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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 2024**

### **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 2024 (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**”).

### **OPERATION DATA HIGHLIGHTS**

- Natural gas sales volume was 2,432 million cubic metres, a year-on-year increase of 6%;
- Natural gas transmission volume was 1,449 million cubic metres, a year-on-year increase of 22%;
- There were 48,007 new residential users and 779 new industrial and commercial users.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024	2023
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	4	9,292,107	9,447,389
Cost of sales		<u>(8,157,166)</u>	<u>(8,224,888)</u>
Gross profit		1,134,941	1,222,501
Other income		22,685	33,405
Other gain/(loss), net		1,594	(9,329)
Selling and distribution costs		(31,696)	(39,094)
Administrative expenses		<u>(231,855)</u>	<u>(256,937)</u>
Operating profit		895,669	950,546
Finance income		89,832	122,630
Finance costs		(244,850)	(206,620)
Share of profit of investments accounted for using the equity method		<u>22,765</u>	<u>41,683</u>
Profit before taxation		763,416	908,239
Taxation	5	<u>(172,610)</u>	<u>(200,811)</u>
Profit for the Period		590,806	707,428
Other comprehensive income/(loss):			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		(327,718)	(360,584)
Changes in value of debt investments at fair value through other comprehensive income		4,376	(3,878)
<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		<u>(6,215)</u>	<u>(1,053)</u>
Total comprehensive income for the Period		<u><u>261,249</u></u>	<u><u>341,913</u></u>

		<b>Six months ended 30 June</b>	
		<b>2024</b>	2023
			(Restated)
<i>Notes</i>		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(unaudited)</b>	(unaudited)
<b>Profit for the Period attributable to:</b>			
	Owners of the Company	<b>268,971</b>	334,493
	Non-controlling interests	<b>321,835</b>	372,935
		<u><b>590,806</b></u>	<u>707,428</u>
<b>Total comprehensive income attributable to:</b>			
	Owners of the Company	<b>91,335</b>	175,091
	Non-controlling interests	<b>169,914</b>	166,822
		<u><b>261,249</b></u>	<u>341,913</u>
		<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
<b>Earnings per share</b>			
	— Basic	<b>5.488</b>	6.824
	— Diluted	<b>5.488</b>	6.824

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# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Notes</i>	<b>30.6.2024</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2023 <b>HK\$'000</b> <b>(audited)</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties		127,343	131,602
Property, plant and equipment		9,634,452	10,126,358
Right-of-use assets		503,734	513,585
Exploration and evaluation assets		102,691	107,484
Intangible assets		1,002,489	1,018,138
Investments accounted for using the equity method		1,612,805	1,633,245
Financial assets at fair value through other comprehensive income		183,509	186,007
Other non-current assets		1,166,553	1,243,673
Deferred tax assets		44,626	45,176
		<u>14,378,202</u>	<u>15,005,268</u>
<b>Current assets</b>			
Inventories		497,585	594,831
Contract assets, deposits, trade and other receivables	8	2,026,906	1,988,960
Current tax recoverable		5,899	6,106
Time deposits with maturity over three months		795,853	1,150,475
Cash and cash equivalents		2,497,411	2,095,411
		<u>5,823,654</u>	<u>5,835,783</u>
<b>Total assets</b>		<u><u>20,201,856</u></u>	<u><u>20,841,051</u></u>

	<i>Notes</i>	<b>30.6.2024</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2023 <i>HK\$'000</i> (audited)
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	1,565,245	1,870,571
Contract liabilities		2,405,575	2,899,198
Short-term borrowings		1,644,293	3,664,790
Current tax payable		178,650	185,911
Lease liabilities		9,525	11,070
		<u>5,803,288</u>	<u>8,631,540</u>
<b>Non-current liabilities</b>			
Senior notes		2,879,778	2,999,366
Long-term borrowings		3,478,534	1,047,541
Lease liabilities		26,024	28,442
Deferred tax liabilities		425,618	427,319
Assets retirement obligation		141,159	144,901
		<u>6,951,113</u>	<u>4,647,569</u>
<b>Total liabilities</b>		<b><u>12,754,401</u></b>	<b><u>13,279,109</u></b>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		56,368	56,368
Reserves		3,853,183	3,761,848
		<u>3,909,551</u>	3,818,216
Non-controlling interests		<u>3,537,904</u>	<u>3,743,726</u>
<b>Total equity</b>		<b><u>7,447,455</u></b>	<b><u>7,561,942</u></b>
<b>Total equity and liabilities</b>		<b><u>20,201,856</u></b>	<b><u>20,841,051</u></b>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2024*

## (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**”); 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) comprehensive 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 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 2023.

