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

(Incorporated in Bermuda with limited liability)
(Stock Code: 702)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

AUDITED ANNUAL RESULTS

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 2023, together with the audited comparative figures for the last year as follows:-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023
(Expressed in Hong Kong Dollars)

	Notes	**2023 HK$'000**	2022 HK$'000
Revenue	3 & 10	**370,177**	543,080
Direct costs		**(187,997)**	(375,247)
Gross profit		**182,180**	167,833
Other income	4	**12,774**	24,720
Other losses, net	5	**(905,866)**	(386,691)
Expected credit losses on financial assets measured at amortised cost (recognized)/reversed, net		**(4,514)**	3,623
Impairment loss on interest in an associate		**(2,280)**	(15,907)
Selling and distribution expenses		**(15,872)**	(17,427)
Administrative expenses		**(41,810)**	(34,251)
Loss from operations		**(775,388)**	(258,100)
Finance costs	6(a)	**(268,231)**	(247,146)
Share of loss of an associate		**(2,152)**	(1,227)
Loss before income tax expense	6	**(1,045,771)**	(506,473)
Income tax expense	7	**(43,672)**	(46,707)
Loss for the year		**(1,089,443)**	(553,180)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2023
(Expressed in Hong Kong Dollars)

	Notes	**2023** **HK$'000**	2022 HK$'000
Other comprehensive loss, after tax			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(103,568)**	(347,118)
Item that will not be reclassified to profit or loss:			
Changes in fair value of equity investment designated at fair value through other comprehensive income		**(45)**	(208)
Other comprehensive loss for the year, after tax		**(103,613)**	(347,326)
Total comprehensive loss for the year		**(1,193,056)**	(900,506)
Loss attributable to:			
Owners of the Company		**(1,086,976)**	(551,779)
Non-controlling interests		**(2,467)**	(1,401)
		(1,089,443)	(553,180)
Total comprehensive loss attributable to:			
Owners of the Company		**(1,190,300)**	(898,130)
Non-controlling interests		**(2,756)**	(2,376)
		(1,193,056)	(900,506)
		HK$ cents	HK$ cents
Loss per share			
- Basic and diluted	9	**(32.49)**	(16.49)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023
(Expressed in Hong Kong Dollars)

	Notes	**2023** HK$'000	**2023** HK$'000	2022 HK$'000	2022 HK$'000
Non-current assets					
Property, plant and equipment			**2,074,166**		2,472,970
Oil and gas exploration and evaluation assets			**-**		-
Right-of-use assets			**5,152**		3,214
Intangible assets			**1,443,940**		1,892,438
Goodwill			**-**		6,948
Interest in a joint venture			**-**		-
Interest in an associate			**-**		4,523
Financial assets at fair value through profit or loss			**-**		12,146
Equity investment designated at fair value through other comprehensive income			**93**		138
Deposits and prepayments	11		**-**		40,538
Loans receivable			**14,157**		11,967
Total non-current assets			**3,537,508**		4,444,882
Current assets					
Inventories		**13,702**		13,891	
Financial assets at fair value through profit or loss		**-**		7,915	
Trade, notes and other receivables, deposits and prepayments	11	**90,057**		87,455	
Loans receivable		**7,617**		7,093	
Amount due from a joint venture		**-**		-	
Restricted cash at banks		**1,436**		1,440	
Time deposits with original maturities more than three months		**110**		-	
Cash and cash equivalents		**81,334**		78,364	
Total current assets		**194,256**		196,158	
Total assets			**3,731,764**		4,641,040
Current liabilities					
Trade and other payables and accruals	12	**(1,239,419)**		(1,017,287)	
Borrowings	13	**(442,520)**		(408,993)	
Convertible note		**(1,352,900)**		(1,352,900)	
Financial liabilities at fair value through profit or loss		**(9)**		(9)	
Deferred income		**(6,617)**		(4,362)	
Lease liabilities		**(1,196)**		(353)	
Taxation		**(97,171)**		(52,224)	
Total current liabilities		**(3,139,832)**		(2,836,128)	
Net current liabilities			**(2,945,576)**		(2,639,970)
Total assets less current liabilities			**591,932**		1,804,912

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2023
(Expressed in Hong Kong Dollars)

		2023		2022	
		HK$'000	**HK$'000**	HK$'000	HK$'000
Non-current liabilities					
Provisions		**(30,735)**		(17,509)	
Borrowings	13	**(365,969)**		(440,024)	
Deferred income		**(358,981)**		(318,032)	
Lease liabilities		**(1,933)**		(200)	
Deferred tax liabilities		**(3,669)**		(5,446)	
Total non-current liabilities			**(761,287)**		(781,211)
NET (LIABILITIES)/ASSETS			**(169,355)**		1,023,701
Capital and reserves attributable to owners of the Company					
Share capital			**334,544**		334,544
Reserves			**(512,297)**		678,003
(Deficit) / equity attributable to owners of the Company			**(177,753)**		1,012,547
Non-controlling interests			**8,398**		11,154
TOTAL (CAPITAL DEFICIENCY) / EQUITY			**(169,355)**		1,023,701

