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

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the "Board") of Sino Oil and Gas Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	**2017 (Unaudited) HK$'000**	2016 (Unaudited) HK$'000
Continuing operations			
Turnover	5	**310,649**	74,382
Direct costs		**(287,913)**	(63,968)
Gross profit		**22,736**	10,414
Other revenue	6	**28,607**	44,117
Other gains, net	7	**64,092**	1,551
Administrative expenses		**(42,468)**	(31,918)
Profit from operations		**72,967**	24,164
Finance costs	8(a)	**(138,121)**	(14,419)
Share of loss of an associate		**(289)**	(363)
(Loss)/profit before income tax expense	8	**(65,443)**	9,382
Income tax expense	10	**(2,125)**	(1,752)
(Loss)/profit for the period from continuing operations		**(67,568)**	7,630
Discontinued operations			
Loss for the period from discontinued operations	9	**-**	(1,933)
(Loss)/profit for the period		**(67,568)**	5,697

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2017

	Notes	**2017 (Unaudited) HK$'000**	2016 (Unaudited) HK$'000
Other comprehensive income, after tax			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**142,432**	(12,529)
Changes in fair value of available-for-sale investment		**(236)**	-
Other comprehensive income for the period, after tax		**142,196**	(12,529)
Total comprehensive income for the period		**74,628**	(6,832)
(Loss)/profit attributable to:			
Owners of the Company			
(Loss)/profit for the period from continuing operations		**(69,809)**	6,328
Loss for the period from discontinued operations		**-**	(1,933)
		(69,809)	4,395
Non-controlling interests			
Profit for the period from continuing operations		**2,241**	1,302
		(67,568)	5,697
Total comprehensive income attributable to:			
Owners of the Company			
Profit/(loss) for the period from continuing operations		**72,022**	(6,178)
Loss for the period from discontinued operations		**-**	(1,933)
		72,022	(8,111)
Non-controlling interests			
Profit for the period from continuing operations		**2,606**	1,279
		74,628	(6,832)
(Loss)/earnings per share from continuing and discontinued operations		HK$ cents	HK$ cents
- Basic and diluted	12	**(0.411)**	0.025
(Loss)/earnings per share from continuing operations			
- Basic and diluted	12	**(0.411)**	0.036
(Loss)/earnings per share from discontinued operations			
- Basic and diluted	12	**N/A**	(0.011)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

		30.06.2017 (Unaudited)		31.12.2016 (audited)	
	Notes	**HK$'000**	**HK$'000**	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	13		**2,003,606**		1,878,250
Oil and gas exploration and evaluation assets			**49,787**		41,307
Payment for leasehold land held for own use			**4,301**		4,277
Intangible assets	14		**2,265,634**		2,207,202
Goodwill			**96,371**		93,483
Interest in a joint venture			**-**		-
Interest in an associate			**58,367**		58,010
Financial assets at fair value through profit or loss			**-**		4,487
Available-for-sale investment			**1,496**		4,592
Deposits and prepayments	15		**93,636**		44,045
Total non-current assets			**4,573,198**		4,335,653
Current assets					
Inventories		**19,999**		10,591	
Financial assets at fair value through profit or loss		**6,270**		18,134	
Trade, notes and other receivables, deposits and prepayments	15	**468,185**		534,315	
Short-term investment		**74,022**		71,804	
Loan receivable	16	**46,048**		22,334	
Amount due from a joint venture		**320**		320	
Cash and cash equivalents		**28,065**		251,530	
Total current assets		**642,909**		909,028	
Total assets			**5,216,107**		5,244,681
Current liabilities					
Other payables and accruals	17	**(329,291)**		(349,603)	
Convertible notes	19	**(305,162)**		(105,112)	
Financial liabilities at fair value through profit or loss	19	**(163,493)**		(224,937)	
Taxation		**(11,774)**		(8,472)	
Total current liabilities		**(809,720)**		(688,124)	
Net current (liabilities)/assets			**(166,811)**		220,904
Total assets less current liabilities			**4,406,387**		4,556,557
Non-current liabilities					
Provisions		**(4,959)**		(4,810)	
Borrowings	18	**(416,047)**		(322,109)	
Convertible notes	19	**(853,047)**		(1,125,300)	
Deferred tax		**(14,501)**		(12,695)	
Total non-current liabilities			**(1,288,554)**		(1,464,914)
NET ASSETS			**3,117,833**		3,091,643