### **(3) SIGNIFICANT ACCOUNTING POLICIES**

The HKICPA has issued a number of new or amended Hong Kong Financial Reporting Standards that are first effective starting from 1 January 2024. Of these, the following developments are relevant to the Group's consolidated financial statements:

Amendments to HKAS 1	Presentation of financial statements: Classification of liabilities as current or non-current (2020 amendments)
	Presentation of financial statements: Non-current liabilities with covenants (2022 amendments)
Amendments to HKFRS 16	Leases: Lease liability in a sale and leaseback
Amendments to HKAS 7	Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements

The Group has assessed the impact of the adoption of the above standard and amendments and considered that there was no significant impact on the Group's results and financial position.

The Group has not applied any new standard and interpretation that is not yet effective for the current accounting period.

### **(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 operating segments for the six months ended 30 June 2024:

- 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 2024 and 2023 is set out below:

## Business Segments

*For the six months ended 30 June 2024:*

	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	7,306,999	—	242,802	1,385,902	8,935,703
Recognised over time	—	356,404	—	—	356,404
	<u>7,306,999</u>	<u>356,404</u>	<u>242,802</u>	<u>1,385,902</u>	<u>9,292,107</u>
Sales to external customers					
	<u>7,306,999</u>	<u>356,404</u>	<u>242,802</u>	<u>1,385,902</u>	<u>9,292,107</u>
Segment results	<u>821,310</u>	<u>92,592</u>	<u>81,837</u>	<u>76,874</u>	1,072,613
Finance income					89,832
Other gain, net					1,594
Finance costs					(244,850)
Share of profit of investments accounted for using the equity method					22,765
Unallocated corporate expenses					<u>(178,538)</u>
Profit before taxation					763,416
Taxation					<u>(172,610)</u>
Profit for the period					<u>590,806</u>



***For the six months ended 30 June 2023:***

	Sales and distribution of natural gas and other related products <i>HK\$'000</i>	Gas pipeline construction and connection <i>HK\$'000</i> (Restated)	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> (Restated)
<b>Segment revenue and results</b>					
Segment revenue					
Recognised at a point in time	7,270,183	—	241,923	1,319,958	8,832,064
Recognised over time	—	615,325	—	—	615,325
	<u>7,270,183</u>	<u>615,325</u>	<u>241,923</u>	<u>1,319,958</u>	<u>9,447,389</u>
Sales to external customers	<u>7,270,183</u>	<u>615,325</u>	<u>241,923</u>	<u>1,319,958</u>	<u>9,447,389</u>
Segment results	<u>753,694</u>	<u>205,651</u>	<u>81,069</u>	<u>5,198</u>	1,045,612
Finance income					122,630
Other loss, net					(9,329)
Finance costs					(206,620)
Share of profit of investments accounted for using the equity method					41,683
Unallocated corporate expenses					<u>(85,737)</u>
Profit before taxation					908,239
Taxation					<u>(200,811)</u>
Profit for the period					<u>707,428</u>

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

*Assets*

	<b>At 30.6.2024</b>	At 31.12.2023
	<b>Total assets</b>	Total assets
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<b>436,154</b>	478,372
Mainland China	<b>15,424,428</b>	15,891,153
Canada	<b>2,500,334</b>	2,607,098
	<hr/>	<hr/>
Total	<b>18,360,916</b>	18,976,623
	<hr/>	<hr/>
Unallocated		
Investments accounted for using the equity method	<b>1,612,805</b>	1,633,245
Deferred tax assets	<b>44,626</b>	45,176
Financial assets at fair value through other comprehensive income	<b>183,509</b>	186,007
	<hr/>	<hr/>
Total assets	<b><u>20,201,856</u></b>	<b><u>20,841,051</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 (2023: 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% (2023: 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% (2023: 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% (2023: 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% (2023: 15%).

