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 2019

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 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	**2019 (Unaudited) HK$'000**	2018 (Unaudited) HK$'000
Revenue	5	**157,807**	314,790
Direct costs		**(133,752)**	(299,488)
Gross profit		**24,055**	15,302
Other income	6	**39,821**	42,796
Other (losses) and gains, net	7	**(55)**	(20,470)
Selling and distribution expenses		**(4,025)**	(1,970)
Administrative expenses		**(32,642)**	(39,728)
Profit/(Loss) from operations		**27,154**	(4,070)
Finance costs	8(a)	**(92,146)**	(158,261)
Share of loss of an associate		**(101)**	(99)
Loss before income tax expense	8	**(65,093)**	(162,430)
Income tax expense	9	**(1,964)**	(2,173)
Loss for the period		**(67,057)**	(164,603)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2019

	Notes	**2019 (Unaudited) HK$'000**	2018 (Unaudited) HK$'000
Other comprehensive income, after tax			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(65,917)**	(98,822)
Item that will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income (non-recycling)		**-**	(4,151)
Other comprehensive income for the period, after tax		**(65,917)**	(102,973)
Total comprehensive income for the period		**(132,974)**	(267,576)
Loss attributable to:			
Owners of the Company		**(69,462)**	(165,176)
Non-controlling interests		**2,405**	573
		(67,057)	(164,603)
Total comprehensive income attributable to:			
Owners of the Company		**(135,115)**	(269,503)
Non-controlling interests		**2,141**	1,927
		(132,974)	(267,576)
Loss per share		HK$ cents	HK$ cents (restated)
- Basic and diluted	11	**(2.08)**	(8.87)

Note:
The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 4.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		30.6.2019 (Unaudited)		31.12.2018 (Audited)	
	Notes	**HK$'000**	**HK$'000**	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment			**2,012,650**		2,026,855
Oil and gas exploration and evaluation assets			**68,176**		61,600
Payment for leasehold land held for own use			**-**		3,915
Right-of-use assets			**15,148**		-
Intangible assets			**2,155,780**		2,174,607
Goodwill			**11,545**		11,596
Interest in a joint venture			**-**		-
Interest in an associate			**57,785**		57,977
Financial assets at fair value through profit or loss			**38,130**		38,301
Equity investments designated at fair value through other comprehensive income			**956**		956
Deposits and prepayments	12		**52,131**		52,365
Loan receivables			**13,333**		13,470
Total non-current assets			**4,425,634**		4,441,642
Current assets					
Inventories		**35,210**		11,950	
Financial assets at fair value through profit or loss		**11,802**		19,399	
Trade, notes and other receivables, deposits and prepayments	12	**411,894**		365,106	
Short-term investment		**68,888**		69,216	
Loan receivables		**4,097**		18,290	
Amount due from a joint venture		**320**		320	
Cash and cash equivalents		**16,287**		36,949	
Total current assets		**548,498**		521,230	
Total assets			**4,974,132**		4,962,872
Current liabilities					
Trade, other payables and accruals	13	**(432,304)**		(331,682)	
Borrowings	14	**(18,623)**		(16,956)	
Convertible notes	15	**(1,144,183)**		(1,118,267)	
Financial liabilities at fair value through profit or loss	15	**(11)**		(257)	
Lease liabilities		**(10,217)**		-	
Taxation		**(5,176)**		(6,062)	
Total current liabilities		**(1,610,514)**		(1,473,224)	
Net current liabilities			**(1,062,016)**		(951,994)
Total assets less current liabilities			**3,363,618**		3,489,648

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2019

	Notes	**HK$'000**	**30.6.2019 (Unaudited) HK$'000**	HK$'000	31.12.2018 (Audited) HK$'000
Non-current liabilities					
Provisions		**(8,555)**		(8,594)	
Borrowings	14	**(465,764)**		(460,167)	
Lease liabilities		**(1,441)**		-	
Deferred tax		**(12,226)**		(12,281)	
Total non-current liabilities			**(487,986)**		(481,042)
NET ASSETS			**2,875,632**		3,008,606
Capital and reserves attributable to owners of the Company					
Share capital			**334,544**		334,544
Reserves			**2,533,238**		2,668,353
Equity attributable to owners of the Company			**2,867,782**		3,002,897
Non-controlling interests			**7,850**		5,709
TOTAL EQUITY			**2,875,632**		3,008,606

Note:
The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 4.

