinflation accounting as prescribed by HKAS 29, *Financial Reporting in Hyperinflationary Economies*. HKAS 29 requires to report the results of the Group's operations in Argentina as if these were highly inflationary as of 1 January 2018.

Under HKAS 29, the non-monetary assets and liabilities stated at historical cost, the equity and the income statement of subsidiaries operating in hyperinflationary economies are restated for changes in the general purchasing power of the local currency applying a general price index, and monetary items that are already stated at the measuring unit at the end of the reporting period are not restated. These re-measured accounts are used for conversion into Hong Kong dollar at the period closing exchange rate.

Consequently, the Group has applied hyperinflation accounting for its Argentine subsidiaries for the first time in these consolidated financial statements applying the HKAS 29 rules as follows:

– Hyperinflation accounting was applied as of 1 January 2018;

- Non-monetary assets and liabilities stated at historical cost (e.g. exploration and evaluation assets, property plant and equipment, and etc.) and equity of the Argentine subsidiaries were restated using an inflation index. The hyperinflation impacts resulting from changes in the general purchasing power until 31 December 2017 were reported in accumulated losses and the impacts of changes in the general purchasing power from 1 January 2018 are reported through the consolidated statement of profit or loss on "Hyperinflation monetary adjustments" for gain or loss on net monetary position in other income (see note 6);

- The consolidated statement of profit or loss is adjusted at the end of each reporting period using the change in the general price index and is converted at the closing exchange rate of each period (rather than the year to date average rate for non-hyperinflationary economies);

- To measure the impact of inflation on the Group's financial position and results, the Group has elected to use the Wholesale Price Index (Indice de Precios Mayoristas) for periods up to 31 December 2016, and the Retail Price Index (Indice de Precios al Consumidor) thereafter. These price indices have been recommended by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences.

- In accordance with HKAS 21, *The Effects of Changes in Foreign Exchange Rates*, when amounts are translated into the currency of non-hyperinflationary economy, the comparative amounts are not adjusted for subsequent changes in the price level or exchange rates. Therefore, the comparative amounts of Argentine operations in these consolidated financial statements were not restated.

4. 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. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

(i) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments*: *recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on accumulated losses and reserves and the related tax impact at 1 January 2018.

	HK$'000
Accumulated losses	
Transferred to fair value reserve (non-recycling) relating to impairment of other investment in equity securities now measured at FVOCI	92,597
Recognition of additional expected credit losses on:	
– trade and other receivables	(16)
– promissory note receivable	(7,760)
Net decrease in accumulated losses at 1 January 2018	84,821
Fair value reserve (recycling)	
Transferred to fair value reserve (non-recycling) relating to other investment in equity securities now measured at FVOCI at 1 January 2018	(6,010)
Fair value reserve (non-recycling)	
Transferred from accumulated losses relating to impairment of other investment in equity securities now measured at FVOCI	(92,597)
Transferred from fair value reserve (recycling) relating to other investment in equity securities now measured at FVOCI	6,010
Net decrease in fair value reserve (non-recycling) at 1 January 2018	(86,587)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at fair value through profit or loss ("**FVPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	HKFRS 9 carrying amount at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets carried at amortised cost				
Cash and cash equivalents	843,948	–	–	843,948
Trade and other receivables	16,319	–	(16)	16,303
Promissory note receivable	42,687	–	(7,760)	34,927
	902,954	–	(7,776)	895,178
Financial assets measured at FVOCI (non-recyclable)				
Other investment in equity securities *(note (i))*	–	36,617	–	36,617
Financial assets carried at FVPL				
Other financial assets *(note (ii))*	329,610	–	–	329,610
Financial assets classified as available-for-sale under HKAS 39 *(note (i))*	36,617	(36,617)	–	–

Notes:

(i) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment in NordAq Energy Inc. ("**NordAq**") and investment in Foothills Exploration Inc. ("**Foothills Exploration**") at FVOCI (non-recycling), as the investments are not held for trading.

(ii) Other financial assets including listed equity securities and unlisted investment funds, which were classified as financial assets at FVPL, and unlisted equity-linked securities, which were designated as FVPL under HKAS 39. These assets continue to be measured at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

Except for the unlisted equity-linked securities described in note (ii) above, the Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including trade and other receivables and promissory note receivable);

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	HK$'000
Loss allowance at 31 December 2017 under HKAS 39	3,810
Additional credit loss recognised at 1 January 2018 on:	
– Trade and other receivables	16
– Promissory note receivable	7,760
Loss allowance at 1 January 2018 under HKFRS 9	11,586

c. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  - the determination of the business model within which a financial asset is held; and

  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) 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.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

5. REVENUE AND SEGMENT REPORTING

The principal activities of the Group are (i) exploration, development, production and sale of natural resources; (ii) commodities trading. Further details regarding the Group's principal activities are disclosed in note 5(b).

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sale of oil products under oil exploration and production	**32,959**	43,467
– Sale of non-ferrous metals under commodities trading	**265,030**	244,090
	297,989	287,557

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 5(b)(i) and 5(b)(iii) respectively.

The Group has two (2017: four) customers and the amounts of individual customer are disclosed as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer 1	**265,030**	52,882
Customer 2	**32,959**	43,467
Customer 3	**–**	146,996
Customer 4	**–**	44,212

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

Details of the Group's reportable segments as follows:

- Upstream: This segment is engaged in the exploration, development, production and sale of crude oil. Currently the Group's activities in this regard are carried out in Argentina.

- Commodities trading: This segment includes trading of non-ferrous metals and other products.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief executive decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in joint ventures, other investment in equity securities, available-for-sale investments, deferred tax assets and unallocated corporate assets. Segment liabilities include all the liabilities with the exception of deferred tax liabilities and unallocated corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of profit arising from the activities of the Group's joint operation.

Segment profit/loss represents the profit/loss resulted by each segment without allocation of provision/reversal of impairment loss of assets, share of losses of joint ventures, net investment loss, unallocated interest income and expense and other net expense in corporate head office. This is the measure reported to the Group's chief executive decision maker for the purposes of resource allocation and performance assessment.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Disaggregation of revenue from contracts with customers, as well as information regarding the Group's reportable segments as provided to the Group's chief executive decision maker for the purposes of resource allocation and performance assessment for the year is set out below:

	Upstream		Commodities trading		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue *(note)*	**32,959**	43,467	**265,030**	244,090	**297,989**	287,557
Reportable segment loss	**(47,290)**	(67,419)	**(179)**	(108)	**(47,469)**	(67,527)
Depreciation and amortisation	**5,624**	7,570	**–**	–	**5,624**	7,570
Exploration expenses	**371**	35,544	**–**	–	**371**	35,544
Interest income	**5**	–	**–**	–	**5**	–
Interest expense	**–**	36	**–**	–	**–**	36
Reversal of impairment loss of exploration and evaluation assets	**–**	(248,040)	**–**	–	**–**	(248,040)
Additions to non-current segment assets during the year	**40,821**	43,690	**–**	–	**40,821**	43,690
Reportable segment assets	**2,455,299**	2,469,723	**–**	–	**2,455,299**	2,469,723
Reportable segment liabilities	**(53,559)**	(47,601)	**(601)**	(201)	**(54,160)**	(47,802)

Note:

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during both the current and prior years. All of the Group's revenue is recognised at a point in time.