Canada income tax has been provided for at the rate of 27% on the estimated assessable profits for the year (2023: 27%), which represented the tax rate in Alberta, Canada and the Canada's federal tax rate of 12% (2023: 12%) and 15% (2023: 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) 1.1–30.6.2024 HK\$'000</b>	Unaudited (6 months) 1.1–30.6.2023 HK\$'000 (Restated)
Current tax:		
PRC corporate income tax	<b>166,468</b>	174,843
Overseas taxation	<b>4,734</b>	3,163
	<b>171,202</b>	178,006
Deferred tax	<b>1,408</b>	22,805
Taxation	<b>172,610</b>	200,811

## (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\$268,971,000 (six months ended 30 June 2023 (Restated): HK\$334,493,000) and weighted average number of ordinary shares in issue less shares held under share award scheme during the Period of approximately 4,901,495,000 shares (six months ended 30 June 2023: 4,901,495,000 shares).
- (b) Diluted earnings per share is calculated based on the profit attributable to owners of the Company of approximately HK\$268,971,000 (six months ended 30 June 2023 (Restated): HK\$334,493,000), and the weighted average number of ordinary shares of approximately 4,901,495,000 shares (six months ended 30 June 2023: 4,901,495,000 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 Nil shares (six months ended 30 June 2023: 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 Nil shares (six months ended 30 June 2023: Nil shares).

## (7) DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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

	<b>Unaudited</b> <b>At 30.6.2024</b> <i>HK\$'000</i>	<b>Audited</b> <b>At 31.12.2023</b> <i>HK\$'000</i>
Trade receivables	<b>696,211</b>	656,996
Other receivables, deposits and prepayments	<b>1,330,695</b>	1,331,964
	<b><u>2,026,906</u></b>	<b><u>1,988,960</u></b>

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

Up to 3 months	<b>267,982</b>	373,604
3 to 6 months	<b>65,812</b>	55,774
Over 6 months	<b>362,417</b>	227,618
	<b><u>696,211</u></b>	<b><u>656,996</u></b>

## (9) TRADE AND OTHER PAYABLES

	<b>Unaudited</b> <b>At 30.6.2024</b> <i>HK\$'000</i>	<b>Audited</b> <b>At 31.12.2023</b> <i>HK\$'000</i>
Trade payables	<b>653,307</b>	750,385
Other payables and accruals	<b>911,938</b>	1,120,186
	<b><u>1,565,245</u></b>	<b><u>1,870,571</u></b>

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

Up to 3 months	<b>538,655</b>	677,495
3 to 6 months	<b>46,072</b>	36,012
Over 6 months	<b>68,580</b>	36,878
	<b><u>653,307</u></b>	<b><u>750,385</u></b>

## **(10) PRIOR PERIOD ADJUSTMENTS AND RESTATEMENT**

### **Revenue and cost recognition**

The adjustments were caused by correction of erroneous entries in overtime recognition of the gas pipeline connection and construction services income, parameters in computation of construction costs.

### **Interest capitalization adjustments**

The error was caused by misunderstanding of the accounting policy for qualifying assets of the interest capitalization.

For the above prior period adjustments and restatement, the Group has enhanced its accounting manual and provided trainings to the relevant personnels in order to refrain from the occurrence of same type of errors in the future.

The effects of the restatements on the Group's consolidated statement of comprehensive income for the period ended 30 June 2023 are summarised as follows:

	As previously reported <i>HK\$'000</i>	Prior period adjustment		Restated <i>HK\$'000</i>
		Revenue and cost recognition <i>HK\$'000</i>	Interest capitalisation <i>HK\$'000</i>	
Revenue	9,250,424	196,965	—	9,447,389
Cost of sales	(8,051,733)	(173,155)	—	(8,224,888)
Administrative expenses	(256,640)	—	(297)	(256,937)
Finance costs	(128,257)	—	(78,363)	(206,620)
Profit before taxation	963,089	23,810	(78,660)	908,239
Taxation	(195,344)	(5,541)	74	(200,811)
Profit for the period	767,745	18,269	(78,586)	707,428
Other comprehensive (loss)/income:				
Currency translation differences	(381,004)	20,420	—	(360,584)
Other comprehensive (loss)/income for the period, net of tax	(385,935)	20,420	—	(365,515)
Total comprehensive income for the period	<u>381,810</u>	<u>38,689</u>	<u>(78,586)</u>	<u>341,913</u>