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 1201-1202, 12/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong, respectively.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

(a) 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 2018 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 2018 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. The auditor has expressed disclaimer of opinion on those financial statements in his report dated 29 March 2019. Statutory financial statements for the year ended 31 December 2018 are available from the Company's head office or at the Company's website (www.sino-oilgas.hk).

(b) Going concern assumption

As at 30 June 2019, the Group had net current liabilities of HK$1,062,016,000. It indicates the existence of uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION (Continued)

The issue of the net current liabilities as of 30 June 2019, and the convertible notes with a principal amount of HK$1,014,000,000 due in September 2019 constituted a greater financial pressure. The management is actively engaged in discussions with the holder of the convertible notes on the relevant issues. Although no binding plan or terms have been reached, both parties have conducted in-depth discussions on several feasible options, including but not limited to, (i) exploring the possibilities with the convertible notes holder to amend terms of the convertible notes so as to extend its maturity; (ii) negotiating with potential investors who are interested in acquiring the convertible notes. Management expects both sides may reach consensus in early September 2019.

The Group is actively identifying any possible financing options to strengthen the liquidity of the Group. During the period ended 30 June 2019, the Company has entered into a subscription agreement with an independent investor to allot and issue a total of 665,000,000 shares of the Company at a price of HK$0.1 per share. The transaction is expected to be completed on 6 September 2019.

In addition, three major shareholders and directors of the Company have confirmed that they will provide continuing and sufficient financial support to the Group when the Group faces financial difficulties. The Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the condensed consolidated financial statements. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statement for the period ended 30 June 2019 on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 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.

Details of the changes in accounting policies due to the adoption of new and revised HKFRSs are set out in note 4.

NOTES TO THE FINANCIAL STATEMENTS

4. ADOPTION OF NEW AND REVISED HKFRSs

In the current period, the Group has applied, for the first time, the following new standards and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

- HKFRS 16 Leases
- HK(IFRIC) - Int 23 Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9 Prepayment Features with Negative Compensation
- Amendments to HKAS 19 Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRSs Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparative for 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

Summary of effects arising from initial application of HKFRS 16 “Leases” :

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 “Leases” and the related interpretations.

4. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's condensed consolidated statement of financial position at 1 January 2019.

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:	Carrying amount at 31 December 2018 HK$'000	Capitalisation of operating lease contracts HK$'000	Carrying amount at 1 January 2019 HK$'000
Non-current assets			
Payment for leasehold land held for own use	3,915	(3,915)	-
Right-of-use assets	-	18,227	18,227
Current liabilities			
Lease liabilities	-	(8,650)	(8,650)
Non-current liabilities			
Lease liabilities	-	(5,662)	(5,662)

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized depreciation and finance costs, instead of operating lease expenses. During the six months ended 30 June 2019, the Group recognized HK$3,045,000 of depreciation charges for right-of-use assets and HK$954,000 of finance costs for these leases.

Details of changes in reclassification and changes in accounting policies will be set out in the interim report.

5. REVENUE 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 (2018: four) 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) Financial services:	Provision of financial services

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

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT REPORTING (Continued)

For the six months ended 30 June 2019, the segment information about these businesses is set out as follows:

	Coalbed methane HK$'000	Raw and cleaned coal HK$'000	Oil and gas exploitation HK$'000	Financial services HK$'000	Unallocated HK$'000	Total HK$'000
Results						
Revenue from external customers						
-Within the scope of HKFRS15	58,185	73,980	-	-	-	132,165
-Interest income from financial services	-	-	-	25,642	-	25,642
	58,185	73,980	-	25,642	-	157,807
Segment results[1&2]	18,858	12,326	9,816	590	(14,682)	26,908
Change in fair value of financial liabilities at fair value through profit or loss	-	-	-	-	246	246
Finance costs	(3,272)	(742)	-	(164)	(87,968)	(92,146)
Share of loss of an associate	(101)	-	-	-	-	(101)
Profit/(loss) before income tax expense	15,485	11,584	9,816	426	(102,404)	(65,093)
Income tax expense	-	(1,964)	-	-	-	(1,964)
Profit/(loss) for the period	15,485	9,620	9,816	426	(102,404)	(67,057)
Assets and liabilities						
At 30 June 2019						
Reportable segment assets[3]	4,366,686	142,223	350,704	38,258	76,261	4,974,132
Reportable segment liabilities[3]	407,084	30,795	16	6,566	1,654,039	2,098,500

