

For Immediate Release

Sino Oil and Gas (00702.HK) Announces Annual Results 2019

Business Overview

Hong Kong, 31 March 2020 – Leading oil and gas explorer and developer Sino Oil and Gas Holdings Limited (the “Company”, Hong Kong stock code:702) today announced the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2019. During the year, the Group recorded a total revenue of approximately HK\$476,614,000 (2018: HK\$427,867,000), which has increased by approximately 11.39% as compared with that of last year. The turnover included the sales of coalbed methane (“CBM”) in our Sanjiao CBM Project of approximately HK\$120,900,000 (2018: HK\$89,406,000), the sales derived from raw coal washing project located in Qinshui Basin, Shanxi Province of approximately HK\$350,353,000 (2018: HK\$331,488,000), and the income from the financial services business in Shaanxi Province of approximately HK\$5,361,000 (2018: HK\$6,973,000).

For the financial year of 2019, the Group recorded a net loss of approximately HK\$227,642,000 (2018: net loss HK\$385,885,000), which significantly decreased by approximately 41% compared with that of last year. The decrease of loss was mainly attributable to the significant growth in earning in the operation of the Sanjiao CBM Project and the successful control of cost during the year. During the year, the Group recorded earnings before interest, taxes, depreciation and amortization (“EBITDA”) of approximately HK\$98,152,000.

During the year, the Sanjiao CBM Project recorded CBM sales revenue approximately HK\$120,900,000 and EBITDA approximately HK\$87,918,000, which increased by approximately 35.23% and 53.86% respectively as compared with that of last year while the sale-to-production rate has reached 97.70%. The sales volume of CBM in 2019 successfully exceeded 100 million cubic meters, approximately 100.87 million cubic meters (2018: 78.10 million cubic meters) with a significant increase of nearly 30% as compared with last year. Further, the raw coal washing operation also continued to have a steady performance during the year.

In addition, the Group’s settlement of part of its financial liabilities, resulting in a significant drop in financial costs; meanwhile, the Group implemented strict cost management during the year and achieved reduction in administrative expenses by approximately 19.4% as compared with last year. Unlike last year, there was no

significant expected credit losses and impairment loss incurred.

The interest income amounted to approximately HK\$32,658,000 (2018: HK\$30,536,000) included in “other income”, mainly derived from the refundable deposits of CAD40 million of the Group’s possible acquisitions located in Alberta, Canada and short-term investment.

CBM Business

During the year, Sanjiao CBM Project recorded EBITDA of approximately HK\$87,918,000 (2018: HK\$57,141,000) with an increase of approximately 53.86% compared with last year. The CBM sales revenue amounted to approximately HK\$120,900,000 (2018: HK\$89,406,000) with an increase of approximately 35.23% compared with last year. The production and sales volume of CBM were approximately 103.22 million cubic meters (2018: 97.42 million cubic meters) and 100.87 million cubic meters (2018: 78.10 million cubic meters) respectively, resulting in a gas sale-to-production rate of approximately 97.7% (2018: 80%), which has significantly improved as compared with last year. For the year, industrial and residential piped CBM sales accounted for approximately 84.1% (2018: 85.3%) and approximately 15.9% (2018: 14.7%) of total sales respectively, which was similar to that of last year.

In addition, government subsidy and part of VAT tax refund of approximately HK\$38,886,000 (2018: HK\$25,866,000) for sales of CBM were received and included in “other income” during the year. The operation of Sanjiao CBM Project continued to have a steady growth, and the Group believes that the project will bring sustained and stable profits.

Raw Coal Washing Business

The Group owned a 75% equity interest of a raw coal washing project located in Qinshui Basin, Shanxi Province. During the year, the performance of the business was stable. The revenue from the raw coal washing business was approximately HK\$350,353,000 (2018: HK\$331,488,000). Among the mix of the turnover during the period, the raw coal washing business accounted for approximately 96% of the revenue, and the raw coal processing business accounted for approximately 4%.

Financial Services Business

The Group owned a finance leasing company, Shaanxi Zhao Yin Finance Leasing Company Limited in Shaanxi Province. The major purpose of the establishment of this finance leasing company is to seek for proper financing options for the Group's business development. Further it also provides short-term investment opportunities for the Group. During the year, it recorded a gross income of approximately HK\$5,361,000 (2018 : HK\$6,973,000).

Prospects

Dr. Dai Xiaobing, Chairman of the Group said, "The trade war between China and the United States has been heating up since 2019, while the new coronavirus disease emerged in China by the end of last year. These have brought huge uncertainty to Chinese economy. Although the coronavirus outbreak in China is about to be under control and social and economic activities will gradually resume normal, it is expected that China's macro economy will experience swift downturn in 2020, and natural gas consumption growth will also slow down. However, the overall trend of increasing in natural gas demand is expected to remain unchanged, and the sector still has huge potential of development. For the Group's CBM project, the sales volume of 2019 also increased significantly as compared to last year with an increase of nearly 30%. In the long run, the Group believes that the Sanjiao CBM Project will continue to have steady growth with increasing competitiveness. Its profitability will hence be further enhanced with good prospects."