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 2016

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 2016, together with the comparative figures for the last year as follows:

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016
(Expressed in Hong Kong Dollars)

	Notes	2016 HK$'000	2015 HK$'000
Continuing operations			
Turnover	3 & 11	333,553	56,411
Direct cost		(323,439)	(47,653)
Gross profit		10,114	8,758
Other revenue	4	73,161	95,039
Other gains, net	5	58,352	3,412
Administrative expenses		(86,338)	(146,269)
Profit/(loss) from operations		55,289	(39,060)
Finance costs	6(a)	(152,962)	(5,369)
Share of loss of a joint venture		-	(587)
Share of loss of an associate		(662)	(1,203)
Loss before income tax expense	6	(98,335)	(46,219)
Income tax expense	8	(1,243)	(6,112)
Loss for the year from continuing operations		(99,578)	(52,331)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	7	5,509	(425,380)
Loss for the year		(94,069)	(477,711)

Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2016
(Expressed in Hong Kong Dollars)

	Notes	2016 HK$'000	2015 HK$'000
Other comprehensive income, after tax			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(222,943)	(110,428)
Changes in fair value of available-for-sale investment		(260)	-
Other comprehensive income for the year, after tax		(223,203)	(110,428)
Total comprehensive income for the year		(317,272)	(588,139)
(Loss)/profit attributable to:			
Owners of the Company			
Loss for the year from continuing operations		(102,495)	(53,141)
Profit/(loss) for the year from discontinued operation		5,509	(425,380)
		(96,986)	(478,521)
Non-controlling interests			
Profit for the year from continuing operations		2,917	810
		(94,069)	(477,711)
Total comprehensive income attributable to:			
Owners of the Company			
Loss for the year from continuing operations		(323,625)	(162,182)
Profit/(loss) for the year from discontinued operation		5,509	(426,740)
		(318,116)	(588,922)
Non-controlling interests			
Profit for the year from continuing operations		844	783
		(317,272)	(588,139)
Loss per share from continuing and discontinued operations			
- Basic and diluted	10	(0.556)HK cents	(2.682)HK cents
Loss per share from continuing operations			
- Basic and diluted	10	(0.588)HK cents	(0.298)HK cents

Consolidated Statement of Financial Position

At 31 December 2016
(Expressed in Hong Kong Dollars)

	Notes	2016 HK$'000	2016 HK$'000	2015 HK$'000	2015 HK$'000
Non-current assets					
Property, plant and equipment			1,878,250		1,699,730
Oil and gas exploration and evaluation assets			41,307		-
Payment for leasehold land held for own use			4,277		4,812
Intangible assets			2,207,202		2,341,404
Goodwill			93,483		99,896
Interest in a joint venture			-		-
Interest in an associate			58,010		60,118
Financial assets at fair value through profit or loss			4,487		22,417
Available-for-sale investment			4,592		-
Deposits and prepayments	12		44,045		21,235
Loan receivables			-		2,092
Total non-current assets			4,335,653		4,251,704
Current assets					
Inventories		10,591		10,981	
Financial assets at fair value through profit or loss		18,134		-	
Trade, notes and other receivables, deposits and prepayments	12	534,315		289,122	
Short-term investment	13	71,804		76,729	
Loan receivables		22,334		1,267	
Amount due from a joint venture		320		320	
Cash and cash equivalents		251,530		35,564	
Total current assets		909,028		413,983	
Total assets			5,244,681		4,665,687
Current liabilities					
Other payables and accruals	14	(349,603)		(237,575)	
Borrowings	15	-		(186,155)	
Convertible notes	16	(105,112)		(192,029)	
Financial liabilities at fair value through profit or loss	16	(224,937)		-	
Taxation		(8,472)		(7,072)	
Total current liabilities		(688,124)		(622,831)	
Net current assets / (liabilities)			220,904		(208,848)
Total assets less current liabilities			4,556,557		4,042,856
Non-current liabilities					
Provisions		(4,810)		(2,409)	
Borrowings	15	(322,109)		(416,366)	
Convertible notes	16	(1,125,300)		(93,221)	
Deferred tax liabilities		(12,695)		(27,555)	
Total non-current liabilities			(1,464,914)		(539,551)
NET ASSETS			3,091,643		3,503,305

Consolidated Statement of Financial Position (Continued)

At 31 December 2016
(Expressed in Hong Kong Dollars)

	2016 HK$'000	2015 HK$'000
Capital and reserves attributable to owners of the Company		
Share capital	170,937	176,036
Reserves	2,905,194	3,312,601
Equity attributable to owners of the Company	3,076,131	3,488,637
Non-controlling interests	15,512	14,668
TOTAL EQUITY	3,091,643	3,503,305

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").

