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**中油燃氣集團有限公司\***

**CHINA OIL AND GAS GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 603)**

## **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022**

### **INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of China Oil And Gas Group Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”).

The unaudited condensed consolidated financial information for the Period has not been audited but has been reviewed by the Company’s audit committee (the “**Audit Committee**”).

### **FINANCIAL HIGHLIGHTS**

- The revenue was HK\$8,180 million, a year-on-year increase of 18%;
- The profit for the Period attributable to owners of the Company was HK\$553 million, a year-on-year increase of 78%; and
- Natural gas sales and transmission volume was 3,291 million cubic metres, a year-on-year increase of 12%.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	4	<b>8,179,795</b>	6,951,713
Cost of sales		<b>(6,923,462)</b>	(5,767,482)
Gross profit		<b>1,256,333</b>	1,184,231
Other income		<b>32,903</b>	17,108
Other gain/(loss), net		<b>56,467</b>	(5,437)
Selling and distribution costs		<b>(35,110)</b>	(49,288)
Administrative expenses		<b>(223,537)</b>	(255,893)
Operating profit		<b>1,087,056</b>	890,721
Finance income		<b>88,702</b>	80,388
Finance costs		<b>(162,569)</b>	(122,515)
Share of profit/(loss) of investments accounted for using the equity method		<b>42,668</b>	(12,694)
Profit before taxation		<b>1,055,857</b>	835,900
Taxation	5	<b>(170,910)</b>	(168,438)
Profit for the Period		<b>884,947</b>	667,462
Other comprehensive income/(loss):			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		<b>(471,140)</b>	114,245
Changes in value of debt investments at fair value through other comprehensive income		<b>(74,826)</b>	(7,488)
<i>Item that will not be reclassified to profit or loss:</i>			
Change in value of equity investments at fair value through other comprehensive income		<b>(2,191)</b>	(4,162)
Total comprehensive income for the Period		<b>336,790</b>	770,057

		<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Profit for the Period attributable to:</b>			
Owners of the Company		<b>552,673</b>	309,650
Non-controlling interests		<b>332,274</b>	357,812
		<u><b>884,947</b></u>	<u>667,462</u>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		<b>182,898</b>	369,158
Non-controlling interests		<b>153,892</b>	400,899
		<u><b>336,790</b></u>	<u>770,057</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share</b>	<b>6</b>		
– Basic		<b>10.965</b>	6.025
– Diluted		<b>10.965</b>	6.025
		<u><b>10.965</b></u>	<u>6.025</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	<b>30.6.2022</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2021 <i>HK\$'000</i> (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>10,557,663</b>	10,738,279
Right-of-use assets		<b>704,173</b>	663,945
Exploration and evaluation assets		<b>122,026</b>	115,027
Intangible assets		<b>1,041,005</b>	1,038,669
Investments accounted for using the equity method		<b>1,734,698</b>	1,758,418
Financial assets at fair value through other comprehensive income		<b>399,021</b>	289,795
Other non-current assets		<b>1,308,646</b>	1,183,053
Deferred tax assets		<b>662</b>	4,821
		<b>15,867,894</b>	15,792,007
<b>Current assets</b>			
Inventories		<b>574,284</b>	408,231
Contract assets, deposits, trade and other receivables	8	<b>2,592,986</b>	2,675,790
Current tax recoverable		<b>6,303</b>	6,334
Time deposits with maturity over three months		<b>526,500</b>	979,660
Cash and cash equivalents		<b>3,162,402</b>	2,786,609
		<b>6,862,475</b>	6,856,624
<b>Total assets</b>		<b>22,730,369</b>	22,648,631

