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

CBM sales surged 80% contributing to turnaround in 2014

23 March 2015, Hong Kong — Oil and gas company Sino Oil and Gas Holdings Limited ("Sino Oil and Gas Holdings", HKEx: 702) is delighted to report a turnaround for 2014.The Group posted a profit for the year of HK$10,420,000 (loss in 2013: HK$61,332,000).

During the year ended 31 December 2014, the Group recorded a turnover of HK$16,540,000 (2013: HK$21,598,000), while posting an 80.5% increase in trial sales of coalbed methane ("CBM") together with related government subsidies amounting to HK$70,198,000 (2013: HK$38,899,000) as disclosed under the item of "other revenue".

Through its wholly-owned subsidiary Orion Energy International Inc. ("Orion"), the Group entered into a production sharing contract ("PSC") with China National Petroleum Corporation ("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.

The CBM operation moved rapidly into profitability as sales increased upon the completion of complementary facilities, including the CBM processing station and sales pipelines, in phases. The achievement of profitability was also attributable to the 13.9% increase in CBM price for industrial users during the year subsequently the increasing CBM sales price in 2013. In the absence of any one-off expenses (2013: HK$25,247,000) for this year, as well as a 11.9% reduction in administrative expenses owing to enhanced internal cost controls, the Group registered a profit for the year of HK$10,420,000 (loss in 2013: HK$61,332,000).

During the year, the Sanjiao project recorded CBM production of approximately 47.28 million cubic meters (2013: 45.45 million cubic meters) and CBM sales of approximately 44.26 million cubic meters (2013: 30.45 million cubic meters), resulting in a gas sale-to-production rate of 93.6% (2013: 67.0%) for the full year. In terms of the composition of gas sales during the year, industrial piped CBM sales accounted for 89.7% of total sales, while residential piped CBM sales contributed 10.2% and compressed natural gas ("CNG") sales 0.1%. Total piped CBM sales accounted for 99.9% of total gas sales during the year.

In the second half of 2014, the Group and PetroChina have jointly decided to increase the gas selling price for industrial users of the Sanjiao CBM project. The gas selling price was increased by RMB0.25 per cubic meter with retrospective effect from 1 September 2014. This 13.9% price adjustment had an immediate and significant positive impact on the revenue and earnings of the Sanjiao project.

During the year, the Ministry of Finance has released subsidies on CBM sales from Sanjiao project in 2012 and 2013 on the basis of RMB0.2 per cubic meter in accordance with the state policy. It is expected that government subsidies on 2014 sales will be received around the third quarter of 2015.

Sino Oil and Gas Holdings Chairman Dr. Dai Xiaobing said: "The report on environmental effects from Sanjiao CBM project has already been approved by Shanxi Provincial Department of Environmental Protection. This is a core assessment report which is the most crucial and emblematic part of the ODP. The Group has completed substantially all necessary assessment reports and has been granted the required governmental approvals, pending the final approval of the ODP. In line with the schedule of ODP approval by NDRC, the Group will continue to engage in the active development of ground facilities, while the capacity of the CBM processing station is being expanded to cope with increased gas sales. The Group has also employed foreign advanced well-drilling technologies to seek to further explore the recoverable gas reserves of the Sanjiao block."

As at the end of 2014, the Sanjiao CBM project has completed a total of 73 wells, comprising 40 multilateral horizontal wells and 33 vertical wells. Out of the total 73 wells, 63 wells were in the normal dewatering stage, of which 52 wells had access to the gas collection pipeline network. 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 49 kilometers of 10KV power grid and 10KV branch power line were also completed.

In December 2012, the Group acquired a 30% equity interest in a Sino-foreign joint venture. 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, was completed in early March 2015 and will be constructed in line with the schedule of ODP approval. Tendering of related works is currently in process. Upon completion, the LNG station will help broaden the Sanjiao project's sales channels.

In order to increase resources reserves, the Group is actively seeking appropriate oil and gas blocks in China, while exploring investment opportunities in overseas upstream businesses. The Group hence entered into two non-legally-binding memorandums of understanding ("MOU") in June and September 2014. The acquisition target is an oilfield located in Alberta Province, Canada. The Group is currently undertaking geological evaluation and due diligence work. Dr. Dai added: "Oil and gas resources in North America are abundant and the local markets are sophisticated. Despite the current drop in international oil prices, which will increase the Group's bargaining power in negotiations towards the acquisition of oil and gas businesses, the Group believes that, as oil prices begin to recover from their trough, the operation of high-quality oil and gas businesses in North America or other overseas countries will contribute to the asset base and profitability of the Group in the long term. Such investments will also help balance the Group's geographical risk exposure."

The Group's gearing ratio and liquidity position has improved significantly, and its overall financial position has strengthened.

Financial Highlights

	Year ended December 31, **2014** ***HK$'000***	2013 *HK$'000*
Turnover	**16,540**	21,598
Profit/(Loss) for the year	**10,420**	(61,332)
Operating profit/(loss)	**9,959**	(57,632)
Profit/(Loss) per share - Basic	**HK0.064 cent**	HK(0.467) cent
As at 31 December:		
Total assets	**4,699,000**	4,275,000
Net assets	**4,054,000**	3,447,000
*Gearing ratio	**10.06%**	14.45%
Current ratio	**1.42**	0.35

*Gearing calculation based on interest-bearing liabilities over total assets.

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

To download this release, please click into: http://t6pr.com/index-e.html
To download the photo, please click into:
http://www.t6pr.com/public/Photos/150323_702_AnalystBriefing.JPG

Dr. Dai Xiaobing, Chairman (centre), Mr. Terence Wan, Executive Director (right) and Ms. Angel Ngai, Vice President (left), Sino Oil and Gas Holdings.

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