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

## ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

### AUDITED ANNUAL RESULTS

The board of directors (the “**Board**”) of Sino Oil and Gas Holdings Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2022, together with the audited comparative figures for the last year as follows:-

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022  
(Expressed in Hong Kong Dollars)

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	3 & 10	543,080	394,236
Direct cost		(375,247)	(332,753)
<b>Gross profit</b>		<b>167,833</b>	61,483
Other income	4	24,720	49,480
Other losses, net	5	(386,691)	(225,165)
Expected credit losses on financial assets measured at amortised cost recognised, net		3,623	(344,853)
Impairment loss on interest in an associate		(15,907)	(37,230)
Selling and distribution expenses		(17,427)	(15,016)
Administrative expenses		(34,251)	(33,153)
<b>Loss from operations</b>		<b>(258,100)</b>	(544,454)
Finance costs	6(a)	(247,146)	(242,497)
Share of (loss)/profit of an associate		(1,227)	10
<b>Loss before income tax expense</b>	6	<b>(506,473)</b>	(786,941)
Income tax (expense)/credit	7	(46,707)	716
<b>Loss for the year</b>		<b>(553,180)</b>	(786,225)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2022  
(Expressed in Hong Kong Dollars)

	Notes	2022 HK\$'000	2021 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		(347,118)	25,037
<b>Item that will not be reclassified to profit or loss:</b>			
Changes in fair value of equity investment designated at fair value through other comprehensive income		(208)	(31)
Other comprehensive income for the year, after tax		(347,326)	25,006
<b>Total comprehensive income for the year</b>		<b>(900,506)</b>	<b>(761,219)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(551,779)	(788,667)
Non-controlling interests		(1,401)	2,442
		<b>(553,180)</b>	<b>(786,225)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(898,130)	(764,061)
Non-controlling interests		(2,376)	2,842
		<b>(900,506)</b>	<b>(761,219)</b>
		<b>HK\$ cents</b>	<b>HK\$ cents</b>
<b>Loss per share</b>			
- Basic and diluted	9	<b>(16.49)</b>	<b>(23.57)</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

(Expressed in Hong Kong Dollars)

		2022	2021
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		2,472,970	2,653,350
Oil and gas exploration and evaluation assets		-	-
Right-of-use assets		3,214	9,072
Intangible assets		1,892,438	2,267,638
Goodwill		6,948	12,446
Interest in a joint venture		-	-
Interest in an associate		4,523	22,294
Financial assets at fair value through profit or loss		12,146	13,208
Equity investment designated at fair value through other comprehensive income		138	346
Deposits and prepayments	11	40,538	20,698
Loan receivable		11,967	20,817
		4,444,882	5,019,869
<b>Current assets</b>			
Inventories		13,891	13,323
Financial assets at fair value through profit or loss		7,915	16,110
Trade, notes and other receivables, deposits and prepayments	11	87,455	98,557
Loan receivable		7,093	9,189
Amount due from a joint venture		-	-
Restricted cash at banks		1,440	912
Cash and cash equivalents		78,364	13,800
		196,158	151,891
<b>Total assets</b>		4,641,040	5,171,760
<b>Current liabilities</b>			
Trade and other payables and accruals	12	(1,017,287)	(760,468)
Borrowings	13	(408,993)	(296,909)
Convertible note		(1,352,900)	(1,352,900)
Financial liabilities at fair value through profit or loss		(9)	(9)
Deferred income		(4,362)	(3,044)
Lease liabilities		(353)	(5,423)
Taxation		(52,224)	(9,613)
		(2,836,128)	(2,428,366)
<b>Net current liabilities</b>		(2,639,970)	(2,276,475)
<b>Total assets less current liabilities</b>		1,804,912	2,743,394

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2022

(Expressed in Hong Kong Dollars)

		2022		2021	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current liabilities</b>					
Provisions		(17,509)		(21,518)	
Borrowings	13	(440,024)		(501,050)	
Deferred income		(318,032)		(288,083)	
Lease liabilities		(200)		(809)	
Deferred tax liabilities		(5,446)		(7,727)	
Total non-current liabilities		(781,211)		(819,187)	
<b>NET ASSETS</b>		<b>1,023,701</b>		<b>1,924,207</b>	
<b>Capital and reserves attributable to owners of the Company</b>					
Share capital		334,544		334,544	
Reserves		678,003		1,576,133	
Equity attributable to owners of the Company		1,012,547		1,910,677	
Non-controlling interests		11,154		13,530	
<b>TOTAL EQUITY</b>		<b>1,023,701</b>		<b>1,924,207</b>	