	<i>Notes</i>	<b>30.6.2022</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2021 <i>HK\$'000</i> (audited)
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	<b>1,495,005</b>	1,414,388
Contract liabilities		<b>2,507,760</b>	2,917,409
Senior notes		<b>773,515</b>	—
Short-term borrowings		<b>940,957</b>	1,345,142
Current tax payable		<b>310,494</b>	189,624
Lease liabilities		<b>123,162</b>	16,219
		<u><b>6,150,893</b></u>	<u>5,882,782</u>
<b>Non-current liabilities</b>			
Senior notes		<b>3,084,814</b>	5,645,120
Long-term borrowings		<b>3,773,873</b>	1,729,667
Lease liabilities		<b>69,197</b>	58,747
Deferred tax liabilities		<b>327,031</b>	315,331
Assets retirement obligation		<b>196,863</b>	197,974
		<u><b>7,451,778</b></u>	<u>7,946,839</u>
<b>Total liabilities</b>		<u><b>13,602,671</b></u>	<u>13,829,621</u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>57,670</b>	57,670
Reserves		<b>4,919,497</b>	4,733,762
		<u><b>4,977,167</b></u>	<u>4,791,432</u>
Non-controlling interests		<b>4,150,531</b>	4,027,578
		<u><b>9,127,698</b></u>	<u>8,819,010</u>
<b>Total equity</b>		<u><b>9,127,698</b></u>	<u>8,819,010</u>
<b>Total equity and liabilities</b>		<u><b>22,730,369</b></u>	<u>22,648,631</u>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## (1) GENERAL INFORMATION

China Oil And Gas Group Limited (the “**Company**”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business in Hong Kong is Suite 2805, 28th Floor, Sino Plaza, 255–257 Gloucester Road, Causeway Bay, Hong Kong. The Company is an investment holding company. Its subsidiaries are principally engaging in investment in energy related business in various regions in the People’s Republic of China (“**PRC**”) and West Central Alberta, Canada, including but not limited to 1) piped city gas business, pipeline design and construction; 2) transportation, distribution and sales of compressed natural gas (“**CNG**”) and liquefied natural gas (“**LNG**”); and 3) development, production and sale of oil, gas, and other upstream production and sales of coal derived clean energy and other related products; and 4) integrated energy and customer value-added services. The Company and its subsidiaries are collectively referred to as the “**Group**”.

## (2) BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. These interim financial statements should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2021.

## (3) SIGNIFICANT ACCOUNTING POLICIES

### Amended standards and accounting guideline adopted by the Group

HKFRS 16 (Amendment)	COVID-19-Related Rent Concessions beyond 30 June 2021
Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs 2018–2020
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

## **New and amended standards and interpretation not yet adopted by the Group**

HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendment)	Amendments to HKFRS 17	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Income Taxes	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 January 2024
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

### **(4) REVENUE AND SEGMENT INFORMATION**

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for the purposes of resource allocation and assessment of performance focuses more specifically on sales of natural gas, gas pipeline construction and connection, production and sales of coal derived clean energy and other related products and exploitation and production of crude oil and natural gas.

The Group has presented the following four reportable segments for the six months ended 30 June 2022:

— sales and distribution of natural gas and other related products

- gas pipeline construction and connection
- exploitation and production of crude oil and natural gas
- production and sales of coal derived clean energy and other related products

Information regarding the Group's reportable segments as provided to the executive directors for the purpose of resources allocation and assessment of segment performance for the six months ended 30 June 2022 and 2021 is set out below:

## Business Segments

*For the six months ended 30 June 2022:*

	Sales and distribution of natural gas and other related products <i>HK\$'000</i>	Gas pipeline construction and connection <i>HK\$'000</i>	Exploitation and production of crude oil and natural gas <i>HK\$'000</i>	Production and sales of coal derived clean energy and other related products <i>HK\$'000</i>	Group <i>HK\$'000</i>
<b>Segment revenue and results</b>					
Segment revenue					
Recognised at a point in time	7,468,904	—	412,141	—	7,881,045
Recognised over time	—	298,750	—	—	298,750
	<u>7,468,904</u>	<u>298,750</u>	<u>412,141</u>	<u>—</u>	<u>8,179,795</u>
Sales to external customers					
	<u>7,468,904</u>	<u>298,750</u>	<u>412,141</u>	<u>—</u>	<u>8,179,795</u>
Segment results	<u>717,910</u>	<u>121,101</u>	<u>248,468</u>	<u>—</u>	1,087,479
Finance income					88,702
Other gain, net					56,467
Finance costs					(162,569)
Share of profit of investments accounted for using the equity method					42,668
Unallocated corporate expenses					<u>(56,890)</u>
Profit before taxation					1,055,857
Taxation					<u>(170,910)</u>
Profit for the period					<u>884,947</u>