1. GOING CONCERN ASSUMPTION

The Group incurred a loss of approximately HK$1,089,443,000 for the year ended 31 December 2023, and as of that date, had net current liabilities and capital deficiency of approximately HK$2,945,576,000 and HK$169,355,000 respectively. As at 31 December 2023, included in the current liabilities amounting to approximately HK$3,139,832,000, the Group had (a) overdue convertible note held by Crescent Spring investment Holdings Limited ("Crescent Spring") with the principal amount of approximately HK$1,352,900,000 and the related defaulted interests (included in other payables and accruals) of approximately HK$716,032,000 which were outstanding and immediately repayable; and (b) matured corporate bonds included in borrowings with principal amounts of approximately HK$336,495,000 and related coupon interests (included in other payables and accruals) of approximately HK$76,911,000 which were outstanding and immediately repayable. However, the Group only maintained its cash and cash equivalents of approximately HK$81,334,000 as at 31 December 2023.

In addition, on 17 August 2022, a winding-up petition (the "Petition") was filed by one of the bondholders of the matured corporate bonds with the Court of the First Instance of the High Court of the Hong Kong Special Administrative Region (the "Court") against the Company in relation to an alleged overdue principal amount of HK$9,200,000 and the related defaulted interests of HK$1,016,000. The Court has subsequently approved the hearing fixed on 18 December 2023 be vacated as disclosed in the Company's announcement dated 4 January 2024 and there is no further update on the hearing date of the Petition as of the date of approval of these consolidated financial statements.

Since the year ended 31 December 2022, the directors of the Company have been carrying out the rescue plans and measures to improve the liquidity and the cash flows of the Group, in which mainly include equity financing and various debt restructuring measures. On 8 December 2023, the Company with various parties, including two investors and Crescent Spring, entered into legal-binding agreements, which set out the details of the restructuring transactions (the "Restructuring Transactions") intending to restructure the equity, business, and debt of the Group by way of, including but not limited to various equity financing, debt restructuring measures and execution of a scheme of arrangement proposed by the Company to its unsecured creditors on the terms that the unsecured creditors will accept in full discharge of their claims ("Creditors' Scheme"). The Restructuring Transactions shall include, among others, (i) increase in the authorised share capital; (ii) subscription of new convertible bonds by two investors; (iii) the grant of call option and put option between an investor and Crescent Spring which entitling the counter party to purchase or sell certain amount of the Company's shares held by Crescent Spring; (iv) the amendment of the terms of the existing convertible note held by Crescent Spring to extend the maturity date; (v) acquisition of certain portion of existing convertible note held by Crescent Spring by an investor; (vi) placing of new shares; (vii) sanction of Creditors' Scheme and (viii) conversion of certain new convertible bonds and existing convertible note into shares by two investors and Crescent Spring.

Upon completion of the aforementioned restructuring exercise, the Directors believe that: (i) the Group will obtain necessary funds and repay its outstanding debts through the issuance of Company shares; (ii) the maturity dates of the Company's major debts will be extended, providing the Company with more time to meet its debt obligations; (iii) the Company's debt level will be reduced as Crescent Spring and the two investors will exercise their convertible bonds after the completion of the restructuring, resulting in a decrease in the Company's debt level and an increase in its equity; and (iv) it will provide further opportunities for the expansion of the Group's business. The Directors expect that the overall debt level of the Group will be decreased and the financial position of the Group will be improved from net liabilities to net assets upon the completion of the Restructuring Transactions. Details of the Restructuring Transactions have been disclosed in the Company's announcement dated 13 March 2024.

Regarding the Creditors' Scheme, the meeting for which (the "Creditors' Meeting") was convened and held, and the Creditors' Scheme was approved by the requisite statutory majorities of the creditors on 8 December 2023. However, further as disclosed in our announcements dated 6 March 2024 and 14 March 2024, the Court raised some concerns about the terms of the Creditors' Scheme (the "Court's Concerns") at the sanction hearing of the Creditors' Scheme on 29 February 2024 (the "Sanction Hearing"). As of the date of the approval of these consolidated financial statements, the Company is in the course of obtaining advice from its legal and debt restructuring advisors to address those concerns in order to pursue the Court's sanction for the Creditors' Scheme. In the event that the High Court's decision is not in favour of the Company, the Company may consider appealing against the High Court's decision or changing the terms of the Creditors' Scheme if necessary. Having regard to the view of the Company's advisor of the Restructuring Transactions, the directors of the Company have a reasonable expectation that the Company would obtain all necessary approvals and the Restructuring Transactions would be implemented successfully in the reasonable time frame.

1. GOING CONCERN ASSUMPTION (CONTINUED)

In assessing the appropriateness of the use of the going concern basis in the preparation of the Group's consolidated financial statements, the directors of the Company prepared a cash flow forecast, covering a period of twelve months from the end of the reporting period (the "Cash Flow Forecast") with careful consideration to the future liquidity and performance of the Group and its available sources of financing. In preparing the Cash Flow Forecast, the directors of the Company have taken account of, amongst others, the following:

(i) Actively addressing the Court's Concerns and pursue the Court's sanction for the Creditors' Scheme; and

(ii) Proactively procuring the completion of the Restructuring Transactions, including the fulfilment of any relevant condition precedents.

