中國油氣控股有限公司
SINO OIL AND GAS HOLDINGS LIMITED

(Stock Code: 702)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the "Board") of Sino Oil and Gas Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017, together with the comparative figures for the last year as follows:

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017
(Expressed in Hong Kong Dollars)

	Notes	2017 HK$'000	2016 HK$'000
Continuing operations			
Revenue	3 & 10	497,935	333,553
Direct cost		(487,540)	(323,439)
Gross profit		10,395	10,114
Other income	4	60,878	73,161
Other gains, net	5	181,371	58,352
Selling and distribution expenses		(3,833)	-
Administrative expenses		(84,246)	(86,338)
Profit from operations		164,565	55,289
Finance costs	6(a)	(322,173)	(152,962)
Share of loss of an associate		(418)	(662)
Loss before income tax expense	6	(158,026)	(98,335)
Income tax expense	7	(1,535)	(1,243)
Loss for the year from continuing operations		(159,561)	(99,578)
Discontinued operations			
Profit for the year from discontinued operations		-	5,509
Loss for the year		(159,561)	(94,069)

Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2017
(Expressed in Hong Kong Dollars)

	Notes	2017 HK$'000	2016 HK$'000
Other comprehensive income, after tax			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		332,498	(222,943)
Changes in fair value of available-for-sale investments		(1,928)	(260)
Other comprehensive income for the year, after tax		330,570	(223,203)
Total comprehensive income for the year		171,009	(317,272)
Loss attributable to:			
Owners of the Company			
Loss for the year from continuing operations		(160,367)	(102,495)
Profit for the year from discontinued operations		-	5,509
		(160,367)	(96,986)
Non-controlling interests			
Profit for the year from continuing operations		806	2,917
		(159,561)	(94,069)
Total comprehensive income attributable to:			
Owners of the Company			
Profit/(Loss) for the year from continuing operations		169,866	(323,625)
Profit for the year from discontinued operation		-	5,509
		169,866	(318,116)
Non-controlling interests			
Profit for the year from continuing operations		1,143	844
		171,009	(317,272)
Loss per share from continuing and discontinued operations			
- Basic and diluted	9	(0.955)HK cents	(0.556)HK cents
Loss per share from continuing operations			
- Basic and diluted	9	(0.955)HK cents	(0.588)HK cents
Earning per share from discontinued operations			
- Basic and diluted		N/A	0.032HK cents

Consolidated Statement of Financial Position

At 31 December 2017
(Expressed in Hong Kong Dollars)

	Notes	2017 HK$'000	2017 HK$'000	2016 HK$'000	2016 HK$'000
Non-current assets					
Property, plant and equipment			2,110,392		1,878,250
Oil and gas exploration and evaluation assets			57,255		41,307
Payment for leasehold land held for own use			4,356		4,277
Intangible assets			2,353,579		2,207,202
Goodwill			51,877		93,483
Interest in a joint venture			-		-
Interest in an associate			59,137		58,010
Financial assets at fair value through profit or loss			30,077		4,487
Available-for-sale investments			5,409		4,592
Deposits and prepayments	11		95,777		44,045
Loan receivables			19,211		-
Total non-current assets			4,787,070		4,335,653
Current assets					
Inventories		15,070		10,591	
Financial assets at fair value through profit or loss		21,529		18,134	
Trade, notes and other receivables, deposits and prepayments	11	438,570		534,315	
Short-term investment		77,205		71,804	
Loan receivables		48,029		22,334	
Amount due from a joint venture		320		320	
Cash and cash equivalents		21,766		251,530	
Total current assets		622,489		909,028	
Total assets			5,409,559		5,244,681
Current liabilities					
Trade, other payables and accruals	12	(407,832)		(349,603)	
Borrowings	13	(77,437)		-	
Convertible notes	14	(297,142)		(105,112)	
Financial liabilities at fair value through profit or loss	14	(37,895)		(224,937)	
Taxation		(6,474)		(8,472)	
Total current liabilities		(826,780)		(688,124)	
Net current (liabilities)/assets			(204,291)		220,904
Total assets less current liabilities			4,582,779		4,556,557
Non-current liabilities					
Provisions		(6,709)		(4,810)	
Borrowings	13	(456,451)		(322,109)	
Convertible notes	14	(940,889)		(1,125,300)	
Deferred tax liabilities		(14,235)		(12,695)	
Total non-current liabilities			(1,418,284)		(1,464,914)
NET ASSETS			3,164,495		3,091,643

Consolidated Statement of Financial Position (Continued)

At 31 December 2017
(Expressed in Hong Kong Dollars)

	2017 HK$'000	2016 HK$'000
Capital and reserves attributable to owners of the Company		
Share capital	165,388	170,937
Reserves	2,982,452	2,905,194
Equity attributable to owners of the Company	3,147,840	3,076,131
Non-controlling interests	16,655	15,512
TOTAL EQUITY	3,164,495	3,091,643

1. GOING CONCERN ASSUMPTION

As at 31 December 2017, the Group had net current liabilities of HK$204,291,000. As at that date, the Group had total borrowings amounting to HK$533,888,000, trade, other payables and accruals of HK$407,832,000 and total convertible notes with principal amount of HK$1,310,000,000. Out of which, borrowings of HK$77,437,000, trade, other payables and accruals of HK$407,832,000 and convertible notes with principal amount of HK$296,000,000 would be due for repayment within 12 months from the date of the consolidated financial statements in accordance with the repayment dates of the respective agreements, while the Group only maintained its cash and cash equivalents of HK$21,766,000.

The above conditions indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to repay the outstanding debts and be able to finance its future working capital and other financial requirements.

