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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 2024

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 2024 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2024*

| | Notes | **2024 (Unaudited) HK$'000** | 2023 (Unaudited) HK$'000 |
|---|---|---|---|
| Revenue | 5 | **201,672** | 158,069 |
| Direct costs | | **(120,576)** | (84,312) |
| **Gross profit** | | **81,096** | 73,757 |
| Other income | 6 | **24,542** | 349 |
| Other gains / (losses), net | 7 | **27** | (249) |
| Expected credit losses on financial assets measured at amortised cost reversed, net | | **731** | - |
| Selling and distribution expenses | | **(1,722)** | (4,428) |
| Administrative expenses | | **(26,288)** | (20,988) |
| **Profit from operations** | | **78,386** | 48,441 |
| Finance costs | 8(a) | **(127,505)** | (134,701) |
| Share of profit of an associate | | **-** | 4 |
| **Loss before income tax expense** | 8 | **(49,119)** | (86,256) |
| Income tax credit | 9 | **1,478** | 2,421 |
| **Loss for the period** | | **(47,641)** | (83,835) |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

*For the six months ended 30 June 2024*

| | Note | **2024 (Unaudited) HK$'000** | 2023 (Unaudited) HK$'000 |
|---|---|---|---|
| **Other comprehensive loss, after tax** | | | |
| **Item that may be reclassified to profit or loss:** | | | |
| Exchange differences on translating foreign operations | | **(91,898)** | (127,465) |
| **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) |
| Other comprehensive loss for the period, after tax | | **(91,898)** | (127,503) |
| **Total comprehensive loss for the period** | | **(139,539)** | (211,338) |
| **Loss attributable to:** | | | |
| Owners of the Company | | **(47,382)** | (83,448) |
| Non-controlling interests | | **(259)** | (387) |
| | | **(47,641)** | (83,835) |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the Company | | **(138,957)** | (210,755) |
| Non-controlling interests | | **(582)** | (583) |
| | | **(139,539)** | (211,338) |
| **Loss per share** | | **HK$ cents** | HK$ cents |
| - Basic and diluted | 11 | **(1.42)** | (2.49) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2024*

| | Notes | 30.6.2024 (Unaudited) HK$'000 | 30.6.2024 (Unaudited) HK$'000 | 31.12.2023 (Audited) HK$'000 | 31.12.2023 (Audited) HK$'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | | | **2,015,444** | | 2,074,166 |
| Oil and gas exploration and evaluation assets | | | **-** | | - |
| Right-of-use assets | | | **4,217** | | 5,152 |
| Intangible assets | | | **1,378,413** | | 1,443,940 |
| Goodwill | | | **-** | | - |
| Interest in a joint venture | | | **-** | | - |
| Interest in an associate | | | **-** | | - |
| Equity instrument designated at fair value through other comprehensive income | | | **93** | | 93 |
| Loans receivable | | | **10,225** | | 14,157 |
| Total non-current assets | | | **3,408,392** | | 3,537,508 |
| **Current assets** | | | | | |
| Inventories | | **10,535** | | 13,702 | |
| Trade, notes and other receivables, deposits and prepayments | 12 | **96,629** | | 90,057 | |
| Loans receivable | | **6,542** | | 7,617 | |
| Restricted cash at banks | | **1,433** | | 1,436 | |
| Time deposits with original maturities more than three months | | **1,074** | | 110 | |
| Cash and cash equivalents | | **57,314** | | 81,334 | |
| Total current assets | | **173,527** | | 194,256 | |
| **Total assets** | | | **3,581,919** | | 3,731,764 |
| **Current liabilities** | | | | | |
| Trade and other payables and accruals | 13 | **(1,276,651)** | | (1,239,419) | |
| Borrowings | 14 | **(649,116)** | | (442,520) | |
| Convertible note | | **(1,352,900)** | | (1,352,900) | |
| Financial liabilities at fair value through profit or loss | | **(9)** | | (9) | |
| Deferred income | | **(6,461)** | | (6,617) | |
| Lease liabilities | | **(1,016)** | | (1,196) | |
| Taxation | | **(94,854)** | | (97,171) | |
| Total current liabilities | | **(3,381,007)** | | (3,139,832) | |
| **Net current liabilities** | | | **(3,207,480)** | | (2,945,576) |
| **Total assets less current liabilities** | | | **200,912** | | 591,932 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*At 30 June 2024*