Based on the Cash Flow Forecast, assuming the above Restructuring Transactions can be successfully implemented as scheduled, the directors of the Company are of the opinion that the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due over the period of the Cash Flow Forecast so as to enable the Group to continue as a going concern. Therefore, the directors of the Company considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the directors of the Company will be able to achieve the plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the successful fulfilment of all the following conditions:

(i) Addressing the Court's Concerns successfully and obtain sanction for the Creditors' Scheme;

(ii) In the event that sanction for the Creditors' Scheme cannot be obtained, having a successful re-negotiating with the relevant parties, including the two investors and Crescent Spring, in order to reach a mutual agreement on the modified terms of the Creditors' Scheme; and

(iii) Completion of all the condition precedents required in the Restructuring Transactions

These indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned above, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

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

Adoption of new / revised HKFRSs – effective from 1 January 2023

Amendments to HKAS+1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
HKFRS 17	Insurance Contracts

+Hong Kong Accounting Standards

Except for the Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements summarised below, the other new or amended HKFRSs has no material impact on the Group's results and financial position for the current or prior period and on accounting policies. The Group has not applied any new and revised HKFRSs that are not yet effective for the current period.

The HKICPA issued HKFRS Practice Statement 2 Making Materiality Judgements in March 2021 to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. In April 2021, the HKICPA issued amendments to HKAS 1 and HKFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose "significant accounting polices" with "material accounting policy information". The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

3. REVENUE

The revenue of the Group are derived from (i) exploration, development and production of coalbed methane, (ii) raw coal washing and sale of raw and cleaned coal, and (iii) provision of financial services.

Revenue from contracts with customers within the scope of HKFRS 15 are disaggregated as follows:

	2023 **HK$'000**	2022 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15 are disaggregated by products:		
Coalbed methane	**352,253**	**318,642**
Raw and cleaned coal	**16,209**	**217,465**
	368,462	**536,107**
Revenue from other sources:		
Interest income from financial services	**1,715**	**6,973**
	370,177	**543,080**

Disaggregation by the timing of revenue recognition and by geographic markets is set out in notes 10(a) and 10(b)(i) respectively.

4. OTHER INCOME

	2023 **HK$'000**	2022 HK$'000
Interest income		
- bank deposits	**184**	18
- others	**-**	223
Total interest income on financial assets measured at amortised cost	**184**	241
Government subsidies and grants	**11,408**	23,906
Others	**1,182**	573
	12,774	24,720

5. OTHER LOSSES, NET

	2023 HK$'000	2022 HK$'000
Change in fair value of financial assets at fair value through profit or loss	**(11,901)**	(1,747)
Impairment loss on property, plant and equipment	**(511,256)**	(220,375)
Impairment loss on right-of-use assets	**(568)**	(254)
Impairment loss on intangible assets	**(355,225)**	(168,271)
Impairment loss on goodwill	**(6,808)**	(4,836)
Written off of other receivables and prepayments	**(22,183)**	(1,016)
Waiver of other payables	**1,794**	12,886
Exchange gains /(losses), net	**103**	(1,394)
(Loss)/gain on redemption of financial assets at fair value through profit or loss	**(62)**	167
Gain / (loss) on disposal of promissory notes	**171**	(1,851)
Gain on disposal of property, plant and equipment	**81**	-
Loss on lease modification	**(12)**	-
	(905,866)	(386,691)

6. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging / (crediting):

		2023 HK$'000	2022 HK$'000
a)	**Finance costs**		
	Interest expense on financial liabilities not at fair value through profit or loss:		
	Interest on corporate bonds	**31,611**	31,613
	Interest on borrowings	**29,363**	41,066
	Interest charge on convertible note	**237,813**	224,528
	Interest on lease liabilities	**52**	390
	Unwinding of interest of provision	**2,752**	-
		301,591	297,597
	Less: interest capitalized in qualifying assets	**(38,228)**	(58,732)
		263,363	238,865
	Other finance costs:		
	Amortisation of corporate bonds transaction costs	**4,868**	8,281
		268,231	247,146
b)	**Employee costs (including directors' remuneration)**		
	Salaries, wages and other benefits	**34,302**	40,683
	Contributions to defined contribution retirement plan	**3,392**	3,197
		37,694	43,880
c)	**Other items**		
	Auditor's remuneration	**1,400**	1,589
	Cost of inventories sold recognised as expenses#	**12,172**	213,703
	Depreciation on property, plant and equipment	**76,211**	59,523
	Depreciation on right-of-use assets	**649**	5,232
	Amortisation on intangible assets#	**38,171**	31,287
	Amortisation on deferred income#	**(6,662)**	(4,664)

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 Group is not subject to any income tax under such jurisdictions for the years ended 31 December 2023 and 2022.

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 the years ended 31 December 2023 and 2022.

Profits of the subsidiaries established in the People's Republic of China ("**PRC**") are subject to the Enterprise Income Tax ("**EIT**"). Under the Law of the PRC and Implementation Regulation on EIT, the tax rate of the PRC subsidiaries is 25% for the years ended 31 December 2023 and 2022.

