

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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 2023**

### **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 2023 (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**

- Natural gas sales and transmission volume was 3,766 million cubic metres, a year-on-year increase of 14%;
- The revenue increased by 13% to HK\$9,250 million.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	4	9,250,424	8,179,795
Cost of sales		<u>(8,051,733)</u>	<u>(6,923,462)</u>
Gross profit		1,198,691	1,256,333
Other income		33,405	32,903
Other (loss)/gain, net		(9,329)	56,467
Selling and distribution costs		(39,094)	(35,110)
Administrative expenses		<u>(256,640)</u>	<u>(223,537)</u>
Operating profit		927,033	1,087,056
Finance income		122,630	88,702
Finance costs		(128,257)	(162,569)
Share of profit of investments accounted for using the equity method		<u>41,683</u>	<u>42,668</u>
Profit before taxation		963,089	1,055,857
Taxation	5	<u>(195,344)</u>	<u>(170,910)</u>
Profit for the Period		767,745	884,947
Other comprehensive income/(loss):			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		(381,004)	(471,140)
Changes in value of debt investments at fair value through other comprehensive income		(3,878)	(74,826)
<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>(1,053)</u>	<u>(2,191)</u>
Total comprehensive income for the Period		<u><u>381,810</u></u>	<u><u>336,790</u></u>

		<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
<b>Profit for the Period attributable to:</b>			
Owners of the Company		<b>402,116</b>	552,673
Non-controlling interests		<b>365,629</b>	332,274
		<u><b>767,745</b></u>	<u>884,947</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>222,294</b>	182,898
Non-controlling interests		<b>159,516</b>	153,892
		<u><b>381,810</b></u>	<u>336,790</u>
		<b><i>HK cents</i></b>	<i>HK cents</i>
<b>Earnings per share</b>	<b>6</b>		
— Basic		<b>8.190</b>	10.965
— Diluted		<b>8.190</b>	10.965
		<u><b>8.190</b></u>	<u>10.965</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Notes</i>	<b>30.6.2023</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2022 <i>HK\$'000</i> <b>(audited)</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>10,696,910</b>	10,856,439
Right-of-use assets		<b>548,368</b>	546,568
Exploration and evaluation assets		<b>108,703</b>	107,069
Intangible assets		<b>1,004,274</b>	1,042,460
Investments accounted for using the equity method		<b>1,672,454</b>	1,698,560
Financial assets at fair value through other comprehensive income		<b>308,313</b>	232,288
Other non-current assets		<b>1,321,743</b>	1,456,592
Deferred tax assets		<b>628</b>	647
		<hr/> <b>15,661,393</b>	<hr/> 15,940,623
<b>Current assets</b>			
Inventories		<b>590,588</b>	600,240
Contract assets, deposits, trade and other receivables	8	<b>2,260,008</b>	2,449,643
Current tax recoverable		<b>6,117</b>	5,972
Time deposits with maturity over three months		<b>—</b>	621,500
Cash and cash equivalents		<b>2,913,189</b>	3,329,715
		<hr/> <b>5,769,902</b>	<hr/> 7,007,070
<b>Total assets</b>		<hr/> <b>21,431,295</b>	<hr/> <b>22,947,693</b>

	<i>Notes</i>	<b>30.6.2023</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2022 <i>HK\$'000</i> (audited)
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	1,542,300	1,784,790
Contract liabilities		2,285,006	2,892,691
Senior notes		—	669,728
Short-term borrowings		3,740,137	3,859,986
Current tax payable		299,106	293,270
Lease liabilities		11,454	10,986
		<u>7,878,003</u>	<u>9,511,451</u>
<b>Non-current liabilities</b>			
Senior notes		3,088,343	2,995,751
Long-term borrowings		819,158	875,727
Lease liabilities		27,839	40,646
Deferred tax liabilities		408,701	402,531
Assets retirement obligation		147,574	141,737
		<u>4,491,615</u>	<u>4,456,392</u>
<b>Total liabilities</b>		<b><u>12,369,618</u></b>	<b><u>13,967,843</u></b>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		56,368	56,368
Reserves		5,122,129	4,918,577
		<u>5,178,497</u>	4,974,945
Non-controlling interests		3,883,180	4,004,905
		<u>9,061,677</u>	<u>8,979,850</u>
<b>Total equity</b>		<b><u>9,061,677</u></b>	<b><u>8,979,850</u></b>
<b>Total equity and liabilities</b>		<b><u>21,431,295</u></b>	<b><u>22,947,693</u></b>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2023*