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**297,989**	287,557
(Loss)/profit		
Reportable segment loss	**(47,469)**	(67,527)
Unallocated interest income	**16,603**	15,362
Unallocated interest expense	**(15,687)**	(19,257)
(Provision)/reversal of impairment loss of assets	**(72,771)**	228,611
Other net expenses in corporate head office	**(22,350)**	(23,591)
Share of losses of joint ventures	**(4,452)**	(4,150)
Gain on partial disposal of interest in a joint venture	**–**	3,304
Net investment loss	**(100,321)**	(37,492)
Consolidated (loss)/profit before taxation	**(246,447)**	95,260

	2018	2017
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**2,455,299**	2,469,723
Interest in joint ventures	**12,827**	18,104
Other investment in equity securities	**18,694**	–
Available-for-sale investments	**–**	36,617
Deferred tax assets	**–**	11,149
Unallocated corporate asset		
– Cash and cash equivalents	**904,935**	833,451
– Other financial assets	**80,468**	329,610
– Promissory note receivable	**–**	42,687
– Other receivables	**7,472**	41,810
– Others	**394**	498
Consolidated total assets	**3,480,089**	3,783,649

	2018	2017
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**(54,160)**	(47,802)
Deferred tax liabilities	**(31,436)**	–
Unallocated corporate liabilities		
– Other borrowings	**(210,792)**	(213,780)
– Deposit received	**(48,880)**	(48,880)
– Others	**(4,845)**	(5,871)
Consolidated total liabilities	**(350,113)**	(316,333)

(iii) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than other investment in equity securities, available-for-sale investments and deferred tax assets ("**specified non-current assets**"). The geographical location of the Group's revenue is based on the locations of customers. The geographical location of the specified non-current assets is based on (i) the physical location of the asset, in the case of property, plant and equipment and exploration and evaluation assets; and (ii) the location of the operation to which they are allocated, in the case of intangible assets, goodwill, prepayments, deposits and other receivables. In the case of interest in joint ventures, it is based on the location of the operation of such joint ventures.

	Revenues from external customers		**Specified non-current assets**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Singapore	**265,030**	52,882	**–**	–
Hong Kong	**–**	191,208	**1,173**	1,541
PRC	**–**	–	**11,733**	16,733
Argentina	**32,959**	43,467	**2,385,691**	2,409,427
	297,989	287,557	**2,398,597**	2,427,701

6. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**12,689**	6,804
Interest income on promissory note receivable	**3,919**	6,900
Other interest income	**–**	1,658
Total interest income on financial assets not at fair value through profit or loss	**16,608**	15,362
Net foreign exchange loss	**(46,399)**	(4,840)
Net loss on disposal of non-current assets of Palmar Largo concession *(note 12)*	**(7,186)**	–
Drilling service income	**14,588**	–
Hyperinflation monetary adjustments *(note 3)*	**4,009**	–
Others	**7,633**	5,728
	(10,747)	16,250

7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2018	2017
	HK$'000	*HK$'000*
Interest on other borrowings	**15,687**	19,293

(b) Staff costs (including directors' remuneration)

	2018	2017
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**16,034**	23,536
Contributions to defined contribution retirement plan	**4,604**	4,053
	20,638	27,589

(c) Provision/(reversal) of impairment loss of assets

	2018	2017
	HK$'000	*HK$'000*
Exploration and evaluation assets	**–**	(248,040)
Available-for-sale investments	**–**	19,429
Promissory note receivable *(note 13)*	**38,846**	–
Trade and other receivables	**33,925**	–
	72,771	(228,611)

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 4.

(d) Net investment loss

	2018	2017
	HK$'000	*HK$'000*
Listed equity securities at fair value *(note 15(i))*	**100,492**	39,532
Unlisted investment funds at fair value *(note 15(ii))*	**1,955**	(1,524)
Unlisted equity-linked securities *(note 15(iii))*	**(2,126)**	(516)
	100,321	37,492

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

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

	2018	2017
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
Current tax – overseas		
Provision for the year	**–**	23
Over-provision in respect of prior years	**(55)**	–
	(55)	23
Deferred tax		
Origination and reversal of temporary differences	**10,832**	(6,460)
	10,777	(6,437)

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

No provision for Hong Kong profits tax has been made as the Group's operations in Hong Kong had no assessable profits for the year. The provision for Hong Kong profits tax for 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profit for the years.

Subsidiaries of the Group in Argentina are subject to Argentina corporate income tax ("**CIT**") at 30% (2017: 35%) and minimum presumed income tax ("**MPIT**"). MPIT is supplementary to CIT and is chargeable at the applicable tax rate of 1% on the tax basis of certain assets. The tax liabilities of subsidiaries of the Group in Argentina are the higher of CIT and MPIT.

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

9. DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: nil).

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

(i) (Loss)/profit attributable to owners of the Company (basic)

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit attributable to owners of the Company	**(257,218)**	101,710

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

	2018	2017
	'000	*'000*
Issued ordinary shares at 1 January	**8,865,483**	5,910,322
Effect of purchase of own shares	**(22,723)**	–
Effect of shares issued under open offer	**–**	2,145,528
Effect of bonus element on shares issued under open offer	**–**	43,098
Weighted average number of ordinary shares (basic) at 31 December	**8,842,760**	8,098,948

(b) Diluted (loss)/earnings per share

For the year ended 31 December 2018, basic and diluted loss per share was the same as there were no potentially dilutive ordinary shares in issue during the year. For the year ended 31 December 2017, basic and diluted earnings per share was the same as the effect of the potential ordinary shares outstanding was anti-dilutive.

11. EXPLORATION AND EVALUATION ASSETS

	Exploration rights *HK$'000*	Exploratory drilling *HK$'000*	Geological studies *HK$'000*	Others *HK$'000*	Total *HK$'000*
Cost					
At 1 January 2017	3,229,499	105,589	106,404	34,495	3,475,987
Additions	894	33,739	–	–	34,633
Write off *(note (c))*	–	(35,544)	–	–	(35,544)
Exchange adjustments	(1,222)	(10,920)	(10,210)	(504)	(22,856)
At 31 December 2017	3,229,171	92,864	96,194	33,991	3,452,220
At 1 January 2018	**3,229,171**	**92,864**	**96,194**	**33,991**	**3,452,220**
Additions	**893**	**37,512**	**–**	**–**	**38,405**
Write off *(note (c))*	**–**	**(371)**	**–**	**–**	**(371)**
Hyperinflation adjustments *(note 3)*	**(351)**	**(3,667)**	**91,730**	**–**	**87,712**
At 31 December 2018	**3,229,713**	**126,338**	**187,924**	**33,991**	**3,577,966**
Accumulated impairment					
At 1 January 2017	1,261,385	6,802	106,404	34,495	1,409,086
Reversal of impairment loss of assets *(note (b))*	(248,040)	–	–	–	(248,040)
Exchange adjustments	200	(1,793)	(10,210)	(504)	(12,307)
At 31 December 2017	1,013,545	5,009	96,194	33,991	1,148,739
At 1 January 2018	**1,013,545**	**5,009**	**96,194**	**33,991**	**1,148,739**
Hyperinflation adjustments *(note 3)*	**–**	**–**	**91,730**	**–**	**91,730**
At 31 December 2018	**1,013,545**	**5,009**	**187,924**	**33,991**	**1,240,469**
Net book value					
At 31 December 2018	**2,216,168**	**121,329**	**–**	**–**	**2,337,497**
At 31 December 2017	2,215,626	87,855	–	–	2,303,481

Notes:

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

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

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

As at 31 December 2018, on the basis that the extension of the exploration permits in the T&M Concessions could be obtained, no impairment loss was recognised or reversed for the exploration and evaluation assets with reference to a valuation report issued by an independent appraisal firm, Roma Appraisals Limited.

