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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015, together with the comparative figures for the last year as follows:

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015
(Expressed in Hong Kong Dollars)

	Notes	2015 HK$'000	2014 HK$'000
Turnover	3 & 10	67,021	16,540
Direct cost		(63,358)	(19,739)
Gross profit / (loss)		3,663	(3,199)
Other revenue	4	95,327	76,385
Other losses, net	5	(410,104)	(1,126)
Administrative expense		(149,735)	(62,101)
(Loss)/profit from operations		(460,849)	9,959
Finance costs	6(a)	(6,008)	(329)
Share of loss of a joint venture		(587)	(628)
Share of loss of an associate	12	(1,203)	(283)
(Loss)/profit before income tax expense	6	(468,647)	8,719
Income tax (expense)/credit	7	(9,064)	1,701
(Loss)/profit for the year		(477,711)	10,420
Other comprehensive income, after tax			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operation		(110,428)	(60,868)
Total comprehensive income for the year		(588,139)	(50,448)

Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2015
(Expressed in Hong Kong Dollars)

	Notes	2015 HK$'000	2014 HK$'000
(Loss)/profit attributable to:			
Owners of the Company		(478,521)	10,420
Non-controlling interests		810	-
		(477,711)	10,420
Total comprehensive income attributable to:			
Owners of the Company		(588,922)	(50,448)
Non-controlling interests		783	-
		(588,139)	(50,448)
(Loss)/earning per share			
- Basic	9	(2.682) HK cents	0.064 HK cents
- Diluted	9	N/A	0.060 HK cents

Consolidated Statement of Financial Position

At 31 December 2015
(Expressed in Hong Kong Dollars)

	Notes	2015 HK$'000	2015 HK$'000	2014 HK$'000	2014 HK$'000
Non-current assets					
Property, plant and equipment			1,699,730		226,242
Gas exploration and evaluation assets	11		-		3,749,048
Payment for leasehold land held for own use			4,812		-
Intangible assets			2,341,404		227,527
Goodwill			99,896		-
Interest in a joint venture			-		587
Interest in an associate	12		60,118		62,448
Available-for-sale investment			22,417		-
Deposits and prepayments	14		21,235		19,240
Loan receivables	13		2,092		2,880
Total non-current assets			4,251,704		4,287,972
Current assets					
Inventories		10,981		15,163	
Trade, notes and other receivables, deposits and prepayments	14	289,122		295,622	
Short-term investment	15	76,729		80,330	
Loan receivables	13	1,267		637	
Amount due from a joint venture		320		-	
Cash and cash equivalents		35,564		19,455	
Total current assets		413,983		411,207	
Total assets			4,665,687		4,699,179
Current liabilities					
Other payables and accruals	16	(237,575)		(160,030)	
Warrant liability		-		(1,955)	
Borrowings	17	(186,155)		(124,930)	
Convertible notes	18	(192,029)		-	
Taxation		(7,072)		(2,373)	
Total current liabilities		(622,831)		(289,288)	
Net current (liabilities) / assets			(208,848)		121,919
Total assets less current liabilities			4,042,856		4,409,891
Non-current liabilities					
Provisions		(2,409)		(1,280)	
Borrowings	17	(416,366)		(187,395)	
Convertible notes	18	(93,221)		(160,750)	
Deferred tax liabilities		(27,555)		(6,477)	
Total non-current liabilities			(539,551)		(355,902)
NET ASSETS			3,503,305		4,053,989

Consolidated Statement of Financial Position (Continued)

At 31 December 2015
(Expressed in Hong Kong Dollars)

	2015		2014	
	HK$'000	HK$'000	HK$'000	HK$'000
Capital and reserves attributable to owners of the Company				
Share capital		176,036		179,539
Reserves		3,312,601		3,874,450
Equity attributable to owners of the Company		3,488,637		4,053,989
Non-controlling interests		14,668		-
TOTAL EQUITY		3,503,305		4,053,989

Notes to the Financial Statements

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the preparation of financial statements and directors' reports became effective for the Company for the financial year ended 31 December 2015. The disclosure requirements set out in the Listing Rules regarding annual financial statements have been amended with reference to the new Hong Kong Companies Ordinance, Cap. 622. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements.

2. ADOPTION OF HKFRSs

(a) Adoption of new / revised HKFRSs – effective 1 January 2015

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans : Employee Contributions

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

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

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

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements [1]
HKFRS 9 (2014)	Financial Instruments[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[3]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2018

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. TURNOVER

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

	2015 HK$'000	2014 HK$'000
Sale of crude oil	10,610	16,540
Sale of coalbed methane - note	8,543	-
Sale of raw and cleaned coal	47,868	-
	67,021	16,540

Note : For the year ended 31 December 2014 and the period from 1 January 2015 to 20 November 2015, the trial sales of coalbed methane generated from the Sanjiao production sharing contract ("Sanjiao CBM Project") is recognised as other revenue (note 4). After the Group has obtained the approval of Overall Development Plan ("ODP") in November 2015, the Sanjiao CBM Project is stepped into the production stage, and the sales of coalbed methane from the Sanjiao CBM Project for the period from 21 November 2015 to 31 December 2015 is recognised as turnover.