| | Note | 30.6.2024 (Unaudited) | | 31.12.2023 (Audited) | |
|---|---|---|---|---|---|
| | | **HK$'000** | **HK$'000** | HK$'000 | HK$'000 |
| **Non-current liabilities** | | | | | |
| Provisions | | **(30,012)** | | (30,735) | |
| Borrowings | 14 | **(87,696)** | | (365,969) | |
| Deferred income | | **(387,043)** | | (358,981) | |
| Lease liabilities | | **(1,473)** | | (1,933) | |
| Deferred tax liabilities | | **(3,582)** | | (3,669) | |
| Total non-current liabilities | | | **(509,806)** | | (761,287) |
| **NET LIABILITIES** | | | **(308,894)** | | (169,355) |
| **Capital and reserves attributable to owners of the Company** | | | | | |
| Share capital | | | **334,544** | | 334,544 |
| Reserves | | | **(651,254)** | | (512,297) |
| Capital deficiency attributable to owners of the Company | | | **(316,710)** | | (177,753) |
| Non-controlling interests | | | **7,816** | | 8,398 |
| **TOTAL CAPITAL DEFICIENCY** | | | **(308,894)** | | (169,355) |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. 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 2023 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 2023 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 March 2024. Statutory financial statements for the year ended 31 December 2023 are available from the Company's head office or at the Company's website (www.sino-oilgas.hk).

### 2. GOING CONCERN ASSUMPTION

As at 30 June 2024, the Group had net current liabilities of HK$3,207,480,000. It indicates the existence of uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

As of 30 June 2024, the issue of net current liabilities arose, mainly due to the substantial financial pressure resulting from the convertible note held by Crescent Spring investment Holdings Limited ("**Crescent Spring**") with a principal and overdue interest of approximately HK$2,182,000,000, which matured in September 2020, and unsecured corporate bonds with a principal and interest of approximately HK$604,000,000 (the overdue portion totaling approximately HK$457,000,000).

## 2. GOING CONCERN ASSUMPTION (Continued)

On 17 August 2022, a corporate bondholder filed winding-up petition（“**Petition**”） with the Court of First Instance of the High Court of the Hong Kong Special Administrative Region （“**Court**”） 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, pursuant to the corporate bond issued by the Company, claiming that the total amount outstanding was approximately HK$10,216,000. Details are disclosed in the Company’s announcement dated 22 August 2022.

Over the past few years, the Group has been actively seeking suitable investors, exploring all feasible financing options, and engaging in debt restructuring activities to improve its liquidity position. On 8 December 2023, various parties, including investors and Crescent Spring, entered into binding agreements (“**Restructuring Transactions**”) with the Company aimed at restructuring the Group's equity, business, and debts. Detailed information about the transaction has been disclosed in the Company's announcement dated 13 March 2024.

Upon completion of the aforementioned restructuring exercise, the Directors believe that: (i) the Group will obtain necessary funds and repay its outstanding debts through the issuance of Company shares; (ii) the maturity dates of the Company's major debts will be extended, providing the Company with more time to meet its debt obligations; (iii) Crescent Spring and the investors will exercise their convertible bonds after the completion of the restructuring, resulting in a decrease in the Company's debt level and an increase in its equity; and (iv) it will provide further opportunities for the expansion of the Group's business.

Regarding the creditors' scheme meeting held on 8 December 2023, although the creditors' scheme had obtained the approval of the requisite statutory majorities of the creditors, during the sanction hearing of the Creditors’ Scheme on 29 February 2024, the Court has raised some concerns regarding the terms of the Creditors’ Scheme. On 24 April 2024, the Company received the decision of the High Court to dismiss the Company’s petition for sanction of the Creditors’ Scheme. On 6 May 2024, the Company filed a notice of appeal against the said judgment of the Court (“**Appeal**”). On 3 June 2024, the High Court approved the adjournment application by the Company and further adjourned the hearing of the Petition to 9 September 2024 whilst the date of the Appeal hearing has been fixed on 13 September 2024.

