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

## ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

### UNAUDITED ANNUAL RESULTS

The board of directors (the “**Board**”) of Sino Oil and Gas Holdings Limited (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2021, together with the audited comparative figures for the last year. For the reasons explained in the paragraph headed “Audit Committee and review of unaudited results” in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2021 has not been completed as at the date of this announcement, but the unaudited annual results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021  
(Expressed in Hong Kong Dollars)

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	3 & 10	394,236	325,371
Direct cost		(332,753)	(285,830)
<b>Gross profit</b>		<b>61,483</b>	39,541
Other income	4	49,480	56,930
Other (losses)/gains, net	5	(570,018)	5,297
Selling and distribution expenses		(15,016)	(10,098)
Administrative expenses		(33,153)	(63,142)
<b>(Loss)/profit from operations</b>		<b>(507,224)</b>	28,528
Finance costs	6(a)	(242,497)	(209,616)
Share of (loss)/profit of an associate		(37,220)	18
<b>Loss before income tax expense</b>	6	<b>(786,941)</b>	(181,070)
Income tax expense	7	716	(1,809)
<b>Loss for the year</b>		<b>(786,225)</b>	(182,879)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

*For the year ended 31 December 2021*  
*(Expressed in Hong Kong Dollars)*

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Other comprehensive income, after tax</b>			
<b>Item that may be reclassified to profit or loss:</b>			
Exchange differences on translating foreign operations		25,037	221,414
<b>Item that will not be reclassified to profit or loss:</b>			
Changes in fair value of equity investments designated at fair value through other comprehensive income		(31)	(126)
Other comprehensive income for the year, after tax		25,006	221,288
<b>Total comprehensive income for the year</b>		(761,219)	38,409
<b>Loss attributable to:</b>			
Owners of the Company		(788,667)	(184,117)
Non-controlling interests		2,442	1,238
		(786,225)	(182,879)
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(764,061)	36,553
Non-controlling interests		2,842	1,856
		(761,219)	38,409
		HK cents	HK cents
<b>Loss per share</b>			
- Basic and diluted	9	(23.57)	(5.50)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(Expressed in Hong Kong Dollars)

	Notes	2021 HK\$'000	2020 HK\$'000
		HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		2,653,350	2,453,716
Oil and gas exploration and evaluation assets		-	74,000
Right-of-use assets		9,072	8,049
Intangible assets		2,267,638	2,218,827
Goodwill		12,446	12,048
Interest in a joint venture		-	-
Interest in an associate		22,294	58,821
Financial assets at fair value through profit or loss		-	9,221
Equity investments designated at fair value through other comprehensive income		346	377
Deposits and prepayments	11	20,698	20,035
Loans receivable		20,817	77,544
<b>Total non-current assets</b>		<b>5,006,661</b>	<b>4,932,638</b>
<b>Current assets</b>			
Inventories		13,322	10,281
Financial assets at fair value through profit or loss		29,318	24,085
Trade, notes and other receivables, deposits and prepayments	11	98,557	527,428
Short-term investment		-	70,640
Loans receivable		9,189	3,850
Amount due from a joint venture		-	324
Restricted cash at banks		912	984
Cash and cash equivalents		13,800	60,898
<b>Total current assets</b>		<b>165,098</b>	<b>698,490</b>
<b>Total assets</b>		<b>5,171,759</b>	<b>5,631,128</b>
<b>Current liabilities</b>			
Trade and other payables and accruals	12	(760,468)	(531,921)
Borrowings	13	(296,909)	(130,140)
Convertible note		(1,352,900)	(1,352,900)
Financial liabilities at fair value through profit or loss		(9)	(9)
Deferred income		(3,044)	(1,902)
Lease liabilities		(5,423)	(4,003)
Taxation		(9,613)	(9,169)
<b>Total current liabilities</b>		<b>(2,428,366)</b>	<b>(2,030,044)</b>
<b>Net current liabilities</b>		<b>(2,263,268)</b>	<b>(1,331,554)</b>
<b>Total assets less current liabilities</b>		<b>2,743,393</b>	<b>3,601,084</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2021

(Expressed in Hong Kong Dollars)