4. OTHER REVENUE

	2015 HK$'000	2014 HK$'000
Interest income		
- bank deposits	36	458
- short-term investment	7,471	3,055
- others	259	74
Total interest income on financial assets that are not at fair value through profit or loss	7,766	3,587
Income from sale of coalbed methane	78,694	63,441
Government subsidies – note	7,646	6,757
Sub-lease income	-	1,665
Others	1,221	935
	95,327	76,385

Note: It represents the regular subsidies received during the year from relevant government authority on the trial sales of coalbed methane from the Sanjiao CBM Project for the year of 2014 (2014: years from 2012 to 2013).

5. OTHER LOSSES, NET

	2015 HK$'000	2014 HK$'000
Gain/(loss) on disposal / write off of property, plant and equipment	110	(692)
Change in fair value of warrant liability	1,955	1,527
Deposits and other receivables written off	-	(3,642)
Exchange gains/(losses), net	1,457	(33)
Impairment loss on property, plant and equipment – note	(204,562)	-
Impairment loss on intangible assets - note	(209,064)	-
Gain on disposal of subsidiaries	-	1,714
	(410,104)	(1,126)

Note: During the year ended 31 December 2015, as a result of the significant decrease in oil prices and change in the implementation of the development plans of Jinzhuang Oil Field, Liuluoyu Oil Field and Yanjawan Oil Field, the recoverable amount of each of the cash generating unit of Jinzhuang Oil Field ("Jinzhuang CGU"), Liuluoyu Oil Field and Yanjawan Oil Field (together as "Liuluoyu CGU"), which both CGU are under oil and gas exploitation segment, as determined by an independent professional firm of valuers using the value in use approach is HK$22,983,000 and nil, which is less than their respective carrying amount. Accordingly, impairment losses of HK$158,868,000 and HK$45,694,000 on the oil and gas properties of Jinzhuang CGU and Liuluoyu CGU, HK$183,427,000 and HK$25,637,000 on the operation rights of Jinzhuang CGU and Liuluoyu CGU were recognised. The recoverable amounts of the relevant assets have been determined on the basis of their value in use and the pre-tax discount rate used in the value in use calculations at 31 December 2015 was 18%.

6. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

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

	2015 HK$'000	2014 HK$'000
a) Finance costs		
Amortisation of convertible notes transaction costs (note 18)	3,432	2,811
Amortisation of corporate bonds transaction costs	3,215	-
Amortisation of warrant liability transaction costs	-	2,000
Interest on borrowings wholly repayable within five years	22,000	38,172
Imputed interest on convertible notes (note 18)	40,888	26,690
Imputed interest on other loan	-	6,134
Interest on corporate bonds	8,893	-
Interest on promissory note	5,311	-
Others	1,442	717
	85,181	76,524
Less: interest capitalised as gas exploration and evaluation assets (note 11)	(79,173)	(76,195)
	6,008	329

6. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE (CONTINUED)

	2015 HK$'000	2014 HK$'000
b) Employee costs (including directors' remuneration)		
Salaries, wages and other benefits	35,659	35,327
Contributions to defined contribution retirement plan	1,269	1,587
Equity-settled share-based payment expenses	77,518	-
	114,446	36,914
c) Other items		
Auditor's remuneration	1,600	1,550
Depreciation of property, plant and equipment	8,494	3,798
Amortisation of payments for leasehold land held for own use	21	-
Amortisation of intangible assets #	7,269	549
Minimum lease payments under operating lease – property rentals	7,148	6,291

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

7. INCOME TAX (EXPENSE)/CREDIT

No provision for Hong Kong profits tax has been made as the group companies did not have any estimated assessable profits subject to Hong Kong profits tax during the years ended 31 December 2015 and 2014. During the years ended 31 December 2015 and 2014, the subsidiaries in the People's Republic of China ("PRC") were subject to statutory tax rate of 25%.

The amount of income tax (expense)/credit, (charged)/credited to the consolidated statement of comprehensive income represents:

	2015 HK$'000	2014 HK$'000
Current income tax		
- PRC enterprises income tax	(6,112)	-
Deferred tax for the year	(2,952)	1,701
Income tax (expense)/credit	(9,064)	1,701

8. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

9. (LOSS)/EARNING PER SHARE

a) Basic (loss)/earning per share

The calculation of basic (loss)/earning per share is based on the loss attributable to owners of the Company of HK$478,521,000 (2014: profit of HK$10,420,000) and the weighted average number of 17,841,940,000 (2014: 16,386,807,000) ordinary shares in issue during the year.

b) Diluted (loss)/earning per share

Diluted loss per share for the year ended 31 December 2015 is the same as the basic loss per share as the Company's outstanding share options and convertible notes, where applicable, had an anti-dilutive effect on the basic loss per share in the year.

For the year ended 31 December 2014, the calculation of the diluted earning per share attributable to the owners of the Company was based on the following data:

	2014 HK$'000
Profit for the purposes of basic earning per share	10,420
Effect of dilutive potential ordinary shares :	
- Imputed interest on convertible notes	26,690
Amortisation of convertible notes transaction costs	2,811
Less: interest capitalised as gas exploration and evaluation assets	(29,501)
Profit for the purposes of diluted earning per share	10,420

	2014 '000
Weighted average number of ordinary shares in issue during the year	16,386,807
Effect of dilutive potential ordinary shares:	
- Convertible notes	898,204
Weighted average number of ordinary shares in issue during the year for the purposes of diluted earning per share	17,285,011

The computation of diluted earning per share does not assume the exercise of the Company's outstanding share options and warrants as the exercise price of those share options and warrants is higher than the average market price for shares.