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

	2023 **HK$'000**	2022 HK$'000
Current income tax		
- PRC EIT		
- Tax for the year	**(46,870)**	(48,318)
- Over /(under)-provision in respect of prior years	**1,556**	(181)
	(45,314)	(48,499)
Deferred tax for the year	**1,642**	1,792
Income tax expense	**(43,672)**	(46,707)

8. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2023 (2022: nil).

9. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$1,086,976,000 (2022: loss of HK$551,779,000) and the weighted average number of 3,345,439,000 ordinary shares (2022: 3,345,439,000 ordinary shares) in issue during the year.

b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2023 and 2022 is the same as the basic loss per share as the Company's outstanding convertible note, where applicable, had an anti-dilutive effect on the basic loss per share for the years ended 31 December 2023 and 2022.

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 (2022: four) operating and 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 of financial services

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.

10. SEGMENT REPORTING (CONTINUED)

a) Business segments

For the year ended 31 December 2023, the segment information about these businesses is set out as follows:

	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						
- Within the scope of HKFRS 15	352,253	16,209	-	-	-	368,462
- Interest income from financial services	-	-	-	1,715	-	1,715
	352,253	16,209	-	1,715	-	370,177
Segment results [i & ii]	172,171	(5,913)	(70)	(2,394)	(26,241)	137,553
Finance costs	(31,601)	-	-	(9)	(236,621)	(268,231)
Impairment loss on property, plant and equipment	(511,036)	(220)	-	-	-	(511,256)
Impairment loss on right-of-use assets	(568)	-	-	-	-	(568)
Impairment loss on intangible assets	(355,225)	-	-	-	-	(355,225)
Impairment loss on goodwill	-	(6,808)	-	-	-	(6,808)
Impairment loss on interest in an associate	(2,280)	-	-	-	-	(2,280)
Written off of other receivables and prepayment	(22,141)	(42)	-	-	-	(22,183)
Change in fair value of financial assets at fair value through profit or loss	-	-	-	-	(11,901)	(11,901)
Expected credit loss on financial assets measured at amortized cost recognised, net	-	(4,432)	-	(78)	(4)	(4,514)
Wavier of other payables	1,794	-	-	-	-	1,794
Share of loss of an associate	(2,152)	-	-	-	-	(2,152)
Loss before income tax expense	(751,038)	(17,415)	(70)	(2,481)	(274,767)	(1,045,771)
Income tax (expense) / credit	(46,823)	3,199	-	(48)	-	(43,672)
Loss for the year	(797,861)	(14,216)	(70)	(2,529)	(274,767)	(1,089,443)
Assets and liabilities						
Reportable segment assets[iii]	3,640,320	20,653	-	24,771	46,020	3,731,764
Reportable segment liabilities[iii]	1,169,705	26,615	-	12,208	2,692,591	3,901,119
Other segment information						
Depreciation and amortization	107,121	1,158	-	66	24	108,369
Capital expenditure incurred during the year	256,636	-	-	15	-	256,651
Timing of revenue recognition within the scope of HKFRS 15:						
- a point in time	352,253	16,209	-	-	-	368,462

10. SEGMENT REPORTING (CONTINUED)

a) Business segments

For the year ended 31 December 2022, the segment information about these businesses is set out as follows:

	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						
- Within the scope of HKFRS 15	318,642	217,465	-	-	-	536,107
- Interest income from financial services	-	-	-	6,973	-	6,973
	318,642	217,465	-	6,973	-	543,080
Segment results [i & ii]	160,915	(6,158)	(46)	(223)	(16,691)	137,797
Finance costs	(791)	(795)	-	(34)	(245,526)	(247,146)
Impairment loss on property, plant and equipment	(220,375)	-	-	-	-	(220,375)
Impairment loss on right-of-use assets	(254)	-	-	-	-	(254)
Impairment loss on intangible assets	(168,271)	-	-	-	-	(168,271)
Impairment loss on goodwill	-	(4,836)	-	-	-	(4,836)
Impairment loss on interest in an associate	(15,907)	-	-	-	-	(15,907)
Written off of other receivables	-	-	-	-	(1,016)	(1,016)
Change in fair value of financial assets at fair value through profit or loss	-	(1,719)	-	-	(28)	(1,747)
Expected credit loss on financial assets measured at amortized cost reversed, net	-	-	-	3,623	-	3,623
Wavier of other payables	12,886	-	-	-	-	12,886
Share of loss of an associate	(1,227)	-	-	-	-	(1,227)
(Loss) / profit before income tax expense	(233,024)	(13,508)	(46)	3,366	(263,261)	(506,473)
Income tax expense	(46,441)	(75)	-	(191)	-	(46,707)
(Loss) / profit for the year	(279,465)	(13,583)	(46)	3,175	(263,261)	(553,180)
Assets and liabilities						
Reportable segment assets[iii]	4,526,418	28,500	-	29,183	56,939	4,641,040
Reportable segment liabilities[iii]	1,169,352	14,984	-	15,240	2,417,763	3,617,339
Other segment information						
Depreciation and amortization	87,023	4,168	-	132	55	91,378
Capital expenditure incurred during the year	320,804	452	-	41	-	321,297
Timing of revenue recognition within the scope of HKFRS 15:						
- a point in time	318,642	217,465	-	-	-	536,107

10. SEGMENT REPORTING (CONTINUED)

a) Business segments - Continued

Notes:

(i) Unallocated results mainly included salaries, expenses relating to short-term leases and professional fees for Hong Kong head office.