		2021		2020
		HK\$'000	HK\$'000	HK\$'000
		HK\$'000	HK\$'000	HK\$'000
<b>Non-current liabilities</b>				
Provisions		(21,518)		(16,861)
Borrowings	13	(501,050)		(651,328)
Deferred income		(288,083)		(237,734)
Lease liabilities		(809)		(495)
Deferred tax liabilities		(7,727)		(9,240)
Total non-current liabilities		<u>(819,187)</u>		<u>(915,658)</u>
<b>NET ASSETS</b>		<u><b>1,924,206</b></u>		<u><b>2,685,426</b></u>
<b>Capital and reserves attributable to owners of the Company</b>				
Share capital		334,544		334,544
Reserves		1,576,132		2,340,194
Equity attributable to owners of the Company		<u>1,910,676</u>		<u>2,674,738</u>
Non-controlling interests		13,530		10,688
<b>TOTAL EQUITY</b>		<u><b>1,924,206</b></u>		<u><b>2,685,426</b></u>

## 1. GOING CONCERN ASSUMPTION

The Group incurred a loss of HK\$786,225,000 for the year ended 31 December 2021, and as of that date, had net current liabilities of HK\$2,263,268,000. The convertible note with principal amount together with related interests of HK\$1,352,900,000 was matured in September 2020. As at 31 December 2021, these overdue convertible note and related interests totalling HK\$1,352,900,000 and related default interest of the convertible note (included in other payables and accruals) of HK\$253,691,000 were outstanding and became immediately repayable. On the same date, certain matured corporate bonds with outstanding principal amounts and related coupon interests (included in other payables and accruals) of HK\$24,750,000 and HK\$1,984,000 became immediately repayable. In addition, the Group had current borrowings of HK\$296,909,000, trade and other payables and accruals (excluded the default interest of a convertible note and outstanding coupon interests) of HK\$504,793,000 as at 31 December 2021 while the Group only maintained its cash and cash equivalents of HK\$13,800,000.

The above conditions indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have prepared a cash flow forecast of the Group. In preparing the cash flow forecast, the directors of the Company have given careful consideration to its operating needs, the future liquidity of the Group and its available sources of financing in assessing whether the Group will be able to repay the outstanding debts and be able to finance its future working capital and other financial requirements.

Certain measures have been and are being taken to mitigate the liquidity pressure and to improve the financial position of the Group in the cash flow forecast, which include, but are not limited to, the following:

- (a) On 7 February 2022, a potential investor, China Finance Development Group Co., Ltd (the "Potential Investor"), which is an independent private company registered in the PRC and its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, issued a letter of intent to the Company, pursuant to which the Potential Investor has shown its intent to (a) subscribe for (i) new shares of the Company; (ii) convertible notes to be issued by the Company; or (iii) any combination of the above; (b) acquire, in whole or in part, the existing convertible note of the Company; and (c) acquire the corporate bonds issued by the Company from the bondholders (collectively, the "Possible Transactions"). Up to the date of this announcement, the detailed terms of the Possible Transactions are still under negotiation.

Meanwhile, the Potential Investor has confirmed that it will provide sufficient financial support to the Group to repay the overdue principal and interest (including the default interest) in relation to the Group's current borrowings, trade and other payables and accruals and convertible note and to finance its operations for at least twelve months from the date of approval of the consolidated financial statements.

- (b) An individual, who is a shareholder and director of the Company, has confirmed that he will provide sufficient financial support to the Group to repay the overdue principal and interest (including the default interest) in relation to the Group's current borrowings, trade and other payables and accruals and convertible note and to finance its operations for at least twelve months from the date of approval of the consolidated financial statements;
- (c) The Group has been actively negotiating with the convertible note holder to renew or extend the maturity date of the convertible note or to enter into other possible note restructuring measures;
- (d) The Group has been actively negotiating with the corporate bond holders to renew or extend the maturity date of the corporate bonds.
- (e) The Group is also actively identifying any other possible financing options and debt restructuring exercises to strengthen the liquidity of the Group.

The directors are of the opinion that, taking into account the above-mentioned measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the consolidated financial statements. Accordingly, it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2021 on a going concern basis.

Notwithstanding the above, material uncertainty exists as to whether the directors of the Company will be able to achieve its measures as described above.

The consolidated financial statements do not include any adjustments that may be necessary should the going concern basis of preparation be determined to be inappropriate. These would include any adjustments to write down the Group's assets to their net realisable amounts, to provide for any liabilities which may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”)

### Adoption of new / revised HKFRSs – effective 1 January 2021

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKAS <sup>+</sup> 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
<sup>+</sup> Hong Kong Accounting Standards	

The new or amended HKFRSs that are effective from 1 January 2021 did not have any significant impact on the Group's accounting policies.

## 3. REVENUE

The revenue of the Group are derived from (i) exploration, development and production of coalbed methane, (ii) raw coal washing and sale of raw and cleaned coal, and (iii) provision for financial services.