## 1. GOING CONCERN ASSUMPTION

The Group incurred a loss of approximately HK\$553,180,000 for the year ended 31 December 2022, and as of that date, had net current liabilities of approximately HK\$2,639,970,000. As at 31 December 2022, included in the current liabilities amounting to approximately HK\$2,836,128,000, the Group had (a) overdue convertible note with principal amount of approximately HK\$1,352,900,000 and the related defaulted interests (included in other payables and accruals) of approximately HK\$478,219,000 which were outstanding and immediately repayable; and (b) matured corporate bonds included in borrowings with principal amounts of approximately HK\$196,295,000 and related coupon interests (included in other payables and accruals) of approximately HK\$31,022,000 which were outstanding and immediately repayable, while the Group only maintained its cash and cash equivalents of approximately HK\$78,364,000 as at 31 December 2022.

On 17 August 2022, a winding-up petition was filed by one of the bondholders of the matured corporate bonds with the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the “**Court**”) for the winding-up of the Company in relation to an alleged unpaid principal amount of HK\$9,200,000 and related interest of HK\$1,016,000 (the “**Petition**”). The Company has applied to the Court for an adjournment of the Petition and the Court adjourned the hearing of the Petition to 8 May 2023.

These events or conditions indicate the existence of material uncertainties which may cast significant doubt on 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 given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern.

In assessing the appropriateness of the use of the going concern basis in the preparation of the Group’s consolidated financial statements, the directors of the Company prepared a cash flow forecast, covering a period of twelve months from the end of the reporting period (the “**Cash Flow Forecast**”) with careful consideration to the future liquidity and performance of the Group and its available sources of financing. In preparing the Cash Flow Forecast, the directors of the Company have taken account of, amongst others, the following plans and measures:

- i. Actively devising a debt restructuring plan to address the Petition. On 24 March 2023, the Company and a potential investor (the “**Potential Investor**” ), who has replaced another potential investor who signed a legal-binding conditional term sheet with the Company on 22 February 2023, details of which are set out in the Company’s announcement dated 23 March 2023), as a subscriber, entered into a legal-binding conditional term sheet (the “**Term Sheet**”), in respect of, amongst others, (i) the subscription of convertible bonds by cash; (ii) the subscription of convertible bonds and new shares of the Company by off-setting against the obligations and liabilities of the Company under the secured convertible bonds issued by the Company due 29 September 2020; and (iii) the scheme of arrangement to be proposed by the Company (the “**Creditors’ Scheme**”) to its unsecured creditors (other than the holder of the aforesaid secured convertible bonds) (the “**Creditors**”) on the terms that the Creditors accept in full discharge of their claims (collectively, the “**Restructuring Transactions**”). Under the Restructuring Transactions, the overdue convertible note and the related interests will be offset by the new convertible bonds and new shares of the Company to be issued to the Potential Investor. In addition, should the Potential Investor exercise the right attached to the convertible bonds and convert the entire convertible bonds to ordinary shares in the future, the Potential Investor will be interested in over 30% of the enlarged entire issued share capital of the Company. As of the date of approval of these consolidated financial statements, the Potential Investor and the Company are actively engaging in the process of the Restructuring Transactions in accordance with the Term Sheet;
- ii. Actively negotiating with the Creditors, alongside with the Potential Investor, to obtain agreement for the Creditors’ Scheme; and

## 1. GOING CONCERN ASSUMPTION (CONTINUED)

- iii. Actively implementing the above plans and measures mentioned in (i) and (ii) to form a consent on the Creditors' Scheme amongst the Creditors and to obtain necessary statutory, regulatory and creditors' approvals at different stages. As at the date of approval of these consolidated financial statements, court hearings are scheduled to be held on 25 April 2023 and 8 May 2023 respectively, considering to approve the Company's application to convene the meeting for the Creditors' Scheme (the "Creditors' Meeting") and a further adjournment of the Petition so as to further proceed the Restructuring Transactions in accordance with the Term Sheet. Having regard to the view of the Company's advisor on the Restructuring Transactions, the directors of the Company have a reasonable expectation that the Company would obtain all necessary approvals and the above plans and measures would be implemented successfully.