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

a) Adoption of new / revised HKFRSs – effective 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

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 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRSs (Amendments)	Annual Improvements 2014-2016 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2017.

[2] Effective for annual periods beginning on or after 1 January 2018.

[3] Effective for annual periods beginning on or after 1 January 2019.

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

[5] Effective for annual periods beginning on or after 1 January 2017 and 1 January 2018.

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

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

	2016 HK$'000	2015 HK$'000
Continuing operations		
Sale of coalbed methane - note	57,467	8,543
Sale of raw and cleaned coal	276,086	47,868
	333,553	56,411
Discontinued operations		
Sale of crude oil	5,058	10,610
	338,611	67,021

Note:

For 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 entered into the production stage. The sales of coalbed methane from the Sanjiao CBM Project from 21 November 2015 to 31 December 2015; and afterward is recognised as turnover.

4. OTHER REVENUE

	2016 HK$'000	2015 HK$'000
Continuing operations		
Interest income		
- bank deposits	134	7
- short-term investment	9,772	7,471
- others – note (i)	39,916	-
Total interest income on financial assets that are not at fair value through profit or loss	49,822	7,478
Income from sale of coalbed methane	-	78,694
Government subsidies and grants – note (ii)	22,942	7,646
Others	397	1,221
	73,161	95,039

Notes:

(i) It represents the interest income from the refundable deposits paid for possible acquisitions of Canada oil fields. Details please refer to note 12(iii).

(ii) It represents the regular subsidies received during the year from relevant government authority on the sales/trial sales of coalbed methane from the Sanjiao CBM Project for the year of 2015 (2015: year of 2014) and VAT refund from local tax bureau.

5. OTHER GAINS, NET

	2016 HK$'000	2015 HK$'000
Continuing operations		
Change in fair value of warrant liability	-	1,955
Change in fair value of financial assets through profit or loss	2,705	-
Change in fair value of financial liabilities through profit or loss	52,809	-
Exchange gains, net	1,933	1,457
Others	905	-
	58,352	3,412

6. LOSS BEFORE INCOME TAX EXPENSE FROM CONTINUING OPERATIONS

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

	2016 HK$'000	2015 HK$'000
Continuing operations		
a) Finance costs		
Amortisation of convertible notes transaction costs	8,539	3,432
Amortisation of corporate bonds transaction costs	7,730	3,215
Interest on borrowings	28,207	22,000
Imputed interest on convertible notes	111,756	40,888
Interest on corporate bonds	21,735	8,893
Interest on promissory note	728	5,311
Others	4,900	803
	183,595	84,542
Less: interest capitalised in qualifying assets*	(30,633)	(79,173)
	152,962	5,369

* Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 14.7% (2015: 9.7%) to expenditure on qualifying assets.

6. LOSS BEFORE INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (CONTINUED)

	2016 HK$'000	2015 HK$'000
b) Employee costs (including directors' remuneration)		
Salaries, wages and other benefits	35,181	23,548
Contributions to defined contribution retirement plan	355	293
Equity-settled share-based payment expenses	-	77,518
	35,536	101,359
c) Other items		
Auditor's remuneration	1,700	1,600
Depreciation of property, plant and equipment	41,552	5,943
Amortisation of payments for leasehold land held for own use	237	21
Amortisation of intangible assets #	19,643	6,781
Minimum lease payments under operating lease – property rentals	9,898	6,993

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

7. DISCONTINUED OPERATION

On 1 September 2016, the Group entered into a sale and purchase agreement to dispose of Key Wisdom Investments Limited and its subsidiaries (collectively known as "Key Wisdom Group"), which was engaged in the exploration and sale of crude oil and nature gas in the People's Republic of China ("PRC"). The disposal was completed on 1 September 2016. The results of the discontinued operations were as follows:

	2016 1 January to 1 September HK$'000	2015 1 January to 31 December HK$'000
Turnover	5,058	10,610
Direct cost	(7,638)	(15,705)
Gross loss	(2,580)	(5,095)
Other revenue	43	288
Other losses, net (including impairment loss on property, plant and equipment and intangible assets)	-	(413,516)
Administrative expenses	(3,601)	(3,466)
Loss from operations	(6,138)	(421,789)
Finance costs	-	(639)
Loss before income tax expense	(6,138)	(422,428)
Gain on disposal of Key Wisdom Group (note 17)	11,647	-
Income tax expense	-	(2,952)
Profit/(loss) for the year from discontinued operation	5,509	(425,380)

For the purpose of presenting discontinued operations, the comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

8. INCOME TAX EXPENSE

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 2016 and 2015. During the years ended 31 December 2016 and 2015, the subsidiaries in the PRC were subject to statutory tax rate of 25%.

