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 2023

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 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	**2023 (Unaudited) HK$'000**	2022 (Unaudited) HK$'000
Revenue	5	**158,069**	258,285
Direct costs		**(84,312)**	(195,409)
Gross profit		**73,757**	62,876
Other income	6	**349**	429
Other losses, net	7	**(249)**	(1,750)
Selling and distribution expenses		**(4,428)**	(7,072)
Administrative expenses		**(20,988)**	(16,133)
Profit from operations		**48,441**	38,350
Finance costs	8(a)	**(134,701)**	(132,907)
Share of profit of an associate		**4**	19
Loss before income tax expense	8	**(86,256)**	(94,538)
Income tax (expense) / credit	9	**2,421**	(832)
Loss for the period		**(83,835)**	(95,370)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2023

	Note	**2023 (Unaudited) HK$'000**	2022 (Unaudited) HK$'000
Other comprehensive income, after tax			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(127,465)**	(111,236)
Item that will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		**(38)**	(113)
Other comprehensive income for the period, after tax		**(127,503)**	(111,349)
Total comprehensive income for the period		**(211,338)**	(206,719)
Loss attributable to:			
Owners of the Company		**(83,448)**	(93,846)
Non-controlling interests		**(387)**	(1,524)
		(83,835)	(95,370)
Total comprehensive income attributable to:			
Owners of the Company		**(210,755)**	(204,817)
Non-controlling interests		**(583)**	(1,902)
		(211,338)	(206,719)
Loss per share		**HK$ cents**	HK$ cents
- Basic and diluted	11	**(2.49)**	(2.81)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	**30.6.2023 (Unaudited) HK$'000**	**30.6.2023 (Unaudited) HK$'000**	31.12.2022 (Audited) HK$'000	31.12.2022 (Audited) HK$'000
Non-current assets					
Property, plant and equipment			**2,415,618**		2,472,970
Oil and gas exploration and evaluation assets			**-**		-
Right-of-use assets			**2,760**		3,214
Intangible assets			**1,811,691**		1,892,438
Goodwill			**6,639**		6,948
Interest in a joint venture			**-**		-
Interest in an associate			**4,325**		4,523
Financial assets at fair value through profit or loss			**11,605**		12,146
Equity investments designated at fair value through other comprehensive income			**100**		138
Deposits and prepayments	12		**38,733**		40,538
Loans receivable			**8,913**		11,967
Total non-current assets			**4,300,384**		4,444,882
Current assets					
Inventories		**18,695**		13,891	
Financial assets at fair value through profit or loss		**-**		7,915	
Trade, notes and other receivables, deposits and prepayments	12	**51,831**		87,455	
Loans receivable		**5,373**		7,093	
Amount due from a joint venture		**-**		-	
Restricted cash at banks		**1,868**		1,440	
Cash and cash equivalents		**66,233**		78,364	
Total current assets		**144,000**		196,158	
Total assets			**4,444,384**		4,641,040
Current liabilities					
Trade and other payables and accruals	13	**(1,071,255)**		(1,017,287)	
Borrowings	14	**(414,506)**		(408,993)	
Convertible note		**(1,352,900)**		(1,352,900)	
Financial liabilities at fair value through profit or loss		**(9)**		(9)	
Deferred income		**(5,146)**		(4,362)	
Lease liabilities		**(140)**		(353)	
Taxation		**(49,729)**		(52,224)	
Total current liabilities		**(2,893,685)**		(2,836,128)	
Net current liabilities			**(2,749,685)**		(2,639,970)
Total assets less current liabilities			**1,550,699**		1,804,912

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2023

	Note	**30.6.2023 (Unaudited)**		31.12.2022 (Audited)	
		HK$'000	**HK$'000**	HK$'000	HK$'000
Non-current liabilities					
Provisions		**(15,751)**		(17,509)	
Borrowings	14	**(384,454)**		(440,024)	
Deferred income		**(333,608)**		(318,032)	
Lease liabilities		**(120)**		(200)	
Deferred tax liabilities		**(4,403)**		(5,446)	
Total non-current liabilities			**(738,336)**		(781,211)
NET ASSETS			**812,363**		1,023,701
Capital and reserves attributable to owners of the Company					
Share capital			**334,544**		334,544
Reserves			**467,248**		678,003
Equity attributable to owners of the Company			**801,792**		1,012,547
Non-controlling interests			**10,571**		11,154
TOTAL EQUITY			**812,363**		1,023,701