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2017

	Notes	30.06.2017 (Unaudited) HK$'000	31.12.2016 (audited) HK$'000
Capital and reserves attributable to owners of the Company			
Share capital	20	**168,330**	170,937
Reserves		**2,930,817**	2,905,194
Equity attributable to owners of the Company		**3,099,147**	3,076,131
Non-controlling interests		**18,686**	15,512
TOTAL EQUITY		**3,117,833**	3,091,643

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

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

2. BASIS OF PREPARATION

The interim financial report of the Group has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The preparation of an interim report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

The financial information relating to the financial year ended 31 December 2016 that is included in this interim financial report as being previously reported information does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2016 are available from the Company's head office or at the Company's website (www.sino-oilgas.hk). The auditor has expressed an unqualified opinion on those financial statements in his report dated 29 March 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, which have been prepared in accordance with all applicable HKFRSs, except for the new standards, amendments and interpretations of HKFRSs issued by HKICPA which have become effective in this period.

4. ADOPTION OF NEW AND REVISED HKFRSs

In the reporting period, the Group has adopted a number of new and revised HKFRSs, issued by the HKICPA that are effective for the accounting period beginning on 1 January 2017. The adoption of these new and revised HKFRSs has no material impact on the Group's financial statements.

5. TURNOVER AND SEGMENT REPORTING

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

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

i) Coalbed methane:	Exploration, development and production of coalbed methane.
ii) Raw and cleaned coal:	Raw coal washing and sale of raw and cleaned coal.
iii) Oil and gas exploitation:	Exploitation and sale of crude oil and natural gas.
iv) Finance leasing:	Provision of finance leasing services.

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

The Group has disposed the Key Wisdom Investments Limited and its subsidiaries (collectively known as "Key Wisdom Group") in 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 six months ended 30 June 2016 were reclassified as discontinued operations in the Group's condensed consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

5. TURNOVER AND SEGMENT REPORTING (Continued)

For the six months ended 30 June 2017, 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$'000	Finance leasing HK$'000	Unallocated HK$'000	Subtotal HK$'000	Oil and gas exploitation HK$'000	Total HK$'000
Results								
Turnover- Revenue from external customers	37,769	272,000	-	880	-	310,649	-	310,649
Segment results[1]	12,691	11,104	7,905	(3,645)	(16,532)	11,523	-	11,523
Change in fair value of financial liabilities through profit or loss	-	-	-	-	61,444	61,444	-	61,444
Finance costs	-	(2,606)	-	-	(135,515)	(138,121)	-	(138,121)
Share of loss of an associate	(289)	-	-	-	-	(289)	-	(289)
Profit/(loss) before income tax expense	12,402	8,498	7,905	(3,645)	(90,603)	(65,443)	-	(65,443)
Income tax expense	-	(2,125)	-	-	-	(2,125)	-	(2,125)
Profit/(loss) for the period	12,402	6,373	7,905	(3,645)	(90,603)	(67,568)	-	(67,568)
Assets and liabilities								
At 30 June 2017								
Reportable segment assets[2]	4,453,951	267,837	320,779	50,265	123,275	5,216,107	-	5,216,107
Reportable segment liabilities[2]	230,410	85,843	16	81	1,781,924	2,098,274	-	2,098,274

NOTES TO THE FINANCIAL STATEMENTS

5. TURNOVER AND SEGMENT REPORTING (Continued)

For the six months ended 30 June 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							
Turnover- Revenue from external customers	30,435	43,947	-	-	74,382	3,999	78,381
Segment results[1]	4,808	4,988	-	14,368	24,164	(1,933)	22,231
Finance costs	(83)	(69)	(1)	(14,266)	(14,419)	-	(14,419)
Share of loss of an associate	(363)	-	-	-	(363)	-	(363)
Profit/(loss) before income tax expense	4,362	4,919	(1)	102	9,382	(1,933)	7,449
Income tax expense	-	(1,752)	-	-	(1,752)	-	(1,752)
Profit/(loss) for the period	4,362	3,167	(1)	102	7,630	(1,933)	5,697
Assets and liabilities							
As at 31 December 2016							
Reportable segment assets[2]	4,341,968	374,132	303,233	225,348	5,244,681	-	5,244,681
Reportable segment liabilities[2]	259,243	89,982	15	1,803,798	2,153,038	-	2,153,038