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

	2016 HK$'000	2015 HK$'000
Continuing operations		
Current income tax		
- PRC enterprises income tax	2,975	6,112
Deferred tax for the year	(1,732)	-
Income tax expense	1,243	6,112

9. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

10. LOSS PER SHARE

FOR CONTINUING OPERATIONS

a) Basic loss per share from continuing operations

The calculation of basic loss per share is based on the loss attributable to owners of the Company from continuing operations of HK$102,495,000 (2015: loss of HK$53,141,000) and the weighted average number of 17,443,588,000 (2015: 17,841,940,000) ordinary shares in issue during the year.

b) Diluted loss per share from continuing operations

Diluted loss per share from continuing operations for the years ended 31 December 2016 and 2015 is the same as the basic loss per share from continuing operations of the Company's outstanding share options and convertible notes, where applicable, had an anti-dilutive effect on the basic loss per share from continuing operations for the years ended 31 December 2016 and 2015.

FOR DISCONTINUED OPERATION

a) Basic earnings/(loss) per share from discontinued operation

Basic earnings per share for the discontinued operation is HK$0.032 cents per share (2015: loss of HK$2.384 cents per share). The calculation of basic earnings/(loss) per share from discontinued operation is based on the profit attributable to owners of the Company from discontinued operation of HK$5,509,000 (2015: loss of HK$425,380,000) and the weighted average number of 17,443,588,000 ordinary shares (2015: 17,841,940,000) ordinary shares in issue during the year.

10. LOSS PER SHARE (CONTINUED)

b) Diluted earnings/(loss) per share from discontinued operation

Diluted earnings/(loss) per share from discontinued operation for the years ended 31 December 2016 and 2015 is the same as the basic earnings/(loss) per share from discontinued operation of the Company's outstanding share options and convertible notes, where applicable, had an anti-dilutive effect on the basic earnings/(loss) per share from discontinued operation for the years ended 31 December 2016 and 2015.

11. 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 (2015: three) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

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

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.

As disclosed in note 7, the Group has disposed the Key Wisdom Group on 1 September 2016, which led to discontinue part of the operation of oil and gas exploitation segment. In accordance with HKFRS 5, part of the segment of oil and gas exploitation for the years ended 31 December 2016 and 2015 were classified as discontinued operation in the Group's consolidated financial statements.

11. SEGMENT REPORTING (CONTINUED)

a) Business segments

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

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

11. SEGMENT REPORTING (CONTINUED)

a) Business segments - Continued

For the year ended 31 December 2015, the segment information about these businesses is set out as follows:

	Continuing operations					Discontinued operations	
	Coalbed methane HK$'000	Raw and cleaned coal HK$'000	Oil and gas exploitation HK$'000	Unallocated HK$'000	Subtotal HK$'000	Oil and gas exploitation HK$'000	Total HK$'000
Results							
Revenue from external customers	8,543	47,868	-	-	56,411	10,610	67,021
Segment results[1&2]	67,709	220	111	(107,100)	(39,060)	(8,163)	(47,223)
Finance costs	-	(58)	-	(5,311)	(5,369)	(639)	(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)	-	(587)
Share of loss of an associate	(1,203)	-	-	-	(1,203)	-	(1,203)
(Loss)/profit before income tax expense	66,506	162	(476)	(112,411)	(46,219)	(422,428)	(468,647)
Income tax expense	(5,011)	(1,101)	-	-	(6,112)	(2,952)	(9,064)
(Loss)/profit for the year	61,495	(939)	(476)	(112,411)	(52,331)	(425,380)	(477,711)
Assets and liabilities							
Reportable segment assets[3]	4,073,699	214,998	224,404	93,042	4,606,143	59,544	4,665,687
Reportable segment liabilities[3]	435,297	149,329	15	523,128	1,107,769	54,613	1,162,382
Other segment information							
Depreciation and amortisation	6,492	5,498	-	755	12,745	3,039	15,784
Capital expenditure incurred during the year	196,852	181	-	758	197,791	857	198,648

11. SEGMENT REPORTING (CONTINUED)

a) Business segments - Continued

1. Unallocated results mainly include salaries, rental expense and professional fees for Hong Kong head office and equity-settled share-based payment expense.