(ii) The segment result of coalbed methane segment, raw and cleaned coal segment and financial services segment included government subsidies and grants of HK$11,350,000 (2022: HK$23,904,000), HK$55,000 (2022: HK$nil) and HK$3,000 (2022: HK$2,000), respectively.

(iii) Unallocated assets mainly included cash and cash equivalents, right-of-use assets, equity investment designated at fair value through other comprehensive income and financial assets at fair value through profit or loss and unallocated liabilities mainly include loan from a shareholder, corporate bonds, convertible note and financial liabilities at fair value through profit or loss.

b) Geographical information and major customers

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**").

i) Revenue from external customers

The following is an analysis of the Group's revenue by geographical location of the customers:

	2023	2022
	HK$'000	HK$'000
Hong Kong (place of domicile)	-	-
The PRC	**370,177**	543,080
	370,177	543,080

ii) Specified non-current assets

The information of the Group's specified non-current assets by geographical location of the assets is detailed below:

	2023	2022
	HK$'000	HK$'000
Hong Kong (place of domicile)	**5,149**	2,290
The PRC	**3,518,109**	4,418,339
	3,523,258	4,420,629

10. SEGMENT REPORTING (CONTINUED)

c) Information about major customers

During the year ended 31 December 2023, there was one customer (2022: two customers) contributed to 10% or more revenue to the Group's total revenue.

	Segment	**2023** **HK$'000**	2022 HK$'000
Customer A	Coalbed methane	**352,253**	318,642
Customer B	Raw and cleaned coal	**N/A**	124,072

N/A: Transactions during the year did not exceed 10% of the Group's revenue.

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

	2023 **HK$'000**	2022 HK$'000
Non-current assets		
Deposits and prepayments	**-**	40,538
Current assets		
Trade receivables (note)	**56,264**	42,377
Less: impairment loss	**(305)**	(313)
	55,959	42,064
Notes receivable	**3,301**	3,392
Less: impairment loss	**(3,301)**	(3,392)
	-	-
Other receivables	**24,911**	36,954
Less: impairment loss	**(6,062)**	(1,627)
	18,849	35,327
Other deposits	**3,321**	353,090
Less: impairment loss	**-**	(349,698)
	3,321	3,392
Utility deposits	**508**	129
Prepayments	**11,420**	6,543
	90,057	87,455

Note:

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

	2023 **HK$'000**	2022 HK$'000
Less than one month	**55,959**	42,064

The average credit period granted to customers is 0-30 days from the invoice date. The Group does not hold any collateral as security.

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	2023	2022
	HK$'000	HK$'000
Current liabilities		
Trade payables (note)	**1,931**	3,765
Other payables and accruals	**1,214,201**	1,006,802
Receipt in advance (contract liabilities under HKFRS 15)	**20,298**	4,077
Amount due to a shareholder	**2,989**	2,643
	1,239,419	1,017,287

Note:

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

	2023	2022
	HK$'000	HK$'000
Within 30 days	**1,931**	3,765

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

13. BORROWINGS

	2023	2022
	HK$'000	HK$'000
Bank borrowings - secured	**7,570**	10,991
Other borrowings - secured	**261,471**	333,213
Other borrowings - unsecured	**60,726**	30,958
Corporate bonds - unsecured	**478,722**	473,855
	808,489	849,017
On demand or within one year	**442,520**	408,993
More than one year, but not exceeding two years	**201,954**	102,197
More than two years, but not exceeding five years	**164,015**	337,827
More than five years	**-**	-
	808,489	849,017
Amount due within one year included in current liabilities	**(442,520)**	(408,993)
Non-current portion	**365,969**	440,024

EXTRACTS OF THE INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report on the Group’s consolidated financial statements for the year ended 31 December 2023 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 2023, 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 material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effects on the consolidated financial statements as described in the “Basis for Disclaimer of Opinion” section of our report. 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

Multiple uncertainties relating to going concern

As set out in note 3(b)(ii) to the consolidated financial statements, the Group incurred a loss of approximately HK$1,089,443,000 for the year ended 31 December 2023, and as of that date, had net current liabilities of approximately HK$2,945,576,000. As at 31 December 2023, included in the current liabilities amounting to approximately HK$3,139,832,000, the Group had (a) overdue convertible note (note 32) held by Crescent Spring Investment Holdings Limited (“Crescent Spring”) with the principal amount of approximately HK$1,352,900,000 (note 32) and the related defaulted interests (included in other payables and accruals) of approximately HK$716,032,000 (note 29) which were outstanding and immediately repayable; and (b) matured corporate bonds included in borrowings (note 31) with principal amounts of approximately HK$336,495,000 (note 31) and related coupon interests (included in other payables and accruals) of approximately HK$76,911,000 (note 29) which were outstanding and immediately repayable.

