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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	5	258,285	128,140
Direct costs		(195,409)	(87,753)
Gross profit		62,876	40,387
Other income	6	429	30,414
Other losses, net	7	(1,750)	(142,347)
Selling and distribution expenses		(7,072)	(6,874)
Administrative expenses		(16,133)	(20,270)
Profit /(loss) from operations		38,350	(98,690)
Finance costs	8(a)	(132,907)	(121,329)
Share of profit of an associate		19	10
Loss before income tax expense	8	(94,538)	(220,009)
Income tax (expense) / credit	9	(832)	824
Loss for the period		(95,370)	(219,185)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2022

	Note	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Other comprehensive income, after tax			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(111,236)	25,495
Item that will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		(113)	-
Other comprehensive income for the period, after tax		(111,349)	25,495
Total comprehensive income for the period		(206,719)	(193,690)
Loss attributable to:			
Owners of the Company		(93,846)	(219,406)
Non-controlling interests		(1,524)	221
		(95,370)	(219,185)
Total comprehensive income attributable to:			
Owners of the Company		(204,817)	(194,005)
Non-controlling interests		(1,902)	315
		(206,719)	(193,690)
Loss per share			
		HK\$ cents	HK\$ cents
- Basic and diluted	11	(2.81)	(6.56)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	30.6.2022 (Unaudited)		31.12.2021 (Audited)	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment			2,542,541		2,653,350
Oil and gas exploration and evaluation assets			-		-
Right-of-use assets			5,302		9,072
Intangible assets			2,150,797		2,267,638
Goodwill			11,883		12,446
Interest in a joint venture			-		-
Interest in an associate			21,132		22,294
Financial assets at fair value through profit or loss			-		13,208
Equity investments designated at fair value through other comprehensive income			233		346
Deposits and prepayments	12		19,761		20,698
Loans receivable			15,618		20,817
			<hr/>		<hr/>
Total non-current assets			4,767,267		5,019,869
Current assets					
Inventories			30,770		13,323
Financial assets at fair value through profit or loss			12,610		16,110
Trade, notes and other receivables, deposits and prepayments	12		109,781		98,557
Loans receivable			8,578		9,189
Amount due from a joint venture			-		-
Restricted cash at banks			717		912
Cash and cash equivalents			47,616		13,800
			<hr/>		<hr/>
Total current assets			210,072		151,891
			<hr/>		<hr/>
Total assets			4,977,339		5,171,760
Current liabilities					
Trade and other payables and accruals	13		(731,849)		(760,468)
Borrowings	14		(356,020)		(296,909)
Convertible note			(1,352,900)		(1,352,900)
Financial liabilities at fair value through profit or loss			(9)		(9)
Deferred income			(3,828)		(3,044)
Lease liabilities			(3,272)		(5,423)
Taxation			(6,861)		(9,613)
			<hr/>		<hr/>
Total current liabilities			(2,454,739)		(2,428,366)
			<hr/>		<hr/>
Net current liabilities			(2,244,667)		(2,276,475)
			<hr/>		<hr/>
Total assets less current liabilities			2,522,600		2,743,394

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2022

		30.6.2022 (Unaudited)		31.12.2021 (Audited)	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current liabilities					
Provisions		(20,543)		(21,518)	
Borrowings	14	(478,313)		(501,050)	
Deferred income		(299,256)		(288,083)	
Lease liabilities		(490)		(809)	
Deferred tax liabilities		(6,510)		(7,727)	
Total non-current liabilities			(805,112)		(819,187)
NET ASSETS					
			1,717,488		1,924,207
Capital and reserves attributable to owners of the Company					
Share capital			334,544		334,544
Reserves			1,371,316		1,576,133
Equity attributable to owners of the Company			1,705,860		1,910,677
Non-controlling interests			11,628		13,530
TOTAL EQUITY			1,717,488		1,924,207

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 2021 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 2021 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 27 April 2022. Statutory financial statements for the year ended 31 December 2021 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 2022, the Group had net current liabilities of HK\$2,244,667,000. 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)

