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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the "Board") of Sino Oil and Gas Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2015 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

| | Notes | **2015 (unaudited) HK$'000** | 2014 (unaudited) HK$'000 |
|---|---|---|---|
| Turnover | 5 | **5,963** | 8,516 |
| Direct costs | | **(6,865)** | (8,189) |
| **Gross (loss) / profit** | | **(902)** | 327 |
| Other revenue | 6 | **45,892** | 40,239 |
| Other gains and (losses), net | | **2,037** | 1,859 |
| Administrative expenses | | **(28,553)** | (33,875) |
| **Profit from operations** | | **18,474** | 8,550 |
| Finance costs | 7 | **(3,676)** | (2,245) |
| Share of loss of a joint venture | 14 | **(597)** | (262) |
| Share of loss of an associate | 15 | **(325)** | (138) |
| **Profit before income tax expense** | 7 | **13,876** | 5,905 |
| Income tax expense | 8 | **-** | - |
| **Profit for the period** | | **13,876** | 5,905 |
| **Other comprehensive income, after tax** | | | |
| **Item that may be reclassified to profit and loss:** | | | |
| Exchange difference on translating foreign operation | | **(20,636)** | (28,467) |
| **Total comprehensive income for the period** | | **(6,760)** | (22,562) |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2015

| | Notes | **2015 (unaudited) HK$'000** | 2014 (unaudited) HK$'000 |
|---|---|---|---|
| **Profit attributable to:** | | | |
| - Owners of the Company | | **13,876** | 5,905 |
| - Non-controlling interests | | **-** | - |
| | | **13,876** | 5,905 |
| **Total comprehensive income attributable to:** | | | |
| - Owners of the Company | | **(6,760)** | (22,562) |
| - Non-controlling interests | | **-** | - |
| | | **(6,760)** | (22,562) |
| | | **HK$ (cents)** | HK$ (cents) |
| **Earnings per share** | | | |
| **– Basic** | 10 | **0.0773** | 0.0393 |
| **– Diluted** | 10 | **0.0736** | 0.0390 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

| | Notes | **30.6.2015 (Unaudited) HK$'000** | 31.12.2014 (audited) HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **225,103** | 226,242 |
| Gas exploration and evaluation assets | 12 | **3,804,575** | 3,749,048 |
| Intangible assets | 13 | **460,159** | 227,527 |
| Goodwill | 21 | **37,947** | - |
| Interest in a joint venture | 14 | **310** | 587 |
| Interest in an associate | 15 | **62,148** | 62,448 |
| Deposits and prepayments | 16 | **9,087** | 19,240 |
| Loan receivables | | **2,544** | 2,880 |
| | | **4,601,873** | 4,287,972 |
| **Current assets** | | | |
| Inventories | | **14,895** | 15,163 |
| Trade, notes and other receivables deposits and prepayments | 16 | **302,566** | 295,622 |
| Short-term investment | | **75,411** | 80,330 |
| Loan receivables | | **663** | 637 |
| Cash and cash equivalents | | **56,059** | 19,455 |
| | | **449,594** | 411,207 |
| **Total assets** | | **5,051,467** | 4,699,179 |
| **Current liabilities** | | | |
| Other payables and accruals | 17 | **(159,631)** | (160,030) |
| Warrant liability | | **-** | (1,955) |
| Borrowings | 18 | **(125,060)** | (124,930) |
| Convertible notes | 19 | **(175,748)** | - |
| Taxation | | **(2,376)** | (2,373) |
| | | **(462,815)** | (289,288) |
| **Net current (liabilities) / assets** | | **(13,221)** | 121,919 |
| **Total assets less current liabilities** | | **4,588,652** | 4,409,891 |
| **Non-current liabilities** | | | |
| Provisions | 23 | **(1,280)** | (1,280) |
| Promissory note | 21 | **(106,190)** | - |
| Borrowings | 18 | **(242,922)** | (187,395) |
| Convertible notes | 19 | **(88,064)** | (160,750) |
| Deferred tax | | **(64,569)** | (6,477) |
| | | **(503,025)** | (355,902) |
| **NET ASSETS** | | **4,085,627** | 4,053,989 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2015

| | Notes | **30.6.2015 (Unaudited) HK$'000** | 31.12.2014 (audited) HK$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 20 | **178,804** | 179,539 |
| Reserves | | **3,863,253** | 3,874,450 |
| **Equity attributable to the owners of the Company** | | **4,042,057** | 4,053,989 |
| **Non-controlling interests** | | **43,570** | - |
| **TOTAL EQUITY** | | **4,085,627** | 4,053,989 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015 – unaudited

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Contributed surplus HK$'000 | Share option reserve HK$'000 | Warrant reserve HK$'000 | Convertible note equity reserve HK$'000 | Exchange reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| At 1 January 2015 | 179,539 | 4,362,863 | 81,043 | 35,785 | - | 15,913 | 4,116 | (625,270) | 4,053,989 | - | 4,053,989 |
| Profit for the period | - | - | - | - | - | - | - | 13,876 | 13,876 | - | 13,876 |
| Other comprehensive income | - | - | - | - | - | - | (20,636) | - | (20,636) | - | (20,636) |
| Total comprehensive income for the period | - | - | - | - | - | - | (20,636) | 13,876 | (6,760) | - | (6,760) |
| Issuance of convertible notes | - | - | - | - | - | 10,453 | - | - | 10,453 | - | 10,453 |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | - | - | 43,570 | 43,570 |
| Repurchase of shares | (735) | (14,890) | - | - | - | - | - | - | (15,625) | - | (15,625) |
| **At 30 June 2015** | **178,804** | **4,347,973** | **81,043** | **35,785** | **-** | **26,366** | **(16,520)** | **(611,394)** | **4,042,057** | **43,570** | **4,085,627** |
| At 1 January 2014 | 147,539 | 3,737,663 | 81,043 | 48,020 | 1,250 | 15,913 | 64,984 | (649,175) | 3,447,237 | - | 3,447,237 |
| Profit for the period | - | - | - | - | - | - | - | 5,905 | 5,905 | - | 5,905 |
| Other comprehensive income | - | - | - | - | - | - | (28,467) | - | (28,467) | - | (28,467) |
| Total comprehensive income for the period | - | - | - | - | - | - | (28,467) | 5,905 | (22,562) | - | (22,562) |
| Shares issued on placing | 3,000 | 59,700 | - | - | - | - | - | - | 62,700 | - | 62,700 |
| **At 30 June 2014** | **150,539** | **3,797,363** | **81,043** | **48,020** | **1,250** | **15,913** | **36,517** | **(643,270)** | **3,487,375** | **-** | **3,487,375** |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