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT REPORTING (Continued)

For the six months ended 30 June 2018, the segment information about these businesses is set out as follows:

	Coalbed methane HK$'000	Raw and cleaned coal HK$'000	Oil and gas exploitation HK$'000	Financial services HK$'000	Unallocated HK$'000	Total HK$'000
Results						
Revenue from external customers						
-Within the scope of HKFRS15	44,147	267,488	-	-	-	311,635
-Interest income from financial services	-	-	-	3,155	-	3,155
	44,147	267,488	-	3,155	-	314,790
Segment results[1&2]	15,612	5,627	6,577	4,247	(20,715)	11,348
Change in fair value of financial liabilities at fair value through profit or loss	-	-	-	-	(15,418)	(15,418)
Finance costs	-	(1,161)	-	-	(157,100)	(158,261)
Share of loss of an associate	(99)	-	-	-	-	(99)
Profit/(loss) before income tax expense	15,513	4,466	6,577	4,247	(193,233)	(162,430)
Income tax expense	-	(2,173)	-	-	-	(2,173)
Profit/(loss) for the period	15,513	2,293	6,577	4,247	(193,233)	(164,603)
Assets and liabilities						
At 30 June 2018						
Reportable segment assets[3]	4,549,202	274,558	342,436	41,407	125,018	5,332,621
Reportable segment liabilities[3]	307,738	60,196	-	554	1,888,069	2,256,557

5. REVENUE AND SEGMENT REPORTING (Continued)

Notes:

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

2. The segment result of coalbed methane includes government subsidies and grants of HK$24,454,000 (six months ended 30 June 2018: HK$26,774,000).

3. Unallocated assets mainly include cash and cash equivalents in head office, short-term investment, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. Unallocated liabilities mainly include financial liabilities at fair value through profit or loss, borrowings and convertible notes.

6. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Interest income		
- bank deposits	**8**	6
- short-term investment	**4,792**	5,103
- others (note (i))	**10,287**	10,432
Total interest income on financial assets measured at amortised cost	**15,087**	15,541
Government subsidies and grants (note (ii))	**24,454**	26,774
Others	**280**	481
	39,821	42,796

Notes:

(i) It mainly represents the interest income from the refundable deposits paid for possible acquisitions of Canada oil fields.

(ii) It represents the regular subsidies received during the period from relevant government authority on the sales of coalbed methane for the year of 2018 (six months ended 30 June 2018: for the year of 2017) and VAT refund on the sales of coalbed methane from local tax bureau. Both of them were generated from the coalbed methane segment as disclosed in note 5.

NOTES TO THE FINANCIAL STATEMENTS

7. OTHER (LOSSES) AND GAINS, NET

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Change in fair value of financial liabilities at fair value through profit or loss	**246**	(15,418)
Exchange loss, net	**(301)**	(2,494)
Others	**-**	(2,558)
	(55)	(20,470)

8. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
a) Finance costs		
Interest expense for financial liabilities measured at amortised costs:		
Interest on corporate bonds	**17,058**	17,076
Interest on borrowings	**3,538**	19,962
Imputed interest on convertible notes	**62,319**	126,403
Interest on lease liabilities	**954**	-
Others	**13**	940
	83,882	164,381
Other finance costs:		
Amortisation of transaction cost on convertible notes	**4,417**	-
Amortisation of transaction cost on corporate bonds	**6,097**	5,880
	94,396	170,261
Less: interest capitalised in qualifying assets	**(2,250)**	(12,000)
	92,146	158,261
b) Employee costs (including directors' remuneration)		
Salaries, wages and other benefits	**15,001**	13,320
Contributions to defined contribution retirement plan	**371**	267
	15,372	13,587