In respect of the issue of the Group's net current liabilities position as at 30 June 2022, the convertible note with a principal amount of HK\$1,014 million already expired in late September 2020, posing great financial pressure to the Group. As disclosed in the Company's announcement dated 9 February 2022 and the subsequent monthly updates, the Company is still in discussion and negotiations with the potential investor (the "Potential Investor") and certain creditors regarding the terms and conditions of the debt restructuring exercise and the future plan of the Company following the possible transactions. Though the progress of negotiation has been disrupted by the COVID-19 pandemic, the Company is still cautiously optimistic about the debt restructuring exercise. In addition to the steady growth of the Group's CBM business, the Company will as well consider other feasible financing options and debt restructuring plans. It is expected that the liquidity of the Group will be improved gradually.

In addition, the Potential Investor and a shareholder (also a director) 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. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statement for the period ended 30 June 2022 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 2021 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 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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 (2021: 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 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
	<u>133,593</u>	<u>118,003</u>	<u>-</u>	<u>6,689</u>	<u>-</u>	<u>258,285</u>
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)
Loss on disposal of loan receivable	-	-	-	-	-	-
Impairment loss on other receivables	-	-	-	-	-	-
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	<u>51,608</u>	<u>(7,857)</u>	<u>-</u>	<u>262</u>	<u>(139,383)</u>	<u>(95,370)</u>
Assets and liabilities						
At 30 June 2022						
Reportable segment assets ⁽ⁱⁱⁱ⁾	<u>4,816,570</u>	<u>70,942</u>	<u>-</u>	<u>34,405</u>	<u>55,422</u>	<u>4,977,339</u>
Reportable segment liabilities ⁽ⁱⁱⁱ⁾	<u>921,054</u>	<u>38,704</u>	<u>16</u>	<u>12,041</u>	<u>2,288,036</u>	<u>3,259,851</u>

5. REVENUE AND SEGMENT REPORTING (Continued)

For the six months ended 30 June 2021, 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⁾	79,043	44,987	-	-	-	124,030
-Interest income from financial services	-	-	-	4,110	-	4,110
	<u>79,043</u>	<u>44,987</u>	<u>-</u>	<u>4,110</u>	<u>-</u>	<u>128,140</u>
Segment results ⁽ⁱ⁾	38,257	235	10,276	(1,190)	(4,268)	43,310
Change in fair value of financial assets at fair value through profit or loss	-	(24,316)	-	-	-	(24,316)
Loss on disposal of loan receivable	-	-	-	(7,932)	-	(7,932)
Impairment loss on other receivables	-	-	-	-	(109,752)	(109,752)
Finance costs	(19,807)	(199)	-	(24)	(101,299)	(121,329)
Share of profit of an associate	10	-	-	-	-	10
Profit/(loss) before income tax expense	18,460	(24,280)	10,276	(9,146)	(215,319)	(220,009)
Income tax (expense) / credit	-	846	-	(22)	-	824
Profit/(loss) for the period	<u>18,460</u>	<u>(23,434)</u>	<u>10,276</u>	<u>(9,168)</u>	<u>(215,319)</u>	<u>(219,185)</u>
Assets and liabilities						
At 31 December 2021						
Reportable segment assets ⁽ⁱⁱⁱ⁾	<u>4,997,364</u>	<u>86,346</u>	<u>-</u>	<u>32,740</u>	<u>55,310</u>	<u>5,171,760</u>
Reportable segment liabilities ⁽ⁱⁱⁱ⁾	<u>1,028,867</u>	<u>40,119</u>	<u>16</u>	<u>21,123</u>	<u>2,157,428</u>	<u>3,247,553</u>

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	
	2022	2021
	HK\$'000	HK\$'000
Interest income		
- bank deposits	156	139
- short-term investment	-	4,150
- others	-	10,577
Total interest income on financial assets measured at amortised cost	156	14,866
Government subsidies and grants	-	15,148
Others	273	400
	429	30,414