5. TURNOVER AND SEGMENT REPORTING (Continued)

Notes:

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

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

6. OTHER REVENUE

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Continuing operations		
Interest income		
- bank deposits	**43**	66
- short-term investment	**4,688**	4,938
- others – note (i)	**11,858**	29,390
Total interest income on financial assets that are not at fair value through profit or loss	**16,589**	34,394
Government subsidies – note (ii)	**11,880**	9,592
Others	**138**	131
	28,607	44,117

Notes:

(i) It mainly represents the interest income from the refundable deposits paid for possible acquisitions of Canada oil fields. Details please refer to note 15(iv).

(ii) It represents the regular subsidies received during the period from relevant government authority on the sales of coalbed methane from the Sanjiao CBM Project.

7. OTHER GAINS, NET

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Continuing operations		
Change in fair value of financial liabilities through profit or loss	**61,444**	-
Exchange (loss)/gains, net	**(566)**	181
Others	**3,214**	1,370
	64,092	1,551

NOTES TO THE FINANCIAL STATEMENTS

8. LOSS/(PROFIT) BEFORE INCOME TAX EXPENSE FROM CONTINUING OPERATIONS

Loss/(profit) before income tax expense from continuing operations is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Continuing operations		
a) Finance costs		
Amortisation of convertible notes transaction costs	**7,658**	2,781
Amortisation of corporate bonds transaction costs	**5,183**	3,524
Interest on borrowings	**-**	15,968
Imputed interest on convertible notes	**133,065**	24,967
Interest on corporate bonds	**14,436**	9,829
Others	**2,779**	2,335
	163,121	59,404
Less: interest capitalised in qualifying assets	**(25,000)**	(44,985)
	138,121	14,419
b) Employee costs (including directors' remuneration)		
Salaries, wages and other benefits	**15,611**	16,633
Contributions to defined contribution retirement plan	**290**	434
	15,901	17,067
c) Other items		
Depreciation of property, plant and equipment	**21,613**	19,039
Amortisation of payments for leasehold land held for own use	**106**	-
Amortisation of intangible assets	**10,083**	9,453
Minimum lease payments under operating lease – property rentals	**5,407**	4,035

NOTES TO THE FINANCIAL STATEMENTS

9. DISCONTINUED OPERATIONS

During 2016, the Group entered into a sale and purchase agreement to dispose of Key Wisdom Group, which was engaged in the exploration and sale of crude oil and natural 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:

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Turnover	**-**	3,999
Direct cost	**-**	(4,497)
Gross loss	**-**	(498)
Other revenue	**-**	34
Administrative expenses	**-**	(1,469)
Loss from operations	**-**	(1,933)
Finance costs	**-**	-
Loss before income tax expense	**-**	(1,933)
Income tax expense	**-**	-
Loss for the period from discontinued operation	**-**	(1,933)

For the purpose of presenting discontinued operations, the condensed consolidated statement of comprehensive income and the related notes have been re-presented as if the operations discontinued at the beginning of the comparative period for the six months ended 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS

10. 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 for the period ended 30 June 2017 and 2016. During the period ended 30 June 2017 and 2016, 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:

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Continuing operations		
Current income tax		
- PRC enterprises income tax	**2,963**	1,752
Deferred tax for the year	**(838)**	-
Income tax expense	**2,125**	1,752

11. DIVIDEND

The directors have neither declared nor proposed any dividends in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

12. (LOSS) / EARNINGS PER SHARE

FOR CONTINUING OPERATIONS

a) Basic (loss)/earnings 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$69,809,000 (six months ended 30 June 2016: profit of HK$6,328,000) and the weighted average number of 16,982,953,000 (2016: 17,545,260,000) ordinary shares in issue during the period.

b) Diluted (loss)/earnings per share from continuing operations

Diluted (loss)/earnings per share for the six months ended 30 June 2017 and 30 June 2016 is the same as the basic (loss)/earnings per share. The computation of diluted (loss)/earnings per share does not assume the exercise of the Company's outstanding share options and convertible notes as the exercise price of those share options and convertible notes is higher than the average market price for shares.

