

Sino Oil & Gas (00702.HK) Announces Interim Results 2019

Hong Kong, 29 August 2019 – 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 2019. During the period, the Group recorded a total revenue of approximately HK\$157,807,000 (2018 interim: HK\$314,790,000). The decrease in turnover was mainly attributable to the change of some of the coal washing business model from last year. Though this has affected the calculation of turnover, the actual profit of this business continued to remain stable. The turnover included the sales of coalbed methane (“CBM”) in our Sanjiao CBM Project of approximately HK\$58,185,000 (2018 interim: HK\$44,147,000), the sales derived from raw coal washing project located in Qinshui Basin, Shanxi Province of approximately HK\$73,980,000 (2018 interim: HK\$267,488,000), and the gross income from the financial services business in Shaanxi Province of approximately HK\$1,908,000 (2018 interim: HK\$3,155,000).

During the period, the Group recorded a net loss of approximately HK\$67,057,000 (2018 interim: net loss HK\$164,603,000), which significantly decreased by approximately 59% compared with the same period last year. The decrease of loss was mainly attributable to the settlement of part of its financial liabilities, resulting in a significant drop in financial costs; and the fair value change of financial liabilities arising from the relevant convertible note during the period was relatively insignificant, which recorded a gain of approximately HK\$246,000 (2018 interim: loss on fair value change HK\$15,418,000). During the period, the Group recorded earnings before interest, taxes, depreciation and amortization (“EBITDA”) of approximately HK\$56,786,000 (2018 interim: EBITDA HK\$34,973,000), which significantly increased by approximately 62% compared with the same period last year.

During the period, Sanjiao CBM Project recorded EBITDA of approximately HK\$46,185,000 (2018 interim: HK\$50,354,000). The government subsidies and VAT tax refund arising from the sales in 2018 were approximately HK\$24,454,000 (2018 interim: government subsidies generated from the sales of 2017 were HK\$26,774,000). CBM sales amounted to HK\$58,185,000 (2018 interim: HK\$44,147,000), which has largely increased by 32% as compared with the same period of last year. During the period, the production and sales of CBM were approximately 51.29 million cubic meters (2018 interim: 47.68 million cubic meters) and 49.76 million cubic meters (2018 interim: 40.02 million cubic meters) respectively, resulting in a gas sale-to-

production rate of approximately 97% for the period (2018 interim: 84%), which has significantly improved comparing with that of last year. In terms of the composition of gas sales throughout the period, industrial piped CBM sales accounted for approximately 82.6% of total sales (2018 interim : 85.3%), while residential piped CBM sales contributed approximately 17.4% (2018 interim: 14.7%). Same as last year, all CBM was sold by pipeline.

Prospects

Though China's economy is facing various challenges, the State keeps promoting air pollution prevention and control, and strengthening coal-to-gas conversion in residential, heating, and industrial industries in key areas. According to the NDRC, natural gas sales in the first half of 2019 increased by 10.8% year-on-year, indicating that the national natural gas consumption grows continuously.

In June 2019, the Ministry of Finance issued the “Interim Measures for the Administration of Special Funds for the Development of Renewable Energy” to encourage the development of unconventional natural gas in China. From 2019, subsidies will not be subsidized according to the fixed subsidy standard of RMB 0.3 /m³, rather in accordance with the incentive principle of “The More Increase in Production, The More Subsidies Granted”. For those who have exceeded the exploitation and utilization of the previous year, they shall be given incremental subsidies according to the excess level. For those that have not reached the exploitation and utilization of the previous year, the subsidy fund shall be deducted accordingly. At the same time, the special subsidy fund also reflects the principle of “The More Increase in Production in Winter, The More Subsidies Granted”, to provide more subsidies for the unconventional natural gas incrementally produced during the heating season. With the strong support of the state, unconventional oil and gas, including CBM, is expected to be an important factor for the steady implementation of the “Blue Sky Defense War Action Plan” and the plan of coal-to-gas.

Looking ahead, on the one hand the Group will put into its greatest effort to release the financial burden of short term funding as soon as possible, and on the other hand the Group will allocate its resources to speed up the development of the Sanjiao CBM Project. We will formulate a concrete plan to increase productivity of the CBM so as to support a steady growth of the operation, which will be a solid foundation for the Group’s expansion of its business and sustain a long-term and healthy development. Riding on this foundation, the Group will assess the possibility of diversified business

development in a prudent and pragmatic manner, and hope to enhance the sustainability and stability of the business returns and business risk. At the same time, the Group in long run, can maintain the momentum of growth, and generate substantial returns for shareholders.