(c) During the year ended 31 December 2018, exploration and evaluation assets of HK$371,000 (for the year ended 31 December 2017: HK$35,544,000) in respect of an exploration well in T&M UTE which was determined to be non-commercial and has been recognised as exploration expense for dry hole.

12. INTEREST IN JOINT OPERATION

Significant joint operation	Country of operation	Principal activity	2018	2017
Palmar Largo UTE Interest	Argentina	Exploration, development and exploitation of hydrocarbons	–	38.15%

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

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

On 23 December 2017, the exploitation rights were expired and the Group initiated the application process with the Secretary of Energy of Province of Formosa, Argentina ("**Formosa SOE**") for further extension of the exploitation rights. In November 2018, the operations in Palmar Largo concession were terminated because the extension of the exploitation rights will not be granted according to the final notice from Formosa SOE.

Therefore, the non-current assets in respect of Palmar Largo concession have been disposed of, and a net loss on disposal amounting to HK$7,186,000 has been charged to profit or loss.

13. PROMISSORY NOTE RECEIVABLE

	2018	2017
	HK$'000	*HK$'000*
		(note)
Promissory note receivable	**46,606**	42,687
Less: impairment loss	**(46,606)**	–
	–	42,687

Note: The promissory note was issued by Foothills Exploration Operating, Inc. ("**Foothills**") and guaranteed by Foothills Exploration, the indirect holding company of Foothills, as part of the consideration of the disposal of its subsidiaries in the United States of America (the "**US**"), and is bearing no interest and repayable on 30 June 2018. The promissory note carries effective interest rate of 19.18% per annum.

The Group has initially applied HKFRS 9 at 1 January 2018, under the transition method chosen, comparative information is not restated. The Group has recognised additional ECLs amounting to HK$7,760,000 as an adjustment to the opening balance of equity at 1 January 2018. See note 4.

The Group did not receive any repayment in respect of the outstanding promissory note and the said event constituted a default in repayment by Foothills. The Group is currently in negotiation with Foothills for the repayment of the past due promissory note. Foothills' principal activities are the acquisition and development of oil and gas properties in the US. In view of the adverse financial and operating circumstances of Foothills Exploration and its subsidiaries and the recent default, the Group provided additional impairment loss of approximately HK$38,846,000 on the past due balance of promissory note receivable at 31 December 2018.

14. TRADE AND OTHER RECEIVABLES

	Notes	**31/12/2018** *HK$'000*	**01/01/2018** *HK$'000*	**31/12/2017** *HK$'000*
Trade receivables, net of loss allowance		3,184	7,461	7,461
Other debtors		15,471	8,528	8,528
Amount due from a joint venture		314	314	330
Financial assets measured at amortised cost	*(i)*	18,969	16,303	16,319
VAT recoverable		15,462	48,396	48,396
Other tax recoverable		6,165	8,484	8,484
Other prepayment and deposits	*(i)*	7,622	41,746	41,746
		48,218	114,929	114,945
Reconciliation to the consolidated statement of financial position:				
Non-current		15,462	40,286	40,286
Current	*(ii)*	32,756	74,643	74,659
		48,218	114,929	114,945

Notes:

(i) Upon the adoption of HKFRS 9, an opening adjustment of approximately HK$16,000 as at 1 January 2018 was made to recognise additional ECLs on trade and other receivables (see note 4).

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

(iii) The following is an ageing analysis of trade receivables, presented based on the invoice date and net of loss allowance is as follows:

	2018	2017
	HK$'000	*HK$'000*
0–30 days	–	7,461
31–60 days	**3,184**	–
	3,184	7,461

Trade receivables are due within 30 days (2017: 30 days) from the date of billing.

15. OTHER FINANCIAL ASSETS

	2018	2017
	HK$'000	*HK$'000*
Listed equity securities at fair value *(note (i))*	**80,468**	198,972
Unlisted investment funds at fair value *(note (ii))*	–	100,778
Unlisted equity-linked securities *(note (iii))*	–	29,860
	80,468	329,610

Notes:

(i) The listed equity securities at fair value represent listed shares of Beijing Gas Blue Sky Holdings Limited. During the year ended 31 December 2018, the net investment loss of listed equity securities amounting to HK$100,492,000 (2017: loss of HK$39,532,000) has been charged to profit or loss.

(ii) As at 31 December 2017, the unlisted investment funds at fair value represented investments in a wide range of equity or debt investment products, which were disposed of during the year ended 31 December 2018, and the net investment loss of HK$1,955,000 (2017: gain of HK$1,524,000) has been charged to profit or loss.

(iii) During the years ended 31 December 2017 and 31 December 2018, the Group acquired equity-linked securities which contained embedded derivative, the return of which were determined with reference to the closing price of certain equity securities listed on the Stock Exchange. The unlisted equity-linked securities were designated as at FVPL at initial recognition. During the year ended 31 December 2018, the unlisted equity-linked securities have been redeemed and the net investment gain of HK$2,126,000 (2017: gain of 516,000) has been recognised in profit or loss.

16. TRADE AND OTHER PAYABLES

	Notes	2018 HK$'000	2017 HK$'000
Trade payables	*(ii)*	**27,544**	28,077
Other creditors and accrued charges	*(iii)*	**65,492**	11,130
Financial liabilities measured at amortised cost		**93,036**	39,207
Deposit received	*(iii)*	**—**	48,880
Receipt in advance		**21**	55
		93,057	88,142

Notes:

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

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

	2018 HK$'000	2017 HK$'000
0–30 days	**21,940**	15,050
31–60 days	**4,231**	10,342
61–90 days	**399**	1,393
Over 90 days	**974**	1,292
	27,544	28,077

(iii) The amounts include a deposit of HK$48,880,000 received from two independent third parties which appointed a subsidiary of the Company as trustee to pursue an acquisition. As at 31 December 2018, the potential acquisition has been cancelled and the deposit is classified as "other creditors and accrued charges" as it is to be returned to those third parties in 2019.

17. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2018 not provided for in the consolidated financial statements were as follows:

	2018 HK$'000	2017 HK$'000
Authorised but not contracted for	**138,905**	175,393

MANAGEMENT DISCUSSIONS AND ANALYSIS

GENERAL REVIEW

While the Group is celebrating the likelihood of a significant oil discovery in the Chirete Concession (pending the final results from the extended well test), the Group hereby informs that for the year ended 31 December 2018, the Group incurred a consolidated net loss after tax of HK$257.22 million.