## (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) 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 2022.

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

The HKICPA has issued a number of new or amended HKFRSs that are first effective starting from 1 January 2023. Of these, the following developments are relevant to the Group's consolidated financial statements:

HKFRS 17	Insurance contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies
Amendments to HKAS 8	Definition of accounting estimates
Amendments to HKAS 12	Income taxes

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 2023:

- 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 2023 and 2022 is set out below:

## Business Segments

*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>	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	7,270,183	—	241,923	1,319,958	8,832,064
Recognised over time	—	418,360	—	—	418,360
Sales to external customers	7,270,183	418,360	241,923	1,319,958	9,250,424
Segment results	<u>753,694</u>	<u>182,138</u>	<u>81,069</u>	<u>5,198</u>	1,022,099
Finance income					122,630
Other loss, net					(9,329)
Finance costs					(128,257)
Share of profit of investments accounted for using the equity method					41,683
Unallocated corporate expenses					(85,737)
Profit before taxation					963,089
Taxation					(195,344)
Profit for the period					<u>767,745</u>

***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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Sales to external customers	7,468,904	298,750	412,141	—	8,179,795
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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					<hr/> (56,890)
Profit before taxation					1,055,857
Taxation					<hr/> (170,910)
Profit for the period					<hr/> <u>884,947</u>

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

*Assets*

	<b>At 30.6.2023</b>	At 31.12.2022
	<b>Total assets</b>	Total assets
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<b>671,751</b>	994,899
Mainland China	<b>16,191,001</b>	17,604,944
Canada	<b>2,587,148</b>	2,416,355
	<hr/>	<hr/>
Total	<b>19,449,900</b>	21,016,198
	<hr/>	<hr/>
Unallocated		
Investments accounted for using the equity method	<b>1,672,454</b>	1,698,560
Deferred tax assets	<b>628</b>	647
Financial assets at fair value through other comprehensive income	<b>308,313</b>	232,288
	<hr/>	<hr/>
Total assets	<b><u>21,431,295</u></b>	<b><u>22,947,693</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 (2022: 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% (2022: 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% (2022: 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% (2022: 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% (2022: 15%).

Canada income tax has been provided for at the rate of 27% on the estimated assessable profits for the year (2022: 27%), which represented the tax rate in Alberta, Canada and the Canada's federal tax rate of 12% (2022: 12%) and 15% (2022: 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) 1.1–30.6.2023 HK\$'000</b>	Unaudited (6 months) 1.1–30.6.2022 HK\$'000
Current tax:		
PRC corporate income tax	<b>169,302</b>	95,144
Overseas taxation	<b>3,163</b>	66,457
	<b>172,465</b>	161,601
Deferred tax	<b>22,879</b>	9,309
Taxation	<b>195,344</b>	170,910

## (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\$402,116,000 (six months ended 30 June 2022: HK\$552,673,000) and weighted average number of ordinary shares in issue less shares held under share award scheme during the Period of approximately 4,910,015,000 shares (six months ended 30 June 2022: 5,040,255,000 shares).
- (b) Diluted earnings per share is calculated based on the profit attributable to owners of the Company of approximately HK\$402,116,000 (six months ended 30 June 2022: HK\$552,673,000), and the weighted average number of ordinary shares of approximately 4,910,015,000 shares (six months ended 30 June 2022: 5,040,255,000 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 2022: 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 2022: Nil shares).