***For the six months ended 30 June 2021:***

	Sales and distribution of natural gas and other related products <i>HK\$'000</i>	Gas pipeline construction and connection <i>HK\$'000</i>	Exploitation and production of crude oil and natural gas <i>HK\$'000</i>	Production and sales of coal derived clean energy and other related products <i>HK\$'000</i>	Group <i>HK\$'000</i>
<b>Segment revenue and results</b>					
Segment revenue					
Recognised at a point in time	5,994,503	—	222,681	303,393	6,520,577
Recognised over time	—	431,136	—	—	431,136
	<u>5,994,503</u>	<u>431,136</u>	<u>222,681</u>	<u>303,393</u>	<u>6,951,713</u>
Sales to external customers	5,994,503	431,136	222,681	303,393	6,951,713
	<u>5,994,503</u>	<u>431,136</u>	<u>222,681</u>	<u>303,393</u>	<u>6,951,713</u>
Segment results	<u>672,607</u>	<u>177,240</u>	<u>111,964</u>	<u>33,988</u>	995,799
Finance income					80,388
Other loss, net					(5,437)
Finance costs					(122,515)
Share of loss of investments accounted for using the equity method					(12,694)
Unallocated corporate expenses					<u>(99,641)</u>
Profit before taxation					835,900
Taxation					<u>(168,438)</u>
Profit for the period					<u><u>667,462</u></u>

Analysis of the Group's assets by geographical market is set out below:

*Assets*

	<b>At 30.6.2022</b>	At 31.12.2021
	<b>Total assets</b>	Total assets
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<b>394,207</b>	377,531
Mainland China	<b>17,639,372</b>	17,725,626
Canada	<b>2,562,409</b>	2,492,440
	<hr/>	<hr/>
Total	<b>20,595,988</b>	20,595,597
	<hr/>	<hr/>
Unallocated		
Investments accounted for using the equity method	<b>1,734,698</b>	1,758,418
Deferred tax assets	<b>662</b>	4,821
Financial assets at fair value through other comprehensive income	<b>399,021</b>	289,795
	<hr/>	<hr/>
Total assets	<b><u>22,730,369</u></b>	<b><u>22,648,631</u></b>

**(5) TAXATION**

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong profits tax for the Period (2021: Nil).

Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on dividends declared in respect of profits earned by the Company's PRC subsidiaries from 1 January 2008 onwards at 10% (2021: 10%). Certain entities of the Group with Hong Kong business and directly owns at least 25% of the capital of the PRC subsidiaries are entitled to the lower withholding tax rate at 5% (2021: 5%).

In accordance with the relevant PRC corporate income tax laws, regulations and implementation guidance note, subsidiaries in Mainland China are subject to the PRC corporate income tax rate at 25% (2021: 25%). Certain subsidiaries are entitled to tax concessions and tax relief whereby the profits of those subsidiaries are taxed at a preferential income tax rate of 15% (2021: 15%).

Canada income tax has been provided for at the rate of 27% on the estimated assessable profits for the year (2021: 27%), which represented the tax rate in Alberta, Canada and the Canada's federal tax rate of 12% (2021: 12%) and 15% (2021: 15%) respectively.

Taxation on overseas (other than Hong Kong and PRC) profits has been calculated on the estimated assessable profit for the year at the applicable rates of taxation prevailing in the jurisdictions in which the Group operates.