2. Included in the segment result of coalbed methane segment are revenue of HK$57,467,000 and nil (2015: HK$8,543,000 and HK$78,694,000) from the sales and trial sales of coalbed methane generated from the Sanjiao CBM Project respectively, government subsidies and grants of HK$22,942,000 (2015: HK$7,646,000).

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

b) Geographical information

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

a) Revenue from external customers

	2016			2015		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
Hong Kong	-	-	-	-	-	-
The PRC	333,553	5,058	338,611	56,411	10,610	67,021
	333,553	5,058	338,611	56,411	10,610	67,021

b) Specified non-current assets

	2016	2015
	HK$'000	HK$'000
Continuing operations		
Hong Kong (place of domicile)	4,274	4,781
The PRC	4,280,993	4,201,179
Canada	41,307	-
	4,326,574	4,205,960

11. SEGMENT REPORTING (CONTINUED)

c) Information about major customers

During the year ended 31 December 2016, there were three customers (2015: one) contributed to 10% or more revenue to the Group's total revenue.

	Segment	2016 HK$'000	2015 HK$'000
Customer A	Raw and cleaned coal	78,296	N/A
Customer B	Raw and cleaned coal	53,283	17,947
Customer C	Raw and cleaned coal	51,916	N/A

N/A – Below 10% of revenue to the Group's total revenue

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

	2016 HK$'000	2015 HK$'000
Non-current assets		
Deposits and prepayments – note (i)	44,045	21,235
Current assets		
Trade receivables	34,669	27,857
Notes receivable	48,018	18,374
Other receivables – note (ii)	53,295	7,836
	135,982	54,067
Utility deposits	726	747
Other deposits and prepayments – note (iii)	397,607	234,308
	398,333	235,055
	534,315	289,122

Notes:

i) As at 31 December 2016, the balance included prepaid exploration costs of HK$27,965,000 (2015: HK$11,455,000) on the Group's the construction in progress, prepaid rental of HK$16,080,000 (2015: nil) for coal washing factory and there is no guarantee deposit (2015: HK$9,780,000) paid to secure the Group's borrowings as set out in note 15.

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

ii) The As at 31 December 2016, the balance included mainly consideration receivables of HK$27,550,000 on the disposal of Key Wisdom Group as set out in note 17 and government grants receivable of HK$12,901,000.

iii) The balance mainly includes prepayment to a raw coal supplier of HK$125,239,000 (2015: HK$10,416,000) and deposit of HK$230,740,000 (2015: HK$223,892,000) paid for possible acquisitions of Canada oil fields as disclosed in the Company's announcement dated 30 June 2014 and 1 September 2014 respectively and interest receivables of HK$29,665,000 in relation to these deposits. On 30 June 2014, a wholly-owned subsidiary of the Company 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, 31 December 2015 and 30 September 2016, 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 and 30 June 2017 respectively.

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

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

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

	2016 HK$'000	2015 HK$'000
30 days	4,987	23,371
31 - 60 days	4,232	699
61 - 90 days	3,976	64
Over 90 days	21,474	3,723
	34,669	27,857

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.

13. SHORT-TERM INVESTMENT

	2016 HK$'000	2015 HK$'000
Short-term investment	71,804	76,729

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 extended for another 6 months from 26 October 2015 to 25 April 2016 with interest bearing at 13% per annum. On 27 April 2016, the bonds were further extended for another 1 year to 28 April 2017 with other terms remain unchanged. The bonds are guaranteed by the shares of an Investee's related company.

14. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Other payables and accruals – note (i)	337,910	227,432
Amounts due to a shareholder – note (ii)	11,693	10,143
	349,603	237,575

Notes:

(i) Other payables mainly include exploration costs payable of approximately HK$249,776,000 (2015: HK$172,586,000) in respect of 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.