NOTES TO THE CONDENSED CONSOLIDATED 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 Room 3710, 37/F, Hong Kong Plaza, 188 Connaught Road West, 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 2022 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 2022 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 30 March 2023. Statutory financial statements for the year ended 31 December 2022 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 2023, the Group had net current liabilities of HK$2,749,685,000. 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)

Regarding the issue of net current liabilities as of 30 June 2023, the significant financial pressure primarily stemmed from the principal and overdue interest of convertible note due in September 2020, totaling approximately HK$1,972,000,000, and the principal and interest of unsecured corporate bonds totaling approximately HK$572,000,000. Of these debts, one bondholder of the unsecured corporate bonds filed winding-up petition (“Petition”) with the Court of First Instance of the High Court of the Hong Kong Special Administrative Region for the winding-up of the Company under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance under Companies Winding-up Proceedings No. 281 of 2022 on 17 August 2022. Details are disclosed in the Company’s announcement dated 22 August 2022.

During the period and in the past few years, the Group has been actively seeking suitable investors, exploring all feasible financing solutions, and engaging in debt restructuring activities to strengthen the Group's liquidity position. In early 2023, the Company entered into legally binding terms and supplemental agreements (“Agreements”) with an investor ("Investor") to implement the repayment and/or offset of the Company's obligations and liabilities under the secured convertible note issued by the Company that matured on 29 September 2020, as well as to propose a settlement arrangement scheme ("Creditors’ Scheme") to other unsecured creditors, in order to facilitate the acceptance of a discharge of claims by creditors. As at the date of this announcement, court hearings are scheduled to be held on 31 August 2023 and 4 September 2023 respectively, considering to approve the Company’s application to convene the meeting for the Creditors’ Scheme and a further adjournment of the Petition so as to proceed the restructuring exercise in accordance with the Agreements.

Based on negotiations among creditors, Investor, and the Company, and taking into consideration the views of the Company's debt restructuring advisors, the directors of the Company reasonably anticipate that the Company will obtain the necessary approvals to successfully implement the restructuring plan. Additionally, with the significant growth in the operation of the core business, Sanjiao CBM Project, in recent years, the directors of the Company, including the Audit Committee of the Company, are of the opinion that the Group will be able to address the current cash flow issue in the foreseeable future, and have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due so as to enable the Group to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 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.

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 2023 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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.

During the period, the Group has four (2022: 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.

5. REVENUE AND SEGMENT REPORTING (Continued)

For the six months ended 30 June 2023, 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 HKFRS 15[(ii)]	149,221	7,421	-	-	-	156,642
-Interest income from financial services	-	-	-	1,427	-	1,427
	149,221	7,421	-	1,427	-	158,069
Segment results[(i)]	63,503	(4,227)	-	(529)	(10,306)	48,441
Change in fair value of financial assets at fair value through profit or loss	-	-	-	-	-	-
Finance costs	(1,064)	(4)	-	(10)	(133,623)	(134,701)
Share of profit of an associate	4	-	-	-	-	4
Profit/(loss) before income tax expense	62,443	(4,231)	-	(539)	(143,929)	(86,256)
Income tax (expense) / credit	-	2,447	-	(26)	-	2,421
Profit/(loss) for the period	62,443	(1,784)	-	(565)	(143,929)	(83,835)
Assets and liabilities						
At 30 June 2023						
Reportable segment assets[(iii)]	4,335,581	29,503	-	25,983	53,317	4,444,384
Reportable segment liabilities[(iii)]	1,036,771	22,372	-	14,286	2,558,592	3,632,021