FOR DISCONTINUED OPERATIONS

a) Basic loss per share from discontinued operations

The calculation of basic loss per share from discontinued operations for the six months ended 30 June 2016 is based on the loss attributable to owners of the Company from discontinued operations of HK$1,933,000 and the weighted average number of 17,545,260,000 ordinary shares in issue during the period.

b) Diluted loss per share from discontinued operations

Diluted loss per share from discontinued operations for the six months ended 30 June 2016 is the same as the basic loss per share from discontinued operations of the Company's outstanding share options and convertible notes, where applicable, had an anti-dilutive effect on the basic loss per share from discontinued operations for the period ended 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group incurred the expenditure on property, plant and equipment with a cost of HK$62,863,000 (six months ended 30 June 2016: HK$132,828,000) and interest capitalised is HK$25,000,000 (six months ended 30 June 2016: HK$44,985,000).

14. INTANGIBLE ASSETS

The intangible assets represent mainly an operation rights in respect of coalbed methane project in the PRC and a favourable supplier agreement in respect of raw and cleaned coal project in the PRC.

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

	30.6.2017 **HK$'000**	31.12.2016 HK$'000
Non-current assets		
Deposits and prepayments – note (ii)	**93,636**	44,045
Current assets		
Trade receivables– note (i)	**30,889**	34,669
Notes receivable	**5,664**	48,018
Other receivables – note (iii)	**55,347**	53,295
	91,900	135,982
Utility deposits	**726**	726
Other deposits and prepayments – note (iv)	**375,559**	397,607
	376,285	398,333
	468,185	534,315

Notes:

(i) Trade receivables are expected to be recovered within one year. All trade receivables are not impaired and related to customers which have good business track records with the Group. Ageing analysis of trade receivables is as follows:

	30.6.2017 **HK$'000**	31.12.2016 HK$'000
30 days	**7,591**	4,987
31 - 60 days	**6,421**	4,232
61 - 90 days	**6,513**	3,976
Over 90 days	**10,364**	21,474
	30,889	34,669

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

(ii) As at 30 June 2017, the balance included prepaid exploration costs of HK$93,636,000 (31 December 2016: HK$27,965,000) on the Group's construction in progress.

(iii) As at 30 June 2017, the balance included mainly consideration receivables of HK$24,050,000 (31 December 2016 : HK$27,550,000) on the disposal of Key Wisdom Group and contingent consideration receivables of HK$17,050,000 (31 December 2016: Nil).

(iv) As at 30 June 2017, the balance mainly included prepayment to a raw coal supplier of HK$41,637,000 (31 December 2016: HK$125,239,000), deposits of HK$240,512,000 (31 December 2016: HK$230,740,000) paid for possible acquisitions of Canada oil fields and interest receivables of HK$30,170,000 (31 December 2016: HK$28,975,000) in relation to these deposits. The deposits are interest bearing at 8.5% per annum.

16. LOAN RECEIVABLE

	30.6.2017 **HK$'000**	31.12.2016 HK$'000
Current assets	**46,048**	22,334

The loan receivable represented loan to an independent third party of RMB 40,000,000 (31 December 2016: RMB 20,000,000). The loan is secured by certain equipment, interest bearing at 10% per annum and repayable in April 2018.

17. OTHER PAYABLES AND ACCRUALS

	30.6.2017	31.12.2016
	HK$'000	HK$'000
Other payables and accruals – note (i)	**317,598**	337,910
Amounts due to a shareholder – note (ii)	**11,693**	11,693
	329,291	349,603

Notes:

(i) Other payables mainly included exploration costs payable of approximately HK$214,963,000 (31 December 2016: HK$249,776,000) 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.