Revenue from contracts with customers within the scope of HKFRS 15 are disaggregated as follows:

	2021 HK\$'000	2020 HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15 are disaggregated by products:</b>		
Coalbed methane	168,969	109,918
Raw and cleaned coal	221,147	207,660
	<b>390,116</b>	317,578
<b>Revenue from other sources:</b>		
Interest income from financial services	4,120	7,793
	<b>394,236</b>	325,371

Disaggregation by the timing of revenue recognition and by geographic markets is set out in notes 10(a) and 10(b)(i) to the consolidated financial statements, respectively.

#### 4. OTHER INCOME

	2021 HK\$'000	2020 HK\$'000
Interest income		
- bank deposits	920	1,161
- Short-term investment	4,150	9,396
- Others (note (a))	21,951	19,686
Total interest income on financial assets measured at amortised cost	27,021	30,243
Government subsidies and grants (note (b))	19,612	24,430
Others	2,847	2,257
	49,480	56,930

Notes:

- (a) It mainly represents the interest income from the refundable deposits paid for possible acquisitions of Canada oil fields.
- (b) It mainly represents the regular subsidies received during the year from relevant government authority on the sales of CBM and VAT refund on the sales of CBM from local tax bureau. Both of them were generated from the Sanjiao CBM Project.

## 5. OTHER (LOSSES) / GAINS, NET

	2021 HK\$'000	2020 HK\$'000
Change in fair value of financial assets at fair value through profit or loss	6,426	15,853
Change in fair value of financial liabilities at fair value through profit or loss	-	37
Impairment loss on oil and gas exploration and evaluation assets	(76,020)	-
Written off of other receivables	(6,555)	(344)
Written off of property, plant and equipment	(263)	-
Exchange gains, net	124	913
Expected credit losses on financial assets measured at amortised cost recognised*	(344,853)	(10,916)
Loss on disposal of a loan receivable	(12,962)	-
Loss on disposal of a receivables	(136,219)	-
Loss on lease modification	-	(205)
Loss on disposal of a subsidiary	-	(41)
Others	304	-
	<u>(570,018)</u>	<u>5,297</u>

\* The following table shows the charges for ECLs on financial assets measured at amortised cost for the year recognised in the consolidated statement of comprehensive income:

	2021 HK\$'000	2020 HK\$'000
Charge for the year:		
Amount due from a joint venture	329	-
Loans receivable	(7,467)	1,923
Notes receivable	7,226	-
Other receivables	(356)	-
Other deposits	351,128	8,235
Short-term investment	(6,007)	758
	<u>344,853</u>	<u>10,916</u>



## 6. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging:

	2021 HK\$'000	2020 HK\$'000
<b>a) Finance costs</b>		
Interest expense on financial liabilities not at fair value through profit or loss:		
Interest on corporate bonds	32,203	32,722
Interest on borrowings	41,538	26,516
Interest charge on convertible note	191,590	154,096
Interest on lease liabilities	853	664
Others	-	493
	<u>266,184</u>	<u>214,491</u>
Less: Interest capitalized in qualifying assets*	<u>(35,383)</u>	<u>(16,247)</u>
	230,801	198,244
Other finance costs:		
Amortisation of corporate bonds transaction costs	<u>11,696</u>	<u>11,372</u>
	<u>242,497</u>	<u>209,616</u>
* Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 12.62% (2020: 14.16%) to expenditure on qualifying assets. All borrowing costs capitalised during the year arose on the specific borrowing pool of approximate HK\$35,268,000 (2020: HK\$15,702,000) are fully capitalised.		
<b>b) Employee costs (including directors' remuneration)</b>		
Salaries, wages and other benefits	42,473	45,960
Contributions to defined contribution retirement plan	<u>3,085</u>	<u>1,249</u>
	<u>45,558</u>	<u>47,209</u>
<b>c) Other items</b>		
Auditor's remuneration	1,500	1,450
Cost of inventories sold recognised as expenses <sup>#</sup>	205,022	194,371
Depreciation on property, plant and equipment	49,888	31,604
Depreciation on right-of-use assets	6,970	4,825
Amortisation on intangible assets <sup>#</sup>	24,170	17,899
Amortisation on deferred income <sup>#</sup>	<u>(2,990)</u>	<u>(1,902)</u>

<sup>#</sup> Included in "direct costs" in the consolidated statement of comprehensive income.