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 three (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:

10. SEGMENT REPORTING (CONTINUED)

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

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.

a) Business segments

Segment information about these businesses is set out as follows:

For the year ended 31 December 2015

	Oil and gas exploitation HK$'000	Coalbed methane HK$'000	Raw and cleaned coal HK$'000	Unallocated HK$'000	Total HK$'000
Results					
Revenue from external customers	10,610	8,543	47,868	-	67,021
Segment results (i)&(ii)	(8,249)	67,709	220	(106,903)	(47,223)
Finance costs	(639)	-	(58)	(5,311)	(6,008)
Impairment loss on property, plant and equipment	(204,562)	-	-	-	(204,562)
Impairment loss on intangible assets	(209,064)	-	-	-	(209,064)
Share of loss of a joint venture	(587)	-	-	-	(587)
Share of loss of an associate	-	(1,203)	-	-	(1,203)
(Loss)/profit before income tax expense	(423,101)	66,506	162	(112,214)	(468,647)
Income tax expense	(2,952)	(5,011)	(1,101)	-	(9,064)
(Loss)/profit for the year	(426,053)	61,495	(939)	(112,214)	(477,711)
Assets and liabilities					
Reportable segment assets (iii)	283,436	4,073,699	214,998	93,554	4,665,687
Reportable segment liabilities (iii)	54,613	435,297	149,329	523,143	1,162,382
Other segment information					
Depreciation and amortisation	6,492	3,039	5,498	755	15,784
Capital expenditure incurred during the year	857	196,852	181	758	198,648

10. SEGMENT REPORTING (CONTINUED)

a) Business segments - Continued

For the year ended 31 December 2014:

	Oil and gas exploitation HK$'000	Coalbed methane HK$'000	Unallocated HK$'000	Total HK$'000
Results				
Revenue from external customers	16,540	-	-	16,540
Segment results [(i)&(ii)]	(7,300)	51,614	(32,427)	11,887
Finance costs	(229)	-	(100)	(329)
Gain on disposal of subsidiaries	-	-	1,714	1,714
Deposits and other receivable written off	-	(3,642)	-	(3,642)
Share of loss of a joint venture	(628)	-	-	(628)
Share of loss of an associate	-	(283)	-	(283)
Profit / (loss) before income tax expense	(8,157)	47,689	(30,813)	8,719
Income tax credit	1,701	-	-	1,701
Profit / (loss) for the year	(6,456)	47,689	(30,813)	10,420
Assets and liabilities				
Reportable segment assets [(iii)]	734,579	3,868,464	96,136	4,699,179
Reportable segment liabilities[(iii)]	20,644	434,270	190,276	645,190
Other segment information				
Depreciation and amortisation	1,917	1,989	441	4,347
Capital expenditure incurred during the year	23	180,046	2,622	182,691

Notes:

(i) Unallocated results mainly include employee costs, rental expense and professional fees for Hong Kong head office and equity-settled share-based payment expense.

(ii) Included in the segment result of coalbed methane segment is revenue of HK$78,694,000 (2014: HK$63,441,000) from the trial sales of coalbed methane generated from the Sanjiao CBM Project and government subsidies of HK$7,646,000 (2014: 6,757,000).

(iii) Unallocated assets mainly include cash and cash equivalents in the Hong Kong head office and short term investment and unallocated liabilities mainly include convertible notes and corporate bonds.

10. SEGMENT REPORTING (CONTINUED)

b) Geographical information

The following table provides an analysis of the Group's revenue from an external customer and non-current assets other than financial instruments, deposits paid, interest in a joint venture and interest in an associate ("specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2015	2014	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong (place of domicile)	-	-	4,781	3,733
The PRC	67,021	16,540	4,152,516	4,208,835
	67,021	16,540	4,157,297	4,212,568

c) Information about major customers

During the year ended 31 December 2015, there were three customers contributed to 10% or more revenue to the Group's total revenue. Detail is as below:

	Segment	HK$'000
Customer A	Raw and cleaned coal	17,947
Customer B	Oil and gas exploitation	10,610
Customer C	Raw and cleaned coal	9,790

During the year ended 31 December 2014, revenue from the Group's sole customer were HK$16,540,000, being 100% of the Group's total revenue from the oil and gas exploitation segment.

11. GAS EXPLORATION AND EVALUATION ASSETS

	HK$'000
Cost	
At 1 January 2014	3,602,475
Additions*	103,851
Interest capitalised (note 6(a))	76,195
Exchange adjustments	(33,473)
At 31 December 2014	3,749,048
Additions*	195,851
Interest capitalised (note 6(a))	79,173
Transfer to property, plant and equipment	(1,614,157)
Transfer to construction in progress	(125,641)
Transfer to intangible assets	(2,261,818)
Transfer to payment for leasehold land held for own use	(4,997)
Exchange adjustments	(17,459)
At 30 November 2015 & 31 December 2015	-

* The amount included adjustment for an increase in provision for environmental restoration and decommission costs of HK$1,187,000 (2014: increase in provision of HK$551,000).

11. GAS EXPLORATION AND EVALUATION ASSETS (CONTINUED)

During the year ended 31 December 2015, development is sanctioned by management and the approval of ODP is obtained for Sanjiao CBM Project, the gas exploration and evaluation assets were reclassified to property, plant and equipment, intangible assets and payment for leasehold land held for own use in November 2015.