| | **2015 (Unaudited) HK$'000** | 2014 (Unaudited) HK$'000 |
|---|---|---|
| **Net cash used in operating activities** | **(5,145)** | (24,799) |
| **Net cash used in investing activities** | **(85,000)** | (40,993) |
| Net cash used before financing activities | **(90,145)** | (65,792) |
| **Net cash generated from financing activities** | **131,219** | 68,294 |
| Net increase in cash and cash equivalents | **41,074** | 2,502 |
| Cash and cash equivalents at 1 January | **19,455** | 17,536 |
| Effect of foreign exchange rate changes on cash and cash equivalents | **(4,470)** | (1,990) |
| Cash and cash equivalents at 30 June, representing cash and bank balances | **56,059** | 18,048 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL

The Company was incorporated as an exempted company with limited liability in Bermuda on 2 November 1999 under the Companies Act 1981 of Bermuda and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 9 February 2000. The registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Suite 3707-3708, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, respectively.

## 2. BASIS OF PREPARATION

The interim financial report of the Group has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The preparation of an interim report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This interim financial report is unaudited, but has been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 December 2014 that is included in this interim financial report as being previously reported information does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company's head office or at the Company's website (www.sino-oilgas.hk). The auditor has expressed an unqualified opinion on those financial statements in his report dated 20 March 2015.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, which have been prepared in accordance with all applicable HKFRSs, except for the new standards, amendments and interpretations of HKFRSs issued by HKICPA which have become effective in this period.

## 4. ADOPTION OF NEW AND REVISED HKFRSs

In the reporting period, the Group has adopted a number of new and revised HKFRSs, issued by the HKICPA that are effective for the accounting period beginning on 1 January 2015. The adoption of these new and revised HKFRSs has no material impact on the Group's financial statements.

The Group has not early adopted the new and revised HKFRSs which have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs and the directors so far concluded that the application of these new and revised HKFRSs will have no material impact on the Group's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

## 5. TURNOVER AND 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 two (2014: two) 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:

i) Oil and gas exploitation: Exploitation and sale of crude oil and natural gas.

ii) Coalbed methane: Exploration, development and production of coalbed methane.

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.

Segment information about these businesses is set out as follows:

**For the six months ended 30 June 2015**

| | Oil and gas exploitation HK$'000 | Coalbed methane HK$'000 | Unallocated – note (i) HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Results** | | | | |
| Revenue from external customers | 5,963 | - | - | 5,963 |
| Segments results – note (ii) | (2,701) | 33,705 | (12,530) | 18,474 |
| Finance costs | (49) | - | (3,627) | (3,676) |
| Share of loss of a joint venture | (597) | - | - | (597) |
| Share of loss of an associate | - | (325) | - | (325) |
| Profit / (loss) before income tax expense | (3,347) | 33,380 | (16,157) | 13,876 |
| Income tax expense | - | - | - | - |
| Profit / (loss) for the period | (3,347) | 33,380 | (16,157) | 13,876 |
| **Assets and liabilities - at 30 June 2015** | | | | |
| Reportable segment assets - note (iii) | 710,103 | 3,939,741 | 401,623 | 5,051,467 |
| Reportable segment liabilities - note (iv) | (18,335) | (364,897) | (582,608) | (965,840) |

# NOTES TO THE FINANCIAL STATEMENTS

## 5. TURNOVER AND SEGMENT REPORTING (Continued)

**For the six months ended 30 June 2014**

| | Oil and gas exploitation HK$'000 | Coalbed methane HK$'000 | Unallocated – note (i) HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Results** | | | | |
| Revenue from external customers | 8,516 | - | - | 8,516 |
| Segments results – note (ii) | (3,015) | 29,167 | (17,602) | 8,550 |
| Finance costs | (30) | - | (2,215) | (2,245) |
| Share of loss of a joint venture | (262) | - | - | (262) |
| Share of loss of an associate | - | (138) | - | (138) |
| Profit / (loss) before income tax expense | (3,307) | 29,029 | (19,817) | 5,905 |
| Income tax expense | - | - | - | - |
| Profit / (loss) for the period | (3,307) | 29,029 | (19,817) | 5,905 |
| **Assets and liabilities - at 31 December 2014** | | | | |
| Reportable segment assets - note (iii) | 734,579 | 3,868,464 | 96,136 | 4,699,179 |
| Reportable segment liabilities - note (iv) | (20,644) | (434,270) | (190,276) | (645,190) |

Notes:

(i) Unallocated results before finance costs mainly include salaries, rental expense and professional fees for Hong Kong head office.