Based on the Cash Flow Forecast, assuming the above plans and measures can be successfully implemented as scheduled, the directors of the Company are of the opinion that the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due over the period of the Cash Flow Forecast so as to enable the Group to continue as a going concern. Therefore, the directors of the Company considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the directors of the Company will be able to achieve the plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the successful fulfilment of all the following conditions:

- i. Completion of the Restructuring Transactions;
- ii. Obtaining agreement amongst the Creditors for the Creditors' Scheme; and
- iii. Implementing the above plans and measures mentioned in (i) and (ii) so that a consent on the Creditors' Scheme amongst the Creditors and necessary statutory, regulatory and creditors' approvals at different stages can be obtained.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned above, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their net realizable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

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

### Adoption of new / revised HKFRSs – effective from 1 January 2022

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS <sup>+</sup> 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds Before Intended Use
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS Standards	Annual Improvements to HKFRSs 2018–2020

<sup>+</sup>Hong Kong Accounting Standards

The new or amended HKFRSs that are effective from 1 January 2022 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 of financial services.

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

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15 are disaggregated by products:</b>		
Coalbed methane	<b>318,642</b>	168,969
Raw and cleaned coal	<b>217,465</b>	221,147
	<b>536,107</b>	390,116
<b>Revenue from other sources:</b>		
Interest income from financial services	<b>6,973</b>	4,120
	<b>543,080</b>	394,236

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

#### 4. OTHER INCOME

	2022	2021
	HK\$'000	HK\$'000
Interest income		
- bank deposits	18	920
- short-term investment	-	4,150
- others	223	21,951
Total interest income on financial assets measured at amortised cost	241	27,021
Government subsidies and grants (note)	23,906	19,612
Others	573	2,847
	<u>24,720</u>	<u>49,480</u>

Note: It mainly represents the regular subsidies received during the year from relevant government authority on the sales of coalbed methane (“CBM”) and VAT refund on the sales of CBM from local tax bureau. Both of them were generated from the Sanjiao CBM Project. In 2022, the approval for the VAT refund was slowed down as a result of the COVID-19.

## 5. OTHER LOSSES, NET

	2022	2021
	HK\$'000	HK\$'000
Change in fair value of financial assets at fair value through profit or loss	(1,747)	6,426
Impairment loss on oil and gas exploration and evaluation assets	-	(76,020)
Impairment loss on property, plant and equipment	(220,375)	-
Impairment loss on right-of-use assets	(254)	-
Impairment loss on intangible assets	(168,271)	-
Impairment loss on goodwill	(4,836)	-
Written off of other receivables	(1,016)	(6,555)
Written off of property, plant and equipment	-	(263)
Waiver of other payables	12,886	-
Exchange (losses)/gains, net	(1,394)	124
Gain on redemption of financial assets at fair value through profit or loss	167	-
Loss on disposal of promissory notes	(1,851)	-
Loss on disposal of a loan receivable	-	(12,962)
Loss on disposal of a receivable	-	(136,219)
Others	-	304
	<b>(386,691)</b>	<b>(225,165)</b>

## 6. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging:

	2022 HK\$'000	2021 HK\$'000
<b>a) Finance costs</b>		
Interest expense on financial liabilities not at fair value through profit or loss:		
Interest on corporate bonds	31,613	32,203
Interest on borrowings	41,066	41,539
Interest charge on convertible note	224,528	191,589
Interest on lease liabilities	390	853
	<u>297,597</u>	<u>266,184</u>
Less: interest capitalized in qualifying assets*	<u>(58,732)</u>	<u>(35,383)</u>
	238,865	230,801
Other finance costs:		
Amortisation of corporate bonds transaction costs	<u>8,281</u>	<u>11,696</u>
	<u>247,146</u>	<u>242,497</u>
<p>* Borrowing costs capitalised during the year ended 31 December 2022 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 13.83% (2021:11.16%) to expenditure on qualifying assets. All borrowing costs capitalised during the year ended 31 December 2022 arose on the specific borrowing pool of approximately HK\$32,490,000 (2021: HK\$16,834,000) are fully capitalised.</p>		
<b>b) Employee costs (including directors' remuneration)</b>		
Salaries, wages and other benefits	40,683	42,473
Contributions to defined contribution retirement plan	<u>3,197</u>	<u>3,085</u>
	<u>43,880</u>	<u>45,558</u>
<b>c) Other items</b>		
Auditor's remuneration	1,589	1,500
Cost of inventories sold recognised as expenses <sup>#</sup>	213,703	205,022
Depreciation on property, plant and equipment	59,523	49,888
Depreciation on right-of-use assets	5,232	6,970
Amortisation on intangible assets <sup>#</sup>	31,287	24,170
Amortisation on deferred income <sup>#</sup>	<u>(4,664)</u>	<u>(2,990)</u>

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

## 7. INCOME TAX (EXPENSE) / CREDIT

Pursuant to the rules and regulations of Bermuda, Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax under such jurisdictions for the years ended 31 December 2022 and 2021.