7. OTHER LOSSES, NET

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Change in fair value of financial assets at fair value through profit or loss	(1,760)	(24,316)
Loss on disposal of loan receivable	-	(7,932)
Impairment loss on other receivables	-	(109,752)
Exchange loss, net	10	(347)
	<u>(1,750)</u>	<u>(142,347)</u>

8. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging:

	Six months ended 30 June	
	2022	2021
	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	15,889
Interest on borrowings	16,884	20,391
Interest charge on convertible note	111,342	95,145
Interest on lease liabilities	258	167
Others	-	191
	<u>144,161</u>	<u>131,783</u>
Less: interest capitalised in qualifying assets	<u>(15,395)</u>	<u>(16,125)</u>
	128,766	115,658
Other finance costs:		
Amortisation of corporate bonds transaction cost	4,141	5,671
	<u>132,907</u>	<u>121,329</u>
b) Employee costs (including directors' remuneration)		
Salaries, wages and other benefits	11,575	11,931
Contributions to defined contribution retirement plan	335	364
	<u>11,910</u>	<u>12,295</u>

8. LOSS BEFORE INCOME TAX EXPENSE (Continued)

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
c) Other items		
Cost of inventories sold recognised as expenses	117,234	40,783
Depreciation on property, plant and equipment	27,956	13,888
Depreciation on right-of-use assets	3,468	1,510
Amortisation on intangible assets	14,657	8,949
Amortisation on deferred income	(1,976)	(2,110)

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 2022 and 2021. During the six months ended 30 June 2022 and 2021, 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	
	2022	2021
	HK\$'000	HK\$'000
Current income tax		
- PRC enterprises income tax	(1,728)	(64)
Deferred tax for the period	896	888
Income tax (expense) / credit	(832)	824

10. DIVIDEND

The directors have neither declared nor proposed any dividends in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: 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\$93,846,000 (six months ended 30 June 2021: loss of HK\$219,406,000) and the weighted average number of 3,345,439,000 (six months ended 30 June 2021: 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 2022 and 30 June 2021 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 2022 and 30 June 2021.

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

	30.6.2022 HK\$'000	31.12.2021 HK\$'000
Non-current assets		
Deposits and prepayments	<u>19,761</u>	<u>20,698</u>
Current assets		
Trade receivables (note)	58,019	64,534
Less: impairment loss	<u>(325)</u>	<u>(340)</u>
	<u>57,694</u>	<u>64,194</u>
Notes receivable	7,447	7,357
Less: impairment loss	<u>(4,483)</u>	<u>(7,357)</u>
	<u>2,964</u>	-
Other receivables	50,496	34,909
Less: impairment loss	<u>(1,737)</u>	<u>(1,800)</u>
	<u>48,759</u>	<u>33,109</u>
Other deposits	367,760	372,237
Less: impairment loss	<u>(367,740)</u>	<u>(371,622)</u>
	<u>20</u>	<u>615</u>
Utility deposits	112	172
Prepayments	<u>232</u>	<u>467</u>
	<u>109,781</u>	<u>98,557</u>

Note:

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

	30.6.2022 HK\$'000	31.12.2021 HK\$'000
Less than one month	56,775	52,136
1 to 2 months	919	11,718
More than 3 months	<u>-</u>	<u>340</u>
	<u>57,694</u>	<u>64,194</u>

13. TRADE AND OTHER PAYABLES AND ACCRUALS

	30.6.2022	31.12.2021
	HK\$'000	HK\$'000
Current liabilities		
Trade payables	2,850	9,677
Other payables and accruals	690,746	734,532
Receipt in advance	35,610	13,651
Amount due to a shareholder	2,643	2,608
	<u>731,849</u>	<u>760,468</u>