15. BORROWINGS

	2016 HK$'000	2015 HK$'000
Secured interest-bearing borrowings	-	214,794
Other borrowings - unsecured	-	66,825
Corporate bonds - note (i)	322,109	219,471
Promissory note	-	101,431
	322,109	602,521
Secured	-	214,794
Unsecured	322,109	387,727
	322,109	602,521
On demand or within one year	-	186,155
More than one year, but not exceeding two years	-	170,045
More than two years, but not exceeding five years	7,500	34,349
More than five years	314,609	211,972
	322,109	602,521
Amount due within one year included in current liabilities	-	(186,155)
Non-current portion	322,109	416,366

Notes:

i) During the year ended 31 December 2016, the Company issued the corporate bonds of HK$102,638,000 (2015: HK$219,471,000) carried fixed interest rate ranging from 5% to 7% per annum (2015: 6% to 7%) with maturity in 3 to 7 years (2015: 4 to 8 years).

ii) The range of effective interest rates on the Group's borrowings for the years ended 31 December 2016 and 2015 are as follows:

	2016	2015
Secured interest-bearing borrowings	8.0% - 9.4%	8.0% - 9.4%
Other borrowings - unsecured	12.0% - 24.0%	12.0% - 24.0%
Corporate bonds	5.0% - 7.0%	6.0% - 7.0%
Promissory note	8.0%	8.0%

16. CONVERTIBLE NOTES

	Liabilities component HK'000	Derivates component HK'000	Equity component HK'000	Total HK'000
At 1 January 2015	160,750	-	15,913	176,663
Issue of convertible notes during the year	87,191	-	10,409	97,600
Amortisation of transaction costs(note 6(a))	3,432	-		3,432
Imputed interest expense (note 6(a))	40,888	-		40,888
Interest paid	(7,011)	-		(7,011)
At 31 December 2015	285,250	-	26,322	311,572
Issue of convertible notes during the year	1,058,564	277,746	-	1,336,310
Released upon expiry	(192,760)	-	(15,913)	(208,673)
Amortisation of transaction costs(note 6(a))	8,539	-	-	8,539
Imputed interest expense (note 6(a))	111,756	-	-	111,756
Interest paid	(40,937)	-	-	(40,937)
Change in fair value	-	(52,089)	-	(52,089)
Exchange adjustment	-	(720)	-	(720)
At 31 December 2016	1,230,412	224,937	10,409	1,465,758

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

17. DISPOSAL OF SUBSIDARIES

On 1 September 2016, the Group disposed Key Wisdom Group that engaged in the exploration and sale of crude oil and natural gas. The net assets of Key Wisdom Group as at the completion date were as follows:

	HK$'000
Property, plant and equipment	15,634
Intangible assets	12,837
Trade and other receivables	6,865
Cash and cash equivalents	1,846
Trade and other payables	(8,589)
Deferred tax liabilities	(11,240)
Net assets disposed of	17,353
Gain on disposed of subsidiary (note 7)	11,647
Total consideration	29,000
Satisfied by：	
Cash paid	1,450
Consideration receivables (note 12(ii))	27,550
	29,000

18. EVENTS AFTER THE REPORTING PERIOD

There has been no significant event since 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2016, Sino Oil and Gas Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") recorded a total revenue of approximately HK$338,611,000 (2015: approximately HK$67,021,000), which has largely increased by 4 times as compared with last year (note 3). The revenue included the sales of Sanjiao Coalbed Methane ("CBM") Project in Shanxi Province, the sales derived from raw coal washing project located in Qinshui Basin, Shanxi Province and oil exploitation operations in Shaanxi Province. 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 could be officially recognized as turnover of principal activities in December 2015. The government subsidy and tax refund of approximately HK$22,942,000 on the sales of CBM for the year 2015 has been recorded as "other revenue" during the year.

The Group recorded a net loss of approximately HK$94,069,000 (2015: HK$ 477,711,000), which has decreased largely by 80 % as compared with last year. It was mainly because there was no need for any provision for impairment in this year.

The interest income amounted to approximately HK$39,916,000 (2015: nil) disclosed in "other revenue", mainly derived from the refundable deposit of CAD 40 million of the Group's possible acquisitions located in Alberta, Canada at an annual interest rate of 8.5%. Details please refer to note 12. Further there is an other gain of HK$52,809,000 which derived from the change of fair value of derivates component in relation to the convertible notes issued during the year (note 5).

Natural Gas and Oil Exploitation

Coalbed Methane Exploitation—Sanjiao Block in the Ordos Basin

Project Overview

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

By the end of 2015, the NDRC has granted the ODP. Sanjiao CBM Project has officially entered into the large-scale development and production phase with a targeted annual production capacity of 500 million cubic meters. Substantial increase of the productivity and sales of CBM is expected.