5. REVENUE AND SEGMENT REPORTING (Continued)

For the six months ended 30 June 2022, 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 HKFRS 15[(ii)]	133,593	118,003	-	-	-	251,596
-Interest income from financial services	-	-	-	6,689	-	6,689
	133,593	118,003	-	6,689	-	258,285
Segment results[(i)]	52,332	(4,583)	-	309	(7,948)	40,110
Change in fair value of financial assets at fair value through profit or loss	-	(1,760)	-	-	-	(1,760)
Finance costs	(743)	(712)	-	(17)	(131,435)	(132,907)
Share of profit of an associate	19	-	-	-	-	19
Profit/(loss) before income tax expense	51,608	(7,055)	-	292	(139,383)	(94,538)
Income tax (expense) / credit	-	(802)	-	(30)	-	(832)
Profit/(loss) for the period	51,608	(7,857)	-	262	(139,383)	(95,370)
Assets and liabilities						
At 31 December 2022						
Reportable segment assets[(iii)]	4,526,418	28,500	-	29,183	56,939	4,641,040
Reportable segment liabilities[(iii)]	1,169,352	14,984	-	15,240	2,417,763	3,617,339

5. REVENUE AND SEGMENT REPORTING (Continued)

Notes:

(i) Unallocated results mainly include salaries, expenses relating to short-term leases and professional fees for Hong Kong head office.

(ii) The timing of revenue recognition is a point in time within the scope of HKFRS 15.

(iii) Unallocated assets mainly include cash and cash equivalents, financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income. Unallocated liabilities mainly include loans from a shareholder, financial liabilities at fair value through profit or loss, corporate bonds and convertible note.

6. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Interest income		
- bank deposits	**103**	156
Total interest income on financial assets measured at amortised cost	**103**	156
Others	**246**	273
	349	429

7. OTHER LOSSES, NET

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Change in fair value of financial assets at fair value through profit or loss	**-**	(1,760)
Exchange (loss)/gain, net	**(249)**	10
	(249)	(1,750)

8. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging:

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
a) Finance costs		
Interest expense for financial liabilities not at fair value through profit loss:		
Interest on corporate bonds	**15,677**	15,677
Interest on borrowings	**17,086**	16,884
Interest charge on convertible note	**123,900**	111,342
Interest on lease liabilities	**21**	258
	156,684	144,161
Less: interest capitalised in qualifying assets	**(24,417)**	(15,395)
	132,267	128,766
Other finance costs:		
Amortisation of corporate bonds transaction cost	**2,434**	4,141
	134,701	132,907
b) Employee costs (including directors' remuneration)		
Salaries, wages and other benefits	**11,706**	11,575
Contributions to defined contribution retirement plan	**317**	335
	12,023	11,910

8. LOSS BEFORE INCOME TAX EXPENSE (Continued)

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
c) Other items		
Cost of inventories sold recognised as expenses	**6,490**	117,234
Depreciation on property, plant and equipment	**32,265**	27,956
Depreciation on right-of-use assets	**344**	3,468
Amortisation on intangible assets	**17,662**	14,657
Amortisation on deferred income	**(2,715)**	(1,976)

9. INCOME TAX (EXPENSE) / CREDIT

No provision for Hong Kong profits tax has been made as the group companies which have estimated assessable profits subject to Hong Kong profits tax had estimated tax losses available to offset against the estimated assessable profits for the six months ended 30 June 2023 and 2022. During the six months ended 30 June 2023 and 2022, the subsidiaries in the People's Republic of China ("**PRC**") were subject to statutory tax rate of 25%.

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

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Current income tax		
- PRC enterprises income tax	**1,576**	(1,728)
Deferred tax for the period	**845**	896
Income tax (expense) / credit	**2,421**	(832)

10. DIVIDEND

The directors have neither declared nor proposed any dividends in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

11. LOSS PER SHARE

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$83,448,000 (six months ended 30 June 2022: loss of HK$93,846,000) and the weighted average number of 3,345,439,000 (six months ended 30 June 2022: 3,345,439,000) ordinary shares in issue during the period.

b) Diluted loss per share

Diluted loss per share for the six months ended 30 June 2023 and 30 June 2022 is the same as the basic loss per share as the Company's outstanding share options and convertible note, where applicable, had an anti-dilutive effect on the basic loss per share for the six months ended 30 June 2023 and 30 June 2022.