(ii) Included in the segment result of coalbed methane segment is other revenue from trial sale of coalbed methane generated from the Sanjiao PSC of HK$42,268,000 (six months ended 30 June 2014: HK$28,352,000) and the related government subsidies of HK$nil (six months ended 30 June 2014: HK$10,280,000) (note 6).

(iii) Unallocated segment assets mainly include cash and cash equivalent for Hong Kong head office and the intangible assets of HK$232,612,000 and goodwill of HK$37,947,000 arising from the acquisition of subsidiaries in 2015. The principal activity of the subsidiary is raw coal washing business. As the operation and the result of the coal washing business are insignificant to the Group for the period ended 30 June 2015, it is not separately disclosed as a business segment.

(iv) Unallocated segment liabilities mainly include convertible notes, unsecured borrowings, consideration payable and promissory note.

# NOTES TO THE FINANCIAL STATEMENTS

## 6. OTHER REVENUE

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | **HK$'000** | HK$'000 |
| Interest income | | |
| - bank deposits | **148** | 114 |
| - short-term investment | **3,266** | - |
| Total interest income on financial assets that are not at fair value through profit or loss | **3,414** | 114 |
| Income from sale of coalbed methane – note | **42,268** | 28,352 |
| Government subsidies | **-** | 10,280 |
| Sub-lease income | **-** | 1,005 |
| Others | **210** | 488 |
| | **45,892** | 40,239 |

Note: It represents trial sale of coalbed methane generated from the Sanjiao Production Sharing Contract ("Sanjiao PSC").

## 7. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | **HK$'000** | HK$'000 |
| **a) Finance costs** | | |
| Interest on borrowings wholly repayable within five years | **12,488** | 20,920 |
| Imputed interest expense on convertible notes – note 19 | **15,762** | 12,813 |
| Amortisation of transaction costs on issue of convertible notes – note 19 | **1,504** | 1,405 |
| Interest on corporate bonds | **1,863** | - |
| Interest on promissory note | **1,092** | - |
| Amortisation of transaction cost on corporate bonds | **672** | - |
| Interest on other loans | **-** | 2,115 |
| Interest on amounts due to shareholders | **-** | 443 |
| Others | **794** | 30 |
| | **34,175** | 37,726 |
| Less: interest capitalised on gas exploration and evaluation assets – note 12 | **(30,499)** | (35,481) |
| | **3,676** | 2,245 |

# NOTES TO THE FINANCIAL STATEMENTS

## 7. PROFIT BEFORE INCOME TAX EXPENSE (Continued)

Profit before income tax expense is arrived at after charging:

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | **HK$'000** | HK$'000 |
| **b) Staff costs (including directors' remuneration)** | | |
| Salaries, wages and other benefits | **16,239** | 18,300 |
| Contributions to defined contribution retirement plan | **819** | 958 |
| | **17,058** | 19,258 |
| **c) Other items** | | |
| Depreciation of property, plant and equipment | **1,214** | 1,458 |
| Amortisation of intangible assets | **215** | 338 |
| Minimum lease payments under operating leases - property rentals | **2,486** | 3,285 |

## 8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the financial statements as the Group did not derive any income subject to Hong Kong profits tax for the six months ended 30 June 2015 and 2014. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the period. During the six months ended 30 June 2015 and 2014, the PRC subsidiaries had no assessable profit subject to PRC income tax after offsetting with available tax losses.

## 9. DIVIDENDS

The directors have not declared nor proposed any dividends in respect of the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

## 10. EARNINGS PER SHARE

### a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$13,876,000 (six months ended 30 June 2014: HK$5,905,000) and the weighted average of 17,949,146,000 ordinary shares (six months ended 30 June 2014: 15,029,069,000 ordinary shares) in issue during the period.

### b) Diluted earnings per share

The calculation of the diluted earnings per share attributable to the owners of the Company is based on the following data:

| | **2015** **HK$'000** | 2014 HK$'000 |
|---|---|---|
| Profit for the purposes of basic earnings per share | **13,876** | 5,905 |
| Effect of dilutive potential ordinary shares: | | |
| - Imputed interest on convertible notes | **15,762** | 12,813 |
| - Amortisation of convertible notes transaction costs | **1,504** | 1,405 |
| Less: interest capitalised as gas exploration and evaluation assets | **(17,266)** | (14,218) |
| Profit for the purposes of diluted Earnings per share | **13,876** | 5,905 |

| | **2015** **'000** | 2014 '000 |
|---|---|---|
| Weighted average number of ordinary shares in issue during the year | **17,949,146** | 15,029,069 |
| Effect of dilutive potential ordinary shares: | | |
| - Convertible notes | **898,204** | 114,095 |
| Weighted average number of ordinary shares in issue during the year for the purposes of diluted earnings per share | **18,847,350** | 15,143,164 |

For the period ended 30 June 2015 and 2014, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options, convertible notes (where applicable) and warrants (if any) as the exercise price of those share options, convertible notes and warrants is higher than the average market price for shares.

# NOTES TO THE FINANCIAL STATEMENTS

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group incurred capital expenditure on property, plant and equipment with a cost of HK$103,000 (six months ended 30 June 2014: HK$76,000).

## 12. GAS EXPLORATION AND EVALUATION ASSETS

The gas exploration and evaluation assets mainly comprised the exploratory drilling, trenching costs and interest expenses capitalised in respect of the coalbed methane project in the PRC.

During the six months ended 30 June 2015, the Group incurred capital expenditure of HK$23,441,000 (six months ended 30 June 2014: HK$36,902,000) and interest capitalised is HK$30,499,000 (six months ended 30 June 2014: HK$35,481,000). No amortisation is provided for during the period as the project is not yet in its production stage.