14. BORROWINGS

	30.6.2022	31.12.2021
	HK\$'000	HK\$'000
Bank borrowings - secured	10,963	15,607
Other borrowings - secured	344,588	302,695
Other borrowings - unsecured	9,068	13,579
Corporate bonds - unsecured	469,714	466,078
	<u>834,333</u>	<u>797,959</u>
On demand or within one year	356,020	296,909
More than one year, but not exceeding two years	177,073	318,440
More than two years, but not exceeding five years	301,240	179,597
More than five years	-	3,013
	<u>834,333</u>	<u>797,959</u>
Amount due within one year included in current liabilities	<u>(356,020)</u>	<u>(296,909)</u>
Non-current portion	<u>478,313</u>	<u>501,050</u>

15. EVENTS AFTER THE REPORTING PERIOD

On 17 August 2022, a winding-up petition was filed by a creditor 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 (Chapter 32 of the Laws of Hong Kong) under Companies Winding-up Proceedings No. 281 of 2022, in relation to, pursuant to the corporate bond issued by the Company, an alleged unpaid amount in the sum of approximately HK\$10,216,000. Details are disclosed in the Company's announcement dated 22 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period ended 30 June 2022, Sino Oil and Gas Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) recorded a total revenue of approximately HK\$258,285,000 (2021 interim: HK\$128,140,000), which increased by approximately 102% compared with the same period of last year. The turnover included the sales of coalbed methane (“CBM”) in Sanjiao CBM Project of approximately HK\$133,593,000 (2021 interim: HK\$79,043,000), the sales derived from raw coal washing project located in Qinshui Basin, Shanxi Province of approximately HK\$118,003,000 (2021 interim: HK\$44,987,000), and the revenue from the financial services business in Shaanxi Province of approximately HK\$6,689,000 (2021 interim: HK\$4,110,000).

Following the gradual easing of the coronavirus disease 2019 (“COVID-19”) pandemic, Sanjiao CBM Project continues to have steady growth and outstanding performance, however, due to the Group’s heavy financing costs of approximately HK\$132,907,000, the Group recorded a net loss of approximately HK\$95,370,000 (2021 interim: Net loss of HK\$219,185,000).

During the period, Sanjiao CBM Project recorded earnings before interest, taxes, depreciation and amortization (“EBITDA”) of approximately HK\$93,265,000 (2021 interim: HK\$60,938,000) which increased by approximately 53% as compared with the same period of last year. The project recorded a gas sale-to-production rate of approximately 97% for the period (2021 interim: 96%), which was stable compared with the same period of last year. The operation of Sanjiao CBM Project is becoming more mature and stable, and it will bring long-term and substantial profit to the Group.

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 (“NDRC”) in 2015, Sanjiao CBM Project was granted a mining permit by the Ministry of Land and Resources of the PRC in July 2017, which is valid for 25 years. Accordingly, all necessary administrative approvals under the current PRC laws and regulations have been granted for exploration, development, exploitation and production of Sanjiao CBM Project.

Infrastructure

As at 30 June 2022, Sanjiao CBM Project has completed a total of 170 wells, comprising 118 multilateral horizontal wells and 52 vertical wells. Out of the total 170 wells, 143 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 104.37 kilometers, and outbound pipelines of approximately 17 kilometers were completed. Approximately total 101.14 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 2022, 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\$93,265,000 (2021 interim: HK\$60,938,000), which increased by approximately 53% compared with the same period of last year. CBM sales amounted to HK\$133,593,000 (2021 interim: HK\$79,043,000), which increased by approximately 69% as compared with the same period of last year. During the period, the volume of production and sales of CBM were approximately 77.66 million cubic meters (2021 interim: 61.90 million cubic meters) and 75.37 million cubic meters (2021 interim: 59.65 million cubic meters) respectively, resulting in a gas sale-to-production rate of approximately 97% (2021 interim: 96%). During the period, industrial and residential piped CBM sales accounted for approximately 95.4% (2021 interim: 97.1%) and 4.6% (2021 interim: 2.9%) of the total sales respectively.

Raw Coal Washing Project Located in Shanxi Province

The Group owns a 75% equity interest of a raw coal washing project located in Qinshui Basin, Shanxi Province. During the period, with the gradual easing of the COVID-19 pandemic, the revenue from the raw coal washing business has increased, which was approximately HK\$118,003,000 (2021 interim: HK\$44,987,000).