In addition, on 17 August 2022, a winding-up petition (the “Petition”) was filed by one of the bondholders of the matured corporate bonds with the Court of the First Instance of the High Court of the Hong Kong Special Administrative Region (the “Court”) against the Company in relation to an alleged overdue principal amount of HK$9,200,000 and the related defaulted interests of HK$1,016,000. The Court has subsequently approved the hearing fixed on 18 December 2023 be vacated as disclosed in the Company’s announcement dated 4 January 2024 and there is no further update on the hearing date of the Petition as of the date of approval of these consolidated financial statements. However, the Group only maintained its cash and cash equivalents of approximately HK$81,334,000 as at 31 December 2023.”

The directors of the Company have been undertaking a number of plans and measures to improve the Group’s liquidity and financial position including the Restructuring Transactions, which are set out in note 3(b)(ii) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcomes of the Group’ plans and measures, including:

(i) whether the Court’s Concerns can be addressed successfully and sanction for the Creditors’ Scheme can be obtained;

(ii) in the event that sanction for the Creditors’ Scheme cannot be obtained, whether a successful re-negotiating with the relevant parties, including the two investors and Crescent Spring, can be achieved in order to reach a mutual agreement on the modified terms of the Creditors’ Scheme; and

(iii) whether all the condition precedents required in the Restructuring Transactions can be completed.

BASIS FOR DISCLAIMER OF OPINION – CONTINUED

These indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern, and therefore that the Group may not be able to realise its assets and discharges its liabilities in the normal course of business.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in note 3(b)(ii) to the consolidated financial statements, it might not be able to operate as a going concern, and, adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

We disclaimed our opinion on the Company's consolidated financial statements for the year ended 31 December 2022 relating to the going concern basis of preparing the consolidated financial statements. Any adjustments to the balances as at 31 December 2022 would affect the balances of these financial statements items as at 1 January 2023, and the corresponding movements, if any, during the year ended 31 December 2023. The balances as at 31 December 2022 and the amounts for the year then ended are presented as corresponding figures in the consolidated financial statements for the year ended 31 December 2023. We disclaimed our audit opinion on the consolidated financial statements for the year ended 31 December 2022 also for the possible effect of the disclaimer of opinion on the consolidated financial statements on the comparability of 2023 figures and 2022 figures in the consolidated financial statements for the year ended 31 December 2023."

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2023, Sino Oil and Gas Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") recorded a total revenue of approximately HK$370,177,000 (2022: HK$543,080,000). The turnover included the sales of coalbed methane ("**CBM**") in our Sanjiao CBM Project of approximately HK$352,253,000 (2022: HK$318,642,000), the sales derived from raw coal washing project located in Qinshui Basin, Shanxi Province, which is approximately HK$16,209,000 (2022: HK$217,465,000), and the revenue from the financial services business in Shaanxi Province of approximately HK$1,715,000 (2022: HK$6,973,000).

The Group's main business performed steadily last year. Among them, Sanjiao CBM Project saw an increase of approximately 13.3% in production and 12.9% in sales volume. The annual sales revenue generated by Sanjiao CBM Project also experienced a growth of approximately 10.6%. However, the Group still recorded a net loss of approximately HK$1,089,443,000 (2022: HK$553,180,000) in the 2023 fiscal year. The loss was mainly attributed to the impairment loss recognized on Sanjiao CBM Project and the high financing costs.

During the year, considering the overall financial difficulties faced by the Group and the tight cash flow in the current and future years, it is not feasible to provide additional funding for Sanjiao CBM Project in the short term. In addition, the restructuring plan proposed by the Group has been disclosed in detail in the announcement dated 13 March 2024. However, due to certain conditional factors, there is still uncertainty regarding the implementation of the restructuring plan (details are provided in Note 1 "Going Concern Assumption" of the financial statements in this announcement). In light of this, the Company has decided to further extend the development timeline of Sanjiao CBM Project. The normal operation of the project and the regular development of blocks will not be affected and will continue to be financially supported by the project's internal funds and income. After considering the revised development plan of Sanjiao CBM Project, the Group's existing financial burden, and other relevant factors, the Group has conducted impairment assessment based on the valuation report of Sanjiao CBM Project as of 31 December 2023, prepared by an independent valuer, resulting in an impairment loss of approximately HK$866,829,000 (2022: HK$388,900,000). Additionally, due to the temporary suspension of the development plan of the liquefied natural gas plant project located in Shanxi, a further impairment loss of HK$2,280,000 was made on the related interest in an associate (2022: HK$15,907,000). During the year, the Group's finance cost amounted to approximately HK$268,231,000 (2022: HK$247,146,000).

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 has 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 of the Ordos Basin in Shanxi and Shaanxi provinces of China. The Group has a 70% interest in the PSC. According to a competent person's 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.

Following the approval of the 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 in July 2017, which shall be valid for 25 years. As of now, all necessary administrative approvals under the current PRC laws and regulations have been granted for exploration, development, exploitation and production of Sanjiao CBM Project.