As at 31 December 2014, the major components of gas exploration and evaluation assets were exploration right, exploratory drilling and trenching costs. The directors have assessed the gas exploration and evaluation assets for impairment in accordance with the criteria under HKFRS 6 and by reference to the progress in the implementation of the Sanjiao CBM Project during the year, and the valuation report prepared by the Asset Appraisal Limited, an independent firm of professional valuers, which possesses the relevant professional qualifications and experience. The directors concluded that there are no facts or circumstances which may indicate that the carrying amount of gas exploration and evaluation assets has exceeded the recoverable amount as at the end of reporting period.

12. INTEREST IN AN ASSOCIATE

	2015 HK$'000	2014 HK$'000
As at 1 January	62,448	62,731
Share of loss for the year	(1,203)	(283)
Exchange adjustment	(1,127)	-
As at 31 December	60,118	62,448

13. LOAN RECEIVABLES

During the year ended 31 December 2014, the Group advanced a loan to an independent third party of HK$3,670,000. The loan is secured by certain motor vehicles and equipment, interest bearing at 8% per annum and repayable within 5 years.

The loan receivables are presented in the consolidated statement of financial position as follows:

	2015 HK$'000	2014 HK$'000
Current assets	1,267	637
Non-current assets	2,092	2,880
	3,359	3,517

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

	2015 HK$'000	2014 HK$'000
Non-current assets		
Deposits and prepayments – note (i)	21,235	19,240
Current assets		
Trade receivables	27,857	4,811
Notes receivable	18,374	3,123
Other receivables	7,836	14,997
	54,067	22,931
Utility deposits	747	887
Other deposits and prepayments – note (ii)	234,308	271,804
	235,055	272,691
	289,122	295,622

Notes:

(i) The balance includes a guarantee deposit of HK$9,780,000 (2014: HK$9,489,000) paid to secure the Group's borrowings as set out in note 17(i) and prepaid exploration costs of HK$11,455,000 (2014: HK$9,751,000) on the Group's oil and gas properties and the construction in progress.

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

(ii) The balance includes deposit of HK$223,892,000 (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 (when the MOU 2 lapses) 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 and 31 December 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 and 30 September 2016 respectively. Save and except for the aforesaid extension of the time limit for entering into formal agreements and the exclusive periods, all other terms of the MOUs shall remain unchanged. Up to the date of this announcement, the Group is still performing the due diligence review.

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

	2015 HK$'000	2014 HK$'000
30 days	23,371	736
31 - 60 days	699	639
61 - 90 days	64	845
Over 90 days	3,723	2,591
	27,857	4,811

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

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

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

15. SHORT-TERM INVESTMENT

	2015 HK$'000	2014 HK$'000
Short-term investment	76,729	80,330

On 10 July 2014, the Group entered into a subscription agreement with a PRC company ("Investee"), an independent third party, to acquire bonds with term of 15 months, bearing interest at 8.5% per annum amounted to RMB64,300,000. The bonds were further extended for another 6 months from 27 October 2015 to 27 April 2016 with interest bearing at 13% per annum. The bonds are guaranteed by an Investee's related company.

16. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Other payables and accruals – note (i)	227,432	135,680
Amounts due to a shareholder – note (ii)	10,143	24,350
	237,575	160,030

Notes:

(i) Other payables include exploration costs payable of approximately HK$172,586,000 (2014: HK$104,328,000) in respect of gas exploration and evaluation assets and oil and gas properties.

(ii) The amount represented a loan from a shareholder denominated in CAD. The loan was unsecured, interest free and repayable on demand.

17. BORROWINGS

	2015 HK$'000	2014 HK$'000
Secured interest-bearing borrowings - note (i)	214,794	312,325
Other borrowings - unsecured - notes (ii) and (iii)	66,825	-
Corporate bonds - note (iv)	219,471	-
Promissory note - note (v)	101,431	-
	602,521	312,325
Secured	214,794	312,325
Unsecured	387,727	-
	602,521	312,325
On demand or within one year	186,155	124,930
More than one year, but not exceeding two years	170,045	124,930
More than two years, but not exceeding five years	34,349	62,465
More than five years	211,972	-
	602,521	312,325
Amount due within one year included in current liabilities	(186,155)	(124,930)
Non-current portion	416,366	187,395

Notes:

(i) The borrowings are secured by certain oil and gas properties with a carrying amount of HK$1,235,200,000 (2014: gas exploration and evaluation assets of HK$593,571,000), a guarantee deposit of HK$9,780,000 (2014: HK$9,489,000), all accounts receivable from sales generated from the Sanjiao CBM Project, all the shares of Orion Energy International Inc. held by Power Great Limited, a wholly-owned subsidiary of the Company, 2,296,000,000 shares of the Company held by certain directors and shareholders of the Company, personal guarantees of Mr. Dai Xiaobing and his spouse and a corporate guarantee by the Company.

17. BORROWINGS (CONTINUED)

(ii) On 29 December 2015, the Group entered into an agreement with an independent third party to borrow RMB30,000,000 with interest rate at 12% per annum. The loan was guaranteed by the director of the Company, Mr. Dai Xiaobing and one of the Group's subsidiaries. The loan was fully repaid in February 2016.

(iii) On 29 November 2015 and 22 December 2015, the Group entered into agreements with an independent third party to borrow RMB20,000,000 and RMB6,000,000 respectively with interest rate at 2% per month. Both loans were guaranteed by one of the Group's subsidiaries. The loans were fully repaid in February 2016.