Certain measures have been and are being taken to mitigate the liquidity pressure and to improve the financial position of the Group, which include, but are not limited to, the following:

(a) Three major shareholders of the Company have confirmed that they will provide continuing and sufficient support to the Group when the Group face difficulties in repaying the overdue principal and interests in relation to the above-mentioned borrowings and convertible notes and finance its operation for at least twelve months from the end of the reporting period.

(b) The Group is actively identifying any other possible financing options to strengthen the liquidity of the Group.

The Directors have prepared a cash flow forecast of the Group covering a period up to 31 December 2018. The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the consolidated financial statements. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements for the year ended 31 December 2017 on a going concern basis.

Notwithstanding the above, significant uncertainty exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the continuing and sufficient support from the three major shareholders of the Company to the Group to meet its operating and financing needs in foreseeable future.

The consolidated financial statements do not include any adjustments that may be necessary should the going concern basis of preparation be determined to be inappropriate. These would include any adjustments to write down the Group's assets to their net realisable amounts, to provide for any liabilities which may arise and to reclassify non-current assets and liabilities as current.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

a) Adoption of new / revised HKFRSs – effective 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The adoption of these amendments has no material impact on the Group's consolidated financial statements.

b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Venture[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[2]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKFRS 40	Transfers of Investment Properties[1]
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Employee Benefits[3]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred / removed. Early application of the amendments continue to be permitted.

3. REVENUE

The principal activities of the Group are operation of (i) exploration, development and production of coalbed methane, (ii) raw coal washing and sale of raw and cleaned coal, (iii) exploitation and sale of crude oil and natural gas, and (iv) provision for financial services. The amount of revenue recognised in turnover during the year was as follows:

	2017 HK$'000	2016 HK$'000
Continuing operations		
Sale of coalbed methane	76,663	57,467
Sale of raw and cleaned coal	417,637	276,086
Interest income on loan receivables	3,635	-
	497,935	333,553
Discontinued operations		
Sale of crude oil	-	5,058
	497,935	338,611

4. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Continuing operations		
Interest income		
- bank deposits	81	134
- short-term investment	9,638	9,772
- others – note (i)	20,424	39,916
Total interest income on financial assets that are not at fair value through profit or loss	30,143	49,822
Government subsidies and grants – note (ii)	29,447	22,942
Others	1,288	397
	60,878	73,161

Notes:

(i) It represents the interest income from the refundable deposits paid for possible acquisitions of Canada oil fields. Details please refer to note 11(iii).

(ii) It represents the regular subsidies received during the year from relevant government authority on the sales of coalbed methane for the year of 2016 (2016: from year of 2015) and VAT refund from local tax bureau. Both of them were generated from the Sanjiao CBM Project.

5. OTHER GAINS, NET

	2017 HK$'000	2016 HK$'000
Continuing operations		
Change in fair value of financial assets at fair value through profit or loss	43,275	2,705
Change in fair value of financial liabilities at fair value through profit or loss – note 14	187,042	52,809
Impairment loss on goodwill– note	(46,705)	-
Impairment loss on trade and other receivables	(4,989)	-
Written off of property, plant and equipment	(35)	-
Gain on disposal of property, plant and equipment	28	-
Loss on disposal of available-for-sale investments	(1,606)	-
Reclassification from equity to profit or loss on disposal of available-for-sale investments	(260)	-
Exchange gains, net	1,556	1,933
Others	3,065	905
	181,371	58,352

Note:
During the year ended 31 December 2017, the revenue stream of the raw and cleaned coal cash generating unit ("Raw and cleaned coal CGU") was slower than expected. Hence, the directors of the Company considered that this circumstance led to recognition of impairment loss of this CGU. The recoverable amount of the Raw and cleaned coal CGU is determined based on either fair value less costs to disposal or value in use calculations ("VIU") whichever is higher. The recoverable amount of the raw and cleaned coal CGU has been determined from VIU based on cash flow projections from formally approved budgets covering an eight-year period, which is the remaining contractual period of the coal washing leased factory. Management considered that the budgets should cover the remaining contractual period of the coal washing leased factory as it reflects the development and production plan of this CGU.

As at the end of the reporting period, the carrying amounts of the assets and liabilities belonging to the Raw and cleaned coal CGU were amounting to RMB164,507,000 while the recoverable amount of the Raw and cleaned coal CGU, as determined by an independent professional firm of valuers, using value in use calculations was RMB124,000,000, which was RMB40,507,000 less than the respective carrying amounts. As such, the directors of the Company determined an impairment loss of RMB40,507,000 (equivalent to HK$46,705,000), which was fully allocated to goodwill and was recognised in the consolidated statement of comprehensive income.

6. LOSS BEFORE INCOME TAX EXPENSE FROM CONTINUING OPERATIONS

Loss before income tax expense from continuing operations is arrived at after charging:

		2017 HK$'000	2016 HK$'000
	Continuing operations		
a)	**Finance costs**		
	Amortisation of convertible notes transaction costs (note 14)	14,872	8,539
	Amortisation of corporate bonds transaction costs	10,822	7,730
	Interest on borrowings	3,582	28,207
	Imputed interest on convertible notes (note 14)	264,658	111,756
	Interest on corporate bonds	31,123	21,735
	Interest on promissory note	-	728
	Others	5,077	4,900
		330,134	183,595
	Less: interest capitalised in qualifying assets*	(7,961)	(30,633)
		322,173	152,962

* Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 17.7% (2016: 14.6%) to expenditure on qualifying assets.