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 2022 and 2021.

Profits of the subsidiaries established in the People's Republic of China ("PRC") are subject to the Enterprise Income Tax ("EIT"). Under the Law of the PRC and Implementation Regulation on EIT, the tax rate of the PRC subsidiaries is 25% for the years ended 31 December 2022 and 2021.

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

	2022 HK\$'000	2021 HK\$'000
Current income tax		
- PRC EIT		
- Tax for the year	(48,318)	(1,003)
- Under-provision in respect of prior years	(181)	(67)
	(48,499)	(1,070)
Deferred tax for the year	1,792	1,786
Income tax (expense) / credit	(46,707)	716

## 8. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2022 (2021: 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\$551,779,000 (2021: loss of HK\$788,667,000) and the weighted average number of 3,345,439,000 ordinary shares (2021: 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 2022 and 2021 is the same as the basic loss per share as the Company's outstanding share options and convertible note, where applicable, had an anti-dilutive effect on the basic loss per share for the years ended 31 December 2022 and 2021.

**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 (2021: 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 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.

## 10. SEGMENT REPORTING (CONTINUED)

### a) Business segments

For the year ended 31 December 2022, the segment information about these businesses is set out as follows:

	Coalbed methane HK\$'000	Raw and cleaned coal HK\$'000	Oil and gas exploitation HK\$'000	Financial services HK\$'000	Unallocated HK\$'000	Total HK\$'000
<u>Results</u>						
Revenue from external customers						
- Within the scope of HKFRS 15	318,642	217,465	-	-	-	536,107
- Interest income from financial services	-	-	-	6,973	-	6,973
	<u>318,642</u>	<u>217,465</u>	<u>-</u>	<u>6,973</u>	<u>-</u>	<u>543,080</u>
Segment results <sup>i &amp; ii</sup>	160,915	(6,158)	(46)	(223)	(16,691)	137,797
Finance costs	(791)	(795)	-	(34)	(245,526)	(247,146)
Impairment loss on property, plant and equipment	(220,375)	-	-	-	-	(220,375)
Impairment loss on right-of-use assets	(254)	-	-	-	-	(254)
Impairment loss on intangible assets	(168,271)	-	-	-	-	(168,271)
Impairment loss on goodwill	-	(4,836)	-	-	-	(4,836)
Impairment loss on interest in an associate	(15,907)	-	-	-	-	(15,907)
Written off of other receivables	-	-	-	-	(1,016)	(1,016)
Change in fair value of financial assets at fair value through profit or loss	-	(1,719)	-	-	(28)	(1,747)
Expected credit loss on financial assets measured at amortized cost recognised, net	-	-	-	3,623	-	3,623
Waiver of other payables	12,886	-	-	-	-	12,886
Share of loss of an associate	(1,227)	-	-	-	-	(1,227)
(Loss) / profit before income tax expense	<u>(233,024)</u>	<u>(13,508)</u>	<u>(46)</u>	<u>3,366</u>	<u>(263,261)</u>	<u>(506,473)</u>
Income tax expense	<u>(46,441)</u>	<u>(75)</u>	<u>-</u>	<u>(191)</u>	<u>-</u>	<u>(46,707)</u>
(Loss) / profit for the year	<u>(279,465)</u>	<u>(13,583)</u>	<u>(46)</u>	<u>3,175</u>	<u>(263,261)</u>	<u>(553,180)</u>
<u>Assets and liabilities</u>						
Reportable segment assets <sup>iii</sup>	<u>4,526,418</u>	<u>28,500</u>	<u>-</u>	<u>29,183</u>	<u>56,939</u>	<u>4,641,040</u>
Reportable segment liabilities <sup>iii</sup>	<u>1,169,352</u>	<u>14,984</u>	<u>-</u>	<u>15,240</u>	<u>2,417,763</u>	<u>3,617,339</u>
<u>Other segment information</u>						
Depreciation and amortization	<u>87,023</u>	<u>4,169</u>	<u>-</u>	<u>132</u>	<u>55</u>	<u>91,379</u>
Capital expenditure incurred during the year	<u>320,804</u>	<u>452</u>	<u>-</u>	<u>41</u>	<u>-</u>	<u>321,297</u>
Timing of revenue recognition within the scope of HKFRS 15:						
- a point in time	318,642	217,465	-	-	-	536,107
- over time	-	-	-	-	-	-
	<u>318,642</u>	<u>217,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>536,107</u>