The consolidated net loss after tax was primarily attributable to:

- net fair value loss recognised on the Group's investment holding in certain equity securities listed in Hong Kong;
- an impairment loss on a promissory note;
- impairment loss recognised on certain trade and other receivables; and
- net foreign exchange loss.

Due to the Group's accounting policy of recognising exploration and evaluation assets at cost, the consolidated results of the Group for the year ended 31 December 2018 does not reflect the positive financial value (if any) which may be created as a result of the Group's recent oil discovery in the Chirete Concession.

On 21 November 2018, the Formosa provincial regulatory authorities (the "**Formosa Authorities**") unexpectedly rejected the Group's application for a 10 years extension in the Palmar Largo Concessions (the "**PL Concessions**"). This was after 2 years of false hope and repeated verbal assurances from the Formosa Authorities that the extension would be granted. On 30 November 2018, the Group subsequently terminated and ceased oil production activities, and relinquished its 38.15% participating interest in the PL Concessions, having been given only 9 days' notice to vacate.

The PL Concessions was a mature, marginal oilfield with declining production rates. Combined with the effect of the low oil prices offered by Refinor, the only major refinery in Northern Argentina, the Group's oil sales revenue in 2018 suffered a further year on year decline.

The Group's net earnings from PL Concessions also worsened due to higher operating costs, as a result of unavoidable slickline unit interventions, and essential maintenance of aged production facilities. This was in a year where Argentina experienced an annual inflation rate of 47.6%, the highest on record since 1991.

During Q4 2018, the Group drilled the exploratory well, HLG.St.LB.x-2001 located at Los Blancos in the Chirete Concession, in which the Group is a farmee with a 50% participating interest in the oil concession. The well is located approximately 2.8km point to point south of the HLG.St.LB.x-1002 exploratory well drilled in October 2015. The Group attained the target drill depth of 2,705 meters on 29 November 2018, where significant oil and gas shows were intersected from the depth of 2,670 meters onwards.

The Group is presently conducting extended well test and logging analysis of the HLG. St.LB.x-2001 exploratory well, in order to evaluate its commercial viability. Preliminary test data is promising. Initial indication to date is that the HLG.St.LB.x-2001 exploratory well contains light crude oil with an American Petroleum Index ("**API**") index of approximately 37, with a significant oil flow rate (Refer to section entitled Chirete Concession for further details) and virtually zero water content. Upon the completion of the extended well test, the Group will be able to establish the final rate of production achievable.

In respect of the Tartagal Oriental and Morillo Concessions (the "**T&M Concessions**"), the Group owns a 69.25% participating interest. As a result of the recent oil discovery in the Chirete Concession, the Group has identified a sizeable prospect, the Morillo Deep Prospect (the "**Morillo Deep**"), approximately 17km from the HLG.St.LB.x-2001 exploratory well.

Planning of the next exploratory well at Morillo Deep has begun with the preliminary environmental impact assessment studies of the proposed access road and location with a view to commencing the civil engineering works in the second half of 2019. The Group is targeting a drill spud date in Q2 2020.

The Group's current exploration permit in the T&M Concessions is due to expire on 13 September 2019. The Group will be filing its application for a 3 years extension to the Salta provincial regulatory authorities (the "**Salta Authorities**") in May 2019.

BUSINESS REVIEW

The Group's oil and gas participation in Argentina during 2018 was solely in the Northwest Basin located in the provinces of Salta and Formosa.

Following the Formosa Authorities' unexpected rejection of a 10 years extension to continue exploitation and production activities in the PL Concessions, the Group's involvement in the province of Formosa formally ended on 30 November 2018.

In addition to the Group's oil and gas exploration and production activities, the Group was engaged in the business of commodities trading.

Northwest Basin, Argentina

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

As at 31 December 2018, the Group held the following concessions in the Northwest Basin situated in Northern Argentina:

Concessions	Participating interest	Surface area *(in km²)*	Prospective Resources *(MMBOE)*	2P Reserves *(MMBOE)*	Group's Net Interest *(MMBOE)*
Tartagal Oriental and Morillo	69.25%	10,583	187.7	–	130.0
Chirete	50.00%	897	8.6	–	4.3

Exploration, Development and Production activities

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

The T&M Concessions comprising of the Tartagal Oriental block and the Morillo block, located in the Province of Salta in Northern Argentina, are the Group's core exploration assets. The Group holds a 69.25% participating interest in the concessions and is the Operator. The concessions cover a total surface area of 10,583 km^2 and have an estimated Net Prospective Resources of 130.0 MMBOE for the Group.

Morillo Deep Exploration well

Following the completion of the recent HLG.St.LB.x-2001 exploratory drill in the Chirete Concession, the Group's attention has shift towards the preparations of its next planned exploratory well at Morillo Deep in the T&M Concessions located approximately 17km from the wellsite of the Group's recent oil discovery. The target completion date for the access road and drill location preparation is scheduled for Q4 2019 with a spud date of Q2 2020.

Morillo Deep is one out of a number of prospects that had previously been identified by the Group's in-house geological and geophysical team, which had been cross verified for their suitability and potentiality by independent third party geological and geophysical experts. Environmental impact assessment studies for the proposed access road and drill location at Morillo Deep has already begun in earnest. Upon its completion, the Group shall submit the necessary reports to the relevant bodies within the Salta Authorities for their review and granting of permits to enable the civil engineering works to commence.

With the successful deployment of the Group's own drilling rig on the previous two exploratory drills in El Pacara, T&M Concessions and Los Blancos, Chirete Concession, the Group's intention is to continue this arrangement in the Morillo Deep campaign. To date, the Group's drilling rig has performed exemplarily. There has been minimal non-productive time ("**NPT**") attributable to health and safety incidents or mechanical failure. This is a testament to the professionalism and dedication of the Group's drilling and rig services division.

Exploration permit extension

As disclosed in the 2018 Interim Report, the Group successfully secured a 24 months extension on its exploration permit in the T&M Concessions until 13 September 2019 from the Salta Authorities. The extension application took approximately 12 months duration from date of the Group's application submission to the date the formal decree ratifying the extension was issued by the Salta Authorities on 23 March 2018. This represents a delay of 6 months from the exploration permit expiration date to the date the decree granting the extension was issued.

As at 2018 year end, the Group had an official outstanding commitment of 3,547 Work Units on the T&M Concessions to be fulfilled. The number of outstanding Work Units is a disputed matter between the Group and the Salta Authorities. The number of Work Units recognised by the Salta Authorities was below the Group's expectation, based on the unclaimed qualifying expenditure application submitted by the Group. It is the Group's intention to appeal the Salta Authorities' recent decision.

Furthermore, the Group will be seeking a 3 years extension of its exploration permit until 13 September 2022 from the Salta Authorities in May 2019. This is for the purposes of realistically completing the two remaining exploratory wells commitment in the T&M Concessions. Detailed drilling plans, schedules and analysis will be submitted as part of the Group's latest extension application.