## 7. INCOME TAX EXPENSE

Pursuant to the rules and regulations of Bermuda, Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax under such jurisdictions for the years ended 31 December 2021 and 2020.

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 years ended 31 December 2021 and 2020.

Profits of the subsidiaries established in the PRC are subject to the Enterprise Income Tax (“the EIT”). Under the Law of the People’s Republic of China (“PRC”) and Implementation Regulation on EIT, the tax rate of the PRC subsidiaries is 25% for the years ended 31 December 2021 and 2020.

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

	2021 HK\$'000	2020 HK\$'000
Current income tax		
- PRC EIT		
- Tax for the year	(1,003)	(3,910)
- Under-provision in respect of prior years	(67)	435
	(1,070)	(3,475)
Deferred tax for the year	1,786	1,666
Income tax expense	716	(1,809)

## 8. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

## 9. 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\$788,667,000 (2020: loss of HK\$184,117,000) and the weighted average number of 3,345,439,000 ordinary shares (2020: 3,345,439,000) ordinary shares) in issue during the year.

### b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2021 and 2020 is the same as the basic loss per share of the Company’s outstanding share options and convertible notes, where applicable, had an anti-dilutive effect on the basic loss per share for the years ended 31 December 2021 and 2020.

## 10. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has four (2020: four) operating and 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:

Coalbed methane:	Exploration, development and production of coalbed methane
Raw and cleaned coal:	Raw coal washing and sale of raw and cleaned coal
Oil and gas exploitation:	Exploitation and sale of crude oil and natural gas
Financial services:	Provision for 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.

## 10. SEGMENT REPORTING (CONTINUED)

### a) Business segments

For the year ended 31 December 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
<u>Results</u>						
Revenue from external customers						
- Within the scope of HKFRS15	168,969	221,147	-	-	-	390,116
- Interest income from financial services	-	-	-	4,120	-	4,120
	<u>168,969</u>	<u>221,147</u>	<u>-</u>	<u>4,120</u>	<u>-</u>	<u>394,236</u>
Segment results <sup>1, 2 &amp; 3</sup>	43,686	9,622	21,010	(11,129)	(149,411)	(86,222)
Impairment loss on oil and gas exploration and evaluation assets	-	-	(76,020)	-	-	(76,020)
Change in fair value of financial assets at fair value through profit or loss	-	6,426	-	-	-	6,426
Expected credit loss on financial assets measured at amortised cost recognised	718	-	(351,128)	2,494	3,063	(344,853)
Written off of other receivables	-	-	-	-	(6,555)	(6,555)
Finance costs	(4,459)	(1,654)	-	(43)	(236,341)	(242,497)
Share of (loss)/profit of an associate	(37,220)	-	-	-	-	(37,220)
Profit/(loss) before income tax expense	2,725	14,394	(406,138)	(8,678)	(389,244)	(786,941)
Income tax expense	-	873	-	(157)	-	716
Profit/(loss) for the year	<u>2,725</u>	<u>15,267</u>	<u>(406,138)</u>	<u>(8,835)</u>	<u>(389,244)</u>	<u>(786,225)</u>
<u>Assets and liabilities</u>						
Reportable segment assets <sup>4</sup>	4,997,364	86,346	-	32,740	55,309	5,171,759
Reportable segment liabilities <sup>4</sup>	1,028,867	40,119	16	21,123	2,157,428	3,247,553
<u>Other segment information</u>						
Depreciation and amortisation	72,763	5,008	-	211	56	78,038
Capital expenditure incurred during the year	241,358	-	650	2	21	242,031
Timing of revenue recognition within the scope of HKFRS 15:						
- a point in time	168,969	221,147	-	-	-	390,116
- over time	-	-	-	-	-	-
	<u>168,969</u>	<u>221,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,116</u>