At 30 June 2015, certain gas exploration and evaluation assets with a carrying value of HK$594,581,000 (31 December 2014: HK$593,571,000) are pledged to secure the Group's secured borrowings as set out in note 18.

## 13. INTANGIBLE ASSETS

During the six months ended 30 June 2015, the Group acquired an intangible assets of HK$232,371,000 (six months ended 30 June 2014: nil) as a result of acquisition of subsidiaries in 2015. Details are set out in note 21.

## 14. INTEREST IN A JOINT VENTURE

| | **30.6.2015** | 31.12.2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Share of net assets | | |
| As at 1 January | **587** | 1,215 |
| Share of loss for the period / year | **(597)** | (628) |
| Amount due from a joint venture | **320** | - |
| | **310** | 587 |

## NOTES TO THE FINANCIAL STATEMENTS

### 15. INTEREST IN AN ASSOCIATE

| | **30.6.2015** | 31.12.2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| As at 1 January | **62,448** | 62,731 |
| Share of loss for the period/year | **(325)** | (283) |
| Exchange difference | **25** | - |
| | **62,148** | 62,448 |

### 16. TRADE, NOTES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | **30.6.2015** | 31.12.2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Non-current assets | | |
| Deposits and prepayments – note (ii) & (iii) | **9,087** | 19,240 |
| Current assets | | |
| Trade receivables – note (i) | **3,416** | 4,811 |
| Notes receivables | **2,751** | 3,123 |
| Other receivables | **39,495** | 14,997 |
| | **45,662** | 22,931 |
| Utility deposits | **722** | 887 |
| Other deposits and prepayments – note (iv) | **256,182** | 271,804 |
| | **256,904** | 272,691 |
| | **302,566** | 295,622 |

Notes:

(i) Trade receivables are expected to be recovered within one year. 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 one customer which has good business track records with the Group. Ageing analysis of trade receivables is as follows:

| | **30.6.2015** | 31.12.2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 1 – 30 days | **725** | 736 |
| 31 – 60 days | **640** | 639 |
| 61 – 90 days | **602** | 845 |
| Over 90 days | **1,449** | 2,591 |
| | **3,416** | 4,811 |

## 16. TRADE, NOTES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(ii) Prepayments include prepaid exploration costs of HK$8,850,000 (31 December 2014: HK$9,751,000) on gas evaluation and exploration assets.

(iii) The balance includes a guarantee deposit of HK$237,000 (31 December 2014: HK$9,489,000) paid to secure one of the Group's secured borrowings as set out in note 18.

(iv) The balance includes deposit of HK$248,556,000 (31 December 2014: HK$267,588,000) paid for possible acquisitions of Canada oil fields as disclosed in the Company's announcement dated 30 June 2014 and 1 September 2014 respectively. On 30 June 2014, a wholly-owned subsidiary of the Company has entered into 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 paying 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. On 30 April 2015, 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 (or such later date to be agreed by the parties thereto). 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 result announcement, the Group is still performing the due diligence review.

## 17. OTHER PAYABLES AND ACCRUALS

| | **30.6.2015**<br>**HK$'000** | 31.12.2014<br>HK$'000 |
|---|---|---|
| Other payables and accruals – note | **128,492** | 135,680 |
| Consideration payable | **12,466** | - |
| Amounts due to a shareholder | **18,673** | 24,350 |
| | **159,631** | 160,030 |

Note: Other payables and accruals represent mainly the exploration costs payable in respect of gas exploration and evaluation assets and oil and gas properties.

## NOTES TO THE FINANCIAL STATEMENTS

## 18. BORROWINGS

| | **30.6.2015** | 31.12.2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Secured interest-bearing borrowings – note (ii) | **250,120** | 312,325 |
| Corporate bonds – note (iii) | **117,862** | - |
| | **367,982** | 312,325 |
| Secured | **250,120** | 312,325 |
| Unsecured | **117,862** | - |
| | **367,982** | 312,325 |
| - On demand or within one year | **125,060** | 124,930 |
| - More than one year, but not exceeding two years | **125,060** | 124,930 |
| - More than five years | **117,862** | 62,465 |
| | **367,982** | 312,325 |
| Less: Amount shown under current liabilities | **(125,060)** | (124,930) |
| Non- current portion | **242,922** | 187,395 |

Notes:

(i) The range of effective interest rates on the Group's borrowings for the six month ended 2015 and 2014 are as follows:

| | **2015** | 2014 |
|---|---|---|
| Secured interest-bearing borrowings | **8.25% -9.00%** | 8.9% - 11.685% |
| Corporate bonds | **6% - 7%** | - |

(ii) The secured interest-bearing borrowings are secured by certain assets of the Group as set out in notes 12 and 16 and by personal guarantee from a director of the Company, all the trade receivable from sales of Sanjiao PSC, certain number of shares of the Company and a corporate guarantee by the Company.

(iii) As at 30 June 2015, the corporate bonds with principal amounts of HK$135,000,000 carried fixed interest rate ranging from 6% to 7% per annum with maturity in 7 years.