Meanwhile, the Company is also negotiating with Crescent Spring and the Investors, being the other parties to the Restructuring Transactions, and the professional advisors to explore feasible solutions, including possible amendments to the terms of the Restructuring Transactions, to address the concerns raised by the Court.

After discussions with investors and considering the advice of the debt restructuring advisors, the directors of the Company remain confident in the successful implementation of the aforementioned restructuring actions, including ultimately obtaining Court approval for the Creditors' Scheme. In addition, considering the stable growth of the Group's core business, Sanjiao CBM Project, in recent years, the Directors, including the Company's audit committee, believe that the Group will be able to resolve the cash flow tightness and meet its financial obligations in the foreseeable future. They are confident that the going concern issue will be resolved.

## 3. SIGNIFICANT ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 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 2024 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements |

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 (2023: 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 2024, 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)] | 165,726 | 35,145 | - | - | - | 200,871 |
| -Interest income from financial services | - | - | - | 801 | - | 801 |
| | 165,726 | 35,145 | - | 801 | - | 201,672 |
| Segment results[(i)] | 102,086 | (2,643) | - | (1,459) | (20,329) | 77,655 |
| Expected credit losses on financial assets measured at amortised cost reversed, net | - | - | - | 731 | - | 731 |
| Finance costs | (12,644) | - | - | - | (114,861) | (127,505) |
| Share of profit of an associate | - | - | - | - | - | - |
| Profit/(loss) before income tax expense | 89,442 | (2,643) | - | (728) | (135,190) | (49,119) |
| Income tax (expense) / credit | - | 1,608 | - | (130) | - | 1,478 |
| Profit/(loss) for the period | 89,442 | (1,035) | - | (858) | (135,190) | (47,641) |
| **Assets and liabilities** | | | | | | |
| **At 30 June 2024** | | | | | | |
| Reportable segment assets[(iii)] | 3,496,601 | 16,214 | - | 22,530 | 46,574 | 3,581,919 |
| Reportable segment liabilities[(iii)] | 1,036,208 | 24,303 | - | 9,534 | 2,820,768 | 3,890,813 |

## 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 |
| 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 31 December 2023 | | | | | | |
| Reportable segment assets[(iii)] | 3,640,320 | 20,653 | - | 24,771 | 46,020 | 3,731,764 |
| Reportable segment liabilities[(iii)] | 1,169,705 | 26,615 | - | 12,208 | 2,692,591 | 3,901,119 |

## 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 included cash and cash equivalents, right-of-use assets, equity instrument designated at fair value through other comprehensive income and financial assets at fair value through profit or loss and unallocated liabilities mainly include loan from a shareholder, corporate bonds, convertible note and financial liabilities at fair value through profit or loss.

## 6. OTHER INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **HK$'000** | HK$'000 |
| Interest income | | |
| - bank deposits | **89** | 103 |
| Total interest income on financial assets measured at amortised cost | **89** | 103 |
| Government subsidies and grants | **24,106** | - |
| Others | **347** | 246 |
| | **24,542** | 349 |

## 7. OTHER LOSSES, NET

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **HK$'000** | HK$'000 |
| Exchange gain / (loss), net | **27** | (249) |

## 8. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging:

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **HK$'000** | HK$'000 |
| **a) Finance costs** | | |
| Interest expense for financial liabilities not at fair value through profit loss: | | |
| Interest on corporate bonds | **15,719** | 15,677 |
| Interest on borrowings | **12,912** | 17,086 |
| Interest charge on convertible note | **112,674** | 123,900 |
| Interest on lease liabilities | **88** | 21 |
| | **141,393** | 156,684 |
| Less: interest capitalised in qualifying assets | **(15,001)** | (24,417) |
| | **126,392** | 132,267 |
| Other finance costs: | | |
| Amortisation of corporate bonds transaction cost | **1,113** | 2,434 |
| | **127,505** | 134,701 |
| **b) Employee costs (including directors' remuneration)** | | |
| Salaries, wages and other benefits | **12,087** | 11,706 |
| Contributions to defined contribution retirement plan | **379** | 317 |
| | **12,466** | 12,023 |