8. LOSS BEFORE INCOME TAX EXPENSE (Continued)

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
c) Other items		
Cost of inventories sold recognised as expenses	**57,489**	253,289
Depreciation of property, plant and equipment	**17,409**	27,669
Depreciation of right-of-use assets	**3,045**	-
Amortisation of payments for leasehold land held for own use	**-**	115
Amortisation of intangible assets	**9,279**	11,358
Rental expenses under short-term lease	**2,914**	-
Minimum lease payments under operating lease-property rentals	**-**	7,220

9. 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 six months ended 30 June 2019 and 2018. During the six months ended 30 June 2019 and 2018, the subsidiaries in the People’s Republic of China (“PRC”) were subject to statutory tax rate of 25%.

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Current income tax		
- PRC enterprises income tax	**1,964**	3,085
Deferred tax for the period	**-**	(912)
Income tax expense	**1,964**	2,173

10. DIVIDEND

The directors have neither declared nor proposed any dividends in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

NOTES TO THE FINANCIAL STATEMENTS

11. LOSS PER SHARE

During the year ended 31 December 2018, the Group has conducted a share consolidation. In determining the weighted average number of ordinary shares in issue for the six months ended 30 June 2018, the Share Consolidation has been regarded as completed since 1 January 2018. Loss per share for the six months ended 30 June 2018 was restated accordingly.

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$69,462,000 (six months ended 30 June 2018: loss of HK$165,176,000) and the weighted average number of 3,345,439,000 (six months ended 30 June 2018: 1,861,162,000) ordinary shares in issue during the period.

b) Diluted loss per share

Diluted loss per share for the six months ended 30 June 2019 and 30 June 2018 is the same as the basic loss per share as the Company's outstanding share options and convertible notes, where applicable, had an anti-dilutive effect on the basic loss per share for the period ended 30 June 2019 and 30 June 2018.

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

	30.6.2019 **HK$'000**	31.12.2018 HK$'000
Non-current assets		
Deposits and prepayments	**52,131**	52,365
Current assets		
Trade receivables (note)	**17,666**	22,012
Less: impairment loss	**(316)**	(316)
	17,350	21,696
Notes receivable	**34,907**	2,401
Other receivables	**50,821**	54,753
Less: impairment loss	**(26,014)**	(26,014)
	24,807	28,739
Other deposits	**320,995**	290,581
Less: impairment loss	**(10,703)**	(10,337)
	310,292	280,244
Utility deposits	**2,070**	2,453
Prepayments	**22,468**	29,573
	411,894	365,106

Note:

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

	30.6.2019 **HK$'000**	31.12.2018 HK$'000
Current or within 30 days	**17,350**	21,696

NOTES TO THE FINANCIAL STATEMENTS

13. TRADE, OTHER PAYABLES AND ACCRUALS

	30.6.2019	31.12.2018
	HK$'000	HK$'000
Current liabilities		
Other payables and accruals – note (i)	**300,164**	326,367
Receipt in advance – note (ii)	**124,560**	-
Amounts due to shareholders – note (iii)	**7,580**	5,315
	432,304	331,682

Notes:

(i) It mainly includes exploration costs payable of approximately HK$247,957,000 (31 December 2018: HK$256,881,000) in respect of oil and gas properties.

(ii) It mainly includes the receipt in advance of approximately HK$111,436,000 for capital development of the Sanjiao CBM Project from the Partner in the PRC.

(iii) The loans are unsecured, interest free and repayable on demand.