## 19. CONVERTIBLE NOTES

| | Liability component HK$'000 | Equity component HK$'000 |
|---|---|---|
| At 1 January 2014 | **134,920** | **15,913** |
| Amortisation of transaction costs – note 7(a) | **2,811** | **-** |
| Imputed interest expense – note 7(a) | **26,690** | **-** |
| Interest paid | **(3,671)** | **-** |
| At 31 December 2014 and 1 January 2015 | **160,750** | **15,913** |
| Fair value of convertible notes issued on 19 June 2015 | **89,322** | **10,678** |
| Transaction costs on issue | **(1,775)** | **(225)** |
| | **87,547** | **10,453** |
| Amortisation of transaction costs – note 7(a) | **1,504** | **-** |
| Imputed interest expense – note 7(a) | **15,762** | **-** |
| Interest paid | **(1,751)** | **-** |
| At 30 June 2015 | **263,812** | **26,366** |

On 19 June 2015, the company issued convertible bonds in an aggregate principal amount of HK$100,000,000 with a 8% coupon rate. The convertible notes were denominated in Hong Kong Dollar and will mature in two years from the issue date. The notes can be converted to ordinary shares of the Company at the holder's option at the rate of HK$0.226 per share.

Analysis of maturity of convertible notes is as follows:

| | **30.6.2015 HK$'000** | 31.12.2014 HK$'000 |
|---|---|---|
| Current portion | **175,748** | - |
| Non-current portion | **88,064** | 160,750 |
| | **263,812** | 160,750 |

Imputed interest expense on the convertible notes with the maturity date on 26 April 2016 and 18 June 2017 was charged at the rate of approximately 18.67% and 18.96% per annum respectively calculated using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

## 20. SHARE CAPITAL

| | Number of shares '000 | Amount HK$'000 |
|---|---|---|
| Issued and fully paid | | |
| At 1 January 2014 | 14,753,931 | 147,539 |
| Shares issued on placing | 3,200,000 | 32,000 |
| At 31 December 2014 and at 1 January 2015 | 17,953,931 | 179,539 |
| Shares repurchased - note | (73,500) | (735) |
| At 30 June 2015 | 17,880,431 | 178,804 |

Note: During the six months ended 30 June 2015, the Company repurchased a total of 73,500,000 shares of the Company at an aggregate consideration of approximately HK$15,625,000. Out of 73,500,000 shares repurchased, 5,000,000 shares were cancelled during the period while the remaining 68,500,000 shares were cancelled on 29 July 2015.

## 21. ACQUISITION OF SUBSIDIARIES

During the period ended 30 June 2015, the Group acquired 75% equity interest of Golden Glow Holdings Limited and its subsidiaries ("Golden Group") at consideration of RMB135,000,000 (equivalent to HK$168,656,000). The principal activity of Golden Group is raw coal washing.

The fair values of net assets acquired at the date of acquisition are as follows:

| | HK$'000 | HK$'000 |
|---|---|---|
| Intangible assets | 232,371 | |
| Deferred tax liabilities | (58,092) | |
| Non-controlling interests | (43,570) | |
| | | 130,709 |
| Total consideration satisfied by : | | |
| Cash - note (i) | 62,466 | |
| Promissory note - note (ii) | 106,190 | |
| | | 168,656 |
| Goodwill | | 37,947 |

## 21. ACQUISITION OF SUBSIDIARIES (Continued)

Notes :

(i) HK$50,000,000 was settled during the period while the remaining was settled in July 2015.

(ii) The promissory note of HK$106,190,000 (equivalent to RMB85,000,000) is unsecured, 8% per annum interest bearing and will mature in three years from the date of issue of the promissory note on 15 May 2015.

(iii) Golden Group has a 10-year guaranteed supply agreement with adjacent coal mines. The vendor irrevocably guaranteed the Group that from 1 July 2015 until 30 June 2021, six years in total, the total net profit attributable to the Company after tax per annum from the Golden Group should not be less than RMB30,000,000. If the actual profit is less than the guaranteed profit, the vendor has to pay the difference.

## NOTES TO THE FINANCIAL STATEMENTS

## 22. COMMITMENTS

### a) Operating lease commitments - Lessee

At 30 June 2015, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

| | **30.6.2015** | 31.12.2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 1 year | **1,886** | 4,463 |
| After 1 year but within 5 years | **-** | 239 |
| | **1,886** | 4,702 |

The Group is the lessee of a number of properties held under operating leases. The leases typically run for an initial period of one to two years without an extension option. None of the leases includes contingent rentals.

### b) Capital commitments

(i) Authorised but not contracted

At 30 June 2015 and 31 December 2014, the Group was committed to develop a total 9 (31 December 2014:9) new oil wells under the development contracts of the Liuluoyu Oil Field and Yanjiawan Oil Field. The estimated total capital expenditure for developing these new oil wells is approximately HK$10.4 million (31 December 2014: HK$10.1 million).

(ii) Contracted but not provided for

| | **30.6.2015** | 31.12.2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Commitments in respect of the Sanjiao PSC | **95,081** | 96,231 |

## 23. CONTINGENT LIABILITIES

The Group carries out oil exploitation operations in the PRC. The PRC has adopted environmental laws and regulations that affect the operations of the oil industry. The outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material. Under the existing legislations, however, management believes that there are no probable liabilities that will have a material adverse effect on the financial position of the Group.

The Group also engages in the exploration, development and production of coalbed methane resources. The consequence of coalbed mining includes dismantlement and demolition of infrastructure in the mining sites. The Group may have obligations to make payments for restoration and rehabilitation of the land after the sites have been extracted. At 30 June 2015, a provision of HK$1,280,000 (31 December 2014: HK$1,280,000) was made in the condensed consolidated statement of financial position.

## 24. MATERIAL RELATED PARTY TRANSACTIONS

**Key management personnel remuneration**

Details of compensation paid to key management personnel including the directors of the Company are as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2015** | 2014 |
| | **HK$'000** | HK$'000 |
| Salaries and other benefits including the contribution to defined contribution retirement plan | **6,623** | 8,341 |

## 25. EVENT AFTER REPORTING PERIOD

There has been no significant event since 30 June 2015.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the six months ended 30 June 2015, Sino Oil and Gas Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") recorded a net profit of approximately HK$13,876,000 (2014 interim: approximately HK$5,905,000), which has been significantly increased by approximately 135% compared to the same period last year.