## 10. SEGMENT REPORTING (CONTINUED)

### a) Business segments - Continued

For the year ended 31 December 2020, 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
<u>Results</u>						
Revenue from external customers						
- Within the scope of HKFRS15	109,918	207,660	-	-	-	317,578
- Interest income from financial services	-	-	-	7,793	-	7,793
	<u>109,918</u>	<u>207,660</u>	<u>-</u>	<u>7,793</u>	<u>-</u>	<u>325,371</u>
Segment results <sup>1, 2 &amp; 3</sup>	24,070	6,543	19,635	6,601	(33,295)	23,554
Change in fair value of financial liabilities at fair value through profit or loss	-	-	-	-	37	37
Change in fair value of financial assets at fair value through profit or loss	-	15,853	-	-	-	15,853
Expected credit loss on financial assets measured at amortised cost recognised	-	-	(8,235)	(1,923)	(758)	(10,916)
Finance costs	(19,572)	(885)	-	(216)	(188,943)	(209,616)
Share of profit of an associate	18	-	-	-	-	18
Profit/(loss) before income tax expense	<u>4,516</u>	<u>21,511</u>	<u>11,400</u>	<u>4,462</u>	<u>(222,959)</u>	<u>(181,070)</u>
Income tax expense	-	216	-	(2,025)	-	(1,809)
Profit/(loss) for the year	<u>4,516</u>	<u>21,727</u>	<u>11,400</u>	<u>2,437</u>	<u>(222,959)</u>	<u>(182,879)</u>
<u>Assets and liabilities</u>						
Reportable segment assets <sup>4</sup>	<u>4,848,414</u>	<u>132,686</u>	<u>397,950</u>	<u>97,176</u>	<u>154,902</u>	<u>5,631,128</u>
Reportable segment liabilities <sup>4</sup>	<u>889,013</u>	<u>59,086</u>	<u>16</u>	<u>15,393</u>	<u>1,982,194</u>	<u>2,945,702</u>
<u>Other segment information</u>						
Depreciation and amortisation	<u>50,102</u>	<u>3,895</u>	<u>-</u>	<u>189</u>	<u>142</u>	<u>54,328</u>
Capital expenditure incurred during the year	<u>307,226</u>	<u>-</u>	<u>1,285</u>	<u>-</u>	<u>20</u>	<u>308,531</u>
Timing of revenue recognition within the scope of HKFRS 15:						
- a point in time	109,918	207,660	-	-	-	317,578
- over time	-	-	-	-	-	-
	<u>109,918</u>	<u>207,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>317,578</u>

## 10. SEGMENT REPORTING (CONTINUED)

### a) Business segments - Continued

Notes:

- (i) Unallocated results mainly include salaries, expenses relating to short-term leases and professional fees for Hong Kong head office.
- (ii) The segment result of coalbed methane segment, raw and cleaned coal segment and financial services segment included government subsidies and grants of HK\$19,240,000 (2020: HK\$24,430,000), HK\$194,000 (2020: HK\$103,000) and HK\$177,000 (2020: HK\$267,000), respectively..
- (iii) The segment results of oil and gas exploitation included interest income from Refundable Deposits of HK\$21,080,000 (2020: HK\$19,686,000).
- (iv) Unallocated assets mainly include cash and cash equivalents, short-term investment and equity investment designated at fair value through other comprehensive income, 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.

### b) Geographical information and major customers

The following table provides an analysis of the Group's revenue from an external customer and non-current assets other than financial instruments ("specified non-current assets").

#### i) Revenue from external customers

The following is an analysis of the Group's revenue by geographical location of the customers:

	2021 HK\$'000	2020 HK\$'000
Hong Kong (place of domicile)	-	-
The PRC	<u>394,236</u>	<u>325,371</u>
	<u>394,236</u>	<u>325,371</u>

#### ii) Specified non-current assets

The information of the Group's specified non-current assets by geographical location of the assets is detailed below:

	2021 HK\$'000	2020 HK\$'000
Hong Kong (place of domicile)	2,297	2,284
The PRC	4,983,201	4,769,212
Canada	-	74,000
	<u>4,985,498</u>	<u>4,845,496</u>

## 10. SEGMENT REPORTING (CONTINUED)

### c) Information about major customers

During the year ended 31 December 2021, there were two customers (2020: two customers) contributed to 10% or more revenue to the Group's total revenue.

		2021	2020
		HK\$'000	HK\$'000
Segment			
Customer A	Raw and cleaned coal	<b>208,646</b>	160,466
Customer B	Coalbed methane	<b>168,969</b>	109,918

N/A: Transactions during the year did not exceed 10% of the Group's revenue

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

	2021 HK\$'000	2020 HK\$'000
Non-current assets		
Deposits and prepayments	<u>20,698</u>	<u>20,035</u>
Current assets		
Trade receivables - note	64,534	78,973
Less: impairment loss	<u>(340)</u>	<u>(329)</u>
	<u>64,194</u>	<u>78,644</u>
Notes receivable	7,357	8,324
Less: impairment loss	<u>(7,357)</u>	<u>-</u>
	<u>-</u>	<u>8,324</u>
Other receivables	34,507	134,501
Less: impairment loss	<u>(1,398)</u>	<u>(26,061)</u>
	<u>33,109</u>	<u>108,440</u>
Other deposits	372,237	346,883
Less: impairment loss	<u>(371,622)</u>	<u>(22,397)</u>
	<u>615</u>	<u>324,486</u>
Utility deposits	172	172
Prepayments	<u>467</u>	<u>7,362</u>
	<u>98,557</u>	<u>527,428</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:

	2021 HK\$'000	2020 HK\$'000
Less than one month	52,136	64,998
1 to 2 months	11,718	11,342
More than 3 months	<u>340</u>	<u>2,304</u>
	<u>64,194</u>	<u>78,644</u>

The average credit period granted to customers is 0-30 days from the invoice date. The Group does not hold any collateral as security.



