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(Stock Code: 702)

## **OPERATION UPDATE FOR THE FOURTH QUARTER OF 2015**

This announcement is issued by Sino Oil and Gas Holdings Limited (the “Company” or the “Group”) as a voluntary announcement to the shareholders and the potential investors with regard to the Company’s coalbed methane (“CBM”) and oil operations update for the fourth quarter of 2015 (hereinafter referred to as the “Fourth Quarter of 2015” or the “Period”).

During the Period, Sanjiao project has a CBM production of 17.15 million cubic meters (the fourth quarter of 2014: 13.37 million cubic meters), with CBM sales volume of 16.57 million cubic meters (the fourth quarter of 2014: 13.18 million cubic meters), representing an increase of 25.7% as compared with the same period in 2014. The sales revenue increased by 14.6% to HK\$23.28 million when compared to same period in 2014 (the fourth quarter of 2014: approximately HK\$20.32 million). This, on the one hand, was attributable to the increase in sales volume for the Period; on the other hand, as from late November last year, the CBM sale price per cubic meter has decreased by approximately 20% comparing with that of the same period in 2014, this has been dampening on the growth of revenue.

During the Period, the average gas sale-to-production rate was 96.6% (the fourth quarter of 2014: 98.5%). The CBM sales for the Period were composed of industrial piped CBM sales and residential piped CBM sales which accounted for 93.5% and 6.5% respectively. As such, same as fourth quarter in 2014, piped CBM sales accounted for 100% of the total CBM sales during the Period.

By the end of the Fourth Quarter of 2015, the Sanjiao CBM project of the Group has completed a total of 80 wells, including 42 multi-lateral horizontal wells, while the remaining 38 are vertical wells. Out of the aforesaid 80 wells, 68 wells are under dewatering stage, of which 58 wells have accessed to the gas collection pipeline network.

During the Period, the Sanjiao CBM project of the Group has attained technological breakthrough and obtained two patents from State Intellectual Property Office of the P.R.C, which are “The invention of single wellbore CBM multilateral well system and drilling method” and “The method of single wellbore CBM multilateral well drilling and completion”. This technological breakthrough has effectively reduced the drilling cost by reducing resistance of gas and water in the coalbed, furthermore, avoiding the risk of collapse or blockage of wellbore. The overall efficiency of the project can therefore be increased.

Liuluoyu and Jinzhuang oil fields recorded crude oil sales of 840 tonnes during the Period (the fourth quarter of 2014: 1,098 tonnes). The sales revenue amounted to approximately HK\$1.94 million (the fourth quarter of 2014: approximately HK\$3.90 million). During the Period, the sale price per tonne decreased by 33% when compared to the same period in 2014.

By order of the Board  
**Sino Oil and Gas Holdings Limited**  
**Yim Siu Hung**  
*Company Secretary*

Hong Kong, 5 February 2016

*As at the date of this announcement, the Board comprises three Executive Directors, namely, Dr. Dai Xiaobing, Mr. King Hap Lee and Mr. Wan Tze Fan Terence; three Non-executive Directors, Mr. Chen Hua, Mr. Huang Shaowu and Mr. He Lin Feng; and four Independent Non-executive Directors, namely, Mr. Wong Kwok Chuen Peter, Professor Wong Lung Tak Patrick, Dr. Wang Yanbin and Dr. Dang Weihua.*