The other revenue generated from the trial sales of coalbed methane ("CBM") has increased by approximately 49%, amounting to HK$42,268,000 (2014 interim: HK$28,352,000), mainly attributed to the infrastructure of Sanjiao CBM project has been nearly completed, including the CBM processing station and related sales pipelines, leading to the increase of CBM sales-to-production ratio, as well as the CBM price for industrial users has been raised by 13.9% compared to the same period last year. Following the trial sales of CBM further elevated, the CBM project has already become one of the major source of the Group's revenue composition.

During the period, the Group's further enhanced the internal cost controls, thereby the administrative expenses have been successfully reduced by approximately 15.7%. Turnover for the first half amounted to approximately HK$5,963,000 (2014 interim: approximately HK$8,516,000), which only included the results from oil exploitation operations in Liuluoyu, Yanjiawan and Jinzhuang oil fields in Shaanxi Province.

### 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 report provided to the Company in November 2011, the proved and probable CBM reserves of Sanjiao block amounted to 405.6 billion cubic feet (approximately 11.5 billion cubic meters).

In August 2012, China National Development and Reform Commission ("NDRC") – National Energy Administration ("NEA") granted a reply to the application of a submitted overall development plan ("ODP") for the development of the Sanjiao CBM project. It is an important milestone for the project to enter into commercial production process. The Group has completed all necessary assessment reports and granted all required governmental approvals. It is expected that the final approval of ODP is going to be granted in the near future.

Pursuant to the provisions of the "Regulations on Exploitation of Onshore Petroleum Resources in Cooperation with Foreign Enterprises", Sanjiao CBM block will not step into sizable development and production phase until obtained the ODP approval issued by NDRC. Therefore, the approval of ODP will represent Sanjiao CBM project officially enters into the sizable development and production phase. Upon entering into the development stage, both the PRC and foreign parties will jointly invest proportionately according to PSC, and will substantially increase the productivity and sales of CBM.

In March 2015, the Group's Sanjiao CBM project was listed on the Official Announcement of Key Construction Works in 2015, issued by the Office of the Shanxi People's Government as one of the key CBM projects. It implies that the Government of Shanxi Province highly recognizes the promising value of the Group's CBM pre-exploration work. It is also an encouragement and assurance towards the future development of Sanjiao Block.

### Infrastructure

At the end of 30 June 2015, the Sanjiao CBM project has completed a total of 73 wells, comprising 40 multilateral horizontal wells and 33 vertical wells. Out of the total 73 wells, 65 wells were in the normal dewatering stage, of which 55 wells had accessed to a gas collection pipeline network. A ground pipeline network of approximately 18 kilometers, inter-well pipelines of approximately 39 kilometers, and outbound pipelines of approximately 17 kilometers were completed. Approximately total 49 kilometers of 10KV power grid and branch power line were also completed.

The Company has adopted multi-lateral horizontal well-drilling systems designed by the US oil service professionals. Simultaneously, with constant enhancement to dewatering and extraction technologies, the Group was able to maintain a stable initial capacity of production so as to prepare for steady growth over the long term, thus helping to achieve a favourable sales-to-production rate.

In the first half of 2015, the Group has gradually expanded the CBM processing station and increased 75,000 cubic meters to the CBM daily processing capacity. As a result, the total CBM daily processing capacity has reached 225,000 cubic meters by now. In order to cope with the increasing CBM production in Sanjiao, the Group will expand the station's capacity of CBM processing continuously.

In addition, in December 2012, through its wholly-owned subsidiary Pipeline International Limited, the Group acquired a 30% equity interest in a Sino-foreign joint venture – Shanxi Guo Liang CBM Development Limited ("Guo Liang Limited"). Guo Liang Limited is in the process of setting up a liquefied natural gas ("LNG") station with daily processing capacity of 1.2 million cubic meters in the Sanjiao area of Shanxi Province. The first phase design of the LNG station, with a daily processing capacity of 300,000 cubic meters, has been completed and will be constructed in line with the schedule of ODP approval. Upon completion, the LNG station will broaden the Sanjiao project's sales channels.

### Sales

According to the "Notice Regarding Adjustment of Natural Gas Price for Non-Residential Users" issued by NDRC in the second half of 2014, the Group and PetroChina have jointly decided to increase the gas selling price for industrial users of the Sanjiao CBM project. The gas selling price was increased by RMB0.25 per cubic meter with retrospective effect from 1 September 2014. The rate of increase is nearly 14%. The price adjustment had an immediate and significant positive impact on the revenue and earnings of the Sanjiao project.

In addition, the Ministry of Finance has released the government subsidies on 2014 CBM sales by end of July 2015 on the basis of RMB0.2 per cubic meter in accordance with state policy.

The Group's Sanjiao CBM project are currently using three designated CBM pipelines in the Sanjiao block and its surrounding areas, built by the Shanxi provincial government as its major sales channels. These pipelines are all constructed and invested by third parties, including (1) the CBM pipeline from Sanjiao to Linxian for gas supply for residential, commercial and industrial use, as well as heating in winter, with an annual designed gas transmission capacity of 350 million cubic meters; (2) the designated CBM pipeline of the Sanjiao CBM block for gas supply to Senze Coal & Aluminum Group, a local coal processor and aluminum manufacturer, with an annual designed gas transmission capacity of 350 million cubic meters; and (3) the CBM pipeline from Sanjiao to Luliang (for gas supply to Xiaoyi and central Shanxi). All three pipelines are currently operational.