Chirete Concession

The Chirete Concession covers a surface area of approximately 897km^2 in the Province of Salta in Northern Argentina, and the Group's estimated Net Prospective Resources is 4.3 MMBOE. The Chirete Concession is an oil concession in which the Group has farmed into a 50% participating interest, with Pampa Energia S.A. being the owner of the other 50%. The Group is responsible for the day to day operational activities.

HLG.St.LB.x-2001 exploration well

The Group drilled the HLG.St.LB.x-2001 exploratory well as scheduled in Q4 2018. The well is located approximately 2.8km point to point south on the same geological structure as the HLG.St.LB.x-1002 exploratory well drilled in October 2015, where indications of hydrocarbon was previously encountered.

The Group utilizing its own drilling rig attained the target drill depth of 2,705 meters for the HLG.St.LB.x-2001 exploratory well on 29 November 2018, where significant oil and gas shows were intersected from the depth of 2,670 meters onwards.

Presently, the Group is conducting extended well test and logging analysis of the HLG. St.LB.x-2001 exploratory well, in order to evaluate the commercial viability of the oil discovery for future development and production. Additionally, the Group is expecting part of the concession's estimated prospective resources to be upgraded to reserves before the end of 2019.

The Group is optimistic and encouraged by the extended test data to date, which indicate light crude oil with an estimated API index of 37 with virtually zero water content and free of other contaminants. The crude oil flow rates under different choke size during the extended well test to date are summarised in the table below:

Choke Size	**Average Barrels of Production per Day ("BOPD")**
4mm	533
6mm	1,276
8mm	1,800
10mm	2,295

As of 18 March 2019, the cumulative production of crude oil from the HLG.St.LB.x-2001 well was approximately 82,000 barrels.

Upon the completion of the extended well test, the Group will be able to definitively determine the rate of production and technical characteristics of the oil. A development plan for the production of crude oil is expected to be finalised towards Q4 2019.

Exploration permit extension

The Chirete permit for the Third Exploratory Period expired on 18 November 2018. In order to continue and complete the commercial viability studies of the recent oil discovery at HLG.St.LB.x-2001 exploratory well, the Group duly submitted to the Salta Authorities, an application for a 12 months extension as permitted under the Hydrocarbons Law of Argentina.

On 22 February 2019, the Group successfully received the decree from the Salta Authorities confirming the approval of the extension for a further 12 month term until 18 November 2019. As a condition for the granting of the extension, the Group is required to submit on a fortnightly basis, the oil production volumes attained during the extended test phase of the HLG.St.LB.x-2001 exploratory well.

Subject to the progress of the extended test, the Group will consider whether it requires more time to continue its commercial viability studies, or proceed straight with the application to the Salta Authorities for an exploitation and production permit of between 20 to 25 years to operate the oilfield.

Palmar Largo Concessions (the "PL Concessions")

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

During the eleven month period to 30 November 2018, the Group owned a 38.15% interest in the PL Concessions and was the Operator of the production facilities in the Palmar Largo block.

Operations update

The Group conducted a number of slickline unit interventions on its older wells with mixed success during the eleven month period to 30 November 2018. The purpose of the slickline unit interventions were in an attempt to preserve the production rates of a mature, marginal and declining oilfield. Essential planned maintenance was also performed in order to ensure continued safe working conditions.

No workover intervention was undertaken, or contemplated in 2018, due to the Group's on-going negotiations with the Formosa Authorities regarding its application for a 10 years extension, which concluded with the sudden and unexpected rejection by the Formosa Authorities on 21 November 2018, and the repossession of the Palmar Largo block on the midnight of 30 November 2018.

Due to only 9 days notice served by the Formosa Authorities informing of its decision to repossess the Palmar Largo Block on 30 November 2018, the Group had no option but to relinquish the oil production facilities before it could practicably withdraw all movable, non-essential to production assets, inventory, and unsold oil stock which legally belonged to the Union of Temporary Enterprise (the "**UTE**") in which is the Group is a 38.15% participating interest owner.

The Group is currently in discussions with both the new concession owner and operator, as well as the Formosa Authorities for a prompt and amicable resolution to this matter, including the unfettered access by the Group to physically recover the UTE properties. In the event the matter becomes unnecessarily protracted, the Group together with the UTE will have no option, but to consider taking legal action in order to retrieve the UTE properties illegally and collectively seized by the new incumbents of the Palmar Largo block.

During the eleven months to 30 November 2018, and prior the relinquishment of the Palmar Largo block, the average daily production achieved for the Group's 38.15% participating interest was approximately 250 BOPD (2017: 338 BOPD). The Group's share of oil production for the same period equated close to 83 MBBL (2017: 123 MBBL for the year).

Due to a combination of declining production rates in the Palmar Largo block and the continuing low oil prices in Northern Argentina, the oil sales of the Group's 38.15% participating interest in the PL Concessions contributed to a revenue of approximately HK$32.96 million for the eleven month period (2017: approximately HK$43.47 million for the year).

Oil price

Following the lifting of the import ban of foreign oil into Argentina, and the move to a free market oil economy by the incumbent government in 2017; the premium that Argentina oil price once commanded over international price has been eroded. In Northern Argentina, where the Group produces and sells its crude oil, the change in government policy has had a more detrimental effect on the oil price. This primarily is due to the fact that there is only one major oil refinery in the region; Refinor.

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

During the year, the Group engaged the Argentinean anti-trust agency to investigate this matter. Furthermore, the Group may initiate legal proceedings against Refinor for retrospective compensation of historical shortfall in revenues as a result of below the market value oil prices paid.

For the 2018 year, the average selling price the Group received was US$54.05 (2017: US$48.63) per barrel.

Exploitation and production permit extension

The Palmar Largo block is situated in the Province of Formosa, where the Group was the Operator of the UTE with a 38.15% participating interest. The Group's exploitation and production permit in the block had expired since 23 December 2017.

On 30 November 2018, the Group and the UTE relinquished the Palmar Largo block to the Formosa Authorities, and accordingly terminated and ceased productions operations. As a consequence of the termination, the Group recognised net loss on disposal of non-current assets of Palmar Largo Concession of approximately HK$7.186 million for the year ended 31 December 2018.

Drilling Rig

In Q4 2018, the Group successfully deployed its drilling rig for the HLG.St.LB.x-2001 exploratory well in the Chirete Concession. The Group is pleased to report that there was minimal NPT attributable to health and safety incidents or mechanical failure of the rig during this latest campaign.

The HLG.St.LB.x-2001 exploratory well was the Group's second drilling campaign using its own rig and equipment staffed by local crew.

The Group is optimistic that it can build on the success of the HLG.St.EP.x-2001 and HLG.St.LB.x-2001 drilling campaigns, when it deploys its rig to drill the Morillo Deep exploratory well in T&M Concessions in Q2 2020, subject to the timely receipt of drill location and access road permits.

Argentina Economy

During 2018, the Argentine Peso devalued by approximately 100% against the United States Dollar, whilst inflation in the country was at 47.6%, the highest on record since 1991. The Argentina government have been working with the International Monetary Fund ("**IMF**") in an attempt to stabilise the Argentina Peso.