(iv) During the year ended 31 December 2015, the Company issued the corporate bonds carried fixed interest rate ranging from 6% to 7% per annum with maturity in 4 to 8 years.

(v) On 15 May 2015, the Company issued promissory note with principal amount of RMB85,000,000 as part of the consideration for the acquisition of Golden Glow Group (note 19). The promissory note is unsecured, interest bearing at 8% per annum and mature in three years.

(vi) The range of effective interest rates on the Group's borrowings for the years ended 31 December 2015 and 2014 are as follows :

	2015	2014
Secured interest-bearing borrowings	8.0% - 9.4%	8.5% - 11.7%
Other borrowings - unsecured	12.0% - 24.0%	N/A
Corporate bonds	6.0% - 7.0%	N/A
Promissory note	8.0%	N/A

18. CONVERTIBLE NOTES

	2015		2014	
	Liability component HK$'000	Equity component HK$'000	Liability component HK$'000	Equity component HK$'000
At 1 January	160,750	15,913	134,920	15,913
Issue of convertible notes during the year	87,191	10,409	-	-
Amortisation of transaction costs -note 6 (a)	3,432	-	2,811	-
Imputed interest expense -note 6 (a)	40,888	-	26,690	-
Interest paid	(7,011)	-	(3,671)	-
At 31 December	285,250	26,322	160,750	15,913

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

19. ACQUISITION OF SUBSIDIARIES DURING THE YEAR

During the year ended 31 December 2015, the Group acquired 75% equity interest of Golden Glow Holding Limited and its subsidiaries ("Golden Glow Group") at consideration of RMB135,000,000 (equivalent to HK$168,656,000). The principal activity of Golden Glow Group is raw coal washing and sale of raw and cleaned coal. The fair value of assets acquired and liabilities assumed at the date of acquisition were as follows:

	HK$'000	HK$'000
Intangible assets – note (i)	74,054	
Deferred tax liabilities	(18,514)	
Non-controlling interests	(13,885)	
		41,655
Total consideration satisfied by:		
Cash	62,466	
Promissory note	106,190	
Fair value of contingent consideration – note (ii)	(22,417)	
		146,239
Goodwill		104,584

Notes:

(i) Golden Group has a 10-year guaranteed favourable supply agreement ("the Agreement") with adjacent coal mines. Intangible assets represent the fair value of the Agreement.

(ii) The vendor irrevocably guaranteed the Group that from 1 July 2015 until 30 June 2021, six years in total, the total net profit after income tax expense per annum from the Golden Glow Group should not be less than RMB30,000,000 ("the Guaranteed Profit"). Contingent consideration represents amount to be received by the Group if the Golden Glow Group fails to meet the Guaranteed Profit.

20. EVENTS AFTER THE REPORTING PERIOD

On 26 January 2016, the Company entered into a subscription agreement with a bondholder in the aggregate principal amount of HK$200,000,000 due in 2018. The convertible notes are interest bearing at 8% per annum payable in arrears every six months. The net proceeds from the issue of convertible notes of approximately HK$198,000,000 will be used for general working capital of the Group which may include oil and gas business development and repayment of certain financial obligation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2015, Sino Oil and Gas Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") recorded a turnover of HK$67,021,000(2014: HK$16,540,000), with a significant increase of approximately 300%. The turnover respectively included the revenue from oil exploitation operations in Shaanxi Province; the sales derived from this year newly acquired raw coal washing project located in Qinshui Basin, Shanxi Province; and the sales of coalbed methane ("CBM") in December of 2015. By the end of 2015, the overall development plan of Sanjiao CBM project ("ODP") was approved by the National Development and Reform Commission ("NDRC") and the project has stepped into large scale development stage. Thereby, the CBM sales for the month of December 2015 can be officially recognized as turnover of principal activities. While in trial sales of CBM from January to November in 2015 together with related government subsidies of 2014 amounting to approximately HK$86,340,000 are disclosed under the item of "other revenue". The total CBM sales revenue during the year was approximately HK$87,237,000(2014: HK$63,441,000), which increased by approximately 37.5%.

During the year, the technology of Sanjiao CBM Project was improved and its productivity per well was increased accordingly. At the same time, the ground facilities of the Project, including CBM processing station and sales pipelines, were expanded in line to fulfill the needs of the increasing production. In addition, the ODP has been approved and Sanjiao CBM Project has officially entered into large scale development stage, the Group believes that this Project will become the investment highlight and bring stable and considerable income.

Although the CBM business has a decent growth， the attributable to the asset impairment of HK$413,626,000 in respect of the oilfields of the Group located in Shaanxi Province, together with the equity-settled share-based payment expenses of HK$77,518,000 incurred due to the grant of share options under its share option scheme, the Group recorded a net loss of HK$477,711,000 for the year (2014: net profit of HK$10,420,000). Both of the assets impairment in respect of aforesaid oilfields and the share option expenses are non-cash items in accordance with Hong Kong Financial Reporting Standards and have no impact on the cash flow for the Group's operation.

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, exploitation and production at a 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.