14. BORROWINGS

	30.6.2019	31.12.2018
	HK$'000	HK$'000
Other borrowings		
- secured	**8,226**	-
- unsecured	**7,397**	3,556
Corporate bonds - unsecured	**468,764**	473,567
	484,387	477,123
On demand or within one year	**18,623**	16,956
More than one year, but not exceeding two years	**-**	6,000
More than two years, but not exceeding five years	**382,700**	361,200
More than five years	**83,064**	92,967
	484,387	477,123
Amount due within one year included in current liabilities	**(18,623)**	(16,956)
Non-current portion	**465,764**	460,167

NOTES TO THE FINANCIAL STATEMENTS

15. CONVERTIBLE NOTES

	Liability component HK'000	Derivative component HK'000	Total HK'000
At 1 January 2018	1,238,031	37,895	1,275,926
Released upon expiry	(309,136)	-	(309,136)
Amortisation of transaction costs	8,833	-	8,833
Imputed interest expense	246,837	-	246,837
Interest paid	(66,298)	-	(66,298)
Change in fair value	-	(37,638)	(37,638)
At 31 December 2018 and at 1 January 2019	1,118,267	257	1,118,524
Amortisation of transaction cost	4,417	-	4,417
Imputed interest expense	62,319	-	62,319
Interest paid	(40,820)	-	(40,820)
Change in fair value	-	(246)	(246)
At 30 June 2019	1,144,183	11	1,144,194

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period ended 30 June 2019, Sino Oil and Gas Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") recorded a total revenue of approximately HK$157,807,000 (2018 interim: HK$314,790,000). The decrease in turnover was mainly attributable to the change of some of the coal washing business model from last year. Though this has affected the calculation of turnover, the actual profit of this business continued to remain stable. The turnover included the sales of coalbed methane ("CBM") in our Sanjiao CBM Project of approximately HK$58,185,000 (2018 interim: HK$44,147,000), the sales derived from raw coal washing project located in Qinshui Basin, Shanxi Province of approximately HK$73,980,000 (2018 interim: HK$267,488,000), and the gross income from the financial services business in Shaanxi Province of approximately HK$1,908,000 (2018 interim: HK$3,155,000).

During the period, the Group recorded a net loss of approximately HK$67,057,000 (2018 interim: net loss HK$164,603,000), which significantly decreased by approximately 59% compared with the same period last year. The decrease of loss was mainly attributable to the settlement of part of its financial liabilities, resulting in a significant drop in financial costs; and the fair value change of financial liabilities arising from the relevant convertible note during the period was relatively insignificant, which recorded a gain of approximately HK$246,000 (2018 interim: loss on fair value change HK$15,418,000). During the period, the Group recorded earnings before interest, taxes, depreciation and amortization ("EBITDA") of approximately HK$56,786,000 (2018 interim：EBITDA HK$34,973,000), which significantly increased by approximately 62% compared with the same period last year.

During the period, Sanjiao CBM Project continued to have a steady growth. CBM sales amounted to HK$58,185,000 (2018 interim: HK$44,147,000), which has largely increased by 32% as compared with that of last year. The government subsidies and VAT tax refund arising from the sales in 2018 were approximately HK$24,454,000 (2018 interim: government subsidies generated from the sales of 2017 were HK$26,774,000). During the period, the sale-to-production rate reached approximately 97% (2018 interim: approximately 84%). The Sanjiao CBM Project has entered into the development stage and the Group believes that it will bring long-term substantial profits.

The interest income amounted to approximately HK$10,287,000 (2018 interim: HK$10,432,000) disclosed in "other income", mainly derived from the refundable deposits 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, 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 CBM Project 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 in July 2017. 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 2019, the Sanjiao CBM Project has completed a total of 118 wells, comprising 66 multilateral horizontal wells and 52 vertical wells. Out of the total 118 wells, 89 wells were in the normal dewatering and gas producing stage, of which 90 wells had accessed to a gas collection pipeline network. A ground pipeline network of approximately 18 kilometers, inter-well pipelines of approximately 63.2 kilometers, and outbound pipelines of approximately 17 kilometers were completed. Approximately total 71.4 kilometers of 10KV power grid and branch power line were also completed.

To cope with the increasing production volume of Sanjiao CBM Project, the Group has undertaken the expansion of the CBM processing station. Its daily processing capacity will reach 750,000 cubic meters upon completion. The total CBM daily processing capacity of the CBM processing station is 500,000 cubic meters now.