During the period, the Sanjiao project recorded CBM production of approximately 27.9 million cubic meters (2014 interim: approximately 22.93 million cubic meters) and CBM sales of approximately 27.38 million cubic meters (2014 interim: approximately 20.53 million cubic meters), resulting in a gas sale-to-production rate of approximately 98.1% (2014 interim: approximately 89.5%). In terms of the composition of gas sales throughout this period, industrial piped CBM sales accounted for approximately 89.7% of total sales (2014 interim: approximately 89.7%), while residential piped CBM sales contributed approximately 10.3% (2014 interim: approximately 10.1%). Total piped CBM sales accounted for nearly 100% of total gas sales during the period (2014 interim: approximately 99.8%).

The Sanjiao CBM project has recorded operating profit during the period. With the positive impact of uplifting sales and price, the project's long-term outlook for profitability is promising.

***Oilfields Located in Shaanxi Province—Liuluoyu, Yanjiawan and Jinzhuang***

In order to be well prepared for the rapid development of CBM business, the Group has optimised its resources allocation to focus on the development of Sanjiao CBM project in recent years. The crude oil business development is relatively slower.

For the period ended 30 June 2015, three oilfields in Liuluoyu, Yanjiawan and Jinzhuang, located at the Ordos Basin in Shaanxi Province, yielded an aggregate crude oil output of approximately 1,900 tonnes (2014 interim: approximately 2,400 tonnes).

***Raw Coal Washing Project Located in Shanxi Province***

For the Group's business expansion in China, it successfully acquired a 75% equity interest of a raw coal washing project company located in Qinshui Basin, Shanxi Province in May 2015. The project company has a 10-year guaranteed supply agreement with adjacent coal mines. Also, the vendor has irrevocably guaranteed the Group that from 1 July 2015 until 30 June 2021, six years in total, the total net profit attributable to shareholders after tax per annum of the project company will not be less than RMB 30,000,000. If the actual profit is less than the guaranteed profit, the vendor has to make up the difference. As per a professional valuer, the estimated value of the project company by the time of acquisition is approximately RMB 186,000,000. The Group's total consideration of acquiring the project is RMB 135,000,000. The cash consideration is RMB 50,000,000 and the remaining amount will be payable by the promissory note of RMB 85,000,000 at the interest rate of 8% per annum for a term of 3 years.

The raw coal supplier of the project is a large scale state-owned coal enterprise in Qinshui basin and thereby the raw materials supply is stable. Also, relevant coal sales agreements have been signed with related downstream customers. The project has been officially launched on 1 July 2015 and is expected to bring a steady cash flow to the Group in the near future.

Meanwhile, since Qinshui basin is one of the regions with the richest CBM reserves in China, through this project, the Group would like to actively seek the opportunities to further collaborate with local large scale coal enterprises for CBM business development.

***Capital Expenditure***

As the Sanjiao CBM project is yet to enter into the development and production phase, the income generated from trial sales of CBM was recorded as other revenue. Therefore, a substantial portion of expenditure incurred in relation to Sanjiao CBM project has been capitalised. For the period ended 30 June 2015, the total expenditure capitalised was approximately HK$53.94 million (2014 interim: approximately HK$ 72.4 million), which mainly comprises of (i) gas exploration expenses, (ii) direct expenses and (iii) finance expenses, The breakdown of which is as follows:

(i) Gas exploration expenses mainly representing dewatering expenses amounted for approximately HK$8.11 million (2014 interim: approximately HK$ 5.8 million) and ground facility expenditure amounted to approximately HK$4 million (2014 interim: approximately HK$ 2.9 million), there is no significant drilling expenses during the period (2014 interim drilling expenses: approximately HK$ 13.7 million).

(ii) Direct expenses mainly represent direct labour cost (included, but not limit to, petroleum engineers and geologists etc.) amounted to approximately HK$10.11 million (2014 interim: approximately HK$ 10.4 million)and other direct cost incidental to the exploration and development of the Sanjiao CBM Project amounted to approximately HK$1.22 million (2014 interim: approximately HK$ 4.1 million); and

(iii) The total finance expenses capitalized during the period was approximately HK$30.5 million (2014 interim: approximately HK$ 35.5 million).

For the period ended 30 June 2015, there were no significant drilling activities performed in the oilfields located in Shaanxi Province (2014 interim: 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 ("MOU") in June and September 2014. The acquisition target is an oilfield located in Alberta Province, Canada.

According to the MOUs, the Group is now conducting due diligence review on the resources and financial aspect of the target groups, as well as taking a comprehensive and in-depth evaluation towards these resources to ensure the project acquisition is in the best interests of the Group and its shareholders as a whole. This potential acquisition will further diversify the Group's global resources allocation, balance the development of the gas and oil business portfolio and expand its operational capacity to reinforce its position as the international oil and gas explorer and developer and enhance the shareholders' value.

As such, on 30 April 2015, the Purchaser 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 (or such later date to be agreed by the parties thereto). The Board considers that such extension of the time limit for entering into formal agreements and the exclusive periods to 31 December 2015 would be in the interest of the Company and the Shareholders as a whole. 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.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As of 30 June 2015, the net assets of the Group were approximately HK$4,086,000,000 (31 December 2014: approximately HK$4,054,000,000) while its total assets were approximately HK$5,051,000,000 (31 December 2014: approximately HK$4,699,000,000). As of 30 June 2014, the Group had external borrowings including the liability component of convertible notes of approximately HK$631,794,000 (31 December 2014: approximately HK$473,075,000), and the gearing ratio based on total assets was approximately 12.51% (31 December 2014: approximately 10.06%). Details of the Group's pledge of assets and the maturity profile of the Group's borrowings are set out in note 18 to the financial statements as disclosed in this announcement. By the end of June 2015, the current ratio was approximately 0.97 (31 December 2014: approximately 1.42). As at 30 June 2015, data reflected the gearing ratio is maintaining a reasonable level and the liquidity position is expected to improve significantly following the growth of sales of CBM. The Group's overall financial situation has become more healthy and stable .