## 8. LOSS BEFORE INCOME TAX EXPENSE (Continued)

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **HK$'000** | HK$'000 |
| **c) Other items** | | |
| Cost of inventories sold recognised as expenses | **31,935** | 6,490 |
| Depreciation on property, plant and equipment | **36,256** | 32,265 |
| Depreciation on right-of-use assets | **865** | 344 |
| Amortisation on intangible assets | **19,495** | 17,662 |
| Amortisation on deferred income | **(3,262)** | (2,715) |

## 9. INCOME TAX 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 2024 and 2023. During the six months ended 30 June 2024 and 2023, 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 | |
|---|---|---|
| | **2024** | 2023 |
| | **HK$'000** | HK$'000 |
| Current income tax | | |
| - PRC enterprises income tax | **(130)** | 1,576 |
| Deferred tax for the period | **1,608** | 845 |
| Income tax credit | **1,478** | 2,421 |

## 10. DIVIDEND

The directors have neither declared nor proposed any dividends in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: 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$47,382,000 (six months ended 30 June 2023: loss of HK$83,448,000) and the weighted average number of 3,345,439,000 (six months ended 30 June 2023: 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 2024 and 30 June 2023 is the same as the basic loss per share as the Company's outstanding convertible note, where applicable, had an anti-dilutive effect on the basic loss per share for the six months ended 30 June 2024 and 30 June 2023.

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

| | 30.6.2024 HK$'000 | 31.12.2023 HK$'000 |
|---|---|---|
| Current assets | | |
| Trade receivables (note) | **62,195** | 56,264 |
| Less: impairment loss | **(298)** | (305) |
| | **61,897** | 55,959 |
| Notes receivable | **1,962** | 3,301 |
| Less: impairment loss | **(1,962)** | (3,301) |
| | **-** | - |
| Other receivables | **25,802** | 24,911 |
| Less: impairment loss | **(5,919)** | (6,062) |
| | **19,883** | 18,849 |
| Other deposits | **3,243** | 3,321 |
| Less: impairment loss | **-** | - |
| | **3,243** | 3,321 |
| Utility deposits | **530** | 508 |
| Prepayments | **11,076** | 11,420 |
| | **96,629** | 90,057 |

Note:

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

| | 30.6.2024 HK$'000 | 31.12.2023 HK$'000 |
|---|---|---|
| Less than one month | **61,897** | 55,959 |
| 1 to 2 months | **-** | - |
| More than 3 months | **-** | - |
| | **61,897** | 55,959 |

## 13. TRADE AND OTHER PAYABLES AND ACCRUALS

| | **30.6.2024** | 31.12.2023 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current liabilities | | |
| Trade payables | **867** | 1,931 |
| Other payables and accruals | **1,254,648** | 1,214,201 |
| Receipt in advance | **18,147** | 20,298 |
| Amount due to a shareholder | **2,989** | 2,989 |
| | **1,276,651** | 1,239,419 |

## 14. BORROWINGS

| | **30.6.2024** | 31.12.2023 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Bank borrowings - secured | **5,586** | 7,570 |
| Other borrowings - secured | **192,055** | 261,471 |
| Other borrowings - unsecured | **59,336** | 60,726 |
| Corporate bonds - unsecured | **479,835** | 478,722 |
| | **736,812** | 808,489 |
| On demand or within one year | **649,116** | 442,520 |
| More than one year, but not exceeding two years | **33,976** | 308,309 |
| More than two years, but not exceeding five years | **53,720** | 58,660 |
| More than five years | **-** | - |
| | **736,812** | 808,489 |
| Amount due within one year included in current liabilities | **(649,116)** | (442,520) |
| Non-current portion | **87,696** | 365,969 |

# Management Discussion and Analysis

## BUSINESS REVIEW

During the six months ended 30 June 2024, Sino Oil and Gas Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") recorded a total revenue of approximately HK$201,672,000 (2023 interim: HK$158,069,000). The turnover included the sales of coalbed methane ("**CBM**") in Sanjiao CBM Project of approximately HK$165,726,000 (2023 interim: HK$149,221,000), the sales derived from raw coal washing project located in Qinshui Basin, Shanxi Province of approximately HK$35,145,000 (2023 interim: HK$7,421,000), and the revenue from the financial services business in Shaanxi Province of approximately HK$801,000 (2023 interim: HK$1,427,000).