	<b>Unaudited (6 months) 1.1–30.6.2022 HK\$'000</b>	Unaudited (6 months) 1.1–30.6.2021 HK\$'000
Current tax:		
PRC corporate income tax	<b>95,144</b>	156,042
Overseas taxation	<b>66,457</b>	9,242
	<b>161,601</b>	165,284
Deferred tax	<b>9,309</b>	3,154
Taxation	<b>170,910</b>	168,438

## (6) EARNINGS PER SHARE

- (a) The calculation of basic earnings per share is based on the Group's profit attributable to owners of the Company of approximately HK\$552,673,000 (six months ended 30 June 2021: HK\$309,650,000) and weighted average number of ordinary shares in issue less shares held under share award scheme during the Period of approximately 5,040,255,000 shares (six months ended 30 June 2021: 5,139,280,000 shares).
- (b) Diluted earnings per share is calculated based on the profit attributable to owners of the Company of approximately HK\$552,673,000 (six months ended 30 June 2021: HK\$309,650,000), and the weighted average number of ordinary shares of approximately 5,040,255,000 shares (six months ended 30 June 2021: 5,139,280,000 shares) which is the weighted average number of ordinary shares in issue less shares held under share award scheme during the Period plus the weighted average number of dilutive potential ordinary shares in respect of share options of approximately Nil shares (six months ended 30 June 2021: Nil shares) deemed to be issued at no consideration if all outstanding share options granted had been exercised and the effect of awarded shares of approximately Nil shares (six months ended 30 June 2021: Nil shares).

## (7) DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2022 (2021: Nil).

## (8) CONTRACT ASSETS, DEPOSITS, TRADE AND OTHER RECEIVABLES

	Unaudited At 30.6.2022 <i>HK\$'000</i>	Audited At 31.12.2021 <i>HK\$'000</i>
Trade receivables	1,075,595	915,839
Other receivables, deposits and prepayments	<u>1,517,391</u>	<u>1,759,951</u>
	<u><b>2,592,986</b></u>	<u><b>2,675,790</b></u>

The ageing analysis of trade receivables based on invoice date is as follows:

Up to 3 months	940,404	797,736
3 to 6 months	40,765	50,551
Over 6 months	<u>94,426</u>	<u>67,552</u>
Total	<u><b>1,075,595</b></u>	<u><b>915,839</b></u>

## (9) TRADE AND OTHER PAYABLES

	Unaudited At 30.6.2022 <i>HK\$'000</i>	Audited At 31.12.2021 <i>HK\$'000</i>
Trade payables	571,810	656,799
Other payables and accruals	<u>923,195</u>	<u>757,589</u>
	<u><b>1,495,005</b></u>	<u><b>1,414,388</b></u>

The ageing analysis of trade payables based on invoice date is as follows:

Up to 3 months	417,231	523,098
3 to 6 months	80,637	55,107
Over 6 months	<u>73,942</u>	<u>78,594</u>
Total	<u><b>571,810</b></u>	<u><b>656,799</b></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

In the first half of 2022, under the general environment of slowing economic growth in China, complex and severe international situation and increasing uncertainties, the Group overcame the influence of various external unfavourable factors, overcame difficulties, and moved forward bravely, achieved hard-won success and realized growth that exceeded expectations.

During the first six months of 2022, the Group's natural gas sales and transmission volume and upstream oil prices both increased, with a total revenue of HK\$8,180 million (the first half of 2021: HK\$6,952 million), a year-on-year increase of 18%. The Group recorded profit for the Period attributable to owners of the Company of HK\$553 million, a year-on-year increase of 78%. The major reason for the increase of the profit was due to the continue soared of oil and gas prices for the upstream business. The Group realized oil price increased by 74%. At the same time, the Group has disposal off a pipeline and realized an one-off gain of approximately HK\$55.30 million, together with cost saving, the Group reduced the administrative expense of HK\$29.61 million.

### **CITY PIPELINE NATURAL GAS BUSINESS**

#### **Sales and distribution of natural gas**

The Group's natural gas sales volume recorded to be 2,551 million cubic meters for the first six months of 2022 (the first half of 2021: 2,425 million cubic meters), increased by 5% compared with the same period last year. Transmission volume was 740 million cubic meters, recorded a 47% rise as compared to the last period.

Consumption of residential users was 643 million cubic meters (the first half of 2021: 625 million cubic meters); industrial and commercial users recorded 1,702 million cubic meters (the first half of 2021: 1,597 million cubic meters), increased by 7% compared with the same period last year; gas consumption of gas stations recorded an increase from last period's 203 million cubic meters to current period's 206 million cubic meters. Each of the above category representing 25%, 67% and 8% of the total gas sales volume (the first half of 2021: 26%, 66% and 8%), respectively.