		2017 HK$'000	2016 HK$'000
b)	**Employee costs (including directors' remuneration)**		
	Salaries, wages and other benefits	41,122	35,043
	Contributions to defined contribution retirement plan	770	493
		41,892	35,536
c)	**Other items**		
	Auditor's remuneration	1,700	1,700
	Cost of inventories sold recognised as expenses#	375,368	243,805
	Depreciation of property, plant and equipment	53,188	41,552
	Amortisation of payments for leasehold land held for own use	233	237
	Amortisation of intangible assets #	20,251	19,688
	Minimum lease payments under operating lease – property rentals	12,257	9,898

Included in "direct costs" in the consolidated statement of comprehensive income.

7. INCOME TAX EXPENSE

Pursuant to the rules and regulations of Bermuda, Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax under such jurisdictions for the year ended 31 December 2017 and 2016.

Hong Kong profits tax is calculated at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong profits tax has been made as the group companies which have estimated assessable profits subject to Hong Kong profits tax had estimated tax losses available to offset against the estimated assessable profits for both years. During the years ended 31 December 2017 and 2016, the subsidiaries in the PRC were subject to statutory tax rate of 25%.

Profits of the subsidiaries established in the PRC are subject to the Enterprise Income Tax ("EIT"). Under the Law of the People's Republic of China and Implementation Regulation on EIT, the tax rate of the PRC subsidiaries is 25% for both years.

The amount of income tax expense, charged to the consolidated statement of comprehensive income represents:

	2017 HK$'000	2016 HK$'000
Continuing operations		
Current income tax		
- PRC enterprises income tax		
- Tax for the year	(2,330)	(2,975)
- Under-provision in respect of prior years	(914)	-
	(3,244)	(2,975)
Deferred tax for the year	1,709	1,732
Income tax expense	(1,535)	(1,243)

8. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

9. (LOSS)/EARNING PER SHARE

FOR CONTINUING OPERATIONS

a) Basic loss per share from continuing operations

The calculation of basic loss per share is based on the loss attributable to owners of the Company from continuing operations of HK$160,367,000 (2016: HK$102,495,000) and the weighted average number of 16,794,881,000 (2016: 17,443,525,000) ordinary shares in issue during the year.

b) Diluted loss per share from continuing operations

Diluted loss per share from continuing operations for the years ended 31 December 2017 and 2016 is the same as the basic loss per share from continuing operations of the Company's outstanding share options and convertible notes, where applicable, had an anti-dilutive effect on the basic loss per share from continuing operations for the years ended 31 December 2017 and 2016.

9. (LOSS)/EARNING PER SHARE (CONTINUED)

FOR DISCONTINUED OPERATIONS

a) Basic earnings per share from discontinued operations

The calculation of basic earnings per share from discounted operations is based on the profit attributable to owners of the Company of HK$5,509,000 and the weighted average number of 17,443,525,000 ordinary shares in issue during the year ended 31 December 2016.

b) Diluted loss per share from discontinued operations

Diluted loss per share from discounted operations for the year ended 31 December 2016 is the same as the basic earnings per share from discounted operations of the Company's outstanding share options and convertible notes, where applicable, had an anti-dilutive effect on the basic loss per share from discontinued operations for the year ended 31 December 2016.

10. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has four (2016: three) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Coalbed methane:	Exploration, development and production of coalbed methane
Raw and cleaned coal:	Raw coal washing and sale of raw and cleaned coal
Oil and gas exploitation:	Exploitation and sale of crude oil and natural gas
Financial services:	Provision for financial services

During the year ended 31 December 2017, the Group had a new business unit, Financial services, which was engaged in the provision of financial services in the PRC. The directors believe that the information about this segment is useful to the users of the consolidated financial statements and separately disclosed.

There are no sales or trading transactions between the business segments. Corporate revenue and expenses are not allocated to the operating segments as they are not included in the measurement of the segments' results used by the chief operating decision-maker in the assessment of segment performance.

Oil and gas exploitation segment in continuing operations for the years ended 2016 and 2017 represented the Canada Farm-in Project and possible acquisition for Canada oil fields (note 11(iii)).

10. SEGMENT REPORTING (CONTINUED)

a) Business segments

For the year ended 31 December 2017, the segment information about these businesses is set out as follows:

	Continuing operations					
	Coalbed methane HK$'000	**Raw and cleaned coal HK$'000**	**Oil and gas exploitation HK$'000**	**Financial Services HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Results						
Revenue from external customers	76,663	417,637	-	3,635	-	497,935
Segment results[1&2]	1,324	9,050	17,377	1,588	(41,791)	(12,452)
Change in fair value of financial liabilities at fair value through profit or loss	-	-	-	-	187,042	187,042
Change in fair value of financial assets at fair value through profit or loss	-	43,275	-	-	-	43,275
Impairment loss on goodwill	-	(46,705)	-	-	-	(46,705)
Impairment loss on trade and other receivables	-	-	-	(4,612)	(377)	(4,989)
Loss on disposal of available-for-sales investments	-	-	-	-	(1,606)	(1,606)
Finance costs	-	(4,255)	-	-	(317,918)	(322,173)
Share of loss of an associate	(418)		-	-	-	(418)
(Loss)/profit before income tax expense	906	1,365	17,377	(3,024)	(174,650)	(158,026)
Income tax expense	-	(1,535)	-	-	-	(1,535)
(Loss)/profit for the year	906	(170)	17,377	(3,024)	(174,650)	(159,561)
Assets and liabilities						
Reportable segment assets[3]	4,605,341	260,378	345,831	74,089	123,920	5,409,559
Reportable segment liabilities[3]	320,346	88,080	16	531	1,836,091	2,245,064
Other segment information						
Depreciation and amortisation	65,554	7,125	-	98	895	73,672
Capital expenditure incurred during the year	129,116	11,270	15,948	-	375	156,709

10. SEGMENT REPORTING (CONTINUED)

a) Business segments - Continued

For the year ended 31 December 2016, the segment information about these businesses is set out as follows:

	Continuing operations					Discontinued operations	
	Coalbed methane HK$'000	Raw and cleaned coal HK$'000	Oil and gas exploitation HK$'000	Unallocated HK$'000	Subtotal HK$'000	Oil and gas exploitation HK$'000	Total HK$'000
Results							
Revenue from external customers	57,467	276,086	-	-	333,553	5,058	338,611
Segment results[1&2]	(5,934)	11,706	35,134	(38,426)	2,480	(6,138)	(3,658)
Change in fair value of financial liabilities at fair value through profit or loss	-	-	-	52,809	52,809	-	52,809
Finance costs	-	(1,782)	-	(151,180)	(152,962)	-	(152,962)
Share of loss of an associate	(662)	-	-	-	(662)	-	(662)
Gain on disposal of subsidiaries	-	-	-	-	-	11,647	11,647
(Loss)/profit before income tax expense	(6,596)	9,924	35,134	(136,797)	(98,335)	5,509	(92,826)
Income tax expense	-	(1,161)	-	(82)	(1,243)	-	(1,243)
(Loss)/profit for the year	(6,596)	8,763	35,134	(136,879)	(99,578)	5,509	(94,069)
Assets and liabilities							
Reportable segment assets[3]	4,341,968	374,132	303,233	225,348	5,244,681	-	5,244,681
Reportable segment liabilities[3]	259,243	89,982	15	1,803,798	2,153,038	-	2,153,038
Other segment information							
Depreciation and amortisation	53,740	7,018	-	674	61,432	45	61,477
Capital expenditure incurred during the year	347,998	717	41,307	288	390,310	-	390,310

10. SEGMENT REPORTING (CONTINUED)

a) Business segments - Continued

1. Unallocated results mainly include salaries, rental expense and professional fees for Hong Kong head office.

2. The 2017 segment result of coalbed methane included revenue of HK$76,663,000 (2016: HK$57,467,000) and government subsidies and grants of HK$29,447,000 (2016: HK$22,942,000).

3. Unallocated assets mainly include cash and cash equivalents, short term investment, and available-for-sale investments and unallocated liabilities mainly include short-term loans, convertible notes, corporate bonds and financial liabilities at fair value through profit or loss.

b) Geographical information

The following table provides an analysis of the Group's revenue from an external customer and non-current assets other than financial instruments ("specified non-current assets").

a) Revenue from external customers

	2017		2016	
	HK$'000	HK$'000	HK$'000	HK$'000
	Continuing operations	Continuing operations	Discontinued operation	Total
Hong Kong	-	-	-	-
The PRC	497,935	333,553	5,058	338,611
	497,935	333,553	5,058	338,611

b) Specified non-current assets

	2017	2016
	HK$'000	HK$'000
Continuing operations		
Hong Kong (place of domicile)	3,972	4,274
The PRC	4,577,515	4,281,114
Canada	55,109	41,186
	4,636,596	4,326,574

10. SEGMENT REPORTING (CONTINUED)

c) Information about major customers

During the year ended 31 December 2017 and 2016, there were five customers contributed to 10% or more revenue to the Group's total revenue.

	Segment	2017 HK$'000	2016 HK$'000
Customer A	Raw and cleaned coal	124,108	78,296
Customer B	Raw and cleaned coal	96,232	53,283
Customer C	Raw and cleaned coal	78,496	51,916
Customer D	Coalbed methane	76,663	57,456
Customer E	Raw and cleaned coal	60,604	33,381

11. TRADE, NOTES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 HK$'000	2016 HK$'000
Non-current assets		
Deposits and prepayments – note (i)	95,777	44,045
Current assets		
Trade receivables	8,367	34,669
Notes receivable	18,371	48,018
Other receivables – note (ii)	54,418	53,295
	81,156	135,982
Utility deposits	2,781	726
Other deposits and prepayments – note (iii)	354,633	397,607
	357,414	398,333
	438,570	534,315

Notes:

i) As at 31 December 2017, the balance included prepaid exploration costs of HK$79,968,000 (2016: HK$27,965,000) on the Group's construction in progress, prepaid rental of HK$15,809,000 (2016: HK$16,080,000) for coal washing factory.

ii) As at 31 December 2017, the balance mainly included consideration receivable of HK$24,000,000 (2016: HK$27,550,000) on the disposal of a subsidiary.

11. TRADE, NOTES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

iii) The balance mainly includes prepayment to a raw coal supplier of HK$50,138,000 (2016: HK$125,239,000) and deposits of HK$248,523,000 (2016: HK$230,740,000) paid for possible acquisition of Canada oil fields as disclosed in the Company's announcement dated 30 June 2014 and 1 September 2014 respectively and interest receivables of HK$41,737,000 (2016: HK$28,975,000) in relation to these deposits. On 30 June 2014, a wholly-owned subsidiary of the Company has entered into the first non-legally binding memorandum of understanding ("MOU 1") with Jade Million Co Ltd, (the "Vendor") in relation to a possible acquisition of the interests of certain oil and gas blocks in Canada ("Target 1"). According to the MOU 1, the Group paid a refundable deposit of Canadian Dollars ("CAD") 30 million which is interest-free to the Vendor in July 2014. On 1 September 2014, the Group has entered into another memorandum of understanding ("MOU 2") with Vendor and paid a refundable deposit of CAD 10 million which is interest bearing at 4.5% per annum in relation to a possible acquisition of the interests of certain oil and gas blocks (other than Target 1) in Canada ("Target 2"). In both MOU 1 and MOU 2, the Vendor has pledged the interests of Target 1 and Target 2 to the Group as return with values higher than the deposits paid. On 30 April 2015, 31 December 2015 and 30 September 2016, 30 June 2017 and 29 December 2017, the Group and the Vendor have agreed in writing to further extend the time limit for entering into formal agreements in respect of MOUs and the exclusive periods as set out in the MOUs respectively to 31 December 2015 and 30 September 2016, 30 June 2017, 31 December 2017 and 30 September 2018 respectively.