Infrastructure

As at 31 December 2016, there are 28 new wells in Sanjiao CBM Project and it has completed a total of 108 wells, comprising 57 multilateral horizontal wells and 51 vertical wells. Out of the total 108 wells, 85 wells were in the normal dewatering stage, of which 69 wells had accessed to a gas collection pipeline network. A ground pipeline network of approximately 18 kilometers, inter-well pipelines of approximately 50 kilometers, and outbound pipelines of approximately 17 kilometers were completed. Approximately total 62 kilometers of 10KV power grid and branch power line were also completed.

During the year, the Group has undertaken the expansion of the CBM processing station. As at 31 December 2016, the total CBM daily processing capacity is 270,000 cubic meters. After the completion of the expansion in mid-2017, its maximum daily processing capacity will reach 500,000 cubic meters in order to cope with the development of Sanjiao CBM Project.

During the year, the Group has started the low productivity wells rework program. After the technical examination and economic assessment conducted by local and foreign experts, 18 wells with great potential value have been selected. During the year, significant progress has been obtained through the reworks of low productivity wells, including the dewatering quantitative management, dewatering recovery of low productivity wells, blockage relief by nitrogen and fracturing reform etc. Steady increase of the single well productivity has been noted in a number of reworked wells. As at 31 December 2016, the rework program of 13 low productivity wells have been completed and those wells have contributed additional productivity.

Sales

During the "13th Five-Year Plan" (from January 2016), government subsidy has been increased from RMB0.2 per cubic meter to RMB0.3 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.

During the year, the Sanjiao CBM Project recorded CBM production of approximately 69.5 million cubic meters (2015: approximately 59.34 million cubic meters) and CBM sales of approximately 50.02 million cubic meters (2015: approximately 57.67 million cubic meters), resulting in a gas sale-to-production rate of approximately 72% for the year (2015 : approximately 97.2%). The decrease of sale-to-production rate is mainly because of the rigorous economic environment of Shanxi in the second half of 2016 which led to a significant reduction of natural gas consumption by the industrial users. In order to solve the immediate sales problem, the Group has actively explored potential downstream users so as to expand the sales channels. On the one hand, we will secure the gas consumption of the existing downstream industrial users while some of them are going to expand their production in 2017 and their gas consumption will increase 100,000 to 150,000 cubic meters per day accordingly. The Group, on the other hand, has planned to install a small scale liquefied natural gas ("LNG") station with designed daily CBM processing ability of 50,000 to 100,000 cubic meters. It is expected to be completed and start operation in the second half of 2017. This will then provide an immediate alternative sales channel for our CBM produced.

In terms of the composition of gas sales throughout the year, industrial piped CBM sales accounted for approximately 83.7% of total sales (2015 : approximately 92.7%), while residential piped CBM sales contributed approximately 15% (2015: approximately 7.3%). The remaining 1.3% was CNG sales (2015: nil). In 2015, all CBM was sold by pipeline.

Sanjiao CBM Project is now at the large-scale development phase, its production and production capacity will continue to increase. The Group is striving to expand new sales channels. Apart from the new pipeline sales contract, Shanxi Guo Liang CBM Development Limited, the LNG project which 30% equity interest held by the Group, will become a secured long term sales channel for Sanjiao. It is in the process of setting up a LNG station with daily processing capacity of 1.2 million cubic meters in the Sanjiao area of Shanxi Province. The major government approval procedures, including environmental assessment and the professional qualification of four gas types (四氣從業資格) were ready. The Group believes that with the concerted efforts of the team, Sanjiao CBM Project can generate long-term and substantial returns.

Oilfields Located in Shaanxi Province—Liuluoyu, Yanjiawan and Jinzhuang

Due to the downturn on the local operating environment and depletion of the oil blocks, the Group decided to sell the Shaanxi oil field business to a third party at a consideration of HK$ 29,000,000 on 1 September 2016. For the eight months ended 31 August 2016, three oil fields, Liuluoyu, Yanjiawan and Jinzhuang, located at the Ordos Basin in Shaanxi Province, yielded an aggregate crude oil output of approximately 2,435 tonnes (2015: approximately 3,570 tonnes).