18. BORROWINGS

	30.6.2017	31.12.2016
	HK$'000	HK$'000
Corporate bonds - unsecured	**416,047**	322,109
On demand or within one year	**-**	-
More than one year, but not exceeding two years	**10,400**	-
More than two years, but not exceeding five years	**10,000**	7,500
More than five years	**395,647**	314,609
	416,047	322,109
Amount due within one year included in current portion	**-**	-
Non-current portion	**416,047**	322,109

19. CONVERTIBLE NOTES

	Liabilities component HK'000	Derivates component HK'000	Equity component HK'000	Total HK'000
At 1 January 2016	**285,250**	**-**	**26,322**	**311,572**
Issue of convertible notes during the year	**1,058,564**	**277,746**	**-**	**1,336,310**
Released upon expiry	**(192,760)**	**-**	**(15,913)**	**(208,673)**
Amortisation of transaction costs	**8,539**	**-**	**-**	**8,539**
Imputed interest expense	**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 and at 1 January 2017	**1,230,412**	**224,937**	**10,409**	**1,465,758**
Released upon expiry	**(140,000)**	**-**	**(10,409)**	**(150,409)**
Amortisation of transaction costs	**7,658**	**-**	**-**	**7,658**
Imputed interest expense	**133,065**	**-**	**-**	**133,065**
Gain on released upon expiry	**(3,214)**	**-**	**-**	**(3,214)**
Interest paid	**(69,712)**	**-**	**-**	**(69,712)**
Change in fair value	**-**	**(61,444)**	**-**	**(61,444)**
At 30 June 2017	**1,158,209**	**163,493**	**-**	**1,321,702**

NOTES TO THE FINANCIAL STATEMENTS

20. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Issued and fully paid		
At 1 January 2016	17,603,601	176,036
Shares repurchased and cancelled	(509,945)	(5,099)
At 31 December 2016 and at 1 January 2017	17,093,656	170,937
Shares repurchased - note	(260,645)	(2,607)
At 30 June 2017	16,833,011	168,330

Note: During the six months ended 30 June 2017, the Company repurchased a total of 260,645,000 shares of the Company at an aggregate consideration of approximately HK$48,990,000. Out of 260,645,000 shares repurchased, 252,435,000 shares were cancelled during the period while the remaining 8,210,000 shares were cancelled in July 2017.

21. EVENTS AFTER THE REPORTING PERIOD

There has been no significant event since 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2017, Sino Oil and Gas Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") recorded a turnover of approximately HK$310,649,000 (2016 interim: HK$78,381,000), which has substantially increased by nearly 3 times as compared with that of the same period in last year. The turnover included the sales of Sanjiao Coalbed Methane ("CBM") Project of approximately HK$37,769,000 (2016 interim: HK$30,435,000) and the sales derived from raw coal washing project located in Qinshui Basin, Shanxi Province of approximately HK$272,000,000 (2016 interim: HK$43,947,000). During the period, the Group recorded a net loss of approximately HK$67,568,000 (2016 interim: net profit HK$5,697,000). It was mainly attributable to the increase in the finance costs incurred arising from the convertible notes and borrowings during the period. The finance costs during the period were approximately HK$138,121,000 (2016 interim: HK$14,419,000). According to the Hong Kong Financial Reporting Standards, part of the finance costs were non-cash items, such as imputed interest on convertible notes and amortization of transaction costs on convertible notes and corporate bonds, and the finance costs actually affecting the cash flow of the period was approximately HK$ 69,712,000 (2016 interim: HK$4,205,000) (Please refer to note 19 to the financial statements as disclosed in this announcement for details).

During the period, the Group recorded earnings before interest, taxes, depreciation and amortization ("EBITDA") of approximately HK$104,480,000 (2016 interim：EBITDA HK$52,293,000) which included other gains from fair value changes of approximately HK$61,444,000 (2016 interim: nil).

During the period, the operation of Sanjiao CBM Project has improved and CBM sales has increased by approximately 24% as compared with the same period of last year. In the first half of 2017, the Group actively expanded its sales channels of CBM, thereby, the gas sale-to-production rate has increased to approximately 90% (2016 interim: 81.6%). At the same time, government subsidy of approximately HK$11,880,000 (2016 interim: HK$9,592,000) for sales of CBM for the year 2016 has been received and recorded as "other revenue" during the period. The Group believes that with the concerted efforts of the team, Sanjiao CBM Project will generate long-term and substantial returns.

The interest income amounted to approximately HK$11,858,000 (2016 interim: HK$29,390,000) disclosed in "other revenue", mainly derived from the refundable deposit of CAD40 million of the Group's possible acquisitions located in Alberta, Canada.