On 30 June 2016, supplemental agreements for MOU 1 and MOU 2 were signed for interest charge based on the outstanding deposits at the rate of 8.5% per annum commencing from 1 December 2014 and 1 May 2015 respectively.

Save and except for the aforesaid extension of the time limit for entering into formal agreements and the exclusive periods, all other terms of the MOUs shall remain unchanged. Up to the date of this report, the Group is still performing the due diligence review.

As these MOUs are non-legally binding and the Group can unconditionally withdraw from this transaction any time and the deposits are fully refundable by 31 October 2018 if no further renewal of the aforesaid extension. As such, the deposits were classified as current assets as at the end of the reporting periods.

The ageing analysis of trade receivables based on invoice date at the end of reporting period is as follows:

	2017 HK$'000	2016 HK$'000
30 days	3,652	4,987
31 - 60 days	-	4,232
61 - 90 days	3,401	3,976
Over 90 days	1,314	21,474
	8,367	34,669

The average credit period granted to customers is 0-30 days from the invoice date.

All trade receivables are less than 180 days past due, not impaired and related to few customers which have a good track record with the Group. Based on past experience, management estimated that the carrying amount will be fully recovered.

The Group recognised impairment loss on individual assessment based on the accounting policy of the Group.

12. TRADE, OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Current Liabilities		
Trade payables - note (i)	30,662	-
Other payables and accruals - note (ii)	325,343	275,128
Receipt in advance - note (iii)	34,972	62,782
Amounts due to shareholders - note (iv)	16,855	11,693
	407,832	349,603

Notes:

(i) The amount mainly represented raw coal costs payable to a major raw coal supplier.

(ii) The amounts mainly include exploration costs payable of approximately HK$269,828,000 (2016: HK$249,776,000) in respect of oil and gas properties.

(iii) The amounts represented received in advance from sales of cleaned coal.

(iv) The loans were unsecured, interest free and repayable on demand.

The ageing analysis of trade payables based on invoice date at the end of reporting period is as follows:

	2017 HK$'000	2016 HK$'000
30 days	-	-
31 - 60 days	-	-
61 - 90 days	30,662	-
	30,662	-

The average credit period granted by suppliers is 0-30 days from the invoice date.

13. BORROWINGS

	2017 HK$'000	2016 HK$'000
Other borrowings - unsecured	77,437	-
Corporate bonds - unsecured	456,451	322,109
	533,888	322,109
On demand or within one year	77,437	-
More than one year, but not exceeding two years	10,400	-
More than two years, but not exceeding five years	257,000	7,500
More than five years	189,051	314,609
	533,888	322,109
Amount due within one year included in current liabilities	(77,437)	-
Non-current portion	456,451	322,109

The range of effective interest rates on the Group's borrowings for the years ended 31 December 2017 and 2016 are as follows:

	2017	2016
Other borrowings - unsecured	15.0%-30.0%	12.0%-24.0%
Corporate bonds	5.0%-8.0%	5.0% - 7.0%

14. CONVERTIBLE NOTES

	Liability component HK$'000	Derivative component HK$'000	Equity component HK$'000	Total HK$'000
At 1 January 2016	285,250	-	26,322	311,572
Issue of convertible notes during the year	1,058,564	277,746	-	1,336,310
Released upon expiry	(192,760)	-	(15,913)	(208,673)
Amortisation of transaction costs – note 6(a)	8,539	-	-	8,539
Imputed interest expense – note 6(a)	111,756	-	-	111,756
Interest paid	(40,937)	-	-	(40,937)
Change in fair value – note 5	-	(52,089)	-	(52,089)
Exchange adjustment	-	(720)	-	(720)
At 31 December 2016	1,230,412	224,937	10,409	1,465,758
Released upon expiry	(167,064)	-	(10,409)	(177,473)
Amortisation of transaction costs – note 6(a)	14,872	-	-	14,872
Imputed interest expense – note 6(a)	264,658	-	-	264,658
Interest paid	(104,847)	-	-	(104,847)
Change in fair value – note 5	-	(187,042)	-	(187,042)
At 31 December 2017	1,238,031	37,895	-	1,275,926

The imputed interest expense on the convertible notes was charged at the rate of 18.96% - 22.85% (2016: 18.67% - 22.85%) using the effective interest method.

15. EVENTS AFTER THE REPORTING PERIOD

(i) In March 2018, the Company issued a total of 3,380,000,000 ordinary shares at a price of HK$0.053 per ordinary share to an independent investor. The net proceeds from this subscriptions of approximately HK$178,000,000 are mainly used for the settlement of certain financial obligations of the Group.

(ii) Subsequent to year end, the Group entered into an agreement with the one of convertible notes holders that based on the Subscription Agreement and Bond Instrument dated 1 February 2016, the maturity date of the bonds is extended to 18 May 2018 while the conversion right attached expired as stated in the said original agreements.

EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report on the Group’s annual audited consolidated financial statements for the year ended 31 December 2017 which has included a disclaimer of opinion:

“Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Sino Oil and Gas Holdings Limited (the “Company”) and its subsidiaries (together the “Group”), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Company. Because of the significance of the matter described in the “Basis for Disclaimer of Opinion” section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Scope Limitation Relating to the Going Concern Basis of Preparing the Consolidated Financial Statements

As set out in Note 3(b) to the consolidated financial statements, the Group had net current liabilities of HK$204,291,000 as at 31 December 2017. As at that date, the Group had total borrowings amounting of HK$533,888,000, trade, other payables and accruals of HK$407,832,000 and total convertible notes with principal amount of HK$1,310,000,000. Out of which borrowings of HK$77,437,000, trade, other payables and accruals of HK$407,832,000 and convertible notes with principal amount of HK$296,000,000 would be due for repayment within 12 months from the date of the consolidated financial statements in accordance with the repayment dates of the respective agreements, while the Group only maintained its cash and cash equivalents of HK$21,766,000.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

As detailed in Note 3(b) to the consolidated financial statements, in view of the above circumstances, the directors have prepared a cash flow forecast of the Group covering a period up to 31 December 2018 which takes into account of the major assumption that three major shareholders would be able to provide continuing and sufficient support to the Group to meet its financial obligations. The directors consider the Group will have sufficient working capital to meet its operating and financing needs as and when they fall due within the twelve months from 31 December 2017. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The appropriateness of the preparation of the consolidated financial statements on the going concern basis largely depends on whether the above-mentioned major assumption taken into account by the directors in the going concern assessment are achievable and the other plans and measures can be implemented successfully.

However, we were unable to verify the financial position of the three major shareholders who are individuals and providing financial support to the Group to enable us assess whether they have sufficient financial capability to provide their aforementioned financial support to the Group. There were no other satisfactory audit procedures that we could adopt to assess whether the Group had sufficient resources to meet its operating and financing needs for the foreseeable future. Accordingly, we were unable to satisfy ourselves regarding the Group’s ability to continue as a going concern.

The consolidated financial statements do not include any adjustments that may be necessary should the going concern basis of preparation be determined to be inappropriate. These would include any adjustments to write down the Group’s assets to their net realisable amounts, to provide for any liabilities which may arise and to reclassify non-current assets and liabilities as current”.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2017, Sino Oil and Gas Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") recorded a total revenue of approximately HK$ 497,935,000 (2016: HK$333,553,000), which has increased by nearly 49% as compared with that of last year. The turnover included the sales of Coalbed Methane ("CBM") in our Sanjiao CBM Project of approximately HK$76,663,000 (2016: HK$57,467,000), the sales derived from raw coal washing project located in Qinshui Basin, Shanxi Province of approximately HK$417,637,000 (2016: HK$276,086,000), and the income from the financial services business in Shaanxi Province of approximately HK$3,635,000 (2016: nil). During the year, the Group recorded earnings before interest, taxes, depreciation and amortization ("EBITDA") of approximately HK$237,819,000 (2016：EBITDA HK$121,613,000) which included other gains from fair value changes of approximately HK$230,317,000 (2016: HK$ 55,514,000).

During the year, the operation of Sanjiao CBM Project has improved and CBM sales has increased by approximately 33% as compared with that of last year. In 2017, the Group actively expanded its sales channels of CBM, coupled with the substantial increase in demand for natural gas in China, the gas sale-to-production rate has rebounded to approximately 90% (2016: 72%). In the meantime, government subsidy and VAT tax refund of approximately HK$29,447,000 (2016: HK$22,942,000) for sales of CBM for the year 2016 has been received and recorded as "other income" during the year. The Group believes that with the concerted efforts of the team, Sanjiao CBM Project will generate long-term and substantial returns.

During the year, the Group recorded a net loss of approximately HK$159,561,000 (2016: net loss HK$94,069,000). It was mainly attributable to the increase in the finance costs incurred arising from the convertible notes and borrowings during the year. The finance costs during the year were approximately HK$ 322,173,000 (2016: HK$152,962,000). According to the Hong Kong Financial Reporting Standards, part of the finance costs were non-cash items, such as imputed interest on convertible notes and amortization of transaction costs, and the finance costs actually affecting the cash flow of the year was approximately HK$ 129,306,000 (2016: HK$104,237,000). Meanwhile, at the end of last year, due to the temporary suspension of raw coal supply from the supplier of raw coal washing project, the financial performance of the project declined, and resulting in a recognition of an impairment loss of goodwill of approximately HK$ 46,705,000 (Please refer to note 5 to the financial statements for details). The impairment has no impact on the cash flow of the project.

The interest income amounted to approximately HK$30,143,000 (2016: HK$49,822,000) disclosed in "other income", mainly derived from the refundable deposits of CAD40 million of the Group's possible acquisitions located in Alberta, Canada.

NATURAL GAS AND OIL EXPLOITATION

COALBED METHANE EXPLOITATION—SANJIAO BLOCK IN THE ORDOS BASIN

PROJECT OVERVIEW

Through its wholly-owned subsidiary， Orion Energy International Inc. ("Orion"), the Group entered into a production sharing contract ("PSC") with China National Petroleum Corporation ("PetroChina"), its partner in the PRC, for exploration, utilization and production of the CBM field in the Sanjiao block, located in the Ordos Basin in Shanxi and Shaanxi provinces. The Group has a 70% interest in the PSC. The PSC covers a block in the Ordos Basin in Shanxi and Shaanxi provinces, with a total site area of 383 square kilometers. According to a competent person's updated report provided to the Company by the end of 2015, the proved and probable CBM reserves of Sanjiao CBM Project amounted to approximately 8.301 billion cubic meters and the net present value at 10% discount of the future revenue of the reserve was approximately HK$11.498 billion.

Following the approval of its overall development plan by the National Development and Reform Commission ("NDRC") in 2015, Sanjiao CBM Project was granted a mining permit by the Ministry of Land and Resources of the PRC with an approved CBM production capacity of 500 million cubic meters per annum. The mining permit shall be valid for 25 years from July 2017 to July 2042. At this point, all necessary administrative approvals under the current PRC laws and regulations have been obtained for exploration, development, exploitation and production phases of Sanjiao CBM Project.