Raw Coal Washing Project Located in Shanxi Province

The Group acquired a 75% equity interest of a raw coal washing project company located in Qinshui Basin, Shanxi Province in mid-2015. Due to the impact of coal price fluctuation in 2016, the raw coal washing business performance was mixed during the year. In the first half of the year, as Shanxi coal price was at a low level, the operation of the raw coal washing business was not satisfactory. Until the second half of 2016, the increase in coal price has led to significant improvement to the coal washing business. During the year, the coal washing operation recorded a total sale of refined coal approximately 325,000 tonnes (2015: approximately 84,000 tonnes). The coal industry is expected to gradually be out of the haze and become stable. Pursuant to the sale and purchase agreement entered into by both parties, the vendor will provide the Group with profit guarantee for six consecutive years. The project will therefore contribute stable income and cash flow to the Group.

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 potential CBM projects located in the coal mine block of Lanhua Baoxin, Qinshui Basin and eastern edge of Ordos Basin. After careful investigation, exploration and evaluation, the said coal mine block was found to be not commercially viable for CBM development. However, the Group will keep exploring into similar single well investment model and seek for cooperation with local sizable coal enterprises. As a result, we may effectively consolidate the potential CBM blocks in the neighbouring area and enter the CBM market of Qinshui Basin. The Group is always actively looking for various cooperative projects through different business models so as to strengthen the CBM development business and inject new momentum for the growth of the Group's business.

Possible Acquisition—Oilfield in Alberta, Canada

With the purpose of further enriching the Group's resources reserves, apart from seeking suitable oil and gas blocks in China, the Group is also looking into investment opportunities in overseas upstream businesses. The Group hence entered into two non-legally-binding memorandums of understanding ("MOUs") in June and September 2014. The acquisition targets are oil and gas fields located in Alberta, Canada. The Group is actively preparing for these possible acquisitions and conducting due diligence review on the resources of the target groups. The vendor has collected seismic data so as to identify areas where oil and gas may have accumulated; and has drilled exploratory wells to evaluate if the site can produce enough oil or gas to make it economically viable to develop. The Company expects that overseas acquisition activities can expand the Group's business portfolio of natural gas and oil which will contribute profit and cash flow. Further, this can augment the Group's overall risk resistance capacity when facing unstable external factors.

On 30 September 2016, the Group and the vendor have agreed to further extend the time limit for entering into formal agreements in respect of the terms in the MOUs to 30 June 2017. Meanwhile, during the year, after negotiation with the vendor, taking into account of the interests of shareholders and the Company, interest is charged at the rate of 8.5% per annum against the vendor on the refundable deposits on MOUs (i.e. CAD40 millions), with reference to the existing cost of capital to the Company (note 12).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2016, mainly due to the operating loss and depreciation of RMB during the year, the consolidated net assets of the Group has dropped significantly with more than 10% to approximately HK$3,091,000,000 (31 December 2015: approximately HK$3,503,000,000) while its total assets were approximately HK$5,245,000,000 (31 December 2015: approximately HK$4,666,000,000). As at 31 December 2016, the Group had external borrowings including the liability component of convertible notes of approximately HK$1,553,000,000 (31 December 2015: approximately HK$887,771,000), and the gearing ratio based on total assets was approximately 29.61% (31 December 2015: approximately 19.02%). Information on the Group's collateral assets and repayment of borrowings is set out in notes 12 and 15 to the financial statements as disclosed in this announcement. As at 31 December 2016, the current ratio was approximately 1.32 (31 December 2015: approximately 0.66). As at 31 December 2016, the gearing ratio was still at an acceptable level. During the year, the large capital needs of Sanjiao CBM Project has led to a high current ratio in short-term. It is expected that when the CBM operation becomes stable gradually, the Group's overall financial situation, in particular the liquidity ratio, will also improve and become healthy and stable.

In February 2016, CCB International Overseas Limited subscribed the Group's convertible bonds in the aggregate principal amount of HK$200,000,000 due 2018. 70% of the proceeds has been used for settlement of the construction and operation costs payable in respect of the Sanjiao CBM Project, the remaining of which has been used for development of oil and gas business and for repayment of certain financial obligations.

In May 2016, Central China International Investment Company Limited, Central China Blue Ocean Investment Management Co., Ltd. and President Securities (Hong Kong) Limited subscribed the Group's convertible bonds in the aggregate principal amount of up to

HK$160,000,000 due 2018. 65% of the proceeds has been used for the repayment of certain financial obligations and substantial of the remaining of which has been used for the working capital of the Sanjiao CBM Project.