Natural Gas and Oil Exploitation

Coalbed Methane Exploitation—Sanjiao Block in the Ordos Basin

Project Overview

Through its wholly-owned subsidiary Orion Energy International Inc. ("Orion"), the Group entered into a production sharing contract ("PSC") with China National Petroleum Corporation ("PetroChina"), its partner in the PRC, for exploration, utilization and production of the CBM field in the Sanjiao block ("Sanjiao CBM Project"), 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.

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

Infrastructure

As at 30 June 2017, the Sanjiao CBM Project has completed a total of 116 wells, comprising 64 multilateral horizontal wells and 52 vertical wells. Out of the total 116 wells, 82 wells were in the normal dewatering and gas producing stage, of which 84wells had accessed to a gas collection pipeline network. A ground pipeline network of approximately 18 kilometers, inter-well pipelines of approximately 56kilometers, and outbound pipelines of approximately 17 kilometers were completed. Approximately total 68.7 kilometers of 10KV power grid and branch power line were also completed.

During the period, the Group has completed the expansion of the CBM processing station. As at 30 June 2017, its total daily CBM processing capacity has reached 500,000 cubic meters, and the Group will continue to expand the coalbed methane processing capacity in due course so as to cope with the increasing production capacity of Sanjiao CBM Project.

Sales

During the period, Sanjiao CBM Project recorded EBITDA of approximately HK$40,055,000 (2016 interim: HK$28,992,000) , which has increased by38% as compared with the same period of last year. CBM sales amounted to HK$37,769,000 (2016 interim: HK$30,435,000), which has increased by 24% as compared with the same period of last year.

During the period, the production and sales of CBM were approximately 37.9 million cubic meters (2016 interim: 32.49 million cubic meters) and 34.17million cubic meters (2016 interim: 26.52 million cubic meters) respectively, resulting in a gas sale-to-production rate of approximately 90% for the period (2016 interim: approximately 81.6%). In terms of the composition of gas sales throughout the period, industrial piped CBM sales accounted for approximately 87.3% of total sales (2016 interim: 80.4%), while residential piped CBM sales contributed approximately 12.7% (2016 interim: 19.6%). Same as last year, all CBM was sold by pipeline.

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 of 2015. In view of the extreme excess production capacity of the coal industry, the supply-side reform was launched in 2015 in China and improvement has gradually been seen since 2016. In the first half of 2017, the coal price continued to rise. It is expected that following the gradual implementation of the policy, the industry will progressively pick up. 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 and the project has already contributed stable income and cash flow to the Group. During the period, the coal washing operation recorded a total sale of refined coal approximately 218,500 tonnes (2016 interim: 93,500 tonnes) which has increased by approximately 134% as compared to the same period of last year.

Other

At the end of last year, the Group set up a wholly-owned subsidiary, Shaanxi Zhao Yin Finance Leasing Company Limited ("Zhao Yin Finance Leasing ") in Shaanxi Province. The major purpose of the establishment of this finance leasing company is to strengthen the Group's bank-enterprise relations so as to create cooperation channels; as well as to seek for the suitable financing channels and sources for the Group’s upcoming possible mergers and acquisitions (“M&A”) and development. Further it also provides short-term investment opportunities for the Group’s capital. In the first half of the year, Zhao Yin Finance Leasing granted a total of RMB 40 million short-term leasing loans with the annual interest rate of10% to a local company, operating natural gas pipeline business.

Possible Acquisition — Oilfield in Alberta, Canada

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

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

On 30 June 2017, the Group and the vendor have agreed to further extend the time limit for entering into formal agreements in respect of the terms in the MOUs to 31 December 2017, and both parties are confident that the transaction can be finalized within the year.

FINANCIAL REVIEW

Liquidity and Financial Resources

As of 30 June 2017, the net assets of the Group were approximately HK$3,118,000,000 (31 December 2016: HK$3,091,000,000) while its total assets were approximately HK$5,216,000,000 (31 December 2016: HK$5,245,000,000). As of 30 June 2017, the Group had external borrowings including the liability component of convertible notes of approximately HK$1,574,000,000 (31 December 2016: HK$1,553,000,000), and the gearing ratio based on total assets was approximately 30.18% (31 December 2016: 29.61%). By the end of June 2017, the current ratio was approximately 0.79 (31 December 2016: 1.32). Information on repayment of the Group's borrowings and convertible notes are set out in notes18 and 19 to the financial statements as disclosed in this announcement.