As of January 2015, the Group has appointed its placing agent, for the issue of bonds up to an aggregate amount of HK$300,000,000 (the "Bonds"). The Bonds bear interest of 6% to 7% per annum, are unsecured and transferrable and with maturity dates of 84 months immediately following the respective dates of issue of the Bonds. The proceeds from the issue of the Bonds will be used as general working capital of the Group and/or settlement of loans.

As of June 2015, Harvest Progress International Limited and the Group entered into the subscription agreement to subscribe in cash for convertible bonds in the aggregate principal amount of up to HK$100,000,000 due 2017. The net proceeds from the issue of the Convertible Bonds of approximately HK$99,000,000 will be used for the general working capital of the Group, including but not limited to Sanjiao CBM project and settlement of related project loans.

Apart from the above financing sources, the Group's subsidiary, Orion, may utilize the remaining loan facility of RMB600 million provided by CDB Leasing Co., Ltd. as and when needed upon approval of the ODP. With sufficient funding, the overall financial position of the Group has strengthened steadily, and with the satisfactory operation and development of the Sanjiao CBM project, the Group is able to meet its financing needs for developing various oil and gas projects.

### 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 of 30 June 2015, 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 of 30 June 2015, the Group employed approximately 350 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

Driven by the increasing energy demand and the awareness of environmental protection, China's natural gas industry is growing rapidly. Furthermore, China has rich reserves of CBM resources. As an important supplement to conventional gas in China, the development of CBM helps to make up the demand and supply gap of natural gas, release the pressure of meeting the emission reduction goal and optimise energy structure, as well as having strategic meanings for achieving the economic transformation. Therefore, the Chinese Government has formulated a series of supportive policies to encourage the development of CBM industry.

In 2015, the China National Energy Administration issued "An Action Plan for Coalbed Methane Prospects and Extraction " ("Action Plan"), which planned in detail the CMB exploration and development during the end of "12th Five-Year Plan" and "13th Five-Year Plan". As mentioned in the Action Plan, three to four CBM industrial bases should be built by the year of 2020. Meanwhile, the gas drainage volume should strive to reach 40 billion cubic meters, of which ground extraction volume shall reach 20 billion cubic meters. The amount of ground extraction CBM in 2014 was 3.6 billion cubic meters, and aiming to achieve 20 billion cubic meters by 2020, which means that the Compound Annual Growth Rate of CBM ground extraction will be 33%. It shows that in the next few years, there will be an even more sizable exploration and development of CMB, which implies that the CBM industry will enter into a rapid growth period.

The Group's business development is principally engaged in gas and oil exploitation. It will actively expand the exploration and production of the Sanjiao CBM project in the eastern edge of Ordos Basin, an area listed by NEA as a core CBM production base in China. The Sanjiao block has been listed as a core development project under both the "12th Five-Year Plan" and "13th Five-Year Plan". It is expected that the project will be able to enjoy stronger policy support in terms of the use of land, government approvals and financing.

With huge growth potential and stable increasing trend in selling price of CBM, it will have substantial positive impact to the sales of Sanjiao project and its contribution to the Group's revenue. On this basis, the Group will implement active and prudent financial strategies, and seek opportunities to acquire high-quality CBM resources in China to expand and strengthen our CBM business and become a leading unconventional gas producer in China.

Currently, the international oil price has dropped with the trend of continuous decline, and it has provided the oil and gas companies with good opportunities of overseas acquisition which could lead to a new oil and gas mergers and acquisitions wave. The Group will also seek mergers and acquisitions opportunities of high-quality oil and gas resources globally, balance the development of oil and gas business portfolio, strengthen the overseas business plan and thus steadily put forward the international development process.

In the future, gas and oil exploration and development will continue to be the Group's core business: strengthening the core competitiveness, optimising resource allocation and enhancing business return. The Group strives to become a professional international oil and gas upstream player and is committed to provide all shareholders with fruitful returns.

## OTHER INFORMATION

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2015, the Company repurchased a total of 73,500,000 shares of the Company at an aggregate consideration of approximately HK$15,625,235 (excluding expenses) on The Stock Exchange of Hong Kong Limited for enhancing its per share's net asset value and earnings. Out of 73,500,000 shares repurchased, 5,000,000 shares were cancelled during the period while the remaining 68,500,000 shares were cancelled subsequently. Details of the repurchase of shares are as follows:

| Month of repurchase in the six months ended 30 June 2015 | Number of shares repurchased | Price per share Highest HK$ | Price per share Lowest HK$ | Total consideration (excluding expenses) HK$ |
|---|---|---|---|---|
| April 2015 | 5,000,000 | 0.187 | 0.184 | 931,465 |
| June 2015 | 68,500,000 | 0.218 | 0.211 | 14,693,770 |
| Total: | 73,500,000 | | | 15,625,235 |

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 six months ended 30 June 2015.

### AUDIT COMMITTEE

The Audit Committee, which comprises Mr. Wong Kwok Chuen Peter, Professor Wong Lung Tak Patrick and Dr. Wang Yanbin, has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim report of the Company for the six months ended 30 June 2015.

## CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2015.

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

Hong Kong, 21 August 2015

*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, Mr. Chen Hua, Mr. Huang Shaowu and 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.*