The effects of the restatements on the Group's consolidated statement of comprehensive income for the period ended 30 June 2023 are summarised as follows:

	As previously reported <i>HK\$'000</i>	Prior period adjustment		Restated <i>HK\$'000</i>
		Revenue and cost recognition <i>HK\$'000</i>	Interest capitalisation <i>HK\$'000</i>	
Profit attributable to:				
Owners of the Company	402,116	7,206	(74,829)	334,493
Non-controlling interests	365,629	11,063	(3,757)	372,935
	<u>767,745</u>	<u>18,269</u>	<u>(78,586)</u>	<u>707,428</u>
Total comprehensive income for the period attributable to:				
Owners of the Company	222,294	27,626	(74,829)	175,091
Non-controlling interests	159,516	11,063	(3,757)	166,822
	<u>381,810</u>	<u>38,689</u>	<u>(78,586)</u>	<u>341,913</u>
Earnings per share for profit attributable to owners of the Company for the period				
— Basic ( <i>HK cents</i> )	8.204	0.147	(1,527)	6.824
— Diluted ( <i>HK cents</i> )	8.204	0.147	(1,527)	6.824

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the first half of 2024, the Group's companies actively coordinated and organized the signing of gas source contracts, investigated user needs, and facilitated resource price adjustments. Despite numerous challenges, we ensured the stability of natural gas supply by safeguarding livelihoods, honouring contracts, maintaining inventory level, and striving for growth. The Group's safety production management capabilities continued to improve, with each company placing high importance on safety production, enhancing safety inspections and drills. We remain committed to optimizing organizational efficiency, enhancing value creation, and improving resource allocation efficiency. Accelerating digital transformation and upgrades, the Group has made new progress in building information intelligence. Strengthening the "three basics" construction, which includes basic skills, foundational work, and grassroots teams, we strive to improve management quality. For issues identified in audits, the Group has implemented serious rectifications, strengthened internal controls, and improved corporate governance levels. The Group, united and cooperative, has overcome difficulties to achieve excellent operational performance.

On the basis of vigorously developing clean natural gas energy, the Group has leveraged market and customer resource advantages to develop and construct new energy projects such as photovoltaic, energy storage, and hydrogen energy utilization. Actively promoting the clean utilization of coal, we are working hard to advance energy saving and emission reduction, contributing to the achievement of carbon peaking and carbon neutrality goals.

The Group's non-gas value-added business continues to gain momentum. By promoting the comprehensive coverage of self-branded kitchen appliances and security products, meticulously building sales channels, and fully introducing market-oriented activities, we have reinforced and strengthened the business foundation. Simultaneously, we actively expand innovative businesses, uncover more user needs, and continuously improve the value-added business system, having initially established a value-added business model that adapts to the Group's development.

During the first six months of 2024, the Group's natural gas sales and transmission volume increased, with a total revenue of HK\$9,292 million (the first half of 2023: HK\$9,447 million), a year-on-year decrease of 2%. This was mainly due to the fact that the Group recorded a decline in gas pipeline construction segment of approximately HK\$259 million as a result of downturn of property market in China. The Group recorded profit attributable to owners of the Company of approximately HK\$269 million; comprehensive income attributable to owners of the Company of approximately HK\$91 million. Excluding one-off items, profit attributable to owners of the Company decreased by 18% and total comprehensive income attributable to owners of the Company decreased by 48%. The comprehensive income was adjusted for the impact of the depreciation of RMB and CAD.



## **CITY PIPELINE NATURAL GAS BUSINESS**

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

The Group's total natural gas sales and transmission volume was 3,881 million cubic meters for the first six months of 2024 (the first half of 2023: 3,491 million cubic meters), increased by 11% compared with the same period last year. Transmission volume was 1,449 million cubic meters, representing an increase of 22% as compared to the same period last year.