Infrastructure

As at 31 December 2023, the Sanjiao CBM Project has completed a total of 205 wells, including 23 newly added wells compared with last year, and comprising 150 multilateral horizontal wells and 55 vertical wells. Out of the total 205 wells, 175 wells were in the normal dewatering and gas producing stage, of which 175 wells had accessed to a gas collection pipeline network. A ground pipeline network of approximately 18 kilometers, inter-well pipelines of approximately 121.53 kilometers, and outbound pipelines of approximately 17 kilometers were completed. Approximately total 119.38 kilometers of 10KV power grid and branch power line were also completed. The operation of the CBM processing station is stable and the total CBM daily processing capacity has exceeded 640,000 cubic meters.

Sales

Based on the increased investment in the development of Sanjiao CBM Project over the past few years, both production and sales of CBM have improved during the year. The gas prices have also remained relatively stable, resulting in a growth of approximately 10.6% in annual sales revenue. The overall performance has been satisfactory. In 2023, Sanjiao CBM Project recorded earnings before interest, taxes, depreciation and amortization and before impairment loss of approximately HK$256,793,000 (2022: HK$259,597,000). The CBM sales revenue amounted to approximately HK$352,253,000 (2022: HK$318,642,000). The production and sales volume of CBM were approximately 191.62 million cubic meters (2022: 169.10 million cubic meters) and 186.60 million cubic meters (2022: 165.23 million cubic meters) respectively, resulting in a gas sale-to-production rate of approximately 97.4% (2022: 97.7%). For the year, industrial and residential piped CBM sales accounted for approximately 94.9% (2022: 96.6%) and approximately 5.1% (2022: 3.4%) of total sales respectively.

In addition, the government subsidy and VAT tax refund of approximately HK$11,350,000 (2022: the government subsidy and VAT tax refund of HK$23,904,000) for sales of CBM were received and disclosed in "other income" during the year.

Raw Coal Washing Project Located in Shanxi Province

The Group holds a 75% equity interest of a raw coal washing project located in Qinshui Basin, Shanxi Province. During the year, the revenue from the raw coal washing business recorded a revenue of approximately HK$16,209,000 (2022: HK$217,465,000). In light of the Group's tight cash flow situation and the coal price fluctuations, starting from 2023, the raw coal washing project business model has primarily focused on direct processing to alleviate the financial pressure and risk associated with the previous inventory purchase, processing, and sales model. Despite the decline in revenue due to the shift in the business model to direct processing, the project's operating performance has remained relatively stable compared to that in previous year.

Financial Services

The Group owned a wholly-owned finance leasing company, Shaanxi Zhao Yin Finance Leasing Company Limited in Shaanxi Province ("**Zhaoyin Financing**"). This financial services business is categorized as a non-bank financial institution in the PRC, providing sale-and-leaseback financing, direct finance leasing, and term loan services. In 2023, the main external clients of Zhaoyin Financing were Grade A secondary public hospitals. Within the year, the business recorded a revenue of approximately HK$1,715,000 (2022 : HK$6,973,000).

Financial Review

Liquidity and Financial Resources

As at 31 December 2023, the net liabilities of the Group was approximately HK$169,000,000 (31 December 2022: net assets of HK$1,024,000,000) while its total assets were approximately HK$3,732,000,000 (31 December 2022: HK$4,641,000,000). As at 31 December 2023, the Group had external borrowings including the liability component of convertible note of approximately HK$2,161,000,000 (31 December 2022: HK$2,202,000,000), and the gearing ratio based on total assets was approximately 57.9% (31 December 2022: 47.4%). Information on repayment of the Group's borrowings is set out in note 13 to the financial statements as disclosed in this announcement.

Regarding the issue of net current liabilities as of 31 December 2023, the significant financial pressure arises from the convertible note held by Crescent Spring investment Holdings Limited ("**Crescent Spring**") with a principal and overdue interest of approximately HK$2,069,000,000, which matured in September 2020, and from unsecured corporate bonds with a principal and interest of approximately HK$588,000,000 (the overdue portion totaling approximately HK$413,000,000). This poses a tremendous financial burden.

On 17 August 2022, a corporate bondholder filed winding-up petition（"**Petition**"） with the Court of First Instance of the High Court of the Hong Kong Special Administrative Region for the winding-up of the Company under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance under Companies Winding-up Proceedings No. 281 of 2022, pursuant to the corporate bond issued by the Company, claiming that the total amount outstanding was approximately HK$10,216,000. Details are disclosed in the Company's announcement dated 22 August 2022.

Over the past few years, the Group has been actively seeking suitable investors, exploring all feasible financing options, and engaging in debt restructuring activities to improve its liquidity position. On 8 December 2023, various parties, including investors and Crescent Spring, entered into binding agreements with the Company aimed at restructuring the Group's equity, business, and debts. Detailed information about the transaction has been disclosed in the Company's announcement dated 13 March 2024.

Upon completion of the aforementioned restructuring exercise, the Directors believe that: (i) the Group will obtain necessary funds and repay its outstanding debts through the issuance of Company shares; (ii) the maturity dates of the Company's major debts will be extended, providing the Company with more time to meet its debt obligations; (iii) Crescent Spring and the investors will exercise their convertible bonds after the completion of the restructuring, resulting in a decrease in the Company's debt level and an increase in its equity; and (iv) it will provide further opportunities for the expansion of the Group's business.