In November 2015, the Company has received the official written notification from PetroChina that the NDRC has granted the "National Development and Reform Commission: re Shanxi Sanjiao─Qikou CBM blocks, Foreign Cooperation Project, Overall Development Plan Approval" (國家發展改革委關於山西三交──磧口區塊煤層氣對外合作項目總體開發方案的批覆). Pursuant to the "Regulations on Exploitation of Onshore Petroleum Resources in Cooperation with Foreign Enterprises", Sanjiao CBM block will not enter into sizable development and production phase until the ODP approval is granted by NDRC. Therefore, the approval of ODP will represent Sanjiao CBM project officially entering into the large scale development and production phase with an annual production capacity of 500 million cubic meters. Upon entering into the development stage, both the PRC and foreign parties will jointly invest into the project proportionately according to PSC, and will substantially increase the productivity and sales of CBM.

In addition, the Group's Sanjiao CBM project has been nominated in the Official Announcement of Key Construction Works in both 2015 and 2016, 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 result of the exploration work done on the CBM field by the Group. It is also an encouragement and assurance towards the future development of Sanjiao Block.

During the year, Sanjiao CBM Project attained technological breakthrough by obtaining two patents from State Intellectual Property Office of the PRC in November 2015, including "The invention of single wellbore CBM multilateral well system and drilling method" and "The method of single wellbore CBM multilateral well drilling and completion". This technological breakthrough has effectively reduced the drilling cost by reducing resistance of gas and water in the coalbed, furthermore, avoiding the risk of collapse or blockage of wellbore. The overall efficiency of the project can therefore be increased.

At the time when the Company acquired the aforesaid CBM Project at the end of the year 2010, the Company appointed Netherland, Sewell & Associates, INC., a competent person (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules")) (the "Reserve Estimate Professional") to conduct a reserve estimate in respect of the Sanjiao CBM Field as of 30 April 2010 (the detailed report was disclosed in the Company's circular dated 27 September 2010). With the continuous development and increase in number of wells in Sanjiao block, in order to obtain a more accurate understanding of Orion's current share of interest in the reserve and net present value of the CBM Field, the Company has re-appointed the Reserve Estimate Professional to conduct an overall update on the Sanjiao CBM Field reserves as of 30 September 2015 and the reserve report has been completed by the end of 2015.

Reserves data summary of Sanjiao block as follow:

Reserve	Reserve Report as of 30 September 2015	Reserve Report as of 30 April 2010	Increase (Approximate%)
Net Gas Reserve (Note 1 & 3)			
Proved plus probable reserves (2P)	292.2 billion cubic feet (Equivalent to approximately 8.301 billion cubic meters)	237.5 billion cubic feet (Equivalent to approximately 6.747 billion cubic meters)	23%
Net present value (10% discount rate)(Note 2 & 3)	US$1,478 million (equivalent to approximately HK$11,498 million)	US$1,110 million (equivalent to approximately HK$8,636 million)	33%

Note 1: Net gas reserve is Orion's share of interest according to the terms of the PSC and after 5% adjustment for compression and pipeline losses.

Note 2: Net present value is discounted at an annual rate of 10%.

Note 3: For reference and illustration purposes only: one cubic meter is equivalent to 35.2 cubic feet; US$1 is equivalent to HK$7.78.

The aforesaid reserve reports have been prepared by the reserve estimate professional in accordance with the Listing Rules, including but not limited to Chapter 18 and Appendix 25. The estimates in these reports have also been prepared in accordance with definitions and guidelines set forth in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers.

Apart from the above, Reserve Estimate Professional estimated that the possible reserves of Sanjiao Block that of Orion as of 30 September 2015 is approximate 413.1 billion cubic feet, equivalent to approximately 11.736 billion cubic meters (As of 30 April 2010: approximate 319.7 billion cubic feet, equivalent to approximately 9.081 billion cubic meters), which reached an increase of approximately 29% .

The abundant reserves have proved again Sanjiao CBM Project is one of the best sino-foreign cooperation CBM project in China with good infrastructure and mature business model. The increase in net gas reserve helps to raise the Group's overall competitiveness and its financing ability. The net present value of Sanjiao CBM Project was estimated at approximately HKD11.5 billion in the report which can clearly reflect the investment potential of the project and its ability of making considerable long-term profit.

Infrastructure

At the end of 31 December 2015, the Sanjiao CBM project has successfully added 7 completed wells, comprising 2 multilateral horizontal wells and 5 vertical wells. The Sanjiao CBM project has completed a total of 80 wells, comprising 42 multilateral horizontal wells and 38 vertical wells. Out of the total 80 wells, 68 wells were in the normal dewatering stage, of which 58 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 55.5

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, in order to achieve a favorable sales-to-production rate.

During the year, the Group has undertaken the expansion of the CBM processing station with daily processing capacity of up to 500,000 cubic meters. As at 31 December 2015, the total CBM daily processing capacity has increased 120,000 cubic meters to 270,000 cubic meters. In order to cope with the increasing CBM production in Sanjiao, the Group will continue to expand the CBM processing capacity of the station.

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 through public tender. The 120,000 square meters land use rights has also been obtained at the same time. The LNG Station will be constructed in line with the schedule of ODP, which will further broaden the Sanjiao project's sales channels.

Sales

NDRC published a notice in connection with lowering the citygate price of non-residential natural gas from 20 November 2015 and further deepening the reform towards a more market driven natural gas pricing system. The Group and PetroChina have jointly decided to reduce the gas selling price for industrial users of the Sanjiao CBM project by approximately 20% as comparing with that of the same period in last year from late November in 2015. As agreed with the buyer, the selling price of CBM per cubic meter is RMB 1.61. Although the price reduction has posted short-term pressure to the sales revenue of the Group, the increasing gas demand will lead the significant increase of CBM sales. As a relatively low-cost CBM producer, the Company believes that our margin will remain at a competitive level. In the long run, the Group believes that the price adjustment will put forward the reform of market-oriented natural gas price and stimulate the gas demand which will benefit the expansion of the Group's CBM business.