INFRASTRUCTURE

As at 31 December 2017, the Sanjiao CBM Project has completed a total of 117 wells, comprising 65 multilateral horizontal wells and 52 vertical wells. Out of the total 117 wells, 85 wells were in the normal dewatering and gas producing stage, of which 85 wells had accessed to a gas collection pipeline network. A ground pipeline network of approximately 18 kilometers, inter-well pipelines of approximately 58.5 kilometers, and outbound pipelines of approximately 17 kilometers were completed. Approximately total 68.9 kilometers of 10KV power grid and branch power line were also completed.

During the year, the Group has completed the expansion of the CBM processing station, its total CBM daily processing capacity has reached 500,000 cubic meters. To cope with the increasing production volume of Sanjiao CBM Project, the Group has undertaken the expansion of the station. Its daily processing capacity will reach 750,000 cubic meters upon completion.

SALES

During the year, Sanjiao CBM Project recorded EBITDA of approximately HK$66,460,000 (2016: HK$47,806,000), which has increased by 39% as compared with that of last year. CBM sales amounted to HK$76,663,000 (2016: HK$57,467,000), which has increased by 33% as compared with that of last year. During the year, the production and sales of CBM were approximately 81.22 million cubic meters (2016: 69.5 million cubic meters) and 72.62 million cubic meters (2016: 50.02 million cubic meters) respectively, resulting in a gas sale-to-production rate of approximately 90% for the year (2016: approximately 72%). In terms of the composition of gas sales throughout the period, industrial piped CBM sales accounted for approximately 90% of total sales (2016 : 83.7%), while residential piped

CBM sales contributed approximately 10% (2016: 15%). During the year, there was no compressed natural gas sales (2016: 1.3%).

RAW COAL WASHING PROJECT LOCATED IN SHANXI PROVINCE

The Group acquired a 75% equity interest of a raw coal washing project company located in Qinshui Basin, Shanxi Province in mid-2015. With the deepening of China's supply-side reforms, the de-capacity of coal industry has achieved remarkable results and the coal market sustains a good momentum in 2017. The price of refined coal increased as compared with that of last year, thus, the turnover of the project has grown substantially. During the year, the coal washing operation recorded a turnover of approximately HK$ 417,637,000 (2016: HK$ 276,086,000) which has increased by approximately51% as compared with that of last year. The total sale of refined coal of the project was approximately 340,000 tonnes (2016: 325,000 tonnes). However, at the end of last year, due to its internal factors, the project supplier has temporarily suspended the supply of raw coal, resulting a decline in the financial performance and recognized an impairment loss of goodwill amounted to approximately HK$46,705,000.

China's coal industry is gradually recovering, and the Group expects that the project operation will fully return to normal within the second quarter of 2018. Pursuant to the sale and purchase agreement entered into by both parties, the vendor will provide the Group with profit guarantee for six consecutive years. During the year ended 31 December 2017, the Group has received in full the shortfall of the Guaranteed Profit of approximately RMB 14,811,000 for the year ended 31 December 2016. The project has already contributed stable income and cash flow to the Group.

OTHERS

At the end of 2016, the Group set up a wholly-owned subsidiary, Shaanxi Zhao Yin Finance Leasing Company Limited ("Zhao Yin Finance Leasing ") in Shaanxi Province. The major purpose of the establishment of this finance leasing company is to strengthen the Group's bank-enterprise relations so as to create cooperation channels; as well as to seek for the suitable financing channels and sources for the Group's upcoming possible mergers and acquisitions ("M&A") and development. Further it also provides short-term investment opportunities for the Group's capital. During the year, Zhao Yin Finance Leasing granted a total of RMB 60 million short-term loans with the annual interest rate of 10% to two independent third parties. During the year, the business has recorded an income of approximately HK$3,635,000 (2016: nil).

POSSIBLE ACQUISITION — OILFIELD IN ALBERTA, CANADA

With the purpose of further enriching the Group's resources reserves, apart from actively seeking suitable oil and gas blocks in China, the Group is also exploring investment opportunities in overseas upstream businesses. The Group hence entered into two non-legally-binding memorandums of understanding ("MOUs") in June and September 2014. The acquisition targets are oil and gas fields located in Alberta Province, Canada.

Related due diligence review on the resources and financial aspect is being conducted. The Company expects that overseas acquisition activities can expand the Group's business portfolio of natural gas and oil which will contribute profit and cash flow. Further, this can augment the Group's overall risk resistance capacity when facing unstable external factors.

In December 2017, the Group and the vendor have agreed to further extend the time limit for entering into formal agreements in respect of the terms in the MOUs to 30 September 2018, and both parties are confident that the transaction can be finalized within the year. Otherwise, the Group will advise the vendor to return the relevant deposits.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the net assets of the Group were approximately HK$3,164,000,000 (31 December 2016: HK$3,091,000,000) while its total assets were approximately HK$5,410,000,000 (31 December 2016: HK$5,245,000,000). As at 31 December 2017, the Group had external borrowings including the liability component of convertible notes of approximately HK$1,772,000,000 (31 December 2016: HK$1,553,000,000), and the gearing ratio based on total assets was approximately 32.75% (31 December 2016: 29.61%). By the end of December 2017, the current ratio was approximately 0.75 (31 December 2016: 1.32). Information on repayment of the Group's borrowings is set out in notes 13 and 14 to the financial statements as disclosed in this announcement.

As at 31 December 2017, the gearing ratio was still at an acceptable level. During the year, in addition to the large capital needs for the development of Sanjiao CBM Project, redemption of certain convertible notes matured during the year has led to a relatively low current ratio in short-term. It is expected that while the CBM operation progressively expands, the Group's overall financial position will improve gradually.