As at 30 June 2017, the gearing ratio was still at a reasonable level. During the year, in addition to the large capital needs for the development of Sanjiao CBM Project, redemption of certain convertible notes matured during the period has led to a relatively low current ratio in short-term. It is expected that when the CBM operation becomes stable gradually, the Group's overall financial situation will improve and become healthy and stable.

In the first half of the year, the Company has redeemed convertible notes with the aggregate principal amount of HK$140,000,000.

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 30 June 2017, no related hedges were made by the Group. In respect to trade and other receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Employees and Remuneration Policies

As at 30 June 2017, the Group employed approximately 350 employees. The remuneration policy of the Group is based on the prevailing remuneration level in the market and the performance of respective companies and individual employees.

PROSPECTS

In order to strengthen the air pollution control, the Chinese government vigorously advocates the use of natural gas and reduces air pollution caused by coal burning in recent years. The data released by NDRC shows that, in the first half of 2017, China's natural gas consumption has reached 114.6 billion cubic meters, with an increase of 15.2% year over year, which indicating a rapid trend of growth. The steady recovery of Chinese economy has led to the increase of overall gas demand, and the "coal to gas" policy is also one of the main driving forces. In accordance with the "Opinions on Promoting the Use of Natural Gas" published by NDRC in June 2017, it mentioned that by 2020 and 2030, natural gas will account for 10% and 15% of the primary energy consumption structure respectively. The Group believes that the natural gas industry in China will continue to develop healthily with an accelerating pace.

As an important strategic supplement to natural gas, CBM industry also has considerable development. The data released by the Ministry of Land and Resources of China shows that in 2016, the national production of CBM on ground exploration has reached a record high of 4.495 billion cubic meters. Moreover, subsidy policy in place and the introduction of incentive measure have provided a favorable policy environment for CBM industry. The Group will seize the opportunity to accelerate the construction and development of Sanjiao CBM Project in order to meet China's growing energy demand while consolidating the Group's core competitiveness and to lay a solid foundation for further expansion and development.

The global economy recovered moderately in the first half of this year, the international oil and gas prices tend to become stable, while there are still many uncertainties for the supply and demand in the oil and gas market. However, the Group still believes that with the gradually stabilized oil prices and the solid fundamentals of the overall energy market, the growth of oil and gas industry as a whole will be eventually catching up and recovered. In the meantime, in order to accelerate the growth of the Group and balance the business risks, we are focusing on opportunities of M&A. For the interest of the shareholders, the Group is evaluating suitable midstream and downstream projects in addition to upstream projects. In assessing potential M&A targets, we mainly consider business stability, risk controllability, quality of resources and the ability of generating revenue and cash flow in the near future.

In the future, with the development and operation of Sanjiao CBM Project, we believe the Group has sufficient strength to embrace more business opportunities in China and other countries. The Group will ride on the robust core business to speed up the pace of foreign expansion; actively looking for oil and gas assets with potential to become a professional international oil and gas player.

OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2017, the Company repurchased a total of 260,645,000 shares on the The Stock Exchange of Hong Kong Limited for enhancing its per share's net asset value and earnings, of which 252,435,000 shares were cancelled during the period and 8,210,000 shares were cancelled in July 2017. Details of the repurchase of shares are as follows:

Month of repurchase during the six months ended 30 June 2017	Number of shares repurchased	Price per share Highest HK$	Price per share Lowest HK$	Total consideration (excluding expenses) HK$'000
January	64,745,000	0.190	0.189	12,280
March	16,965,000	0.190	0.183	3,164
April	41,355,000	0.190	0.185	7,815
May	70,245,000	0.190	0.185	13,247
June	67,335,000	0.190	0.179	12,484
Total:	**260,645, 000**			**48,990**

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the six months ended 30 June 2017.

AUDIT COMMITTEE

The Audit Committee, which comprises Mr. Wong Kwok Chuen Peter, Professor Wong Lung Tak Patrick and Dr. Wang Yanbin, has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim report of the Company for the six months ended 30 June 2017.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017.

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

Hong Kong, 25 August 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, Mr. Chen Hua, Mr. Huang Shaowu, Mr. He Lin Feng and Mr. 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.