During the period, Sanjiao CBM Project continued to maintain stable growth and demonstrated outstanding operational performance, and recorded earnings before interest, taxes, depreciation and amortization ("**EBITDA**") of approximately HK$154,943,000 (2023 interim: HK$110,740,000) which increased by approximately 40% as compared with the same period of last year. The project's sale-to-production ratio remained at approximately 97% for the period (2023 interim: 97%), same as the same period of last year. However, the Group was still impacted by significant finance costs of approximately HK$127,505,000, resulting in a net loss of approximately HK$47,641,000 (2023 interim: net loss of HK$83,835,000).

## 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 2024, the Sanjiao CBM Project has completed a total of 206 wells, including 1 newly added wells compared with last year, and comprising 151 multilateral horizontal wells and 55 vertical wells. Out of the total 206 wells, 177 wells were in the normal dewatering and gas producing stage, of which 177 wells had accessed to a gas collection pipeline network. A ground pipeline network of approximately 18 kilometers, inter-well pipelines of approximately 121.53 kilometers, and outbound pipelines of approximately 17 kilometers were completed. Approximately total 119.38 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 2024, the Group has put substantial efforts in developing the Sanjiao CBM Project, and both its sales and production have increased. During the period, Sanjiao CBM Project recorded EBITDA of approximately HK$154,943,000 (2023 interim: HK$110,740,000), which increased by approximately 40% compared with the same period of last year. CBM sales amounted to HK$165,726,000 (2023 interim: HK$149,221,000), which increased by approximately 11.1% as compared with the same period of last year. During the period, the volume of production and sales of CBM were approximately 99.93 million cubic meters (2023 interim: 93.32 million cubic meters) and 96.56 million cubic meters (2023 interim: 90.67 million cubic meters) respectively, achieving an average sale-to-production ratio of approximately 97% (2023 interim: 97%). During the period, industrial and residential piped CBM sales accounted for approximately 98.1% (2023 interim: 95.1%) and 1.9% (2023 interim: 4.9%) 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$35,145,000 (2023 interim: HK$7,421,000). The project's business model during the period primarily focused on direct processing.

### 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 2024, the main external clients of Zhaoyin Financing were Grade A secondary public hospitals or above. Within the period, the business recorded a revenue of approximately HK$801,000 (2023 interim: HK$1,427,000).

## Financial Review

### *Liquidity and Financial Resources*

As at 30 June 2024, the net liabilities of the Group were approximately HK$309,000,000 (31 December 2023: HK$169,000,000) while its total assets were approximately HK$3,582,000,000 (31 December 2023: HK$3,732,000,000). As at 30 June 2024, the Group had external borrowings including the liability component of convertible note of approximately HK$2,090,000,000 (31 December 2023: HK$2,161,000,000), and the gearing ratio based on total assets was approximately 58.3% (31 December 2023: 57.9%). 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 2024, the issue of net current liabilities arose, mainly due to the substantial financial pressure resulting from the convertible note held by Crescent Spring investment Holdings Limited ("**Crescent Spring**") with a principal and overdue interest of approximately HK$2,182,000,000, which matured in September 2020, and unsecured corporate bonds with a principal and interest of approximately HK$604,000,000 (the overdue portion totaling approximately HK$457,000,000).

On 17 August 2022, a corporate bondholder filed winding-up petition（"**Petition**"） with the Court of First Instance of the High Court of the Hong Kong Special Administrative Region（"**Court**"）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, pursuant to the corporate bond issued by the Company, claiming that the total amount outstanding was approximately HK$10,216,000. Details are disclosed in the Company's announcement dated 22 August 2022.