Others

The Group holds a wholly-owned subsidiary, Shaanxi Zhao Yin Finance Leasing Company Limited (“Zhao Yin Finance Leasing”) in Shaanxi Province. The major function of this finance leasing company is to seek for appropriate financing channels and sources for the Group’s upcoming possible development. Further it also provides short-term investment opportunities for the Group’s capital. During the period, the business recorded revenue of approximately HK\$6,689,000 (2021 interim: HK\$4,110,000).

Financial Review

Liquidity and Financial Resources

As at 30 June 2022, the net assets of the Group were approximately HK\$1,717,000,000 (31 December 2021: HK\$1,924,000,000) while its total assets were approximately HK\$4,977,000,000 (31 December 2021: HK\$5,172,000,000). As at 30 June 2022, the Group had external borrowings including the liability component of convertible note of approximately HK\$2,187,000,000 (31 December 2021: HK\$2,151,000,000), and the gearing ratio based on total assets was approximately 43.9% (31 December 2021: 41.6%). 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.

As of 30 June 2022, a net current liability of approximately HK\$2,245 million was recorded, in which the convertible note with a principal amount of US\$130 million (approximately HK\$1,014 million) already expired in late September 2020, posing great financial pressure to the Group. As disclosed in the Company's announcement dated 9 February 2022 and the subsequent monthly updates, the Company is still in discussion and negotiations with the potential investor and certain creditors regarding the terms and conditions of the debt restructuring exercise and the future plan of the Company following the possible transactions. Though the progress of negotiation has been disrupted by the COVID-19 pandemic, the Company is still cautiously optimistic about the debt restructuring exercise. In addition to the steady growth of the Group's CBM business, the Company will as well consider other feasible financing options and debt restructuring plans. It is expected that the liquidity of the Group will be improved gradually.

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 2022, 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 2022, 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

During the period, both the production and sales volume of Sanjiao CBM Project had a remarkable increase over the same period of last year, and its performance was satisfactory. According to data from the National Bureau of Statistics, in the first half of 2022, the consumption of natural gas was approximately 182.4 billion cubic metres, representing a year-on-year decrease of approximately 1.93%. However, the consumption by industrial sector had a year-on-year increase of 1.59%. Following the easing of the COVID-19 pandemic, the economy of China is on the road to recovery, and we expect the demand of natural gas in the second half of 2022 will be stronger than that in the first six months.

It is expected, in medium to long-term, the Group will focus on the development of Sanjiao CBM Project, and further enhance its profitability. At the same time, Orion has entered into its very first joint development agreement with a local coal enterprise during the period. Accordingly, on one hand the CBM field within the area can be further developed. On the other hand, extraction of CBM, which reduces natural gas trapped within coal seams, can improve the safety of coal mining. Thus, a win-win operating model is created by this cooperation between both sectors.

The heavy borrowings have placed great financial pressure to the Group for the past few years. The management has explored various options during the period in order to mitigate the financial burden of the Group, including but not limited to, additional financing, negotiating with existing creditors and seeking for different potential investors, whichever will help optimizing the shareholding and financial structure of the Group. The Group will maintain a prudent financial strategy and conduct debt management in a proactive manner. At the same time, we will continue our focus on the development of Sanjiao CBM Project, so as to consolidate the Group's core business and financial position.

OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2022, 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 2022.

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 2022 except for code provisions C.2.1 and F.2.2 with details set out below:

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, Executive Director and Chairman of the Board, was appointed to act as Chief Executive Officer of the Company concurrently with effect from 14 September 2020. 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 one third 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 16 June 2022 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, 26 August 2022

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, Ms. Cai Yanling and Mr. Tsang Hing Bun; and three Independent Non-executive Directors, namely, Professor Wong Lung Tak Patrick, Dr. Wang Yanbin and Dr. Dang Weihua.