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IDG Energy

IDG ENERGY INVESTMENT GROUP LIMITED

IDG 能源投資集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

FURTHER CHANGE IN USE OF PROCEEDS

Reference is made to the announcement of IDG Energy Investment Group Limited (the “**Company**”) dated 8 March 2017 in relation to the change (the “**Change**”) in use of proceeds raised from previous share subscription and convertible note subscription completed by the Company in July 2016 (the “**Previous Proceeds**”). Reference is also made to the announcements of the Company dated 15 August 2017 in relation to, among other things, the entering into of the credit agreement (the “**Credit Agreement**”), pursuant to which, the Company and Think Excel, a subsidiary of the Company, have conditionally agreed to grant the term loan to Stonehold (the “**Term Loan**”). Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the abovementioned announcements.

CHANGE IN USE OF PROCEEDS

For reasons set out in the paragraph below headed “Reasons for the Change in Use of Proceeds” of this announcement, the board of directors of the Company (the “**Board**”) has resolved to further revise the use of proceeds after the Change (the “**Adjusted Use of Proceeds**”) as follows:

- (a) Enrich the contents of the use (the “**Use**”) of “Acquisition and development of other oil and gas companies or projects” in the Adjusted Use of Proceeds to “Investment in other oil and gas companies or projects, including but not limited to acquisition and development, equity or debt investment and other forms of investment that the Company considers appropriate and in line with the Group’s business strategy”. The amount of the Previous Proceeds for the Use under the Adjusted Use of Proceeds is HK\$861 million. As at the date of this announcement, the actual utilization under the Use amounted to approximately HK\$328.9 million (including an amount of approximately HK\$204.9 million deposited to the Escrow Agent as the Continuing Escrow Fund), leaving a balance of approximately HK\$532.1 million.

* For identification purposes only

- (b) Temporarily use the unutilized Previous Proceeds of (i) an amount of HK\$532 million planned to be used for development of Unit 2 and Unit 19 of Block 212 which are not in immediate use; and (ii) an amount of HK\$60.5 million planned to be used for working capital which are not in immediate use for making the payment under the Term Loan on closing of the Acquisition and replenish them with repayment from Stonehold after obtaining the Senior Debt, which is expected to take place by the end of 2017 (the “**Temporary Allocation**”).

REASONS FOR THE CHANGE IN USE OF PROCEEDS

Pursuant to the Credit Agreement, the Company and Think Excel have agreed to advance the Term Loan to Stonehold in a principal amount not to exceed (i) on the Initial Utilization Date, the Net Purchase Price; (ii) thereafter, US\$10 million (approximately HK\$78.3 million); and (iii) any guarantee payment made by the Company and Think Excel to Stonehold in respect of the Senior Debt. The Net Purchase Price is the adjusted purchase price on closing of the Acquisition calculated pursuant to the terms of the Acquisition Agreement minus the total Equity Contribution and, if any amount of Senior Debt is funded on or before the closing of the Acquisition, the principal amount of such funded Senior Debt.

Upon the closing of the Acquisition and the Initial Utilization Date, the Senior Debt has not been entered into. Therefore, the Company expects to pay the Term Loan of a maximum amount of approximately US\$169.9 million (approximately HK\$1,329.5 million), details and the financing arrangements of which are set out in the table below.

Payment to be made by the Company and Think Excel under the Term Loan on or after closing of the Acquisition

Financing Arrangements

US\$169.9 million (approximately HK\$1,329.5 million), which represents:

The payment will be financed by:

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| <p>(a) the adjusted purchase price on closing of the Acquisition as at the date of this announcement of approximately US\$164.9 million (approximately HK\$1,290.3 million), <i>minus</i></p> | <p>(a) Continuing Escrow Fund of the amount of HK\$204.9 million (<i>Note 1</i>), and</p> |
| <p>(b) the total Equity Contribution of US\$5 million (approximately HK\$39.1 million), <i>plus</i></p> | <p>(b) unutilized Previous Proceeds of HK\$1,124.6 million (<i>Note 2</i>).</p> |
| <p>(c) up to US\$10 million (approximately HK\$78.3 million) for funding of future working capital and capital expenditure requirement of the Target Assets</p> | |

Notes:

1. If the closing of the Acquisition occurs on or prior to 28 September 2017 (such date may be extended by mutual agreement of the parties in their sole discretion), contemporaneous with the closing, all of the Continuing Escrow Fund will be released to the Company and will be used by the Company for payment under the Term Loan.
2. The Term Loan will also be financed by the Previous Proceeds. In order to finance the Term Loan, the Board has resolved to further revise the Adjusted Use of Proceeds as set out in the paragraph above headed "Change in Use of Proceeds".

The Company and Stonehold are in the process of negotiating the Senior Debt with certain commercial bank(s). The Senior Debt will be of an amount up to US\$100 million (approximately HK\$782.5 million), and will be borrowed either directly by Stonehold or by Rockgate, a wholly owned subsidiary of the Company, which will then lend the money to Stonehold. Based on the negotiation progress, the Company expects that the Senior Debt will be entered into by the end of 2017. Once the Senior Debt materializes, a substantial part of the Term Loan will be refinanced by the Senior Debt after it is entered into.

The Board is of the view that the Temporary Allocation of the Previous Proceeds will not have any adverse impact on the business plans and operations of the Group. As at the date of this announcement, the unutilized Previous Proceeds for development of Unit 2 and Unit 19 of Block 212 under the Adjusted Use of Proceeds amounted to HK\$780 million. In view of the development plan of Unit 2 and Unit 19 of Block 212 and the funding requirement for its underlying capital and operating expenditures, the Company considers that, notwithstanding that HK\$532 million is temporarily reallocated, the remaining balance of HK\$248 million is sufficient for the underlying capital and operating expenditure of the development of Unit 2 and Unit 19 of Block 212 for at least the next twelve months from the date of this announcement. As at the date of this announcement, the unutilized Previous Proceeds for working capital under the Adjusted Use of Proceeds amounted to HK\$125.5 million. The Company considers that, notwithstanding that HK\$60.5 million is temporarily reallocated, the remaining balance of HK\$65 million is sufficient for the Group's working capital requirement for at least the next twelve months from the date of this announcement.

The Board considers that the further revisions to the Adjusted Use of Proceeds, including the Temporary Allocation, are fair and reasonable, best fit the needs of the Group and are in the best interests of the Company and the Shareholders as a whole. The Board will, from time to time, assess and evaluate the business need of the Group and the optimal plan for allocation and deployment of the Group's financial resources to strengthen the efficiency and effectiveness of the use of the Previous Proceeds.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of US\$1.00 = HK\$7.8250 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or any other rate or at all on the date or dates in question or any other date.

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

Hong Kong, 27 September 2017

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