With the upcoming General Elections in October 2019, the Group is of the view that the outlook of Argentina economically can only improve. However, the Group is closely monitoring political developments in order to assess the country's possible economic future direction and its implications to commerce.

Commodities Trading

During the year, the Group successfully engaged and closed out a number of commodities trades involving non-ferrous metals. This is in line with the Group's continuing strategic objective to diversify its revenue base and source of profit generation.

The Group was previously engaged in commodities trading before 2008, where invaluable experience and business partners were gained. The Group plans to continue activities in this business segment in the upcoming year.

USE OF PROCEEDS

As at 1 January 2018, the Group had total unused net proceeds of HK$921.59 million. This comprised of HK$251.30 million balance from the Subscription Shares, and HK$670.29 million balance from the Open Offer.

The Group conducted no additional fund raising activities during the year, and utilised HK$35.14 million in respect of its Argentina operations, HK$15.63 million for overhead expenses of the Group's Hong Kong office, and HK$10.39 million for the servicing of debt and interest payments.

On 27 August 2018, the Board resolved to change the use of the Group's remaining unutilised net proceeds from the Open Offer by reallocating HK$100 million from the HK$600 million originally designated for the purposes of investment/acquisition of suitable business opportunities, to general working capital requirements of the Group, in particular, the servicing of debt and interest payments, and payment of overhead expenses of the Group's Hong Kong office.

As at 31 December 2018, the Group's total unused net proceeds amounted to HK$860.43 million. This comprised of HK$216.16 million balance from the Subscription Shares, and HK$644.27 million balance from the Open Offer. The Group's intended use for the remainder monies shall continue to be for the same purposes as previously disclosed i.e. general working capital requirements of the Group, of which HK$144.27 million balance is available for payment of overhead expenses of the Group's Hong Kong office, HK$216.16 million balance for operational requirements in Argentina, and HK$500.00 million for possible investment/acquisition of suitable business opportunities.

For more details, kindly refer to the section entitled Capital Structure, Liquidity and Financial Resources, and Change in Use of Proceeds further below.

FUTURE PROSPECTS AND DEVELOPMENTS

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

With the recent oil discovery in the Chirete Concession, the Group is pleased that it can quickly put behind the disappointment of recent events at PL Concessions. The Group is presently continuing with its extended test and logging analysis of the HLG.St.LB.x-2001 exploratory well, in order to evaluate its commercial viability. The Group is optimistic and encouraged by the extended test results to date, which indicate light crude oil with an estimated API index of 37. Final flow rate of crude oil for production will be determined after the completion of all on-going tests.

Looking ahead, the Group is excited by the prospect of bringing the HLG.St.LB.x-2001 exploratory well into commercial production. Additionally, there is the exploratory drill at Morillo Deep in the T&M Concessions planned for Q2 2020 to look forward to, as well as the possibility of further revenue generation from its drilling & rig services division. The Group is also studying the HLG.St.LB.x-1002 well, with a view to possibly putting it into production in the second half of 2019.

With adequate cash reserve, the Group is also continuing to seek value adding and complimentary investment opportunities in the energy and related sectors in other regions of the world, in order to broaden and diversify its risk and revenue stream.

FINANCIAL REVIEW

The Group's revenue for the year ended 31 December 2018 was approximately HK$297.99 million, which represents an increase of approximately 3.63% as compared to approximately HK$287.56 million for the corresponding period in 2017. The increase in revenue was mainly attributable to the revenue generated from commodities trading. The revenue derived from commodities trading for the year ended 31 December 2018 was approximately HK$265.03 million. This represents an increase of approximately 8.58% as compared to the HK$244.09 million revenue generated for the corresponding period in 2017. Additionally, revenue derived from the sale of oil products under the Group's oil exploration and production business for the year ended 31 December 2018 was approximately HK$32.96 million. This represents a decrease of approximately 24.18% as compared to the HK$43.47 million revenue generated for the corresponding period in 2017. The Group reported a gross profit of approximately HK$11.13 million (2017: HK$6.91 million). The increase in gross profit was mainly contributed by the Group's oil exploration and production business.

General and administrative expenses of the Group for the year ended 31 December 2018 was approximately HK$53.22 million, which represents a decrease of approximately 15.96% as compared to approximately HK$63.33 million for the corresponding period in 2017.

The Group recognised an impairment loss on promissory note receivable, and trade and other receivables of approximately HK$38.85 million (2017: Nil) and approximately HK$33.93 million (2017: Nil) respectively for the year ended 31 December 2018. For the year ended 31 December 2017, the Group recognised an impairment loss on available-for-sale investments of approximately HK$19.43 million; whilst there was no such impairment loss recognised for the year ended 31 December 2018.

For the year ended 31 December 2017, the Group recognised a reversal of impairment loss on exploration and evaluation assets in respect of the Union of Temporary Enterprise in Tartagal Oriental and Morillo Concessions of approximately HK$248.04 million; whilst there was no such reversal of impairment loss for the corresponding period in 2018.

The Group recognised a net investment loss in respect of financial instruments of approximately HK$100.32 million (2017: HK$37.49 million) for the year ended 31 December 2018.

The Group recognised exploration expenses in relation to a dry hole of approximately HK$0.37 million (2017: HK$35.54 million) for the year ended 31 December 2018.

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

Finance costs of the Group for the year ended 31 December 2018 was approximately HK$15.69 million, which represents a decrease of approximately 18.66% as compared to approximately HK$19.29 million for the corresponding period in 2017.

Share of losses of joint ventures of the Group for the year ended 31 December 2018 were approximately HK$4.45 million, which represents an increase of approximately 7.23% as compared to approximately HK$4.15 million for the corresponding period in 2017.

Income tax charge of the Group for the year ended 31 December 2018 was approximately HK$10.78 million; whilst it was an income tax credit of approximately HK$6.44 million for the corresponding period in 2017.

For the year ended 31 December 2018, the Group recorded a loss for the year of approximately HK$257.22 million; whilst it was a profit of approximately HK$101.70 million for the corresponding period in 2017.

Basic loss per share for the year ended 31 December 2018 was approximately HK2.91 cents; whilst it was basic earnings per share of approximately HK1.26 cents for the corresponding period in 2017.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

In respect of the aggregate net proceeds of approximately HK$557.23 million ("**2016 Subscription Shares Proceeds**") raised from the subscription of shares in July 2016 and November 2016, amongst which approximately HK$305.93 million had been utilised up to 31 December 2017 towards its intended use as stated in the circular of the Company dated 28 June 2016 and the announcement of the Company dated 28 October 2016. As at 31 December 2017, the unutilised balance of the 2016 Subscription Shares Proceeds was approximately HK$251.3 million. The actual use of the 2016 Subscription Shares Proceeds during the year ended 31 December 2018 was, as to approximately HK$35.14 million, for Argentina operational purposes as intended. As at 31 December 2018, the unutilised balance of the 2016 Subscription Shares Proceeds was approximately HK$216.16 million.

The following table summarises the use of net proceeds for the 2016 Subscription Shares Proceeds during the year ended 31 December 2018.

