Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the annual report of Sino Oil and Gas Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31 December 2021 (the "**Annual Report**"). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

In addition to the information provided in the Annual Report, the board (the "**Board**") of directors (the "**Directors**") of the Company would like to provide further information as set out in this announcement.

FINANCIAL SERVICES BUSINESS

The Group's financial services business is conducted primarily through its wholly-owned subsidiary, Shaanxi Zhao Yin Finance Leasing Company Limited* (陝西兆銀融資租賃有限公司) ("**Zhao Yin**") in Shaanxi Province, People's Republic of China (the "**PRC**"). Zhao Yin is categorized as a non-bank financial institution in the PRC. It is directly regulated by two statutory bodies, namely Shaanxi Local Financial Supervision and Administration* (陝西省地方金融監督管理局) and Xian Finance Working Bureau*(西安市地方金融工作局). Their regulating measures include, but not limited to, the requirement for submission of operational and financial reports, periodic interview and audit, and mandatory compliance training, etc.

The financial services business primarily comprises the provision of sale and leaseback finance leasing, direct finance leasing and term loan to mainly 1) enterprises in the oil and gas sector; 2) Grade A secondary public hospitals or above; and 3) leading state-owned or private entities.

The borrowers to the Group's financial services business are generally solicited through (i) the assignment of a dedicated staff to engage and follow up with potential borrowers; (ii) direct approach from potential borrowers to the Group; and (iii) referral from the Group's connection in the oil and gas sector.

In order to minimize the financial and business risk of the Group's financial service business, both the business department and the risk management department will perform know-your-client review (the "**KYC Process**") on the potential borrowers independently.

After the KYC Process, a complete due diligence review will be conducted, which includes, but not limited to, the following procedures:

i. conduct background checks on the potential borrower, the shareholder(s) and the ultimate beneficial owner(s) of the potential borrower (if applicable);
ii. obtain and review documents from the potential borrower to get an understanding of the business operations of the potential borrower;
iii. obtain and review the corporate documents and financial statements of the potential borrower;
iv. assess the financial condition, liquidity and repayment ability of the client;
v. in cases where security is provided as collateral for the loan, assess the appropriateness, validity and value of the security; and
vi. obtain an opinion from PRC legal advisers on validity and enforceability of relevant legal documents (if necessary).

After completion of the above due diligence review, the risk management department will compile a risk assessment report and submit to the project approval committee for approval. After and subject to the approval granted by the project approval committee, the financing could be provided to the potential borrowers.

Both the business department and the finance department are responsible for the on-going monitoring of the status of the loans. Routine monitoring measures include: (1) contacting clients regularly and obtaining updates on the status of the loans; (2) conducting regular and ad hoc visits to and interview with the client; (3) reviewing the statutory records of the clients such as minutes of shareholders' meeting and board meetings; (4) monitoring the latest operating results of the clients and assessing the potential credit risk; and (5) assessing the sufficiency of the collateral. Regular updates are provided to the management on the status of the loans granted and the credit exposure risks of the loan portfolio. Independent professional valuer may be engaged, if necessary, to assess the expected credit loss and impairment which need to be provided in accordance with relevant accounting and reporting standards.

For defaulted loans, the Group will negotiate with the clients on the settlement of the loans and may commence legal proceedings to recover the outstanding balance.

Additional Information on Management Discussion and Analysis

In addition to the management's discussion and analysis under the heading "Others" on page 12 of the Annual Report, supplemental information on the financial services business is provided as follows:

(1) In October 2019, Zhao Yin entered into a five-year agreement with a private company, which is an independent third party, in the PRC. As at 31 December 2020, RMB37,070,000 was advanced, which was interest bearing and secured by an 80% equity interests in a company registered in Kyrgyz Republic, which holds certain producing oil wells and oil exploration rights registered in Kyrgyz Republic ("**Oil Assets**"). According to the

assessment at the time, the Oil Assets have the potential to generate substantial cash flow and revenue in the near future, and it could be a potential investment or acquisition target for the Group. In light of this, the Group agreed to a five-year term loan with the borrower which may allow the Group to have an advantage in the negotiation of a possible investment or acquisition of the Oil Assets. However, in May 2021, the Group and a private company in the PRC, which is an independent third party, entered into an agreement for the disposal of the loan receivable at a discount. The disposal and the related consideration was arrived at arm's length negotiation between both parties with reference to the following factors: i) the recent political unrest in Kyrgyz Republic and the Group considered that the value of the secured assets was significantly impaired as a result; ii) tight cash flow of the Group resulted from the financial obligations of the Group, including but not limited to the obligations of the Group to repay the principal and interest of corporate bonds upon maturity in 2021, which the Group anticipated, at the time of entering into the loan agreement, would be primarily contributed to from the proceeds of the subscription of new shares of the Company as set out in the Company's announcement dated 19 June 2019; and iii) the potential cost and time involved in commencing legal proceedings to recover the debts was unjustified in light of the current financial situation of the Group whereas a one-off settlement from the counterparty, despite at a discount, would alleviate any pressing financial needs of the Group. The disposal was completed and the consideration was received by the Group in August 2021. Details of the loss on disposal and the expected credit losses are set out in notes 23(b) and 25(b) to the consolidated financial statements contained in the Annual Report.

(2) In March 2019, Zhao Yin advanced a loan in the amount of RMB21,000,000 to a private mining company, an independent third party, in the PRC. The loan was secured by a charge over certain machinery and equipment of the borrower and was interest-bearing and repayable in March 2024. In February 2021, the Group and a private company in the PRC, an independent third party, entered into an agreement for the disposal of the loan receivable at a discount. The disposal and the related consideration was arrived at arm's length negotiation between both parties with reference to the following factors: i) the tight cash flow of the Group resulted from the financial obligations of the Group, including but not limited to the obligations of the Group to repay principal and interest of corporate bonds upon maturity in 2021; ii) the substantial delay in the payment of interest from the borrower has indicated a recoverability issue on the part of the borrower; and iii) the potential cost and time involved in commencing legal proceedings to recover the debts was unjustified in light of the current financial situation of the Group whereas a one-off settlement from the counterparty, despite at a discount, would alleviate any pressing financial needs of the Group. The disposal was completed and the consideration was received by the Group in February 2021. Details of the loss on disposal and the expected credit losses are set out in note 25(c) to the consolidated financial statements contained in the Annual Report.

Additional Disclosure in the Annual Report

The portfolio of loans receivable in note 25 to the consolidated financial statements in the Annual Report is as follows:

LOANS RECEIVABLE					
Type of Borrowers	Original loans amount **RMB**	**Status**	Note 25 to the Consolidated Financial Statements	**2021** **HK$'000**	**2020** **HK$'000**
1) Gas pipeline company	8,000,000	Fully repaid	**(a)**	-	8,432
2) Oil and gas operation	37,070,000	Disposed	**(b)**	-	44,024
3) Mining company	21,000,000	Disposed	**(c)**	-	24,651
4) Hospital	38,000,000		**(d)**	30,142	11,777
Total loans receivable				30,142	88,884
Less: Impairment loss				(136)	(7,490)
Loans receivable, net				30,006	81,394

The loans above are term loans and are interest-bearing and secured. Please refer to note 25 to the consolidated financial statements in the Annual Report for further details.

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

Hong Kong, 18 October 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.

** The English translation of Chinese names is for identification purposes only. If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*