## (7) DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2023 (June 2022: Nil).

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

	Unaudited At 30.6.2023 <i>HK\$'000</i>	Audited At 31.12.2022 <i>HK\$'000</i>
Trade receivables	1,129,110	997,933
Other receivables, deposits and prepayments	<u>1,130,898</u>	<u>1,451,710</u>
	<u><b>2,260,008</b></u>	<u><b>2,449,643</b></u>

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

Up to 3 months	818,392	876,250
3 to 6 months	27,927	52,522
Over 6 months	<u>282,791</u>	<u>69,161</u>
Total	<u><b>1,129,110</b></u>	<u><b>997,933</b></u>

## (9) TRADE AND OTHER PAYABLES

	Unaudited At 30.6.2023 <i>HK\$'000</i>	Audited At 31.12.2022 <i>HK\$'000</i>
Trade payables	563,014	768,287
Other payables and accruals	<u>979,286</u>	<u>1,016,503</u>
	<u><b>1,542,300</b></u>	<u><b>1,784,790</b></u>

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

Up to 3 months	211,381	489,795
3 to 6 months	74,025	137,186
Over 6 months	<u>277,608</u>	<u>141,306</u>
Total	<u><b>563,014</b></u>	<u><b>768,287</b></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

In the first half of 2023, the Group faced challenges arising from global economic inflation and a slower-than-expected recovery of China's economy. In addition, the complex relationship between the market environment and resource supply and demand added to the difficulties. However, the Group remained focused on its annual target and strategically planned its marketing efforts and resource allocation. Despite the unfavourable external factors, the Group successfully overcame these challenges and achieved hard-won results, and demonstrated steady growth.

During the first six months of 2023, the Group's natural gas sales and transmission volume increased, with a total revenue of HK\$9,250 million (the first half of 2022: HK\$8,180 million), a year-on-year increase of 13%. This was mainly due to the fact that the Group did not produce and sell coal derived clean energy and other related products in the first half of last year, which contributed revenue of HK\$1,320 million this year. The Group recorded profit attributable to owners of the Company of HK\$402 million; comprehensive income attributable to owners of the Company of HK\$222 million. Excluding one-off items, profit attributable to owners of the Company decreased by 17% and total comprehensive income attributable to owners of the Company increased by 82%. The comprehensive income was adjusted for the impact of the fall of RMB and the appreciation of CAD.

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

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

The Group's total natural gas sales and transmission volume recorded to be 3,766 million cubic meters for the first six months of 2023 (the first half of 2022: 3,291 million cubic meters), increased by 14% compared with the same period last year. Transmission volume was 1,190 million cubic meters, recorded a 61% rise as compared to the same period last year.

Consumption of residential users was 597 million cubic meters (the first half of 2022: 643 million cubic meters); industrial and commercial users recorded 1,763 million cubic meters (the first half of 2022: 1,702 million cubic meters), increased by 4% compared with the same period last year; gas consumption of gas stations recorded an increase from last period's 206 million cubic meters to current period's 216 million cubic meters. Each of the above category representing 23%, 69% and 8% of the total gas sales volume (the first half of 2022: 25%, 67% and 8%), respectively.

## **Development of new users**

For the first six months of 2023, the Group connected 68,836 new residential users, and the accumulated development of residential users were 1,982,377. Total connections for new industrial and commercial users were 552, and the accumulated development of industrial and commercial users were 17,248.

## **Value-added business development**

The Group will also explore diversified development paths and vigorously promote value-added business development. It is preparing for the “Gathering Momentum, Innovating the Future — 2023 Independent Brand VISDOM Gas Appliance New Product Launch Event”, which will be conducted through a combination of online and offline channels. By introducing market-oriented activities, the event aims to bring the independent brand gas appliance products to the market and drive the transformation of the project company’s value-added business into a market-oriented approach. It is also exploring new energy projects to bring photovoltaics to residential users.