#### **Development of new users**

For the first six months of 2022, the Group connected 94,950 (the first half of 2021: 84,409) new residential users, representing a period-to-period increase of 13% and the accumulated development of residential users were 1,860,191. Total connections for new industrial and commercial users were 457 (the first half of 2021: 528), and the accumulated development of industrial and commercial users were 16,059.

## **New project expansion**

In the first half of 2022, the Group successfully acquired three projects, namely the urban gas concession right project in the New Operating Area of Qichun County, Hubei Province, the urban gas concession right project in the Comprehensive Bonded Area of Xining City, Qinghai Province and the right of gas supply to Qinghai Taifeng Advance Lithium Energy Technology Company (青海泰豐先行鋰能科技公司) in Nanchuan Industrial Park. It has established 141 natural gas project companies in 16 provinces, municipalities and autonomous regions in the PRC, with 73 concession rights.

## **EXPLOITATION AND PRODUCTION OF CRUDE OIL AND NATURAL GAS BUSINESS**

The Group continued the business of exploitation and production of light oil and natural gas in Canada. The Group's production in the first half of 2022 was 5,570 barrels of oil equivalent per day ("boe/d"), an increase of 12% from 4,966 boe/d in the comparable period of 2021.

Reference crude oil prices were 64% higher in the first half of 2022, with West Texas Intermediate averaging US\$101.44 per barrel compared with US\$61.95 per barrel in the first half of 2021. The Group realized a crude oil price of CAD125.92 per barrel in 2022 compared to CAD72.28 per barrel in 2021 with a year-on-year increase of 74%. The Group achieved the average operating netback of CAD55.07 per barrel of oil equivalent, representing an increase of 86% as compared with CAD29.54 per barrel of oil equivalent for the same period last year.

## **BUSINESS PROSPECT**

In the first half of 2022, China's gross domestic product (GDP) reached RMB56,264.2 billion, a year-on-year increase of 3%. China's economy overcame the adverse impact of unexpected factors and showed a trend of stabilization and recovery. In the first half of 2022, China's natural gas production was 109.6 billion cubic meters, a year-on-year increase of 5%, while the year-on-year growth of domestic natural gas production decelerated slightly. The total amount of imported natural gas was 75.228 billion cubic meters, a year-on-year decrease of 11%. The apparent domestic natural gas consumption was 182.438 billion cubic meters, a year-on-year decrease of 2%. In terms of the structure of natural gas consumption, urban gas consumption accounted for 38% in the first half of 2022, a year-on-year increase of 1%. Domestic natural gas consumption was mainly based on urban gas and industrial fuel demand, and urban gas was the rigid demand.

China's economy is going through a critical period of transition from high-speed growth to high-quality growth. The "14th Five-Year Plan for Modern Energy System" issued by the National Development and Reform Commission and the National Energy Administration pointed out that it is necessary to enhance the security and stability of the energy supply chain, and strengthen the capacity for independent energy supply. China aims to improve clean energy supply capacity and reduce carbon emissions from the energy industry chain. The relevant analysis believes that during the "14th Five-Year Plan" period, energy consumption will continue to grow rigidly, and the pressure to ensure energy supply will continue to exist. In terms of the development of the oil and gas industry, China will speed up the improvement of the energy production, supply, storage and sales system, enhance the ability to allocate energy resources, and strengthen the construction of infrastructure such as oil and gas pipeline networks, in particular, strengthen the construction of inter-provincial and inter-regional oil and gas transmission channels, increase oil and gas reserves and production, and focus on promoting the construction of gas storage facilities such as underground gas storage and LNG terminals, so as to improve the flexibility of energy supply capacity.

Facing the current complex and changeable situation, the Group will continue to consolidate the foundation, improve internal management, seize industry opportunities, actively expand gas sources, develop markets, optimize business layout, and innovate business models, while cultivating the main business, we will also tap customer demands and provide customers with diversified products and services. After the successful acquisition of Shandong Shengli Co., Ltd., the Group actively supported the development of Shandong Shengli, continued to make efforts in aspects such as system construction, human resources management and cultural integration, strengthened its advantages, supplemented the shortcomings, in order to achieve win-win cooperation, and promoted the integration of Shandong Shengli into the big family of the Group.