During the year, the Company has redeemed convertible notes with an aggregate principal amount of HK$164,000,000.

During the year, the Company did not conduct any fund raising activities.

In March 2018, the Company issued a total of 3,380,000,000 Subscription Shares at a price of HK$0.053 per Subscription Share to an independent investor. The net proceeds from the Subscriptions of approximately HK$178,000,000 are mainly used for the repayment of certain financial obligations.

FOREIGN EXCHANGE FLUCTUATIONS

The Group is exposed to currency risk primarily through sales and purchase transactions and recognized liabilities of assets that are denominated in a currency other than the functional currency of the operations to which they relate. As at 31 December 2017, no related hedges were made by the Group. In respect to trade and other receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed approximately 315 employees. The remuneration policy of the Group is based on the prevailing remuneration level in the market and the performance of respective companies and individual employees.

PROSPECTS

To reduce air pollution and get rid of the dependence to coal, China has accelerated the pace of "coal to gas". Although this move has brought new challenges to the balance between natural gas supply and demand, it has also brought tremendous opportunities for the natural gas market in China. At the end of 2017, 10 government departments including the NDRC, the Ministry of Finance, and the National Energy Administration jointly issued the "2017-2021 Plan for Clean Heating in Winter in Northern Regions" ("Heating Plan"). The Heating Plan proposed to focus on "2+26" cities, with efforts to promote natural gas as a substitute for coal-fired heating. It is estimated that in 2017-2021, an accumulated new area of 1.8 billion square meters will be covered by natural gas heating in the "2+26" cities with additional 23 billion cubic meters of gas to be used.

As a vital strategic complement to natural gas, CBM has become the important carrier to promote energy production and consumption revolution. With the realization of large-scale development of CBM, the economic benefits of CBM exploitation will become increasingly apparent. During the "13th Five-Year Plan", CBM is expected to usher the peak of investment and development. In December 2016, National Energy Administration published 《CBM development and utilization of the "13th Five Year Planning"》 which has reflected the acceleration of the pace of CBM exploration and development; the optimization of the industry structure and key technology breakthrough, production of CBM will increase significantly. In recent years, Shanxi Province has been eager to speed up the promotion of the strategic target of the "Gasification for Shanxi", and the introduction of a series of industrial policies to promote the development of CBM, such as, the access relaxation of CBM exploration, the promotion of the fair access of pipeline network facilities, rationalizing the pricing mechanism and exploring the marketization of the transfer of mining rights, and therefore to encourage a healthy and orderly development of the CBM industry. The strong support from the national and regional governments to the CBM industry have created a favorable environment for the growth of the sector. The Group believes that the CBM industry is having a flourishing development prospect and a huge market potential.

Under the optimistic atmosphere of the extension of the production cut agreement by the Organization of Petroleum Exporting Countries ("OPEC") and the oil supply affected by the Middle East geopolitics, oil prices rebounded from low levels in 2017, and the international oil prices rose by 12.5% for the full year. According to the Global Economic Prospects released by the World Bank Group in January 2018, attributable to the a pickup in manufacturing and trade, rising market confidence, and stabilizing commodity prices, it is expected that the global economic growth to edge up to 3.1% in 2018. Thanks to the steady growth of the global economy and the determination of OPEC and non-OPEC to maintain a balanced supply, the Group is optimistic about the international oil prices performance in medium to long-term. The Group is taking the initiative to seize the opportunity to accelerate the pace of overseas merger and acquisition (M&A) and extend the industrial chain so as to establish the most competitive business portfolio.

Looking ahead, the Group will continue to promote the development of Sanjiao, formulate a clear plan, aim for a more challenging production capacity and production target, and make every effort to build the Group's first benchmark project. At the same time, the Group will continue to actively look for M&A opportunities that have reasonable and potential returns in order to hasten the Group's business development and strive to achieve a better performance while maintaining long-term growth momentum and creating substantial returns for the shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2017, the Company repurchased a total of 554,865,000 shares on The Stock Exchange of Hong Kong Limited for enhancing its per share's net asset value and earnings, of which 552,565,000 shares were cancelled during the year and 2,300,000 shares were cancelled in January 2018. Details of the repurchase of shares are as follows:

Month of repurchase during the year ended 31 December 2017	Number of shares repurchased	Price per share Highest HK$	 Lowest HK$	Total consideration (excluding expenses) HK$'000
Jan	64,745,000	0.190	0.189	12,280
March	16,965,000	0.190	0.183	3,164
April	41,355,000	0.190	0.185	7,815
May	70,245,000	0.190	0.185	13,247
June	67,335,000	0.190	0.179	12,484
July	198,380,000	0.186	0.160	34,881
October	93,540,000	0.155	0.145	13,966
November	1,000,000	0.138	0.138	138
December	1,300,000	0.145	0.144	188
Total:	554,865,000			98,163

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2017.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the announcement of the Group's annual results for the year ended 31 December 2017 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the announcement of annual results.

CORPORATE GOVERNANCE

The Company complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2017.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited financial statements for the year ended 31 December 2017.

By order of the Board
Sino Oil and Gas Holdings Limited
Dai Xiaobing
Chairman

Hong Kong, 29 March 2018

As at the date of this announcement, the Board comprises three Executive Directors, namely, Dr. Dai Xiaobing, Mr. King Hap Lee and Mr. Wan Tze Fan Terence; three Non-executive Directors, namely Mr. Chen Hua, Mr. Huang Shaowu, Mr. He Lin Feng and four Independent Non-executive Directors, namely, Mr. Wong Kwok Chuen Peter, Professor Wong Lung Tak Patrick, Dr. Wang Yanbin and Dr. Dang Weihua.