Sales

During the period, Sanjiao CBM Project recorded EBITDA of approximately HK$46,185,000 (2018 interim: HK$50,354,000). The government subsidies and VAT tax refund arising from the sales in 2018 were approximately HK$24,454,000 (2018 interim: government subsidies generated from the sales of 2017 were HK$26,774,000). CBM sales amounted to HK$58,185,000 (2018 interim: HK$44,147,000), which has largely increased by 32% as compared with the same period of last year. During the period, the production and sales of CBM were approximately 51.29 million cubic meters (2018 interim: 47.68 million cubic meters) and 49.76 million cubic meters (2018 interim: 40.02 million cubic meters) respectively, resulting in a gas sale-to-production rate of approximately 97% for the period (2018 interim: 84%), which has significantly improved comparing with that of last year. In terms of the composition of gas sales throughout the period, industrial piped CBM sales accounted for approximately 82.6% of total sales (2018 interim : 85.3%), while residential piped CBM sales contributed approximately 17.4% (2018 interim: 14.7%). Same as last year, all CBM was sold by pipeline.

Raw Coal Washing Project Located in Shanxi Province

The Group owned a 75% equity interest of a raw coal washing project company located in Qinshui Basin, Shanxi Province. Last year, the project team sought to develop direct processing business in order to diversify the risk of a single business model. This change has affected the computation of the turnover amount, resulting in a decline in turnover, while the actual profit remained stable. During the period, the revenue from the raw coal washing business was approximately HK$73,980,000 (2018 interim: HK$267,488,000). Among the mix of the turnover during the period, the raw coal washing business accounted for approximately 88% of the revenue, and the raw coal processing business accounted for approximately 12%.

Others

At the end of 2016, 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. During the year, the business recorded a gross income of approximately HK$1,908,000 (2018 interim: HK$3,155,000).

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. 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.

Gas Pipeline Project in Guizhou

To explore new business opportunities, the Group, entered into the non-legally binding memorandums of understanding ("MOU") with Chongqing Shengyan Energy Company Limited ("the Vendor") in relation to a possible acquisition in June 2019. The Vendor is principally engaged in comprehensive utilisation, research and development and production of urban natural gas. Pursuant to the MOU, it is proposed that the Group will acquire 51% of the equity interests of the target companies from the Vendor. The target companies are located in Zunyi City, Guizhou or Xin County, Henan and are principally engaged in investment, construction and operation of urban gas pipeline infrastructure facilities. Currently we are performing due diligence on the target companies.

Financial Review

Liquidity and Financial Resources

As at 30 June 2019, the net assets of the Group were approximately HK$2,876,000,000 (31 December 2018: HK$3,009,000,000) while its total assets were approximately HK$4,974,000,000 (31 December 2018: HK$4,963,000,000). As at 30 June 2019, the Group had external borrowings including the liability component of convertible notes of approximately HK$1,628,570,000 (31 December 2018: HK$1,595,000,000), and the gearing ratio based on total assets was approximately 32.74% (31 December 2018: 32.14%). By the end of June 2019, the current ratio was approximately 0.34 (31 December 2018: 0.35) Information on repayment of the Group's borrowings is set out in note 14 to the financial statements as disclosed in this announcement.

In June 2019, the Company planned to issue a total of 665,000,000 new shares to an independent investor. The net proceeds from the subscription of approximately HK$66,000,000, of which approximately 90% will be used for the repayment of outstanding loans of the Group, and the remaining balance will be used as working capital of the Group. The expected completion date will be 6 September 2019.

In respect of the issue of the Group's net current liabilities position as at 30 June 2019, the convertible note with a principal amount of HK$1,014 million to fall due in September 2019, is posing a relatively great financial pressure to the Group. The management has actively engaged in the discussion of the above issue with the holder of the convertible note. Although no binding plans or terms have been reached, both parties have conducted in-depth discussion on several feasible options. The options include but are not limited to, (i) exploring the possibilities with the convertible notes holder to amend terms of the convertible notes so as to extend its maturity; (ii) negotiating with potential investors who are interested in acquiring the convertible notes. Management expects both sides may reach consensus in early September 2019.

Riding on the growing business of the Group and the support of the above measures, it is expected that the Group's financial pressure will gradually be eased and the overall financial position will improve.