## 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 HKFRS 15	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>i &amp; ii</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)
Impairment loss on interest in an associate	(37,230)	-	-	-	-	(37,230)
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 recognized, net	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 profit of an associate	10	-	-	-	-	10
Profit/(loss) before income tax expense	<u>2,725</u>	<u>14,394</u>	<u>(406,138)</u>	<u>(8,678)</u>	<u>(389,244)</u>	<u>(786,941)</u>
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>iii</sup>	<u>4,997,364</u>	<u>86,346</u>	<u>-</u>	<u>32,740</u>	<u>55,310</u>	<u>5,171,760</u>
Reportable segment liabilities <sup>iii</sup>	<u>1,028,867</u>	<u>40,119</u>	<u>16</u>	<u>21,123</u>	<u>2,157,428</u>	<u>3,247,553</u>
<u>Other segment information</u>						
Depreciation and amortisation	<u>72,763</u>	<u>5,008</u>	<u>-</u>	<u>211</u>	<u>56</u>	<u>78,038</u>
Capital expenditure incurred during the year	<u>241,358</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>21</u>	<u>241,381</u>
<u>Timing of revenue recognition within the scope of HKFRS 15:</u>						
- 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

Notes:

- (i) Unallocated results mainly included 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\$23,904,000 (2021: HK\$19,240,000), HK\$nil (2021: HK\$194,000) and HK\$2,000 (2021: HK\$177,000), respectively.
- (iii) Unallocated assets mainly included cash and cash equivalents, equity investment 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.

### 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:

	2022 HK\$'000	2021 HK\$'000
Hong Kong (place of domicile)	-	-
The PRC	<u>543,080</u>	<u>394,236</u>
	<u>543,080</u>	<u>394,236</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:

	2022 HK\$'000	2021 HK\$'000
Hong Kong (place of domicile)	2,290	2,297
The PRC	<u>4,418,339</u>	<u>4,983,201</u>
	<u>4,420,629</u>	<u>4,985,498</u>

## 10. SEGMENT REPORTING (CONTINUED)

### c) Information about major customers

During the year ended 31 December 2022, there were two customers (2021: two customers) contributed to 10% or more revenue to the Group's total revenue.

	Segment	2022 HK\$'000	2021 HK\$'000
Customer A	Coalbed methane	<b>318,642</b>	168,969
Customer B	Raw and cleaned coal	<b>124,072</b>	208,646

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

	2022 HK\$'000	2021 HK\$'000
Non-current assets		
Deposits and prepayments	<u>40,538</u>	<u>20,698</u>
Current assets		
Trade receivables (note)	42,377	64,534
Less: impairment loss	<u>(313)</u>	<u>(340)</u>
	<u>42,064</u>	<u>64,194</u>
Notes receivable	3,392	7,357
Less: impairment loss	<u>(3,392)</u>	<u>(7,357)</u>
	-	-
Other receivables	36,954	34,909
Less: impairment loss	<u>(1,627)</u>	<u>(1,800)</u>
	<u>35,327</u>	<u>33,109</u>
Other deposits	353,090	372,237
Less: impairment loss	<u>(349,698)</u>	<u>(371,622)</u>
	<u>3,392</u>	<u>615</u>
Utility deposits	129	172
Prepayments	<u>6,543</u>	<u>467</u>
	<u>87,455</u>	<u>98,557</u>

Note:

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

	2022 HK\$'000	2021 HK\$'000
Less than one month	42,064	52,136
1 to 2 months	-	11,718
More than 3 months	<u>-</u>	<u>340</u>
	<u>42,064</u>	<u>64,194</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