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

	30.6.2023	31.12.2022
	HK$'000	HK$'000
Non-current assets		
Deposits and prepayments	**38,733**	40,538
Current assets		
Trade receivables (note)	**14,576**	42,377
Less: impairment loss	**(299)**	(313)
	14,277	42,064
Notes receivable	**3,241**	3,392
Less: impairment loss	**(3,241)**	(3,392)
	-	-
Other receivables	**32,328**	36,954
Less: impairment loss	**(4,796)**	(1,627)
	27,532	35,327
Other deposits	**360,379**	353,090
Less: impairment loss	**(357,118)**	(349,698)
	3,261	3,392
Utility deposits	**112**	129
Prepayments	**6,649**	6,543
	51,831	87,455

Note:

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

	30.6.2023	31.12.2022
	HK$'000	HK$'000
Less than one month	**14,277**	42,064
1 to 2 months	**-**	-
More than 3 months	**-**	-
	14,277	42,064

13. TRADE AND OTHER PAYABLES AND ACCRUALS

	30.6.2023 HK$'000	31.12.2022 HK$'000
Current liabilities		
Trade payables	**858**	3,765
Other payables and accruals	**1,053,196**	1,006,802
Receipt in advance	**15,642**	4,077
Amount due to a shareholder	**1,559**	2,643
	1,071,255	1,017,287

14. BORROWINGS

	30.6.2023 HK$'000	31.12.2022 HK$'000
Bank borrowings - secured	**8,686**	10,991
Other borrowings - secured	**255,036**	333,213
Other borrowings - unsecured	**58,950**	30,958
Corporate bonds - unsecured	**476,288**	473,855
	798,960	849,017
On demand or within one year	**414,507**	408,993
More than one year, but not exceeding two years	**103,953**	102,197
More than two years, but not exceeding five years	**280,500**	337,827
More than five years	**-**	-
	798,960	849,017
Amount due within one year included in current liabilities	**(414,506)**	(408,993)
Non-current portion	**384,454**	440,024

Management Discussion and Analysis

BUSINESS REVIEW

During the period ended 30 June 2023, Sino Oil and Gas Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") recorded a total revenue of approximately HK$158,069,000 (2022 interim: HK$258,285,000). The turnover included the sales of coalbed methane ("**CBM**") in Sanjiao CBM Project of approximately HK$149,221,000 (2022 interim: HK$133,593,000), the sales derived from raw coal washing project located in Qinshui Basin, Shanxi Province of approximately HK$7,421,000 (2022 interim: HK$118,003,000), and the revenue from the financial services business in Shaanxi Province of approximately HK$1,427,000 (2022 interim: HK$6,689,000).

During the period, Sanjiao CBM Project continued to maintain stable growth and demonstrated outstanding operational performance. However, the Group was still affected by substantial finance costs of approximately HK$134,701,000, resulting in a net loss of approximately HK$83,835,000 (2022 interim: net loss of HK$95,370,000).

During the period, Sanjiao CBM Project recorded earnings before interest, taxes, depreciation and amortization ("**EBITDA**") of approximately HK$110,740,000 (2022 interim: HK$93,265,000) which increased by approximately 18.7% as compared with the same period of last year. The project's sale-to-production ratio remained at approximately 97% for the period (2022 interim: 97%), indicating a mature and stable growth trajectory. The project is expected to continue providing the Group with long-term and stable profit contributions.

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.

Following the approval of its overall development plan by the National Development and Reform Commission in 2015, Sanjiao CBM Project was granted a mining permit by the Ministry of Land and Resources of the PRC in July 2017, with a validity period of 25 years. Thus, Sanjiao CBM Project has transitioned from the exploration phase to the development, extraction, and production phase, having obtained all necessary administrative approvals under the current PRC laws and regulations.

Infrastructure

As at 30 June 2023, Sanjiao CBM Project has completed a total of 197 wells, comprising 143 multilateral horizontal wells and 54 vertical wells. Out of the total 197 wells, 161 wells were in the normal dewatering and gas producing stage whilst those wells had accessed to a gas collection pipeline network. A ground pipeline network of approximately 18 kilometers, inter-well pipelines of approximately 116.83 kilometers, and outbound pipelines of approximately 17 kilometers were completed. Approximately total 107.32 kilometers of 10KV power grid and branch power line were also completed. The operation of the CBM processing station is stable and the total CBM daily processing capacity has exceeded 640,000 cubic meters.