Over the past few years, the Group has been actively seeking suitable investors, exploring all feasible financing options, and engaging in debt restructuring activities to improve its liquidity position. On 8 December 2023, various parties, including investors and Crescent Spring, entered into binding agreements ("**Restructuring Transactions**") with the Company aimed at restructuring the Group's equity, business, and debts. Detailed information about the transaction has been disclosed in the Company's announcement dated 13 March 2024.

Upon completion of the aforementioned restructuring exercise, the Directors believe that: (i) the Group will obtain necessary funds and repay its outstanding debts through the issuance of Company shares; (ii) the maturity dates of the Company's major debts will be extended, providing the Company with more time to meet its debt obligations; (iii) Crescent Spring and the investors will exercise their convertible bonds after the completion of the restructuring, resulting in a decrease in the Company's debt level and an increase in its equity; and (iv) it will provide further opportunities for the expansion of the Group's business.

Regarding the creditors' scheme meeting held on 8 December 2023, although the creditors' scheme had obtained the approval of the requisite statutory majorities of the creditors, during the sanction hearing of the Creditors' Scheme on 29 February 2024, the Court has raised some concerns regarding the terms of the Creditors' Scheme. On 24 April 2024, the Company received the decision of the High Court to dismiss the Company's petition for sanction of the Creditors' Scheme. On 6 May 2024, the Company filed a notice of appeal against the said judgment of the Court ("**Appeal**"). On 3 June 2024, the High Court approved the adjournment application by the Company and further adjourned the hearing of the Petition to 9 September 2024 whilst the date of the Appeal hearing has been fixed on 13 September 2024.

Meanwhile, the Company is also negotiating with Crescent Spring and the Investors, being the other parties to the Restructuring Transactions, and the professional advisors to explore feasible solutions, including possible amendments to the terms of the Restructuring Transactions, to address the concerns raised by the Court.

After discussions with investors and considering the advice of the debt restructuring advisors, the directors of the Company remain confident in the successful implementation of the aforementioned restructuring actions, including ultimately obtaining Court approval for the Creditors' Scheme. In addition, considering the stable growth of the Group's core business, Sanjiao CBM Project, in recent years, the Directors, including the Company's audit committee, believe that the Group will be able to resolve the cash flow tightness and meet its financial obligations in the foreseeable future. They are confident that the going concern issue will be resolved.

## 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 2024, 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 2024, 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 data released by the National Bureau of Statistics of China, the mainland economy grew by 5.2% in 2023, exceeding expectations. In recent years, the mainland has been actively promoting the use of cleaner natural gas as a fuel, which has driven the growth in domestic demand for natural gas. According to the "China Oil, Gas, and New Energy Market Development Report (2024)" published by the PetroChina Planning & Engineering Institute in the first half of the year, the domestic natural gas market in 2024 is expected to show a strong supply-demand balance. The annual consumption is projected to increase by 30 billion to 35 billion cubic meters, and over the next five years, a new situation will gradually emerge with a balanced development of urban gas, industrial fuel, and natural gas power generation. Benefiting from the increasing overall demand for natural gas, the Sanjiao CBM Project, as the Group's core business, has seen an increase in production and sales volume in recent years. We will continue to seize opportunities and, in 2024, the Group will still focus on promoting the development of the Sanjiao CBM Project and increasing production capacity as planned.

In the past few years, heavy borrowing has brought significant financial pressure to the Group. Currently, the Company is working with investors and the major creditor to implement a debt restructuring plan. Although there are many challenges and uncertainties in the process, we will make every effort to complete the restructuring within the year to alleviate the Group's financial burden. Although debt restructuring may result in short-term losses for shareholders, it is necessary to improve the Group's financial condition and protect shareholders' interests. It is an essential step for the Company to achieve long-term stable growth.

## OTHER INFORMATION

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2024, 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 2024.

### CORPORATE GOVERNANCE

The Company complied with all the code provisions of the Corporate Governance Code set out in the Listing Rules throughout the six months ended 30 June 2024 except for the following:

Code Provision C.1.8 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 31 May 2024 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, 28 August 2024

*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, Dr. 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.*