	2022 HK\$'000	2021 HK\$'000
Current liabilities		
Trade payables (note)	3,765	9,677
Other payables and accruals	1,006,802	734,532
Receipt in advance (contract liabilities under HKFRS 15)	4,077	13,651
Amount due to a shareholder	2,643	2,608
	<u>1,017,287</u>	<u>760,468</u>

Note:

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

	2022 HK\$'000	2021 HK\$'000
Within 30 days	<u>3,765</u>	<u>9,677</u>

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

## 13. BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Bank borrowings - secured	10,991	15,607
Other borrowings - secured	333,213	302,695
Other borrowings - unsecured	30,958	13,579
Corporate bonds - unsecured	473,855	466,078
	<u>849,017</u>	<u>797,959</u>
On demand or within one year	408,993	296,909
More than one year, but not exceeding two years	102,197	318,440
More than two years, but not exceeding five years	337,827	179,597
More than five years	-	3,013
	<u>849,017</u>	<u>797,959</u>
Amount due within one year included in current liabilities	<u>(408,993)</u>	<u>(296,909)</u>
Non-current portion	<u>440,024</u>	<u>501,050</u>

The range of effective interest rates on the Group's borrowings for the years ended 31 December 2022 and 2021 are as follows:

	2022	2021
Bank borrowings – secured	5.5%-7.13%	7.13%
Other borrowings – secured	9.00%-11.00%	11.00%
Other borrowings – unsecured	0.00%-12.00%	12.00% - 24.00%
Corporate bonds – unsecured	<u>5.00%-8.00%</u>	<u>5.00% - 8.00%</u>

## EXTRACTS OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2022 which has included a disclaimer of opinion:

### “Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Sino Oil and Gas Holdings Limited (the “Company”) and its subsidiaries (together the “Group”), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effects on the consolidated financial statements as described in the “Basis for Disclaimer of Opinion” section of our report. In all other aspects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR DISCLAIMER OF OPINION

#### Multiple uncertainties relating to going concern

As set out in note 3(b)(ii) to the consolidated financial statements, the Group incurred a loss of approximately HK\$553,180,000 for the year ended 31 December 2022, and, as of that date, had net current liabilities of approximately HK\$2,639,970,000. As at 31 December 2022, included in the current liabilities amounting to approximately HK\$2,836,128,000, the Group had (a) overdue convertible note with the principal amount of approximately HK\$1,352,900,000 and the related defaulted interests (included in other payables and accruals) of approximately HK\$478,219,000 which were outstanding and immediately repayable; and (b) matured corporate bonds included in borrowings with principal amounts of approximately HK\$196,295,000 and related coupon interests (included in other payables and accruals) of approximately HK\$31,022,000 which were outstanding and immediately repayable, while the Group only maintained its cash and cash equivalents of approximately HK\$78,364,000 as at 31 December 2022.

On 17 August 2022, a winding-up petition was filed by one of the bondholders of the matured corporate bonds with the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the “Court”) for the winding-up of the Company in relation to an alleged unpaid principal amount of HK\$9,200,000 and related interest of HK\$1,016,000 (the “Petition”). The Company has applied to the Court for an adjournment of the Petition and the Court adjourned the hearing of the Petition to 8 May 2023.

The above-mentioned events or conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of plans and measures to improve the Group's liquidity and financial position, which are set out in note 3(b)(ii) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcomes of the Group's plans and measures which are subject to multiple uncertainties, including (i) whether the Restructuring Transactions can be completed; (ii) whether an agreement amongst the Creditors for the Creditors' Scheme can be obtained; (iii) whether the plans and measures mentioned in (i) and (ii) can be implemented so that a consent on the Creditors' Scheme amongst the Creditors and necessary statutory, regulatory and creditors' approvals at different stages can be obtained.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in note 3(b)(ii) to the consolidated financial statements, it might not be able to operate as a going concern, and, adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

## BASIS FOR DISCLAIMER OF OPINION – CONTINUED

We disclaimed our opinion on the Company’s consolidated financial statements for the year ended 31 December 2021 relating to the going concern basis of preparing the consolidated financial statements. Any adjustments to the balances as at 31 December 2021 would affect the balances of these financial statements items as at 1 January 2022, and the corresponding movements, if any, during the year ended 31 December 2022. The balances as at 31 December 2021 and the amounts for the year then ended are presented as corresponding figures in the consolidated financial statements for the year ended 31 December 2022. We disclaimed our audit opinion on the consolidated financial statements for the year ended 31 December 2022 also for the possible effect of the disclaimer of opinion on the consolidated financial statements on the comparability of 2022 figures and 2021 figures in the consolidated financial statements for the year ended 31 December 2022.”

