Hong Kong, 30 August 2018 – 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 2018. During the period, the Group recorded a total revenue of approximately HK$314,790,000 (2017 interim: HK$310,649,000). The turnover included the sales of coalbed methane (“CBM”) in our Sanjiao CBM Project of approximately HK$44,147,000 (2017 interim: HK$37,769,000), the sales derived from raw coal washing project located in Qinshui Basin, Shanxi Province of approximately HK$267,488,000 (2017 interim: HK$272,000,000), and the income from the financial services business in Shaanxi Province of approximately HK$3,155,000 (2017 interim: HK$880,000).

When China’s coal-to-gas policy continues to drive natural gas demand, business of Sanjiao CBM Project grows steadily. During the period, Sanjiao CBM Project recorded earnings before interest, taxes, depreciation and amortization (“EBITDA”) of approximately HK$50,354,000 (2017 interim: HK$40,055,000), which increased by approximately 26% compared with the same period last year. The government subsidies and VAT tax refund arising from the sales in 2017 were approximately HK$26,774,000 (2017 interim: government subsidies generated from the sales of 2016 were HK$11,880,000). The fundamentals of China's natural gas market remain robust, and the operation of the Sanjiao CBM Project has entered into the development stage, which is establishing a solid base for profitability. The project will continue to be the growth driver of the Group's business and provide long-term profit contribution.

During the period, the Group recorded EBITDA of approximately HK$34,973,000 (2017 interim: EBITDA HK$ 104,480,000), but net loss of approximately HK$164,603,000 (2017 interim: net loss HK$67,568,000). It was mainly because there was a loss of fair value change of financial liabilities arising from the relevant convertible notes of approximately HK$15,418,000 during the period (2017 interim: gain on fair value change HK$61,444,000). According to the Hong Kong Financial Reporting Standards, the above fair value change was a non-cash accounting item. It had no impact on the cash flow and operations of the Group. On the other hand, the Group has redeemed some of the convertible notes and repaid certain financial obligations in July. It is expected that the finance costs will slightly decrease in the second half of the year, which will have a positive impact on the financial performance of the Group for the whole year.
Sanjiao CBM Project

During the period, Sanjiao CBM Project recorded EBITDA of approximately HK$50,354,000 (2017 interim: HK$40,055,000), which increased by approximately 26% compared with the same period last year. The government subsidies and VAT tax refund arising from the sales in 2017 were approximately HK$26,774,000 (2017 interim: government subsidies generated from the sales of 2016 were HK$11,880,000). CBM sales amounted to HK$44,147,000 (2017 interim: HK$37,769,000), which has increased by 16.9% as compared with the same period of last year. During the period, the production and sales of CBM were approximately 47.68 million cubic meters (2017 interim: 37.90 million cubic meters) and 40.02 million cubic meters (2017 interim: 34.17 million cubic meters) respectively, resulting in a gas sale-to-production rate of approximately 84% for the period (2017 interim: approximately 90%). The production and sales decreased compared with the same period of last year mainly because of the repair and maintenance work done for the CBM processing station at the beginning of the year, so that certain amount of CBM was flared. After that, during the period, the operation of the CBM processing station and the sales of CBM have been back to normal. In terms of the composition of gas sales throughout the period, industrial piped CBM sales accounted for approximately 85.3% of total sales (2017 interim: 87.3%), while residential piped CBM sales contributed approximately 14.7% (2017 interim: 12.7%). Same as last year, all CBM was sold by pipeline.

As at 30 June 2018, the Sanjiao CBM Project has completed a total of 117 wells, comprising 65 multilateral horizontal wells and 52 vertical wells. Out of the total 117 wells, 86 wells were in the normal dewatering and gas producing stage, of which 85 wells had accessed to a gas collection pipeline network. It is expected that there will be 6 new wells of the project will go on-stream before the end of the year. It is anticipated that the production and sales volume of CBM will increase. A ground pipeline network of approximately 18 kilometers, inter-well pipelines of approximately 63.2 kilometers, and outbound pipelines of approximately 17 kilometers were completed. Approximately total 68.9 kilometers of 10KV power grid and branch power line were also completed.

The Group has completed the expansion of the CBM processing station, its total CBM daily processing capacity has reached 500,000 cubic meters. During the period, to cope with the increasing production volume of Sanjiao CBM Project in future, the Group has undertaken the expansion plan of the station. Its daily processing capacity will reach 750,000 cubic meters upon completion.
Raw Coal Washing Project
During the period, the total sale of refined coal of the project was approximately 162,900 tonnes (2017 interim: 218,500) tonnes. The turnover of the business was approximately HK$267,488,000 (2017 interim: HK$ 272,000,000). The decline in clean coal sales was mainly due to the internal factors of the supplier and the raw coal supply was unstable at the end of last year. The supply of raw coal has been back to normal in the second quarter of 2018. The successful implementation of China’s supply-side reform has made the coal industry gradually stabilized since last year. In the first half of 2018, the industry was able to maintain a steady and improving trend and the selling price of refined coal products has increased steadily. With the sale and purchase agreement entered into by both parties, the vendor will provide the Group with profit guarantee for six consecutive years. The project will continue to contribute stable income and cash flow to the Group. During the period, the Group has received part of the shortfall of the Guaranteed Profit of approximately RMB 5,000,000 for the year 2017.

Others
At the end of 2016, the Group set up a wholly-owned subsidiary, Shaanxi Zhao Yin Finance Leasing Company Limited in Shaanxi Province. The major purpose of the establishment of this finance leasing company is to strengthen the Group’s bank-enterprise relations, possible business partnership as well as to seek for the suitable financing channels and sources for the Group’s upcoming possible mergers and acquisitions and development. Further it may provide short-term investment opportunities for the Group’s capital. During the period, the business recorded an income of approximately HK$3,155,000 (2017 interim: HK$880,000).

Prospects
Looking ahead, the Group will focus to push forward the construction and development of the Sanjiao CBM Project, and formulate a clear plan to increase productivity to support a steady growth, so as to lay a solid foundation for the expansion of the Group’s business presence and sustain a long-term and healthy development. Riding on this foundation, the Group will assess appropriate oil and gas project merger and acquisition opportunities in a prudent and pragmatic manner, and hope to enhance the sustainability and stability of the returns in a balanced business portfolio. The Group can therefore maintain long-term growth momentum, and generate substantial returns for shareholders.