## 12. TRADE AND OTHER PAYABLES AND ACCRUALS

	2021 HK\$'000	2020 HK\$'000
Current Liabilities		
Trade payables – note	9,677	41,243
Other payables and accruals	734,532	468,807
Receipt in advance (contract liabilities under HKFRS15)	13,651	-
Amount due to a shareholder	2,608	21,871
	<b>760,468</b>	<b>531,921</b>

Note:

The ageing analysis of trade payables based on invoice date at the end of reporting period is as follows:

	2021 HK\$'000	2020 HK\$'000
Within 30 days	9,677	41,243

The average credit period granted by suppliers is 0-30 days from the invoice date.

## 13. BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Bank borrowings - secured	15,607	8,883
Other borrowings - secured	302,695	290,432
Other borrowings - unsecured	13,579	14,344
Corporate bonds - unsecured	466,078	467,809
	<b>797,959</b>	<b>781,468</b>
On demand or within one year	296,909	130,140
More than one year, but not exceeding two years	318,440	211,924
More than two years, but not exceeding five years	179,597	436,404
More than five years	3,013	3,000
	<b>797,959</b>	<b>781,468</b>
Amount due within one year included in current liabilities	<b>(296,909)</b>	<b>(130,140)</b>
Non-current portion	<b>501,050</b>	<b>651,328</b>

The range of effective interest rates on the Group's borrowings for the years ended 31 December 2021 and 2020 are as follows:

	2021	2020
Bank borrowings – secured	7.13%	7.13%
Other borrowings – secured	11.00%	11.00%
Other borrowings – unsecured	12.00% - 24.00%	12.00% - 24.00%
Corporate bonds – unsecured	5.00% - 8.00%	5.00% - 8.00%

## **14. EVENTS AFTER THE REPORTING PERIOD**

On 7 February 2022, a potential investor issued a letter of intent to the Company, pursuant to which the potential investor has shown its intent to: (1) subscribe for (i) new shares of the Company; (ii) convertible notes to be issued by the Company; or (iii) any combination of the above; (2) acquire, in whole or in part, the existing convertible note of the Company; and (3) acquire the corporate bonds issued by the Company from the bondholders (collectively, the “Possible Transactions”). As at the date of this announcement, the Company is still in active discussions and negotiations with the potential investor and certain creditors regarding the terms and conditions of the Possible Transactions. However, no definitive legally-binding agreement has been entered into between the parties in respect of the Possible Transactions. Please refer to the Company’s announcements dated 9 February 2022 and 9 March 2022 for details.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the year ended 31 December 2021, Sino Oil and Gas Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) recorded a total revenue of approximately HK\$394,236,000 (2020: HK\$325,371,000). The turnover included the sales of coalbed methane (“CBM”) in our Sanjiao CBM Project of approximately HK\$168,969,000 (2020: HK\$109,918,000), the sales derived from raw coal washing project located in Qinshui Basin, Shanxi Province of approximately HK\$221,147,000 (2020: HK\$207,660,000), and the revenue from the financial services business in Shaanxi Province of approximately HK\$4,120,000 (2020: HK\$7,793,000).

Although the Group's main business performed well last year, especially with significant growth in the sales of the Sanjiao CBM Project by more than 50%, in the financial year 2021, the Group still recorded a net loss of approximately HK\$786,225,000 (2020: HK\$182,879,000). The loss was mainly due to the loss on the disposal of a receivables, impairment loss on the oil and gas exploration and evaluation assets, expected credit losses (“ECLs”) for the refundable deposit and related interest receivables, share of loss from an associate and heavy finance costs.