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the year ended 31 December 2022, Sino Oil and Gas Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) recorded a total revenue of approximately HK\$543,080,000 (2021: HK\$394,236,000). The turnover included the sales of coalbed methane (“CBM”) in our Sanjiao CBM Project of approximately HK\$318,642,000 (2021: HK\$168,969,000), the sales derived from raw coal washing project located in Qinshui Basin, Shanxi Province, which is approximately HK\$217,465,000 (2021: HK\$221,147,000), and the revenue from the financial services business in Shaanxi Province of approximately HK\$6,973,000 (2021: HK\$4,120,000).

Although the Group's main business performed well last year, especially Sanjiao CBM Project, which saw an increase of about 27% increase in the gas production, and a significant increase of 88.6% in annual sales as a result of the increase in gas price, the Group still recorded a net loss of approximately HK\$553,180,000 (2021: HK\$786,225,000) in the 2022 fiscal year. The loss was mainly due to the impairment loss on Sanjiao CBM Project, impairment loss on raw coal washing project, share of loss from an associate and heavy finance costs.

During the year, taking into account that the Group's current and future cash flow will be tight, together with the negative impact of COVID-19 pandemic (“COVID-19”) on the China's economy, the development scale and plan of Sanjiao CBM Project will be reduced and delayed respectively. This has led the Group to make a provision of impairment loss on this project of approximately HK\$388,900,000 (2021: nil). Additionally, due to the temporary suspension of the development plan of the liquefied natural gas plant project located in Shanxi, an impairment loss of HK\$15,907,000 was made on the related interest in an associate (2021: HK\$37,230,000). During the year, the Group's finance cost amounted to approximately HK\$247,146,000 (2021: HK\$242,497,000).

### 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 of the Ordos Basin in Shanxi and Shaanxi provinces of China. The Group has a 70% interest in the PSC. According to a competent person's 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.

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. As of now, 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 2022, Sanjiao CBM Project has completed a total of 182 wells, including 12 newly added wells compared with last year, of which 130 were multilateral horizontal wells and 52 were vertical wells. Of the total 182 wells, 149 wells were in the normal dewatering and gas producing stage, and 145 wells were connected to a gas collection pipeline network. A ground pipeline network of approximately 18 kilometers, inter-well pipelines of approximately 108.62 kilometers, and outbound pipelines of approximately 17 kilometers have been completed. Additionally, a 10KV power grid with a total length of approximately 104.37 kilometers and its power branch lines have been constructed. Currently the CBM processing station has operated steadily, and its daily operating capacity has exceeded 640,000 cubic meters.

## **Sales**

Based on the increased investment in the development of Sanjiao CBM Project over the past two years, both production and sales of CBM have increased significantly during the year, particularly benefiting from the rise in gas prices, resulting in a significant increase of over 88.6% in annual sales revenue, demonstrating an excellent overall performance. In 2022, Sanjiao CBM Project recorded earnings before interest, taxes, depreciation and amortization and before impairment loss of approximately HK\$259,597,000 (2021: profit of HK\$117,167,000). The CBM sales revenue amounted to approximately HK\$318,642,000 (2021: HK\$168,969,000). The production and sales volume of CBM were approximately 169.10 million cubic meters (2021: 128.06 million cubic meters) and 165.23 million cubic meters (2021: 127.03 million cubic meters) respectively, resulting in a gas sale-to-production rate of approximately 97.7% (2021: 99.2%). For the year, industrial and residential piped CBM sales accounted for approximately 96.6% (2021: 97.05%) and approximately 3.4% (2021: 2.95%) of total sales respectively.

In addition, the government subsidy of approximately HK\$23,904,000 (2021: the government subsidy and part of VAT tax refund of HK\$19,240,000) 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, the revenue from the raw coal washing business remained stable, which was approximately HK\$217,465,000 (2021 : HK\$221,147,000).

## **Others**

The Group owned a finance leasing company, Shaanxi Zhao Yin Finance Leasing Company Limited in Shaanxi Province. This financial services business 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\*(西安市金融工作局). 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. During the year, it recorded a revenue of approximately HK\$6,973,000 (2021 : HK\$4,120,000).

\* The English translation of Chinese names is for identification purposes only.

