

Sino Oil and Gas Holdings Limited

Turnover Increased by 300% in the First Half of 2017

Business Overview

Hong Kong, 25 August 2017 – Leading oil and gas explorer and developer Sino Oil and Gas Holdings Limited (the “Company”, Hong Kong stock code:702) today announced the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2017. During the period, the Group recorded a turnover of approximately HK\$310,649,000 (2016 interim: HK\$78,381,000), which has substantially increased by nearly 3 times as compared with that of the same period in last year. The turnover included the sales of Sanjiao Coalbed Methane (“CBM”) Project of approximately HK\$37,769,000(2016 interim: HK\$30,435,000), and the sales derived from raw coal washing project located in Qinshui Basin, Shanxi Province of approximately HK\$272,000,000(2016 interim: HK\$43,947,000). During the period, the Group recorded a net loss of approximately HK\$67,568,000 (2016 interim: net profit HK\$5,697,000). It was mainly attributable to the increase in the finance costs incurred arising from the convertible notes and borrowings during the period.

During the period, the Group recorded earnings before interest, taxes, depreciation and amortization (“EBITDA”) of approximately HK\$104,480,000 (2016 interim : EBITDA HK\$52,293,000) which included other gains from fair value changes of approximately HK\$61,444,000 (2016 interim: nil).

During the period, the operation of Sanjiao CBM Project has improved and CBM sales has increased by approximately 24% as compared with the same period of last year. In the first half of 2017, the Group actively expanded its sales channels of CBM, thereby, the gas sale-to-production rate has increased to approximately 90% (2016 interim: 81.6%). At the same time, government subsidy of approximately HK\$11,880,000 (2016 interim: HK\$9,592,000) for sales of CBM for the year 2016 has been received and recorded as “other revenue” during the period. The Group believes that with the concerted efforts of the team, Sanjiao CBM Project will generate long-term and substantial returns.

Sanjiao CBM Project

As at 30 June 2017, the Sanjiao CBM Project has completed a total of 116 wells,

comprising 64 multilateral horizontal wells and 52 vertical wells. Out of the total 116 wells, 82 wells were in the normal dewatering and gas producing stage, of which 84 wells had accessed to a gas collection pipeline network. A ground pipeline network of approximately 18 kilometers, inter-well pipelines of approximately 56 kilometers, and outbound pipelines of approximately 17 kilometers were completed. Approximately total 68.7 kilometers of 10KV power grid and branch power line were also completed.

During the period, the Group has completed the expansion of the CBM processing station. As at 30 June 2017, its total daily CBM processing capacity has reached 500,000 cubic meters, and the Group will continue to expand the coalbed methane processing capacity in due course so as to cope with the increasing production capacity of Sanjiao CBM Project.

During the period, Sanjiao CBM Project recorded EBITDA of approximately HK\$40,055,000 (2016 interim: HK\$28,992,000), which has increased by 38% as compared with the same period of last year. During the period, the production and sales of CBM were approximately 37.9 million cubic meters (2016 interim: 32.49 million cubic meters) and 34.17 million cubic meters (2016 interim: 26.52 million cubic meters) respectively, resulting in a gas sale-to-production rate of approximately 90% for the period (2016 interim: approximately 81.6%). In terms of the composition of gas sales throughout the period, industrial piped CBM sales accounted for approximately 87.3% of total sales (2016 interim: 80.4%), while residential piped CBM sales contributed approximately 12.7% (2016 interim: 19.6%). Same as last year, all CBM was sold by pipeline.

Raw Coal Washing Project

In view of the extreme excess production capacity of the coal industry, the supply-side reform was launched in 2015 in China and improvement has gradually been seen since 2016. In the first half of 2017, the coal price continued to rise. It is expected that following the gradual implementation of the policy, the industry will progressively pick up. Pursuant to the sale and purchase agreement entered into by both parties, the vendor will provide the Group with profit guarantee for six consecutive years and the project has already contributed stable income and cash flow to the Group. During the period, the coal washing operation recorded a total sale of refined coal approximately 218,500 tonnes (2016 interim: 93,500 tonnes) which has increased by approximately 134% as compared to the same period of last year.

Prospects

Looking ahead, Dr. Dai Xiaobing, Chairman of the Group said, “The Group will seize the opportunity to accelerate the construction and development of Sanjiao CBM Project in order to meet China's growing energy demand while consolidating the Group's core competitiveness and to lay a solid foundation for further expansion and development. In the future, with the development and operation of Sanjiao CBM Project, we believe the Group has sufficient strength to embrace more business opportunities in China and other countries. The Group will ride on the robust core business to speed up the pace of foreign expansion; actively looking for oil and gas assets with potential to become a professional international oil and gas player.”

About Sino Oil and Gas Holdings

Sino Oil and Gas Holdings Limited is a leading oil and gas developer and explorer. The Group is principally engaged in natural gas and oil exploration and extraction with a focus on unconventional gas -- Coal Bed Methane (“CBM”). Sanjiao CBM project is the Group’s core business and the Group will conditionally and strategically extends its business to midstream and downstream. On this basis, the Group will balance the development of its gas and oil business portfolio, strengthen the overseas business plan and seek for merge and acquisition opportunities of high-quality oil and gas resources globally.