During the year, taking into account the group's tight cash flow together with the ongoing COVID-19 pandemic (“COVID-19”) which has a serious impact on China and the global economy, the Group decided to sell other receivables to cash out. It resulted in the loss on disposal of approximately HK\$136,219,000 (2020: nil). In addition, due to uncertainties in the Group's possible acquisitions located in Alberta, Canada and a decline in the value of the collateral, the Group was required to make impairment on the oil and gas exploration and evaluation assets and provide ECLs for the refundable deposit and the related interest receivables. The impairment loss and ECLs were approximately HK\$76,020,000 (2020: nil) and HK\$351,128,000 (2020: HK\$8,235,000) respectively. Moreover, as a result of further delay of the development plan of the liquefied natural gas plant project located in Shanxi, an impairment loss of HK\$37,230,000 was made on the related interest in an associate (2020: nil). During the year, the finance cost was approximately HK\$242,497,000 (2020: HK\$209,616,000).

### 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 has 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. According to a competent person's updated report provided to the Company by the end of 2015, the proved and probable CBM reserves of Sanjiao CBM Project amounted to approximately 8.301 billion cubic meters and the net present value at 10% discount of the future revenue of the reserve was approximately HK\$11.498 billion.

Following the approval of the overall development plan by the National Development and

Reform Commission (“NDRC”) in 2015, Sanjiao CBM Project was granted a mining permit by the Ministry of Land and Resources of the PRC with an approved CBM production capacity of 500 million cubic meters per annum in July 2017, which shall be 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 31 December 2021, Sanjiao CBM Project has completed a total of 170 wells, including 30 newly added wells compared with last year, and comprising 118 multilateral horizontal wells and 52 vertical wells. Out of the total 170 wells, 140 wells were in the normal dewatering and gas producing stage, of which 140 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 95.77 kilometers of 10KV power grid and branch power line were also built. Currently the daily operating capacity of CBM processing station has exceeded 500,000 cubic meters now.

### **Sales**

Based on the increased investment in the development of the Sanjiao CBM project in the past two years, the sales of CBM have increased significantly during the year. In 2021, Sanjiao CBM Project recorded earnings before interest, taxes, depreciation and amortization (“EBITDA”) of approximately HK\$117,167,000 (2020: HK\$71,235,000). The CBM sales revenue amounted to approximately HK\$168,969,000 (2020: HK\$109,918,000). The production and sales volume of CBM were approximately 128.06 million cubic meters (2020: 101.75 million cubic meters) and 127.03 million cubic meters (2020: 96.37 million cubic meters) respectively, resulting in a gas sale-to-production rate of approximately 99.2% (2020: 94.7%). For the year, industrial and residential piped CBM sales accounted for approximately 97.05% (2020: 88.15%) and approximately 2.95% (2020: 11.85%) of total sales respectively.

In addition, the government subsidy and part of VAT tax refund of approximately HK\$19,240,000 (2020: HK\$24,430,000) for sales of CBM were received and disclosed in “other income” during the year. The operation of Sanjiao CBM Project continued to have a steady growth, and the Group believes that the project will bring sustained and stable profits.

### **Raw Coal Washing Project Located in Shanxi Province**

The Group owned a 75% equity interest of a raw coal washing project located in Qinshui Basin, Shanxi Province. During the year, despite the impact of COVID-19 pandemic, the revenue from the raw coal washing business remained stable, which was approximately HK\$221,147,000 (2020 : HK\$207,660,000).

### **Others**

The Group owned a finance leasing company, Shaanxi Zhao Yin Finance Leasing Company Limited in Shaanxi Province. The major purpose of the establishment of this finance leasing company is to seek for proper financing options for the Group’s business development. Further it also provides short-term investment opportunities for the Group. During the year, it recorded a revenue of approximately HK\$4,120,000 (2020 : HK\$7,793,000).

## **Financial Review**

### **Liquidity and Financial Resources**

As at 31 December 2021, the net assets of the Group were approximately HK\$1,924,000,000 (31 December 2020: HK\$2,685,000,000) while its total assets were approximately HK\$5,172,000,000 (31 December 2020: HK\$5,631,000,000). As at 31 December 2021, the Group had external borrowings including the liability component of convertible note of approximately HK\$2,151,000,000 (31 December 2020: HK\$2,134,000,000), and the gearing ratio based on total assets was approximately 41.6 (31 December 2020: 37.9%). Information on repayment of the Group's borrowings is set out in note 13 to the financial statements as disclosed in this announcement.

In April 2020, the Group was granted a five-year term loan of RMB 300,000,000 with an annual interest rate of 11% by Kunlun Trust Co., Ltd. The fund is used for the development of Sanjiao CBM Project.