## Financial Review

### Liquidity and Financial Resources

As at 31 December 2022, the net assets of the Group were approximately HK\$1,024,000,000 (31 December 2021: HK\$1,924,000,000) while its total assets were approximately HK\$4,641,000,000 (31 December 2021: HK\$5,172,000,000). As at 31 December 2022, the Group had external borrowings including the liability component of convertible note of approximately HK\$2,202,000,000 (31 December 2021 : HK\$2,151,000,000), and the gearing ratio based on total assets was approximately 47.4% (31 December 2021: 41.6%). Information on repayment of the Group's borrowings is set out in note 13 to the financial statements as disclosed in this announcement.

In respect of the issue of the Group's net current liabilities position as at 31 December 2022, the convertible note (matured in September 2020) with a principal amount and defaulted interests of HK\$1,831 million and the unsecured corporate bonds with principal amounts and accrued interests of HK\$556 million (the principal amount and interest of the matured portion of HK\$227 million), posed an enormous financial pressure to the Group. 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 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.

Throughout this year and in the past few years, the Group has been actively seeking suitable potential investors and exploring all feasible financing options and debt restructuring activities to strengthen the Group's current financial position. Subsequent to the reporting date in early 2023, the Company entered into a binding term sheet with a potential investor (the "Potential Investor") to implement the acquisition of Company's shares and convertible bonds by off-setting against the obligations and liabilities of the Company under the secured convertible bonds issued by the Company due on 29 September 2020 and a scheme of arrangement (the "Creditors' Scheme") to be proposed by the Company to its unsecured creditors on the terms that they accept in full discharge of their claims. As of the date of this result announcement, court hearings are scheduled to be held on 25 April 2023 and on 8 May 2023 respectively, considering to approve the Company's application to convene the meeting for the Creditors' Scheme and an adjournment or dismissal of the Petition. Based on the negotiations among the creditors, the Potential Investor and the Company and having regard to the view of the Company's advisers on the debt restructuring, the directors of the Company have a reasonable expectation that the necessary approvals would be obtained and the above plans and measures would be implemented successfully. With the significant growth of the Group's core business Sanjiao CBM Project in recent years, the directors of the Company, including the audit committee of the Company (the "Audit Committee"), share the view that the Group will resolve the financial difficulties and can have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in foreseeable future, and accordingly, the going concern issue will be resolved. Further details are set out in note 1 to the financial statements as disclosed in this announcement.

### **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 2022, no related hedges were made by the Group. In respect to trade and other receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

### **Employees and Remuneration Policies**

As at 31 December 2022, the Group employed approximately 300 employees. The remuneration policy of the Group is based on the prevailing remuneration level in the market and the performance of respective companies and individual employees.

## PROSPECTS

As China's economic activity rebounds after the end of the epidemic control measures, the International Energy Agency released its quarterly report, anticipating that the natural gas demand growth in 2023 will be greater than expected, with China's total natural gas consumption expected to rebound by nearly 7% this year. The Sanjiao block is currently one of the best CBM fields in China and it is also the core business of the Group. The production and the sale have increased significantly in the past two years. We will seize the opportunity and concentrate on developing Sanjiao CBM Project as planned in 2023. It is expected additional 25 to 30 multilateral horizontal wells will be added and targeting to build annual production capacity of 500 million cubic meters in next 2-3 years.

At the same time, the Company will make every effort to push forward the debt restructuring plan with the Potential Investor, negotiate with existing creditors and strive to resolve the Group's enormous financial burden which has plagued the Group for several years within this year. The Group can focus on the long-term development of Sanjiao CBM Project, grasp the opportunities for oil and gas development, exploring other related businesses so as to strengthen the Group's financial position and bring returns to 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 2022.

## SCOPE OF WORK OF BDO LIMITED

The figures in respect of the announcement of the Group's annual results for the year ended 31 December 2022 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the announcement of annual results.

## CORPORATE GOVERNANCE

The Company complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2022 except for the following:

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

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

Code provision F.2.2 stipulates that the chairman of the board should attend the annual general meeting. Dr. Dai Xiaobing, Chairman of the Board, was unable to attend the annual general meeting of the Company held on 16 June 2022 due to other business engagement. The annual general meeting was chaired and conducted by Mr. Wan Tze Fan Terence, an executive director of the Company.

## AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited consolidated financial statements for the year ended 31 December 2022.

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

Hong Kong, 30 March 2023

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