With the support of shareholders, partners and customers, taking "Develop clean energy, Create better life" as its mission, adhering to the core values of "Integrity, Customer Supremacy, Innovation, Value Orientation, Teamwork", the Group will, as always, intensively cultivate, strive for success, take a high-quality development path, promote the sustainable development of the Group, and repay the trust of customers, the support of partners and the love of shareholders with excellent performance.



## **FINANCIAL REVIEW**

For the six months ended 30 June 2022, the Group recorded revenue of HK\$8,180 million, representing an increase of 18% from HK\$6,952 million for the six months ended 30 June 2021.

The total revenue combined by four segments, namely (1) sales and distribution of natural gas and other related product, (2) gas pipeline construction and connection, (3) exploitation and production of crude oil and natural gas and (4) production and sales of coal derived clean energy and other related products, amounted to HK\$7,469 million, HK\$299 million, HK\$412 million and nil respectively (the first half of 2021: HK\$5,995 million, HK\$431 million, HK\$223 million and HK\$303 million respectively). The coal derived clean energy business was in a trial phase last year and suspended production in the first half of the year to prepare for its normal operation. In July 2022, it was again officially put into operation.

The Group's overall gross profit amounted to HK\$1,256 million (the first half of 2021: HK\$1,184 million), the overall gross margin is 15% (the first half of 2021: 17%); Profit for the Period attributable to the owners of the Company was HK\$553 million, represented an increase of 78%.

Administrative expenses were HK\$224 million (the first half of 2021: HK\$256 million), a decrease of 13% as compared to the same period last year, the proportion of administrative expenses to revenue was decreased to 3% (2021: 4%) with selling and distribution costs recorded a decrease of 29%.

Finance costs (net of capitalization) increase from the last corresponding period's HK\$123 million to HK\$163 million. The Group's weighted average cost of all indebtedness (including bank borrowings, other borrowings and senior notes) as at 30 June 2022 was 4% (the first half of 2021: 4%).

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

It is the Group's policy to use the cash flow generated from operations and appropriate level of borrowings as the principal source of fund to expand business and acquire projects. As at 30 June 2022, the Group's total indebtedness (including bank borrowings, other borrowings and senior notes) amounted to HK\$8,573 million (31 December 2021: HK\$8,720 million).



As at 30 June 2022, the Group had cash and cash equivalents and fixed deposits with term over three months of HK\$3,689 million (31 December 2021: HK\$3,766 million). Total assets were HK\$22,730 million (31 December 2021: HK\$22,649 million), in which current assets were HK\$6,862 million (31 December 2021: HK\$6,857 million). Total liabilities of the Group were HK\$13,603 million (31 December 2021: HK\$13,830 million), in which current liabilities were HK\$6,151 million (31 December 2021: HK\$5,883 million). The Group's net debt-to-assets ratio, measured on the basis of total indebtedness net of cash and term deposits, divided by total assets was 21% (31 December 2021: 22%). The Group's financial and liquidity remain stable, and well prepared for the development in the second half of 2022.

For the six months ended 30 June 2022, the Group's net cash generated from operating activities amounted to HK\$990 million (six months ended 30 June 2021: HK\$640 million), a period-on-period increase of 55%.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2022, the Group employed a total of 4,676 (31 December 2021: 4,704) full-time employees, most of whom were stationed in the PRC. Total staff cost for the Period amounted to HK\$232 million (the first half of 2021: HK\$255 million). The Group remunerates its employees based on their performance, working experience and the prevailing market wage level. The total remuneration of the employees consists of basic salary, cash bonus and share-based incentives.

## **PLEDGE OF ASSETS**

As at 30 June 2022, senior notes were guaranteed by certain subsidiaries of the Company.

## **CONTINGENT LIABILITIES**

The Group has no material contingent liability as at 30 June 2022.

