中國油氣控股有限公司
SINO OIL AND GAS HOLDINGS LIMITED

For immediate release

Sino Oil and Gas Holdings Limited
Sanjiao CBM trial sales more than doubled to turnaround 1H 2014 results

25 August 2014, Hong Kong — Oil and gas company, Sino Oil and Gas Holdings Limited ("Sino Oil and Gas Holdings", the "Company", HKEx: 702) announced a net profit of HK$5,905,000 (2013 interim: net loss of HK$24,495,000) for the six months ended 30 June 2014. The Group achieved a turnaround during the period mainly owing to the increase in other revenue generated from the coalbed methane ("CBM") operation, comprising the sale of CBM and related regular government subsidies, by approximately 111% to HK$38,632,000 (2013 interim: HK$18,280,000). Turnover for the first half amounted to HK$8,516,000 (2013 interim: HK$11,504,000), which only included the results from oil exploitation operations in Liuluoyu, Yanjiawan and Jinzhuang oil fields in Shaanxi Province. The Group did not declare an interim dividend.

Through its wholly-owned subsidiary Orion Energy International Inc. ("Orion"), the Group entered into a production sharing contract ("PSC") with China National Petroleum Corporation (中石油天然氣集團公司, "PetroChina"), its partner in the PRC, for exploration, exploitation and production at a CBM field in the Sanjiao block located in the Erdos Basin in Shanxi and Shaanxi provinces. The Group has a 70% interest in the PSC.

In August 2012, the National Development and Reform Commission ("NDRC") – National Energy Administration ("NEA") granted a reply to the application of the overall development plan ("ODP") for the development of Sanjiao CBM project. At present, various consents from government authorities and specific assessment reports in relation to the ODP have been progressing satisfactorily. Orion has been notified by PetroChina recently that the report on environmental effects from Sanjiao CBM project was approved by Shanxi Provincial Department of Environmental Protection on 28 July 2014.

Elaborating on the approval process, Sino Oil and Gas Holdings Chairman Dr. Dai Xiaobing said: "The report on environmental effects is a core assessment report which is the most crucial and emblematic part of the ODP. This approval also marks substantial progress of the ODP approval, and indicates the support and recognition from the relevant government authorities in relation to the exploration, development and production of Sanjiao CBM project. Pursuant to Regulations on Exploitation of Onshore Petroleum Resources in Cooperation with Foreign Enterprises, only when a foreign CBM cooperation project has obtained the State's approval of its ODP it is allowed to carry out sizable development and production. Hence, this approval has laid a solid foundation for the grant of final approval of the ODP from the PRC government. This implies that Sanjiao CBM project is likely to enter into the development and production stage as expected, and the Company is very optimistic that the reporting and approval process of the ODP will be completed soon."

At the end of the second quarter of 2014, the Sanjiao CBM project has completed a total of 73 wells, comprising 40 multi-lateral horizontal wells and 33 vertical wells. Out of the total 73 wells, 59 wells were in the normal dewatering stage, of which 49 wells had access to the gas collection pipeline network.

During the period, the Sanjiao project recorded CBM production of 22.93 million cubic meters (2013 interim: 20.24 million cubic meters), with CBM sales of 20.53 million cubic meters (2013 interim: 12.48 million cubic meters). The average gas sale-to-production rate thus increased to 89.5% (2013 interim: 61.7%). In terms of the composition of gas sales during the period, industrial piped and residential piped CBM sales accounted for 89.7% (2013 interim: 79.7%) and 10.1% (2013 interim: 10.9%) of total sales respectively. Total piped CBM sales contributed 99.8% (2013 interim: 90.6%) of total gas sales during the period.

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.

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, this joint venture is in the process of setting 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 design of the first phase of the LNG station, with a daily processing capacity of 300,000 cubic meters, has already been completed, with the timetable of construction to be decided in line with the final approval of the ODP.

In view of the promising prospects for the development of the CBM business, the Group has reallocated resources to focus on the Sanjiao CBM project. The development of the oilfields in the PRC is thus proceeding somewhat more slowly than previously. During the period under review, the three oilfields in Liuluoyu, Yanjiawan and Jinzhuang, all in the Erdos Basin, Shaanxi Province, yielded an aggregate crude oil output of approximately 2,400 tonnes (2013 interim: 3,300 tonnes).

The Company signed a non-legally binding memorandum of understanding ("MOU") on 30 June 2014 in relation to the possible acquisition of an oilfield in Canada. The field is located about 800 kilometers north of Calgary city in Alberta Province and covers an area of approximately 220 square kilometers. The field is situated along the highway with well-established ground infrastructure, which can achieve savings in road construction and facilitate operations. Pursuant to the MOU, the consideration for the acquisition shall not exceed CAD60 million (equivalent to approximately HK$435.6 million) and shall be settled by way of a combination of cash and/or new shares in the Company and/or promissory notes to be issued by the Company.

Dr. Dai Xiaobing concluded: "The Board and the staff teams are greatly encouraged by the Group's turnaround during the first half. As the Sanjiao project matures, and with the possible overseas investment opportunities, the Board seeks to enhance the Company's profitability and broaden its equity base."

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Financial Highlights

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Revenue from oil exploitation	**8,516**	11,504
Revenue from trial sales of CBM	**28,352**	18,280
Profit/(Loss) for the period	**5,905**	(24,495)
Basic profit/(loss) per share (Loss)	**HK0.039 cent**	(HK0.197 cent)
	30 June 2014	31 December 2013
	HK'000	*HK'000*
Total assets	**4,240,000**	4,252,000
Net assets	**3,487,000**	3,395,000

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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/.

Issued by: Sino Oil and Gas Holdings Limited
Through: Veronica Yum or Jenny Lee, t6.communications limited
tel: (852)2511 8388 / fax: (852)2511 8238 / email: sino-oilgas@t6pr.com