Intended use	**Utilised amount of net proceeds as at 31 December 2017**	**Utilised amount of net proceeds during the year ended 31 December 2018**	**Unutilised amount of net proceeds as at 31 December 2018**
	HK$ million	*HK$ million*	*HK$ million*
Argentina operational purposes	251.30	(35.14)	216.16

In respect of the net proceeds of approximately HK$736.40 million ("**Open Offer Proceeds**") raised from the open offer in April 2017, amongst which approximately HK$66.11 million had been utilised up to 31 December 2017 towards its intended use as stated in the circular of the Company dated 28 February 2017 and the offering memorandum dated 27 March 2017. As at 31 December 2017, the utilised balance of the Open Offer Proceeds was approximately HK$670.29 million. The actual use of the Open Offer Proceeds during the year ended 31 December 2018 was, as to approximately HK$26.02 million, for general working capital requirements including the repayment of loan and payment of overhead expenses as intended. As at 31 December 2018, the unutilised balance of Open Offer Proceeds was approximately HK$644.27 million.

The following table summarises the use of net proceeds for the Open Offer Proceeds during the year ended 31 December 2018.

Intended use	Utilised amount of net proceeds as at 31 December 2017	Change in use of proceeds	Utilised amount of net proceeds during the year ended 31 December 2018	Unutilised amount of net proceeds as at 31 December 2018
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
General working capital requirements	11.00	100.00	(26.02)	84.98
Argentina operational purposes	59.29	–	–	59.29
Investment for oil and gas portfolio	600.00	(100.00)	–	500.00
	670.29	–	(26.02)	644.27

In relation to the change in use of proceeds as disclosed in the announcement of the Company dated 27 August 2018, the Board resolved to change the use of net proceeds of HK$600 million originally designated for investment for oil and gas portfolio as follows:

(i) HK$100.00 million for general working capital requirements (including approximately HK$30.00 million for the general and administrative expenses and approximately HK$70.00 million for the repayment of interest and debts upon due), which is expected to be utilised within the next twelve months from the date of the announcement of the Company dated 27 August 2018; and

(ii) HK$500.00 million for investment for oil and gas portfolio, when suitable opportunities arise.

Details of the change in use of proceeds are set out in the announcement of the Company dated 27 August 2018.

The Group maintained a treasury policy (as reviewed or modified from time to time when deemed necessary) for the investment of surplus cash. Surplus cash is mainly maintained in the form of term deposits with the licensed banks. The management of the Group closely monitors the Group's liquidity position to ensure that the Group has sufficient financial resources to meet its funding requirements from time to time.

As at 31 December 2018, the Group's net current assets amounted to approximately HK$907.82 million (31 December 2017: HK$1,217.66 million) and the Group had cash and cash equivalents of approximately HK$928.48 million (31 December 2017: HK$843.95 million).

Cash and cash equivalents of the Group as at 31 December 2018 were mainly denominated in Hong Kong Dollar, United States Dollar and Argentine Peso.

As at 31 December 2018, total equity of the Group was approximately HK$3,129.98 million (31 December 2017: HK$3,467.32 million). Net asset value per share equated to approximately HK$0.36 (31 December 2017: HK$0.39). Debt ratio, calculated as total liabilities divided by total assets, was approximately 10.06% (31 December 2017: 8.36%).

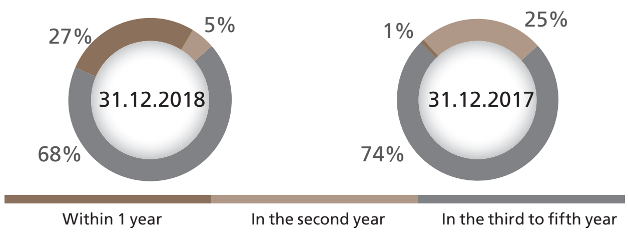
The Group financed its operations generally from a combination of working capital, borrowings and proceeds from the issuance of new shares of the Company.

Borrowings

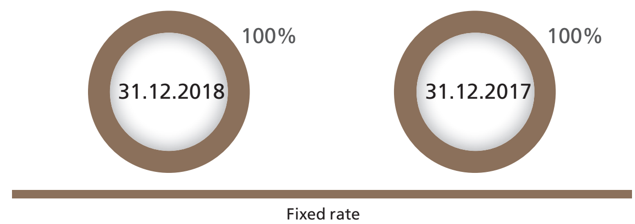
As at 31 December 2018, total borrowings of the Group was approximately HK$210.79 million (31 December 2017: HK$213.78 million), which comprised of debt securities in issue.

The debt profile of the Group as at 31 December 2018 is detailed below:

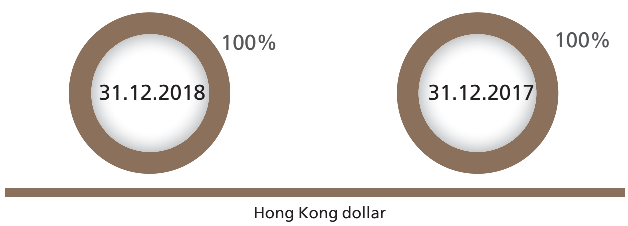
Debt Profile by Maturity



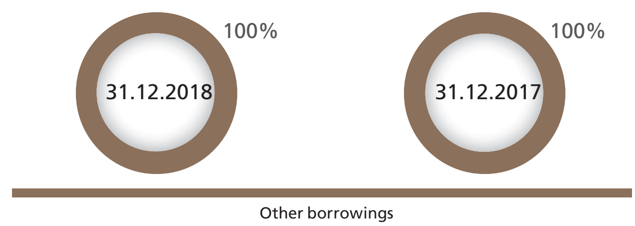
Debt Profile by Interest Rate Structure



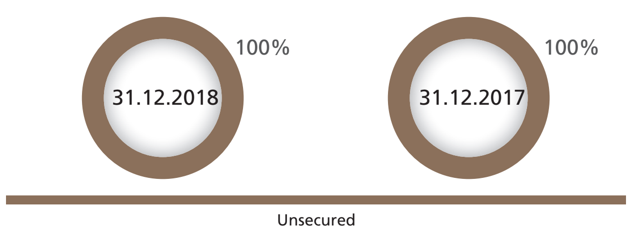
Debt Profile by Currencies



Debt Profile by Types of Borrowings



Debt Profile by Security Nature



Financial covenants

As at 31 December 2018, the Group's other borrowings of approximately HK$54.40 million (31 December 2017: HK$54.40 million) are subject to the fulfilment of financial covenants relating to the Company's assets/liabilities ratio and the Group's consolidated adjusted net tangible assets, as are commonly found in lending arrangements with financial institutions. If the Group were to be in breach of these financial covenants, the Group's other borrowings would become payable on demand. As at 31 December 2018 and 31 December 2017, none of the financial covenants relating to other borrowings were breached.

Gearing ratio

As at 31 December 2018, gearing ratio, calculated on the basis of interest bearing borrowings divided by total equity, was approximately 6.73% (31 December 2017: 6.17%).

Charge on Assets

As at 31 December 2018, the Group did not have any charge on its assets (31 December 2017: Nil).

Contingent Liabilities

As at 31 December 2018, the Group did not have any material contingent liabilities (31 December 2017: Nil).