## **FINANCIAL MANAGEMENT AND TREASURY POLICY**

The financial risk management of the Group is the responsibility of the Group's treasury function at the head office in Hong Kong. One of the major objectives of the Group's treasury policies is to manage its exposure to fluctuation in interest rates and foreign currency exchange rates. It is the Group's policy not to engage in speculative activities.

The Group conducts its business primarily in Renminbi. The Group's certain bank deposits are denominated in Hong Kong dollars, Renminbi and United States dollars, and the Group's offshore bank loans and senior notes are denominated in Renminbi, Canadian dollars and United States dollars.

Other than those disclosed, the Group does not have any material exposures to foreign exchange fluctuations. The Group does not have a foreign currency hedging policy. However, the Group monitors its foreign currency exposure closely and may, depending on the circumstances and trend of foreign currencies, consider adopting a significant foreign currency hedging policy in the future.

## LITIGATION

As at 30 June 2022, the Group has no material litigation.

## CAPITAL STRUCTURE

As at 30 June 2022, the issued share capital of the Company was HK\$57,670,438 divided into 5,767,043,834 shares of the Company with a nominal value of HK\$0.01 each.

## MATERIAL EVENTS DURING AND AFTER REPORTING PERIOD

In March 2022, CNPC Gas Xining Co., Ltd.\* 西寧中油燃氣有限責任公司 (“**Xining Company**”), a subsidiary of the Group, entered into a concession agreement (the “**Concession Agreement**”) on urban piped gas with the management committee of Xining Comprehensive Bonded Zone (“**XCBZ Management Committee**”), pursuant to which XCBZ Management Committee agreed to grant Xining Company the concession for supply of gas for a term of 30 years. Pursuant to the Concession Agreement, Xining Company is licensed to sell natural gas within the current jurisdiction of the XCBZ Management Committee, including the supply of natural gas and liquefied natural gas to users in the form of pipeline transportation, and the provision of services related to piped gas facilities, such as project construction, maintenance, operation and emergency rush repair.

On 25 March 2022, the Company successfully drawdown a syndicated loan of an amount of USD290 million for the purpose of early redemption of part of the US\$320,000,000 5.5% senior notes of the Company due 2023 (the “**2023 Notes**”).

On 7 March 2022 and 31 March 2022, China Oil and Gas Investment Group Company Limited\* (中油燃氣投資集團有限公司) (“**China Oil and Gas Investment**”), a wholly-owned subsidiary of the Group, as guarantor, entered into the guarantee agreements in favour of China Guangfa Bank Co., Ltd. (廣發銀行股份有限公司) (“**Creditor 1**”) and Hua Xia Bank Co., Ltd. (華夏銀行股份有限公司) (“**Creditor 2**”) respectively, pursuant to which China Oil and Gas Investment has agreed to provide guarantees up to maximum amount of RMB50,000,000 and RMB50,000,000 for the due performance of the repayment obligations of Shandong Shengli Co., Ltd. (山東勝利股份有限公司) (“**Shandong Shengli**”) to the Creditor 1 and Creditor 2, respectively.

On 12 April 2022, China Oil and Gas Investment, as guarantor, entered into a guarantee agreement in favour of Taian Bank Co., Ltd (泰安銀行股份有限公司) (“**Creditor 3**”), pursuant to which China Oil and Gas Investment has agreed to provide guarantee up to maximum amount of RMB120,000,000 for the due performance of the repayment obligations of Shandong Shengli to Creditor 3.

On 29 April 2022, China Oil and Gas Investment, as guarantor, entered into a guarantee agreement in favour of Creditor 3, pursuant to which China Oil and Gas Investment has agreed to provide guarantee up to maximum amount of RMB200,000,000 for the due performance of the repayment obligations of Shandong Shengli to Creditor 3.