Foreign Exchange Fluctuations

The Group is exposed to currency risk primarily through sales and purchase transactions and recognized liabilities and assets that are denominated in a currency other than the functional currency of the operations to which they relate. As at 30 June 2019, 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 2019, the Group employed approximately 310 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

Though China's economy is facing various challenges, the State keeps promoting air pollution prevention and control, and strengthening coal-to-gas conversion in residential, heating, and industrial industries in key areas. According to the NDRC, natural gas sales in the first half of 2019 increased by 10.8% year-on-year, indicating that the national natural gas consumption grows continuously.

In June 2019, the Ministry of Finance issued the "Interim Measures for the Administration of Special Funds for the Development of Renewable Energy" to encourage the development of unconventional natural gas in China. From 2019, subsidies will not be subsidized according to the fixed subsidy standard of RMB 0.3 /m3, rather in accordance with the incentive principle of "The More Increase in Production, The More Subsidies Granted". For those who have exceeded the exploitation and utilization of the previous year, they shall be given incremental subsidies according to the excess level. For those that have not reached the exploitation and utilization of the previous year, the subsidy fund shall be deducted accordingly. At the same time, the special subsidy fund also reflects the principle of "The More Increase in Production in Winter, The More Subsidies Granted", to provide more subsidies for the unconventional natural gas incrementally produced during the heating season. With the strong support of the state, unconventional oil and gas, including CBM, is expected to be an important factor for the steady implementation of the "Blue Sky Defense War Action Plan" and the plan of coal-to-gas.

Looking ahead, on the one hand the Group will put into its greatest effort to release the financial burden of short term funding as soon as possible, and on the other hand the Group will allocate its resources to speed up the development of the Sanjiao CBM Project. We will formulate a concrete plan to increase productivity of the CBM so as to support a steady growth of the operation, which will be a solid foundation for the Group's expansion of its business and sustain a long-term and healthy development. Riding on this foundation, the Group will assess the possibility of diversified business development in a prudent and pragmatic manner, and hope to enhance the sustainability and stability of the business returns and business risk. At the same time, the Group in long run, can maintain the momentum of growth, and generate substantial returns for shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee, which comprises Professor Wong Lung Tak Patrick, Dr. Wang Yanbin and Dr. Dang Weihua, 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 2019.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2019 except for code provisions E.1.2 and A.5.1 with details set out below:

Code provision E.1.2 requires the chairman of the board to attend the annual general meeting. Dr. Dai Xiaobing, chairman of the Board, was unable to attend the annual general meeting of the Company held on 31 May 2019 due to other business engagement. The annual general meeting was chaired and conducted by Mr. Wan Tze Fan Terence, an executive director of the Company.

On 31 December 2018, Mr. Wong Kwok Chuen Peter ("Mr. Wong") resigned as independent non-executive director, member of Audit Committee, Remuneration Committee and Nomination Committee. Upon the resignation of Mr. Wong, the Company had yet to meet the following requirements of the Listing Rules of having independent non-executive directors representing at least one-third of the Board under Rule 3.10A; the Audit Committee comprising a minimum of three members under Rule 3.21; and the Remuneration Committee and Nomination Committee comprising a majority of independent non-executive directors under Rule 3.25 and code provision A.5.1 of the CG Code respectively.

On 29 March 2019, Dr. Dang Weihua, an independent non-executive director of the Company, was appointed as member of Audit Committee, Remuneration Committee and Nomination Committee and on 30 March 2019, Mr. He Lin Feng resigned as non-executive director of the Company. Since then, the Company has fully complied with all the requirements set out under the Listing Rules as mentioned above.

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

Hong Kong, 29 August 2019

As at the date of this announcement, the Board comprises three Executive Directors, namely, Dr. Dai Xiaobing, Mr. King Hap Lee and Mr. Wan Tze Fan Terence; three Non-executive Directors, namely, Mr. Chen Hua, Mr. Huang Shaowu and Ms. Chai Lin, and three Independent Non-executive Directors, namely, Professor Wong Lung Tak Patrick, Dr. Wang Yanbin and Dr. Dang Weihua.