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

PROPOSED ALTERATION OF TERMS OF THE CONVERTIBLE BONDS

DEED OF AMENDMENT

On 16 April 2018, the Company and the Subscriber I entered into the Deed of Amendment pursuant to which the term in relation to making a payment for an amount in cash equal to the number of the Exceeded Conversion Shares will be replaced by the allotment and issue of the Exceeded Conversion Shares upon the conversion of the Convertible Bonds A.

The Proposed Alteration is subject to the conditions as set out in the paragraph headed “Conditions precedent” below.

LISTING RULES IMPLICATIONS

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. An application for the said approval has been made by the Company to the Stock Exchange.

RELEVANT BACKGROUND

Reference is made to the announcement (the “**First Announcement**”) of the Company dated 19 May 2016 in relation to, among other matters, the issue of Convertible Bonds under the General Mandate, and the announcement (the “**Second Announcement**”, together with the First Announcement, the “**Announcements**”) of the Company dated 22 March 2018 in relation to, among other matters, the adjustment to the Conversion Price of the Convertible Bonds.

Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

On 19 May 2016, the Company and the Subscriber I entered into the Subscription Agreement I

pursuant to which the Subscriber I has conditionally agreed to subscribe in cash for the Convertible Bonds A in the principal amount of HK\$100,000,000 due 26 May 2018.

As set out in the Second Announcement, the Conversion Price of the Convertible Bonds A was adjusted to HK\$0.053 upon completion of a subscription of new shares and the consequential adjustments of the relevant conversion price of the Convertible Bonds (the “Adjustments”) taking effect from 9 March 2018.

Pursuant to the terms of the Convertible Bonds A issued under the General Mandate, following an adjustment to the respective Conversion Price, an issue of Shares is required which would exceed the limit on the allotment and issue of Shares in the General Mandate (the “Exceeded Conversion Shares”), upon the conversion of the Convertible Bonds A the Company shall:

- (a) issue and deliver the number of Shares to which the relevant holder of the Convertible Bonds A would have been entitled upon exercise of the conversion right up to the maximum possible extent which would not exceed the limit on the allotment and issue of Shares in the General Mandate; and
- (b) make payment (the “Exceeded Payment”) for an amount in cash equal to the number of the Exceeded Conversion Shares multiplied by the closing price of Shares on the trading day immediately preceding the date of the conversion notice.

The number of shares available under the General Mandate is 2,140,510,778. After being utilised for the conversion shares (prior to the Adjustments) for the Convertible Bonds of 772,946,859 Shares, there will be 1,367,563,919 Shares yet to be utilised under the General Mandate. Accordingly, it will be sufficient to cover the additional number of conversion shares (after the Adjustments) for Convertible Bonds B and Convertible Bonds C of 842,220,398 Shares.

However, the General Mandate will not be sufficient to cover the additional number of conversion shares (after the Adjustments) for Convertible Bonds A of 1,403,700,665 Shares. The Exceeded Conversion Shares is 878,357,144 Shares.

Upon the conversion of the Convertible Bonds A, there will be Exceeded Conversion Shares. Accordingly, the Company shall make payment for an amount in cash equal to the number of the Exceeded Conversion Shares multiplied by the closing price of Shares on the trading day immediately preceding the date of the conversion notice in relation to the Convertible Bonds A.

On 16 April 2018, the Company and the Subscriber I entered into a Deed of Amendment pursuant to which the term in relation to making a payment for an amount in cash equal to the number of the Exceeded Conversion Shares will be replaced by the allotment and issue of the Exceeded Conversion Shares upon the conversion of the Convertible Bonds A.

For reasons as explained in “Reasons for the Proposed Alteration” below, the Company and the Subscriber I agree to alter the terms of the Convertible Bonds A subject to the terms and conditions of the Deed of Amendment.

DEED OF AMENDMENT

Date: 16 April 2018

Parties: the Company, as the issuer
the Subscriber I, as the subscriber

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber I and, where applicable, its ultimate beneficial owner(s) are Independent Third Parties.

Principal terms of the Proposed Alteration

The Proposed Alteration was arrived at after arm's length negotiations between the Company and the Subscriber I. The terms of the Convertible Bonds A are amended such that instead of making payment for an amount in cash equal to the number of the Exceeded Conversion Shares multiplied by the closing price of Shares on the trading day immediately preceding the date of the conversion notice, the Company shall allot and issue the Exceeded Conversion Shares upon the conversion of the Convertible Bonds A.

Apart from the Proposed Alteration, the terms and conditions of the Convertible Bonds remain intact and unchanged.

The Exceeded Conversion Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Exceeded Conversion Shares.

No application will be made for listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Exceeded Conversion Shares to be allotted and issued as a result of the Proposed Alteration.

Conditions precedent

Completion is conditional upon the fulfillment of the following conditions precedent:

- (a) the passing by the Shareholders at a general meeting of the Company to be convened and held of an ordinary resolution to approve the Deed of Amendment, the specific mandate to issue the Exceeded Conversion Shares and the transactions contemplated thereunder; and
- (b) without prejudice to condition (a) above, the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Exceeded Conversion Shares to be allotted and issued under the Convertible Bonds A as a result of the Proposed Alteration.

If any of the above conditions are not fulfilled on or before 25 May 2018 or such later date as the Company and the Subscriber I may agree, the Deed of Amendment will lapse and become null and void and the parties shall be released from all obligations thereunder, save the liabilities for any antecedent breaches thereof.