Sales

In the first half of 2023, the Group has put substantial efforts in developing Sanjiao CBM Project, and both its sales and production have increased. During the period, Sanjiao CBM Project recorded EBITDA of approximately HK$110,740,000 (2022 interim: HK$93,265,000), which increased by approximately 18.7% compared with the same period of last year. CBM sales amounted to HK$149,221,000 (2022 interim: HK$133,593,000), which increased by approximately 11.7% as compared with the same period of last year. During the period, the volume of production and sales of CBM were approximately 93.32 million cubic meters (2022 interim: 77.66 million cubic meters) and 90.67 million cubic meters (2022 interim: 75.37 million cubic meters) respectively, achieving an average sale-to-production ratio of approximately 97% (2022 interim: 97%). During the period, industrial and residential piped CBM sales accounted for approximately 95.1% (2022 interim: 95.4%) and 4.9% (2022 interim: 4.6%) of the total sales respectively.

Raw Coal Washing Project Located in Shanxi Province

The Group holds a 75% equity interest of a raw coal washing project located in Qinshui Basin, Shanxi Province. During the period, the revenue from the raw coal washing business recorded a revenue of approximately HK$7,421,000 (2022 interim: HK$118,003,000). In light of the Group's current tight cash flow situation and the coal price fluctuations, starting from 2023, the raw coal washing project business model has primarily focused on direct processing to alleviate the financial pressure and risk associated with the previous inventory purchase, processing, and sales model. Despite the decline in revenue due to the shift in the business model to direct processing, the project's operating performance has remained relatively stable compared to the same period in previous year.

Financial Services

The Group owns a wholly-owned subsidiary, Shaanxi Zhaoyin Financing Lease Co., Ltd. ("**Zhaoyin Financing**"), in Shaanxi. Zhaoyin Financing is classified as a non-banking financial institution in China, providing sale-and-leaseback financing, direct finance leasing, and term loan services. In the first half of 2023, the main external clients of Zhaoyin Financing were Grade A secondary public hospitals. Within the period, the business recorded a revenue of approximately HK$1,427,000 (2022 interim: HK$6,689,000).

Financial Review

Liquidity and Financial Resources

As at 30 June 2023, the net assets of the Group were approximately HK$812,000,000 (31 December 2022: HK$1,024,000,000) while its total assets were approximately HK$4,444,000,000 (31 December 2022: HK$4,641,000,000). As at 30 June 2023, the Group had external borrowings including the liability component of convertible note of approximately HK$2,152,000,000 (31 December 2022: HK$2,202,000,000), and the gearing ratio based on total assets was approximately 48.4% (31 December 2022: 47.4%). Details of the maturity profile of the Group’s borrowings are set out in note 14 to the financial statements as disclosed in this announcement.

Regarding the issue of net current liabilities as of 30 June 2023, the significant financial pressure primarily stemmed from the principal and overdue interest of convertible note due in September 2020, totaling approximately HK$1,972,000,000, and the principal and interest of unsecured corporate bonds totaling approximately HK$572,000,000. Of these debts, one bondholder of the unsecured corporate bonds filed winding-up petition ("**Petition**") with the Court of First Instance of the High Court of the Hong Kong Special Administrative Region for the winding-up of the Company under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance under Companies Winding-up Proceedings No. 281 of 2022 on 17 August 2022. Details are disclosed in the Company's announcement dated 22 August 2022.