Capital Commitments

Details of the capital commitments of the Group as at 31 December 2018 are set out in note 17 to this announcement.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects are subject to a number of risks and uncertainties including business risks, operational risks and financial risks.

The Group's business of commodities trading is exposed to development risk, as well as supply chain risk. The Group mitigates these risk factors by developing its customer base in order to achieve better operating performance on its commodities trades, and also by expanding its supplier base to achieve a stable supply of commodities.

The Group's business activities in exploration, development, production and sale of crude oil are susceptible to geological, exploration and development risks. The Group strives to establish and maintain comprehensive technical and operational teams. Through detailed planning, analysis and discussion amongst the teams, and with support from experienced consultants and experts, the Group is able to manage and mitigate the risks arising from changes in the business environment to a reasonably acceptable level.

In the normal course of business, the Group is exposed to credit risk, liquidity risk, interest rate risk, currency risk, price risk arising from prices fluctuation of crude oil and commodities, and equity price risk arising from its investment in equity securities. Details of the financial risk management of the Group are set out in notes to the consolidated financial statements of the annual report of the Company which is to be published by end of April 2019.

In addition to the abovementioned risks and uncertainties, there may be other risks and uncertainties which the Group has not identified, or is aware of, or considers it to be of minimal impact to the Group presently, which however has the potential to become significant in the future.

Foreign Exchange Exposure

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

Employees

As at 31 December 2018, the Group employed a total of 47 (2017: 51) permanent employees in Hong Kong and Argentina. Total employee remuneration (including directors' remuneration and benefits) for the year ended 31 December 2018 amounted to HK$20.64 million (2017: HK$27.59 million). The Group provides its employees with competitive remuneration packages relative to their job performance, qualifications, experience, and prevailing market conditions in the respective geographical locations and businesses in which the Group operates.

Relationship with Suppliers, Customers and other Stakeholders

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

Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals of subsidiaries, associated companies, and joint ventures during the year ended 31 December 2018.

Environmental Policies and Performance

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

Significant Investments

As at 31 December 2018, the Group held other investment in equity securities and other financial assets amounting to approximately HK$18.69 million and HK$80.47 million respectively.

(i) Other investment in equity securities

As at 31 December 2018, the Group's other investment in equity securities comprised of unlisted equity investments in NordAq Energy Inc. ("**NordAq**") and Foothills Exploration Inc. ("**Foothills Exploration**") amounting to approximately HK$17.88 million and HK$0.81 million respectively.

NordAq is an oil and gas company based in Anchorage, Alaska and is mainly engaged in exploration, appraisal and development of hydrocarbon reserves in the State of Alaska, the United States of America. For the year ended 31 December 2018, the Group recognised a loss of approximately HK$13.36 million on the change in fair value of the equity investment in NordAq in the consolidated statement of other comprehensive income.

Foothills Exploration is an oil and gas exploration and production company engaged in the acquisition and development of oil and natural gas properties in the United States of America. For the year ended 31 December 2018, the Group recognised a loss of approximately HK$4.56 million on the change in fair value of the equity investment in Foothills Exploration in the consolidated statement of other comprehensive income.

(ii) Other financial assets

As at 31 December 2018, the Group's other financial assets comprised of listed equity securities at fair value amounting to approximately HK$80.47 million. During the year ended 31 December 2018, the Group disposed all of unlisted investment funds which were held and classified as other financial assets as at 31 December 2017. Additionally, the Group's unlisted equity-linked securities, which were held and classified as other financial assets as at 31 December 2017, were early redeemed by the issuer. For the year ended 31 December 2018, the Group recognised a net investment loss of approximately HK$1.81 million in respect of these disposed investments in the consolidated statement of profit or loss.

As at 31 December 2018, listed equity securities at fair value represented shares in Beijing Gas Blue Sky Holdings Limited (Stock Code: 6828) ("**Blue Sky**"). The principal activity of Blue Sky is investment holding and Blue Sky's subsidiaries are principally engaged in sales and distribution of natural gas and other related products. For the year ended 31 December 2018, the Group recognised a net investment loss of approximately HK$100.49 million in respect of the shares in Blue Sky in the consolidated statement of profit or loss.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

The Group strives to attain and maintain high standards of corporate governance best suited to the needs of its businesses and the best interests of its stakeholders as the Board believes that effective governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Company has adopted and applied the principles of the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. In the opinion of the Directors, the Company was in compliance with the applicable code provisions of the CG Code for the year ended 31 December 2018 and, where appropriate, the applicable recommended best practices of the CG Code, save and except for the following deviations:

Code Provision A.4.1

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

Code Provision A.6.7

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings. During the period under review, an independent non-executive Director was unable to attend the annual general meeting of the Company as he had other business engagements.

Code Provision C.1.2

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

Review of Annual Results

The annual results of the Group for the year ended 31 December 2018 have been reviewed by the Audit Committee of the Company.

Model Code for Director's Securities Transactions

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

All members of the Board as at 26 March 2019 have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the Year.

Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2018, the Company repurchased 106,602,000 shares on the Stock Exchange for an aggregate consideration of approximately HK$13.92 million including expenses. The repurchased shares were subsequently cancelled. The repurchase was effected because the Board considered that the repurchase enhanced the net asset value of the Company and/or its earnings per share which benefit the Company and its shareholders as a whole and that it presented a good opportunity for the Company to repurchase Shares.

Details of the shares repurchased are as follows:

Month of repurchase	No. of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate Consideration
		HK$	*HK$*	*HK$'000*
September 2018	39,210,000	0.1320	0.0966	4,624
October 2018	33,110,000	0.1420	0.1269	4,585
November 2018	34,282,000	0.1349	0.1328	4,711
Total	106,602,000			13,920

Save as disclosed above, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2018.

Material litigation

The Company was not involved in any material litigation or arbitration during the year ended 31 December 2018. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group for the year ended 31 December 2018.

Closure of register of members

The register of members of the Company will be closed from Thursday, 30 May 2019 to Wednesday, 5 June 2019 (both days inclusive), for the purpose of determining shareholders' entitlement to attend and vote at the forthcoming annual general meeting to be held on Wednesday, 5 June 2019. During this period, no transfers of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 29 May 2019.

Publication of annual results and annual report

This annual results announcement is published on the websites of the Company (www.nt-energy.com) and The Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2018 containing all the information required by the Listing Rules shall be despatched to the Shareholders and made available on the abovementioned websites in due course.

GLOSSARY

"BOPD"	Barrels of oil per day
"km^2"	Square kilometers
"MBBL"	Thousand barrels of oil
"MMBOE"	Million barrels of oil equivalent
"Prospective Resources"	Quantities of petroleum which are estimated to be potentially recovered from undiscovered accumulations
"Probable Reserves"	Additional reserves that are less certain to be recovered than Proven Reserves but which, together with Proven Reserves, are as likely as not to be recovered
"Proven Reserves"	Proven oil and gas reserves are those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible
"2P Reserves"	Proven Reserves + Probable Reserves

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

Hong Kong, 26 March 2019

At the date of this announcement, the Board comprises:

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

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