In addition, with reference to 《關於"十三五"期間煤層氣（瓦斯）開發利用補貼標準的通知》("Notice re Period of '13th Five-Year Plan': Subsidies Granted to Development of Coalbed Methane") issued by the Chinese Ministry of Finance on 14 February 2016, the subsidy from central government for CBM production during the "13th Five-Year Plan" will be increased from RMB 0.2 per cubic meter to RMB 0.3 per cubic meter so as to boost the development of CBM industry. The Group believes that the state policy will have direct positive impact on the development of the Group's Sanjiao CBM project as well as the entire industry in the long run.

The Group's Sanjiao CBM project is 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 rgas 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 year, the Sanjiao project recorded CBM production of approximately 59.34 million cubic meters (2014: approximately 47.28 million cubic meters) and CBM sales of approximately 57.67 million cubic meters (2014: approximately 44.26 million cubic meters), resulting in a sales-to-production rate of approximately 97.2% (2014: approximately 93.6%). In terms of the composition of gas sales throughout this period, industrial piped CBM sales accounted for approximately 92.7% of total sales (2014: approximately 89.7%), while residential piped CBM sales contributed approximately 7.3% (2014: approximately 10.2%). Total piped CBM sales accounted for 100% of total gas sales during the period (2014: approximately 99.9%)

The Sanjiao CBM project has recorded operating profit during the year. After entering into the large scale development phase, with the substantial increase in both the gas production and sales, the Group believes that the project will bring promising and long-term profit.

Oilfields Located in Shaanxi Province—Liuluoyu, Yanjiawan and Jinzhuang

The Group's three oilfields in Liuluoyu, Yanjiawan and Jinzhuangin the Ordos Basin, Shaanxi Province are oilfields in production. However, because the oil price continues to drop in the area, the project's overall return has gradually declined every year. After careful consideration, as Sanjiao Project has just been granted ODP approval and required substantial capital investment, the Group decided to focus on the resources for development of Sanjiao CBM Project and suspend any further investment to those three oilfields. After an independent valuer's assessment to those oilfields, the provision for impairment of HK$413,626,000 has been made during the year.

For the year ended 31 December 2015, the three oilfields in Liuluoyu, Yanjiawan and Jinzhuang in the Ordos Basin, Shaanxi Province, yielded an aggregate crude oil production of approximately 3,570tonnes (2014: approximately 4,657 tonnes).

Raw Coal Washing Project Located in Shanxi Province

In order to expand its business in China, the Group 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 an adjacent coal mine. Also, the vendor has irrevocably guaranteed the Group that the annual total net profit after tax per annum of the project company will not be less than RMB30,000,000 for the 6 years after the completion date. If the actual profit is less than the said guaranteed profit, the vendor has to compensate the variance. As per an independent valuer, the estimated value of the project company by the time of acquisition is approximately RMB186,000,000. The Group's total consideration of the acquisition is RMB135,000,000.

The raw coal supplier of the project is a sizable state-owned coal enterprise in Qinshui basin and thereby the raw materials supply is stable. The project has been officially launched on 1 July 2015. It has already entered into stable production phase and also gradually developed sales channels. During the period, the project had a total sale of refined coal approximately 84,000 tonnes. The Group expects this project will bring a steady income and cash flow.

Through in-depth cooperation with the local sizable coal enterprises with further understanding to local geological environment, the Group is actively seeking to diversify the business model and cooperation projects, continuously to improve the CBM development business model and inject new momentum for the Group's growth. In January 2016, the Group entered into a non-legally binding Strategic Cooperation Framework Agreement ("Framework Agreement") with Shanxi Guxian Lanhua Baoxin Coal Company Limited (山西古縣蘭花寶欣煤業有限公司) ("Lanhua Baoxin") , pursuant to which the Company and Lanhua Baoxin, intend to establish a project management team for the development of CBM projects located in the coal mine block of Lanhua Baoxin Qinshui Basin and eastern edge of Ordos Basin. These are the regions with the richest CBM reserve in China, and also the most representative CBM production bases in China. Entering into the Framework Agreement with Lanhua Baoxin has landmark significance to the Group, which benchmarked the Group's official entrance into the CBM market of Qinshui Basin.

Possible Acquisition—Oilfield in Alberta, Canada

With the purpose of further enriching the Group's resources reserves, apart from actively seeking suitable oil and gas blocks in China, the Group is also exploring investment opportunities in overseas upstream businesses. The Group hence entered into two non-legally-binding memorandums of understanding ("MOUs") in June and September 2014 respectively. The acquisition target is certain oil or gas fields 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. In order to comply with the Group's requirement on the due diligence review on the assets of the Target Groups, the Vendor has engaged professional geology consultancy firm to perform geology research by surveying and mapping surface and subsurface geologic features so as to identify areas where oil and gas may have accumulated. Since seismic data has been collected, exploratory drilling is required to verify that the site can produce enough oil or gas to make it economically viable to develop. As such, on 31 December 2015, the Group and the Vendor have agreed in writing to further extend the time limit for entering into formal agreements in respect of the MOUs and the exclusive periods as set out in the MOUs respectively to 30 September 2016. 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.

