

For immediate release

Sino Oil and Gas Holdings Limited

Loss narrowed significantly in 2013 with Sanjiao CBM project posting operating profit

24 March 2014, Hong Kong — Oil and gas company Sino Oil and Gas Holdings Limited (“Sino Oil and Gas Holdings”, HKEx: 702) reported a turnover of HK\$21,598,000 during the year ended 31 December 2013 (2012: HK\$28,932,000), and also posted trial sales of coalbed methane (“CBM”) amounting to HK\$38,899,000 (2012: HK\$9,110,000) as disclosed under the item of other revenue.

The Group’s loss for the year narrowed significantly to HK\$61,332,000 (loss in 2012: HK\$113,400,000), as a result of increasing trial sales from the Sanjiao CBM project and as no impairment allowance (2012: HK\$69,257,000) was required for the year. Included in the loss was loss on extinguishment of financial liabilities of HK\$25,247,000 (2012: Nil) in respect of the new shares issued in November 2013 to settle a sum payable for well-drilling and related services. This was treated as a non-cash item. The operating loss was also reduced to HK\$57,632,000 (loss in 2012: HK\$125,141,000) accordingly. The Group did not declare a final dividend.

Sino Oil and Gas Holdings Chairman Dr. Dai Xiaobing said: “The Sanjiao CBM project will continue to be a major growth driver for the Group. The project has already moved forward into trial commercial operations with operating profit recorded. We are confident that the project will bring satisfactory long-term returns for shareholders. We are delighted to have received investments by two strategic shareholders including Sinomaster Global Limited (神州通國際有限公司) and Mr. Chen Hua (陳華), Founder of Kingkey Group (京基集團). With a strengthened shareholder and capital base, the Group is on solid footing to seek healthy long-term growth.”

Through its wholly-owned subsidiary Orion Energy International Inc. (“Orion”), the Group has entered into a Production Sharing Contract (“PSC”) with China National Petroleum Corporation (“PetroChina”), covering exploration, exploitation and production at a CBM field in the Sanjiao block located in Shanxi and Shaanxi provinces. The Group owns a 70% interest in the PSC.

By the end of 2013, the Sanjiao project had completed a total of 72 wells, including 39 multi-lateral horizontal wells, while the remaining 33 were vertical wells. A ground pipeline network of approximately 18 kilometers, inter-well pipelines of approximately 39 kilometers, and outbound pipelines of approximately 17 kilometers were completed. Approximately 15 kilometers of 10KV power grid and approximately 24 kilometers of 10KV branch power line were also completed as at the year end.

Adopting the multi-lateral horizontal well-drilling system designed by US oil service professionals, one pilot experimental well has been drilled with dewatering and extraction of gas currently underway.

In 2012, the Company completed the construction of a CBM processing station with daily processing capacity of 150,000 cubic meters. Given that the processing capacity of the station has reached saturation point, the Company has commenced works to expand the station to a total daily capacity of approximately 500,000 cubic meters. Gas sales are expected to be significantly boosted upon completion of expansion works by the end of 2014.

In addition, in December 2012 the Group acquired a 30% equity interest in a Sino-foreign joint venture. In order to broaden sales channels in the future, the Sino-foreign joint venture plans to set up a liquefied natural gas (“LNG”) station with daily processing capacity of 1.2 million cubic meters in the Sanjiao area of Shanxi Province. The first phase of the LNG station is expected to

be completed by the end of 2014.

In line with the National Development and Reform Commission's adjustment to the national natural gas price policy, the Group and PetroChina jointly decided to adjust the CBM selling price of gas from the Sanjiao project. An agreement was reached and signed on 16 August 2013 to adjust the wellhead price for CBM sales to non-residential users. Pursuant to the agreement, the wellhead price for piped CBM will be increased by RMB0.32 per cubic meter, while the price for compressed natural gas ("CNG") will be raised by RMB0.33 per cubic meter, with increases of more than 21%. The price adjustments will have an immediate and significant positive impact on the revenue and earnings of the Sanjiao project.

During the year, the Sanjiao project recorded CBM production of 45.45 million cubic meters, with CBM sales of 30.45 million cubic meters (2012: 6.15 million cubic meters) and a gas sale-to-production rate of 67.0% for the full year of 2013. Gas sales for the year were composed of industrial piped CBM sales, residential piped CBM sales, and CNG sales, which accounted for 84.7%, 10.2% and 5.1% respectively. As such, piped CBM sales accounted for 94.9% of total gas sales during the year.

During the reporting year, the Sanjiao project already posted an operating profit. With sales growth and the price increase, the Group is confident of the project's long-term profitability.

With strong funding support, the operation and development of the Sanjiao CBM project, as well as the Group's overall financial position, have strengthened steadily. The Group is able to meet the funding needs for developing various oil and gas projects and for potential investment opportunities. As at 31 December 2013, the current ratio was 0.35 (31 December 2012: 0.23), reflecting a gradual improvement on the liquidity position.

Financial Highlights

	Year ended December 31,	
	2013	2012
	HK\$'000	HK\$'000
Turnover	21,598	28,932
(Loss) for the year	(61,332)	(113,405)
Operating (loss)	(57,632)	(125,141)
(Loss) per share - Basic	HK(0.467) cent	HK(0.927) cent
As at December 31:		
*Gearing ratio	14.45%	11.73%
Current ratio	0.35	0.23

*Gearing calculation based on total borrowings over total assets.

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About Sino Oil and Gas Holdings

Sino Oil and Gas Holdings Limited (HKEx: 702) is an energy company with a key focus on oil, coalbed methane (CBM) and conventional natural gas. The Group is committed to building a portfolio of oil and gas assets and operations with the aim of developing into one of the leading independent oil and gas companies in Greater China. The Group currently operates oil and gas fields in Shaanxi and a CBM project in Sanjiao Block in Shanxi, China. For more information, please visit <http://www.sino-oilgas.hk/>.

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