Gas consumption by residential users was 595 million cubic meters (the first half of 2023: 572 million cubic meters). Gas consumption by industrial and commercial users was 1,656 million cubic meters (the first half of 2023: 1,530 million cubic meters), increased by 8% year on year. Gas consumption by gas stations decreased from 198 million cubic meters for the last period to 181 million cubic meters for the Period. Each of the above category accounted for 25%, 68% and 7% of the total gas sales volume respectively (the first half of 2023: 25%, 66% and 9%).

### **Development of new users**

For the first six months of 2024, the Group connected 48,007 new residential users, and the accumulated residential users were 2,089,943. Total connections for new industrial and commercial users were 779, and the accumulated industrial and commercial users were 18,787.

## **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 2024 was 5,169 barrels of oil equivalent per day ("boe/d"), a decrease of approximately 4% from 5,357 boe/d in the comparable period of 2023.

Reference crude oil prices were 5% higher in the first half of 2024, with West Texas Intermediate averaging US\$78.76 per barrel compared with US\$74.93 per barrel in the first half of 2023. The Group realized a crude oil price of CAD95.04 per barrel in the first half of 2024 compared to CAD94.17 per barrel in the first half of 2023 with a year-on-year increase of 1%. The Group achieved the average operating netback of CAD31.19 per barrel of oil equivalent, representing an increase of 3% as compared with CAD30.37 per barrel of oil equivalent for the same period last year.

## **BUSINESS PROSPECTS**

In the first half of 2024, China's economy was generally stable with steady progress. China's gross domestic product (GDP) grew 5.0% year-on-year to RMB61.7 trillion in the first six months of this year. Crude oil production grew steadily, natural gas output hit a record high, and electricity production accelerated from the same period last year, demonstrating overall stable energy production. In terms of natural gas, China's natural gas market continued to recover. From January to June, national natural gas consumption amounted to 210.8 billion cubic meters, a year-on-year increase of 8.7%. From January to June, natural gas production rose 4.4% year-on-year to 123.5 billion cubic meters. Natural gas imports increased 14.8% year-on-year to 90.2 billion cubic meters, including imported piped gas of 37.7 billion cubic meters and imported LNG of 52.5 billion cubic meters. From the perspective of industry, natural gas power generation grew rapidly, city gas consumption surged, industrial gas consumption increased, and chemical fertilizer gas consumption went up slightly.

Looking in the second half of 2024, the fundamentals of a stable and long-term economic growth will remain unchanged, and China will continue to adopt strong macroeconomic, monetary and fiscal policies to achieve its full-year economic growth target. The policies released by the Chinese government include the "Outline of the Strategic Plan for Expanding Domestic Demand". In 2024, the Group will adhere to the strategic decision of implementing the strategy of expanding domestic demand, fostering a complete domestic demand system, and accelerating the construction of a new development pattern with domestic circulation as the mainstay, and domestic and international circulations reinforcing each other, so as to promote long-term development and advance peace and stability. China will continue to implement proactive fiscal policies and sound monetary policies, intensify macro policy control, boost market confidence, and promote the overall improvement of economic performance to achieve effective quality improvement and reasonable growth.

In the second half of 2024, the Group will continuously implement its "14th Five-Year Plan". In the face of the complex and volatile situation, the Group will strengthen its foundation, enhance its internal management, seize the opportunities in the industry, proactively broaden its sources of gas, develop markets, optimize its business presence and adopt an innovative business model, so as to explore customers needs and provide diversified products and services to them while strengthening its principal business.

The Board places great importance in robust internal controls. The Company had engaged one of the big four accounting firms to conduct an internal control review and to make recommendations for the Company to improve its internal control system, in particular, internal control procedures for sales and receivables, cost management, project management, fund management, and disclosure of financial statements and information. The Group will continue to improve its internal control and risk management systems so as to enable the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

## **FINANCIAL REVIEW**

For the six months ended 30 June 2024, the Group recorded revenue of HK\$9,292 million, representing a decrease of 2% from HK\$9,447 million for the six months ended 30 June 2023.