REASONS FOR THE PROPOSED ALTERATION

The Company is an investment holding company. The Group is principally engaged in (i) exploration, development and production of coalbed methane, (ii) raw coal washing and sale of raw and cleaned coal and (iii) exploitation and sale of crude oil and natural gas.

As at the date of this announcement, none of the conversion rights attached to the Convertible Bonds A has been exercised by the holder of the Convertible Bonds A. As such, upon full conversion of the Convertible Bonds A at the conversion price i.e. HK\$0.053 per Share, a total of 1,886,792,452 Conversion Shares will be issued and the number of Exceeded Conversion Shares is 878,357,144 Shares.

Based on the closing price of Shares on the date of this announcement of HK\$0.049, the Exceeded Payment shall be equivalent to approximately HK\$43,039,000.

In view that the Company shall make the Exceeded Payment in cash upon the conversion of the Convertible Bonds, the Board considered it would create significant cash outlay and would be costly for the Company. The Board also considered it to be prudent to avoid significant cash outlay for the payment of the Exceeded Payment and to maintain sufficient cash and cash equivalents for its working capital and to expand the Group's existing oil and gas business and/or develop new businesses as and when necessary.

The Proposed Alteration was arrived at after arm's length negotiations between the Company and the Subscriber I. Taking into account the benefits and flexibility of the allotment and issuance of the Exceeded Conversion Shares, the Board considered that the Proposed Alteration is in the interests of the Company and the Shareholders as a whole.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price and (iii) immediately upon full conversion of the Convertible Bonds at the adjusted conversion price:

	As at the date of this announcement		Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price		Immediately upon full conversion of the Convertible Bonds at the adjusted conversion price	
	<i>Number of Shares</i>	<i>% of the issued share capital of the Company</i>	<i>Number of Shares</i>	<i>% of the issued share capital of the Company</i>	<i>Number of Shares</i>	<i>% of the issued share capital of the Company</i>
Directors						
Dai Xiaobing	1,585,040,000	7.96	1,585,040,000	7.66	1,585,040,000	6.91
King Hap Lee	100,000,000	0.50	100,000,000	0.48	100,000,000	0.43
Wan Tze Fan Terence	33,660,000	0.17	33,660,000	0.16	33,660,000	0.15
Chen Hua	88,000,000	0.44	88,000,000	0.43	88,000,000	0.38
Huang Shaowu	1,983,730,000	9.96	1,983,730,000	9.59	1,983,730,000	8.65
He Lin Feng	1,500,000,000	7.53	1,500,000,000	7.25	1,500,000,000	6.54
Substantial Shareholder						
Zhang Yongdong	3,380,000,000	16.97	3,380,000,000	16.34	3,380,000,000	14.73
Public Shareholders						
Subscriber I	0	0	483,091,787	2.33	1,886,792,452	8.23
Subscriber II	0	0	144,927,536	0.70	566,037,735	2.47
Subscriber III	0	0	144,927,536	0.70	566,037,735	2.47
Other public Shareholders	11,248,360,697	56.47	11,248,360,697	54.36	11,248,360,697	49.04
Total	19,918,790,697	100.00	20,691,737,556	100.00	22,937,658,619	100.00

- Notes: 1. 851,195,000 shares are owned by Sino Oil and Gas Resources Investments Limited, a company wholly and beneficially owned by Dr. Dai Xiaobing. In addition, Dr. Dai Xiaobing beneficially owns 733,845,000 Shares.
2. 100,000,000 Shares are owned by Wai Tech Limited, a company wholly owned by Petromic Corporation which in turn is wholly and beneficially owned by Mr. King Hap Lee.
3. 1,883,730,000 shares are owned by Yuanjing International Limited, a company wholly and beneficially owned by Mr. Huang Shaowu. In addition, Mr. Huang Shaowu beneficially owns 100,000,000 Shares.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Save as disclosed below, the Company has not carried out any fund-raising activities during the 12 months immediately preceding the date of this announcement.

Regarding the issue of new shares under the general mandate as disclosed in the announcements of the Company dated 26 January 2018, 22 February 2018, 2 March 2018 and 12 March 2018, the net proceeds of approximately HK\$178 million has been fully utilised as intended as follow: (i) as to approximately HK\$90 million for settling the outstanding loans of the Group; (ii) as to approximately HK\$80 million for partial settlement of the principal and interest of certain convertible notes of the Company; and (iii) as to the remaining balance of approximately HK\$8 million as working capital of the Group.

LISTING RULES IMPLICATIONS

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. An application for the said approval has been made by the Company to the Stock Exchange.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

- “Convertible Bonds”** collectively, the Convertible Bonds A, the Convertible Bonds B and the Convertible Bonds C
- “Deed of Amendment”** the deed of amendment dated 16 April 2018 entered into between the Company and the Subscriber I in relation to the Proposed Alteration
- “Proposed Alteration”** the proposed alteration of certain term of the Convertible Bonds A as contemplated under the Deed of Amendment

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

Hong Kong, 16 April 2018

As at the date of this announcement, the Board comprises three executive Directors, namely Dr. Dai Xiaobing, Mr. King Hap Lee and Mr. Wan Tze Fan Terence; four non-executive Directors, namely Mr. Chen Hua, Mr. Huang Shaowu, Mr. He Lin Feng and Ms. Chai Lin; and four independent non-executive Directors, namely Mr. Wong Kwok Chuen Peter, Professor Wong Lung Tak Patrick, Dr. Wang Yanbin and Dr. Dang Weihua.