Regarding the creditors' scheme meeting held on 8 December 2023, the creditors' scheme has obtained the approval of the requisite statutory majorities of the creditors and details have been disclosed in the Company's announcement dated 8 December 2023. However, as disclosed in our announcements dated 6 March 2024, and 14 March 2024, at the sanction hearing of the Creditors' Scheme on 29 February 2024, the Court has raised some concerns regarding the terms of the Creditors' Scheme. The Company is currently seeking advice to address these issues and has informed the Court of its intention to pursue the proceedings. If the Court's decision is not in favour of the Company, the Company may consider appealing against the Court's decision or changing the terms of the Creditors' Scheme if necessary, so as to proceed with the debt restructuring.

After discussions with investors and considering the advice of the debt restructuring advisors, the directors of the Company remain confident in the successful implementation of the aforementioned restructuring actions, including ultimately obtaining Court approval for the Creditors' Scheme. In addition, considering the stable growth of the Group's core business, Sanjiao CBM Project, in recent years, the Directors, including the Company's audit committee, believe that the Group will be able to resolve the cash flow tightness and meet its financial obligations in the foreseeable future. They are confident that the going concern issue will be resolved

Foreign Exchange Fluctuations

The Group is exposed to currency risk primarily through sales and purchase transactions and recognized liabilities and assets that are denominated in a currency other than the functional currency of the operations to which they relate. As at 31 December 2023, 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 2023, the Group employed approximately 300 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

In recent years, the Chinese government has continuously improved its support policies for the coalbed methane industry, strengthened key technological innovations in coalbed methane development and utilization, and vigorously promoted the large-scale development and utilization of coalbed methane resources, achieving significant results. According to data released by the National Energy Administration in the first quarter of 2024, China's coalbed methane production reached 11.77 billion cubic meters in 2023, a year-on-year increase of 20.5%. Coalbed methane production accounted for approximately 5% of the domestic natural gas supply, with most of the production coming from the Qinshui Basin and the eastern margin of the Ordos Basin. The incremental production accounted for 18%, making it an important supplement to domestic natural gas supply.

The Sanjiao block, located in the Ordos Basin in Shanxi and Shaanxi provinces, is one of the best fully-equipped coalbed methane fields in China and a core business of the Company. We will seize the opportunity to strengthen the exploration of coalbed methane resources, develop new coalbed methane layers, accelerate the construction of a production capacity of 500 million cubic meters, and enhance the coordination of coalbed methane exploration and development technologies and experiences. We aim to increase production and sales volume in the next two years.

At the same time, the Company is working closely with the investors and key creditors to promote and implement the debt restructuring plan, striving to completely resolve the significant financial pressure that has plagued the Company for several years within this year. Although debt restructuring may result in short-term losses for shareholders, it is a necessary step toward achieving long-term stable growth. It will help improve the financial situation and protect shareholder interests, and will have a positive impact on shareholders and investors.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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 2023.

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 2023 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 of the Corporate Governance Code (the "CG Code") set out in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2023 except for the following:

Code Provision C.1.8 of the CG Code provides that appropriate insurance cover in respect of legal action against directors should be arranged. The Company has not had such an insurance cover since May 2022. With the current risk management and internal control systems and the close supervision of the management, the Directors' risk of being sued or getting involved in litigation in the capacity as Directors is relatively low. Benefits to be derived from taking out insurance may not outweigh the cost. Further, pursuant to the Company's Bye-laws and subject to the applicable laws and regulations, the directors shall be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in the execution of their duty in their offices, provided that the indemnity is not extended to any matter involving fraud or dishonesty.

Code Provision C.2.1 stipulates that the roles of the chairman and chief executive officer should be separated and performed by different individuals. Dr. Dai Xiaobing is an Executive Director, the Chairman of the Board and Chief Executive Officer of the Company. The Board believes that having the same individual in both roles as Chairman of the Board and Chief Executive Officer helps to ensure consistent leadership so that the overall strategy of the Group can be implemented more efficiently and effectively. The Board also believes that the balance of power and authority will not be impaired and is adequately ensured by the current Board which comprises experienced and high caliber individuals with three of them being independent non-executive directors.

Code provision F.2.2 stipulates that the chairman of the board should attend the annual general meeting. Dr. Dai Xiaobing, Chairman of the Board, was unable to attend the annual general meeting of the Company held on 21 June 2023 due to other business engagement. The annual general meeting was chaired and conducted by Mr. Wan Tze Fan Terence, an executive director of the Company.

AUDIT COMMITTEE

The Audit Committee 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 consolidated financial statements for the year ended 31 December 2023.

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

Hong Kong, 27 March 2024

As at the date of this announcement, the Board comprises two Executive Directors, namely, Dr. Dai Xiaobing and Mr. Wan Tze Fan Terence; four Non-executive Directors, namely, Mr. King Hap Lee, Mr. Huang Shaowu, Mr. Tsang Hing Bun and Ms. Wong Kai Ling; and three Independent Non-executive Directors, namely, Dr. Wang Yanbin, Dr. Dang Weihua and Mr. Wan Man Wah.