The total revenue combined by four segments, namely (1) sales and distribution of natural gas and other related products, (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\$7,307 million, HK\$356 million, HK\$243 million and HK\$1,386 million respectively (the first half of 2023: HK\$7,270 million, HK\$615 million, HK\$242 million and HK\$1,320 million respectively).

The Group's overall gross profit amounted to HK\$1,135 million (the first half of 2023: HK\$1,223 million), and the overall gross profit margin was 12% (the first half of 2023: 13%). Profit for the Period attributable to owners of the Company was HK\$269 million, representing a decrease of 20%.

Administrative expenses were HK\$232 million (the first half of 2023: HK\$257 million), a decrease of 10% as compared to the same period last year, accounting for 3% of revenue (the first half of 2023: 3%) while selling and distribution costs decreased by 19%.

Finance costs increased to HK\$245 million from HK\$207 million for the same period last year.

## **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. As at 30 June 2024, the Group's total indebtedness (including bank borrowings, other borrowings and senior notes) amounted to HK\$8,003 million (31 December 2023: HK\$7,712 million).

As at 30 June 2024, the Group had cash and cash equivalents and time deposits with maturity over three months of HK\$3,293 million (31 December 2023: HK\$3,246 million). Total assets were HK\$20,202 million (31 December 2023: HK\$20,841 million), in which current assets were HK\$5,824 million (31 December 2023: HK\$5,836 million). Total liabilities of the Group were HK\$12,754 million (31 December 2023: HK\$13,279 million), in which current liabilities were HK\$5,803 million (31 December 2023: HK\$8,632 million). The Group's net debt-to-assets ratio, measured on the basis of total indebtedness net of cash and time deposits, divided by total assets was 23% (31 December 2023: 21%). The Group's financial and liquidity remain stable, and the Group is well prepared for the development in the second half of 2024.

On 17 June 2024, the Group has successfully drawn a three-year syndicated loan amounting to US\$315 million in aggregate to repay the bridging loan of US\$300 million.

Total debt is calculated as total borrowings and senior notes. The Group's gearing ratio is approximately 107% (31 December 2023: 102%), which is calculated as a ratio of total debt to total equity.

As at 30 June 2024, the Group did not issue any corporate guarantees (31 December 2023: guarantees of RMB140 million issued to banks in respect of bank facilities granted to Shandong Shengli (as defined below)).

## **SIGNIFICANT INVESTMENTS**

As at 30 June 2024, the Group did not hold any significant investment.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES**

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2024.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2024, the Group employed a total of 4,800 (31 December 2023: 4,798) full-time employees, most of whom were stationed in the PRC. Total staff cost for the Period amounted to HK\$243 million (the first half of 2023: HK\$256 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. The Company has also adopted a share option scheme and a share award scheme.

## **PLEDGE OF ASSETS**

As at 30 June 2024, senior notes and a term loan facility up to US\$315 million were guaranteed by certain subsidiaries of the Company.

The Group's interests in 195,027,219 shares of Shandong Shengli Co., Ltd. (山東勝利股份有限公司), a joint stock company established in the PRC with limited liability whose issued shares are listed and traded on the main board of the Shenzhen Stock Exchange (stock code: 000407) ("**Shandong Shengli**"), being approximately 22.16% of the issued shares of Shandong Shengli, were pledged to a bank to secure the banking facilities granted to the Group.

Certain property, plant and equipment and intangible assets of the Group were pledged to secure bank borrowings of HK\$374 million.

## **CONTINGENT LIABILITIES**

The Group had no other material contingent liability as at 30 June 2024.

## **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 2024, the Group had no material litigation.

## **CAPITAL STRUCTURE**

As at 30 June 2024, the issued share capital of the Company was HK\$56,368,038.34 divided into 5,636,803,834 shares of the Company with a nominal value of HK\$0.01 each.

## **EVENT AFTER THE REPORTING PERIOD**

There were no material events after the reporting period.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).

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

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## **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 C3 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 2024. The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules as its own code of corporate governance.

During the six months ended 30 June 2024, 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 2024.

## 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 Ms. Liu Zhihong (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 2024.

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

Hong Kong, 26 August 2024

*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 Ms. Liu Zhihong, Mr. Wang Guangtian and Mr. Yang Jie.*

\* *For identification purposes only*