In September 2016, Crescent Spring Investment Holdings Limited, a wholly-owned subsidiary of China Huarong International Holdings Limited, subscribed the Group 's convertible bonds in the aggregate principal amount of US$130,000,000 (approximately HK$ 1,014,000,000 equivalent) due 2019. It was approved by special general meeting in July 2016. The proceeds are mainly used for the Sanjiao CBM Project, including exploration, drilling, exploitation, production and repayment of certain financial obligations.

The above financing sources, have provided Orion with the capital at lower cost and higher flexibility to support the sizable development of Sanjiao CBM Project. With sufficient funding and 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 at 31 December 2016, no related hedges were made by the Group. In respect to trade and other receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Employees and Remuneration Policies

As at 31 December 2016, the Group employed approximately 374 employees. The remuneration policy of the Group is based on the prevailing remuneration level in the market and the performance of respective companies and individual employees.

PROSPECTS

In December 2016, National Energy Administration published 《CBM development and utilization of the “13th Five Year Planning”》(“The Plan”). It clearly stated that during the “13th Five Year Planning”》, the national CBM proven reserve will increase 420 billion m^3, which will complete and strengthen the industrialization of the two major CBM bases: namely Qinshui and eastern edge of Ordos basin so as to achieve rapid growth of productivity. By 2020, the CBM productivity of these two bases will reach 8.3 billion m^3. The Plan also expects that during the 13th Five Year, the acceleration of the pace of CBM exploration and development; the optimization of the industry structure and key technology breakthrough, will increase production significantly.

CBM has been incorporated into the important carrier to promote energy production and consumption revolution. In 2016, subsidy policy in place and the introduction of incentive measure have provided a favourable policy environment for the development of CBM industry. This has shown that the development of CBM is being accelerated. In February 2016, the Chinese Ministry of Finance announced the subsidy from central government for CBM production under the “13th Five-Year Plan” increases by 50%. In April 2016, the Ministry of Land and Resources announced that in the next two years, part of the CBM exploration and exploitation approval and registration will be processed by the Department of Land and Resources of Shanxi Province, entrusted by the Ministry of Land and Resources. Sanjiao CBM Project will directly benefit from the policy.

The oil and gas market outlook remains uncertain. The sustained low oil price is a result, not of lack of demand, but of oversupply. Despite the recent implementation of production cut agreement by OPEC since 2008, movement of oil prices remained uncertain whether major producers would extend output cut deal to ease global oil glut. Nevertheless, we are still confident that the growth of oil and gas industry as a whole will be eventually rebounding attributable to the oil prices gradually being stabilized. Therefore, the Group is taking the initiative to seize the opportunity, accelerate the pace of overseas mergers and acquisitions with gradient extension to the industrial chain targeting to become a professional international oil and gas player.

Looking forward, the Group will continue to push forward the construction and development of Sanjiao and build the Group's first benchmark project in full effort. Meanwhile, the Group is looking for mergers and acquisitions opportunities with reasonable and potential returns in China, North America and Southeast Asia in order to speed up the Group's business development. It is important for the Group to continue investing to achieve the most competitive portfolio, which can bring the shareholders and investors with long-term and fruitful returns.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2016, the Company repurchased a total of 509,945,000 shares on The Stock Exchange of Hong Kong Limited for enhancing its per share's net asset value and earnings, of which 487,750,000 shares were cancelled during the year and 22,195,000 shares were cancelled in January 2017. Details of the repurchase of shares are as follows:

		Price per share		
Month of repurchase during the year ended 31 December 2016	**Number of shares repurchased**	**Highest HK$**	**Lowest HK$**	**Total consideration (excluding expenses) HK$'000**
March	43,930,000	0.190	0.183	8,310
April	32,995,000	0.190	0.183	6,170
June	247,155,000	0.190	0.175	44,650
October	6,445,000	0.190	0.186	1,230
November	67,050,000	0.190	0.189	12,740
December	112,370,000	0.194	0.187	21,290
Total:	509,945,000			94,390

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 2016.

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 2016 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 2016.

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 2016.

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

Hong Kong, 29 March 2017

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; four Non-executive Directors, namely Mr. Chen Hua, Mr. Huang Shaowu, Mr. He Lin Feng and Chen Chun Tung Jason; and four Independent Non-executive Directors, namely Mr. Wong Kwok Chuen Peter, Professor Wong Lung Tak Patrick, Dr. Wang Yanbin and Dr. Dang Weihua.