On 20 May 2022, China Oil and Gas Investment, as guarantor, entered into a memorandum (the “**Memorandum**”) with Shandong Shengli in favour of China Zheshang Bank Co., Ltd.\* (浙商銀行股份有限公司) (“**Creditor 4**”), Laishang Bank Co., Ltd.\* (萊商銀行股份有限公司) (“**Creditor 5**”), Bank of Rizhao Co., Ltd.\* (日照銀行股份有限公司) (“**Creditor 6**”), Bank Of Qingdao Co., Ltd.\* (青島銀行股份有限公司) (“**Creditor 7**”), Jining Bank Co., Ltd.\* (濟寧銀行股份有限公司) (“**Creditor 8**”), Ping An Bank Co. Ltd.\* (平安銀行股份有限公司) (“**Creditor 9**”), China Merchants Bank Co., Ltd.\* (招商銀行股份有限公司) (“**Creditor 10**”), China Minsheng Bank Corp., Ltd.\* (中國民生銀行股份有限公司) (“**Creditor 11**”) and Creditor 3, pursuant to which China Oil and Gas Investment has agreed to provide guarantees up to a maximum amount of RMB75,000,000, RMB50,000,000, RMB100,000,000, RMB50,000,000, RMB80,000,000, RMB100,000,000, RMB100,000,000, RMB100,000,000 and RMB30,000,000 for the due performance of the repayment obligations of Shandong Shengli to Creditor 4, Creditor 5, Creditor 6, Creditor 7, Creditor 8, Creditor 9, Creditor 10, Creditor 11 and Creditor 3, respectively.

Inclusive of the provision of guarantees on 31 March 2022, 12 April 2022 and 29 April 2022 and the provision of guarantees under the Memorandum, China Oil and Gas Investment has agreed to provide guarantees up to an aggregate maximum amount of RMB1,105,000,000, which constituted a major transaction and was subject to shareholder’s approval requirements. On 15 July 2022, a special general meeting was convened to approve the resolution on the Memorandum and all transactions contemplated thereunder and the resolution was duly passed.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2022, the Company repurchased 130,240,000 shares of HK\$0.01 each in the capital of the Company at prices ranging from HK\$0.365 to HK\$0.485 per share on the Stock Exchange. Details of the repurchases are as follows:

Month/Year	Number of shares repurchased	Purchase price per share		Aggregate purchase consideration (excluding expenses) <i>HK\$</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
January 2022	65,240,000	0.485	0.440	30,363,200
April 2022	65,000,000	0.405	0.365	24,017,100
	<u>130,240,000</u>			<u>54,380,300</u>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2022, other than those purchased by its trustee for the restricted share award scheme adopted by the Board on 4 November 2011.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all Directors, the Company confirmed that all Directors have complied with the required standards set out in the Model Code throughout the Period.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has all along committed to fulfilling its responsibilities to its shareholders by ensuring that the proper processes for supervision and management of the Group's businesses are duly operated and reviewed and that good corporate governance practices and procedures are established throughout the six months ended 30 June 2022. The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the six months ended 30 June 2022, the Company was in compliance with the relevant code provisions set out in the CG Code except for the deviations as explained below.

Code provision C.2.1 of the CG Code provides that the responsibilities between chairman and chief executive officer should be divided. Mr. Xu Tie-liang is the Chairman and the Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

Save as the aforesaid and in the opinion of the Directors, the Company has met all relevant code provisions as set out in the CG Code during the six months ended 30 June 2022.

## **AUDIT COMMITTEE**

The Company established the Audit Committee in 1998 with written terms of reference in compliance with the CG Code, which is currently made available on the Stock Exchange's website and the Company's website.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor; to approve the remuneration and terms of engagement of the external auditor, to provide recommendations for any questions regarding the resignation or dismissal of such auditor; to review the interim and annual reports, and financial statements of the Group; to oversee the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and to review the risk management and internal control system.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Wenhua (as chairman), Mr. Wang Guangtian and Mr. Yang Jie. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2022.

By Order of the Board  
**China Oil And Gas Group Limited**  
**Chan Yuen Ying, Stella**  
*Company Secretary*

Hong Kong, 23 August 2022

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Xu Tie-liang (Chairman and Chief Executive Officer), Ms. Guan Yijun, Mr. Gao Falian and Ms. Xu Ran; and three independent non-executive Directors, namely Mr. Wang Wenhua, Mr. Wang Guangtian and Mr. Yang Jie.*

\* *for identification purposes only*