In respect of the issue of the Group's net current liabilities position as at 31 December 2021, the convertible note with a principal amount of HK\$1,014 million already due in September 2020, posed a great financial pressure to the Group. The Group has explored various plans during the year in order to reduce the financial burden of the Group. Currently, as disclosed in the Company's announcement on 9 February 2022 and 9 March 2022, the Company is still actively discussing and negotiating with the potential investor and certain creditors on the terms and conditions of the debt restructuring and the Company's future plans after such possible transactions.

Riding on the growth of the business of the Group and the support of the above measures, the Company will also consider other possible financing options and debt restructuring exercises to strengthen the liquidity of the Group. It is expected that the Group's financial pressure will gradually be eased and the overall financial position will improve.

### **Foreign Exchange Fluctuations**

The Group is exposed to currency risk primarily through sales and purchase transactions and recognized liabilities and assets that are denominated in a currency other than the functional currency of the operations to which they relate. As at 31 December 2021, 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 31 December 2021, 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**

Last year, COVID-19 pandemic had severely blow on global economy. Fortunately, due to the effective control of the pandemic in China, the economy has taken the lead in recovering. According to the preliminary result of the National Bureau of Statistics of China, 2021 China annual GDP growth rate calculated at constant prices increased by 8.1% compared with the previous year. According to the National Energy Work Conference held in Beijing at the end of 2021, the total national natural gas production in 2021 was about 206 billion cubic meters, and the output increased by more than 10 billion cubic meters for five consecutive years. Among them, the utilization of CBM reached 7.7 billion cubic meters, and continued to preserve a growth momentum.

In 2022, the Group will continue to focus on an orderly development of the CBM project and plan to drill additional 25 to 30 multilateral horizontal wells and to accelerate the development in the coming 2-3 years so as to achieve 500 million cubic meters of production capacity.

The Sanjiao Block is currently one of the best CBM fields in China, with superior resource conditions. Looking forward to the future, in the current increasingly complicated economic and political environment, the Group will press forward the development of the Sanjiao CBM Project in order to accelerate revenue growth and gradually improve its core competitiveness. At the same time, the Group will maintain a prudent financial strategy and conduct debt management in a positive manner, hope to introduce suitable investors to the Group. It is not only to solve the Group's financial difficulties, but also to grasp the opportunities for oil and gas development, to find merger and acquisition opportunities with reasonable potential returns, and to maintain the Group's long-term growth momentum to ensure reasonable returns for shareholders.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2021.

## **CORPORATE GOVERNANCE**

The Company complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2021 except for code provisions A.1.1, A.2.1 and E.1.2 with details set out below:

Code Provision A.1.1 stipulates that the board meetings should be held at least four times a year. During the year, although three board meetings were held, key issues were discussed and approved by the Board in a timely manner. Further, the board members were updated with the affairs of the Company regularly by receiving monthly updates on the Company's operating positions.

Code Provision A.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 INEDs.

Code provision E.1.2 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 11 June 2021 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.

## **FINAL DIVIDEND**

The Board do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil), subject to the audited results of the Group for year ended 31 December 2021 upon completion of the auditing process.

## **AUDIT COMMITTEE AND REVIEW OF UNAUDITED RESULTS**

The Audit Committee has reviewed the Company's unaudited consolidated financial results for the year ended 31 December 2021, including the accounting principles and practices adopted by the Group, and discussed the auditing, internal control and financial reporting matters as well as the unaudited consolidated financial statements for the year ended 31 December 2021 with the management and the auditor of the Company.

To the best knowledge and belief of the Audit Committee and the Directors having made due enquiries and reviewing all relevant documents available, the auditing process of the annual results for the year ended 31 December 2021 has not been fully completed as at the date of this announcement due to delay in the audit procedures resulting from the outbreak of COVID-19 in Hong Kong and China, in particular the delay in postponement of auditor's field work. In order to keep the shareholders and potential investors informed of the business operation and financial position of the Group, after discussion with the Company's auditor, the Board decided to publish this unaudited annual results announcement of the Company for the year ended 31 December 2021 together with the audited comparative figures for the corresponding period in 2020.

Following the completion of the auditing process, the Company will issue a further announcement in accordance with the HKFRSs, which is expected to be on or around 14 April 2022, in relation to the audited results for the year ended 31 December 2021 as agreed by the Company's auditor and the material differences (if any) as compared with the annual results contained herein. In addition, the Company will issue further announcement(s) as and when necessary if there are other material developments in the completion of the auditing process.

**Financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the Company's auditors, and are subject to adjustments. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 30 March 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*