During the period and in the past few years, the Group has been actively seeking suitable investors, exploring all feasible financing solutions, and engaging in debt restructuring activities to strengthen the Group's liquidity position. In early 2023, the Company entered into a legally binding term sheet and supplemental agreement ("**Agreements**") with an investor ("**Investor**") to implement the repayment and/or offset of the Company's obligations and liabilities under the secured convertible note issued by the Company that matured on 29 September 2020, as well as to propose a settlement arrangement scheme ("**Creditors' Scheme**") to other unsecured creditors, in order to facilitate the acceptance of a discharge of claims by creditors. As at the date of this announcement, court hearings are scheduled to be held on 31 August 2023 and 4 September 2023 respectively, considering to approve the Company's application to convene the meeting for the Creditors' Scheme and a further adjournment of the Petition so as to proceed the restructuring exercise in accordance with the Agreements.

Based on negotiations among creditors, Investor, and the Company, and taking into consideration the views of the Company's debt restructuring advisors, the directors of the Company reasonably anticipate that the Company will obtain the necessary approvals to successfully implement the restructuring plan. Additionally, with the significant growth in the operation of the core business, Sanjiao CBM Project, in recent years, the directors of the Company, including the Audit Committee of the Company, are of the opinion that the Group will be able to address the current cash flow issue in the foreseeable future, and have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due so as to enable the Group to continue as a going concern.

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 2023, 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 2023, the Group employed approximately 300 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

According to the "2023 China Natural Gas Development Report" published by the National Energy Administration, it is anticipated that China's annual natural gas consumption will reach 385 billion to 390 billion cubic meters in 2023, representing a year-on-year growth of 5.5% to 7%. Looking ahead to the second half of 2023, the global natural gas market will continue to be influenced by the rebalancing of supply and demand in the European market, with steady recovery expected in Asian demand. As the core business of the Group, Sanjiao CBM Project has witnessed significant increases in production and sales over the past two years. The Group will seize opportunities and continue to focus on advancing the development of Sanjiao CBM Project in 2023, with the goal of achieving a production capacity of 500 million cubic meters in the next two to three years.

In recent years, the heavy borrowing has posed significant financial pressure on the Group. With respect to the Group's restructuring, the Company has entered into a binding conditional agreement with Investor in the first half of the year, aiming to complete the Group's restructuring concurrently with the creditors within the year, thereby reducing the Group's financial burden and optimizing its equity and financial structure. The Group will maintain a prudent financial management strategy and actively manage its debts. Meanwhile, the Group will continue to focus on the development of Sanjiao CBM Project and enhance our core business and financial position.

OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2023, 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 Dr. Wang Yanbin, Dr. Dang Weihua and Mr. Wan Man Wah, 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 2023.

CORPORATE GOVERNANCE

The Company 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 2023 except for the following:

Code Provision C.1.8 of the CG Code provides that appropriate insurance cover in respect of legal action against directors should be arranged. The Company has not had such an insurance cover since May 2022. With the current risk management and internal control systems and the close supervision of the management, the Directors’ risk of being sued or getting involved in litigation in the capacity as Directors is relatively low. Benefits to be derived from taking out insurance may not outweigh the cost. Further, pursuant to the Company’s Bye-laws and subject to the applicable laws and regulations, the directors shall be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in the execution of their duty in their offices, provided that the indemnity is not extended to any matter involving fraud or dishonesty.

Code Provision C.2.1 stipulates that the roles of the chairman and chief executive officer should be separated and performed by different individuals. Dr. Dai Xiaobing is an Executive Director, the Chairman of the Board and Chief Executive Officer of the Company. The Board believes that having the same individual in both roles as Chairman of the Board and Chief Executive Officer helps to ensure consistent leadership so that the overall strategy of the Group can be implemented more efficiently and effectively. The Board also believes that the balance of power and authority will not be impaired and is adequately ensured by the current Board which comprises experienced and high caliber individuals with three of them being independent non-executive directors.

Code provision F.2.2 stipulates that the chairman of the board should 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 21 June 2023 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.

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

Hong Kong, 25 August 2023

As at the date of this announcement, the Board comprises two Executive Directors, namely, Dr. Dai Xiaobing and Mr. Wan Tze Fan Terence; four Non-executive Directors, namely, Mr. King Hap Lee, Mr. Huang Shaowu, Mr. Tsang Hing Bun and Ms. Wong Kai Ling; and three Independent Non-executive Directors, namely, Dr. Wang Yanbin, Dr. Dang Weihua and Mr. Wan Man Wah.