Financial Review

Liquidity and Financial Resources

As of 31 December 2015, the net assets of the Group were approximately HK$3,503,000,000 (31 December 2014: approximately HK$4,054,000,000) while its total assets were approximately HK$4,666,000,000(31 December 2014: approximately HK$4,699,000,000). As of 31 December 2015, the Group had external borrowings including the liability component of convertible notes of approximately HK$887,771,000(31 December 2014: approximately HK$473,075,000), and the gearing ratio based on total assets was approximately 19.02% (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 17 to the financial statements as disclosed in this announcement. As at 31 December 2015, the current ratio was approximately 0.66(31 December 2014: approximately 1.42). As at 31 December 2015, data reflected the gearing ratio is maintaining a reasonable level and the liquidity position is expected to improve gradually following the growth of sales of CBM and further financing introduced in early 2016. The Group's overall financial situation is expected to become more healthy and stable.

During the year, through the placing agent of the Group, for the issue of bonds in total of an aggregate amount of HK$260,700,000 (the "Bonds"). The Bonds bear interest of 6% to 7% per annum, are unsecured and transferrable and with maturity dates of 4 to 8 years 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 a subscription agreement to subscribe in cash for convertible bonds in the aggregate principal amount of HK$100,000,000 due in 2017. The net proceeds from the issue of the convertible bonds of approximately HK$97,600,000. Approximately 60% of the proceeds has been used for the acquisition of a raw coal washing project located in Shanxi province as disclosed before. The remaining balance has been used for operations of the Group's existing oil and gas projects and working capital.

As of January 2016, CCB International Overseas Limited and the Group entered into a subscription agreement to subscribe in cash for convertible bonds in the aggregate principal amount of HK$200,000,000 due in 2018. The net proceeds from the issue of the convertible bonds of approximately HK$198,000,000 will be used for the general working capital of the Group, including but not limited to oil and gas business development and repayment of certain financial obligations.

Apart from the above financing sources, as ODP approval has been obtained, the Group's subsidiary, Orion, may utilize the remaining loan facility of RMB570 million provided by CDB Leasing Co., Ltd. as and when it is appropriate. 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 31 December 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 31 December 2015, the Group employed approximately 388 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

During the "13th Five-Year Plan" period, China will accelerate the optimization of energy structure and uphold the green and low-carbon concept to further increase the proportion of natural gas and non-fossil energy consumption. Meanwhile, China will actively promote marketization of natural gas price to stimulate natural gas demand, which will be favourable to the healthy development of the industry. The energy reform and increasing popularity of clean energy in China will fuel the steady growth of China's natural gas industry. As a kind of unconventional natural gas and clean energy with relatively mature exploitation technology, CBM has huge potential for market growth.

The ODP for the Group's Sanjiao CBM project has been duly approved by the NDRC in the fourth quarter of 2015 and the Group has officially commenced the expansion of production capacity of Sanjiao CBM project in December 2015, targeting to build up an annual CBM production capacity of 500 million cubic meters, the works of which include large-scale drilling works, expansion of CBM processing stations, laying and improvement of pipelines for gas collection and transmission in the region and further expansion into new sales markets.

After the production capacity the block expansion of the Sanjiao CBM project has commenced, the Group will explore and develop the block based on local geological conditions. The overall planning is that new wells development will be started from areas with rich resources and developed beyond these areas on a rolling basis. At the same time, the Group will adopt the principle of progressive implementation of overall plan for stations, centralized gas transmission pipelines and networks as well as power grid based on the needs for production capacity expansion. During January to February 2016, the drilling works of 10 vertical wells of the Sanjiao CBM project have been completed, fully demonstrated the Group's capability and efficiency in expanding its production capacity. According to the preliminary estimation of the Group, by the end of 2016, target CBM production capacity of 250 million cubic meters will be completed. In addition to the large-scale production capacity construction in the central region of the Sanjiao block, the Group is also preparing a report on the reserves in the northern region covering an area of 100 square kilometers, as well as planning and arranging the related exploration and development. The Group will develop the Sanjiao CBM project in full scale and believes that the project will be able to generate the best returns by leveraging on the Group's experienced technical team as well as its excellent project and corporate management.

The international oil price continues to hit the bottom, 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 portfolio 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2015, the Company repurchased a total of 350,330,000 shares at an aggregate consideration of approximately HK$64,358,250 (excluding expenses) on The Stock Exchange of Hong Kong Limited for enhancing its per share's net asset value and earnings. All the repurchased shares were subsequently cancelled. Details of the repurchase of shares are as follows:

Month of repurchase during the year ended 31 December 2015	Number of shares repurchased	Price per share Highest HK$	Price per share Lowest HK$	Total consideration (excluding expenses) HK$
April	5,000,000	0.187	0.184	931,465
June	68,500,000	0.218	0.211	14,693,770
July	178,950,000	0.200	0.124	30,990,080
August	89,400,000	0.190	0.164	16,237,905
September	7,800,000	0.184	0.175	1,391,130
October	680,000	0.170	0.165	113,900
Total:	350,330,000			64,358,250

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2015.

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 2015 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the announcement of annual results.

CORPORATE GOVERNANCE

The Company complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2015.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited financial statements for the year ended 31 December 2015.

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

Hong Kong, 30 March 2016

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.