## **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 2023 was 5,357 barrels of oil equivalent per day (“**boe/d**”), a decrease of approximately 4% from 5,570 boe/d in the comparable period of 2022. In the second quarter of 2023, a wildfire followed by a flood occurred near the production area of the Company in Canada. As a result, the Company had to temporarily shut down its oil and gas wells, leading to a decrease in production of approximately 1,000 barrels of oil equivalent per day during the second quarter.

Reference crude oil prices were 26% lower in the first half of 2023, with West Texas Intermediate averaging US\$74.93 per barrel compared with US\$101.44 per barrel in the first half of 2022. The Group realized a crude oil price of CAD94.17 per barrel in 2023 compared to CAD125.92 per barrel in 2022 with a year-on-year decrease of 25%. The Group achieved the average operating netback of CAD30.37 per barrel of oil equivalent, representing a decrease of 45% as compared with CAD55.07 per barrel of oil equivalent for the same period last year.

## **BUSINESS PROSPECT**

In the first half of 2023, China’s gross domestic product (GDP) reached RMB59,030.4 billion, a year-on-year increase of 5%. China’s economy overcame the adverse impact of unexpected factors and showed a trend of stabilization and recovery. In the first half of 2023, China’s natural gas production was 115.5 billion cubic meters, a year-on-year

increase of 5%. The total amount of imported natural gas was 79.4 billion cubic meters, a year-on-year increase of 5%. The apparent domestic natural gas consumption was 194.1 billion cubic meters, a year-on-year increase of approximately 6%. 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.

The year 2023 is a crucial year for implementing the "14th Five-Year Plan," as it serves as a bridge between the previous plan and the upcoming one, facing the 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. ("**Shandong Shengli**"), 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 2023, the Group recorded revenue of HK\$9,250 million, representing an increase of 13% from HK\$8,180 million for the six months ended 30 June 2022.

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\$7,270 million, HK\$418 million, HK\$242 million and HK\$1,320 million respectively (the first half of 2022: HK\$7,469 million, HK\$299 million, HK\$412 million and nil respectively). The coal derived clean energy business suspended production in the first half of last year, and was put into operation in July 2022.

The Group's overall gross profit amounted to HK\$1,199 million (the first half of 2022: HK\$1,256 million), the overall gross profit margin is 13% (the first half of 2022: 15%), Profit for the Period attributable to the owners of the Company was HK\$402 million, represented a decrease of 27%. The decrease in profit was mainly attributed to a one-off gain of approximately HK\$55 million from disposal of pipelines for the same period last year, a decrease in the RMB exchange rate, and a decline in the prices of both upstream crude oil and natural gas.

Administrative expenses were HK\$257 million (the first half of 2022: HK\$224 million), an increase of 15% as compared to the same period last year, the proportion of administrative expenses to revenue was 3% (2022: 3%) with selling and distribution costs recorded an increase of 11%.

Finance costs (net of capitalization) decrease from the last corresponding period's HK\$163 million to HK\$128 million. The Group's weighted average cost of all indebtedness (including bank borrowings, other borrowings and senior notes) as at 30 June 2023 was 5% (the first half of 2022: 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 2023, the Group's total indebtedness (including bank borrowings, other borrowings and senior notes) amounted to HK\$7,648 million (31 December 2022: HK\$8,401 million).

As at 30 June 2023, the Group had cash and cash equivalents and fixed deposits with term over three months of HK\$2,913 million (31 December 2022: HK\$3,951 million). Total assets were HK\$21,431 million (31 December 2022: HK\$22,948 million), in which current assets were HK\$5,770 million (31 December 2022: HK\$7,007 million). Total liabilities of the Group were HK\$12,370 million (31 December 2022: HK\$13,968 million), in which current liabilities were HK\$7,878 million (31 December 2022: HK\$9,511 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 22% (31 December 2022: 19%). The Group's financial and liquidity remain stable, and well prepared for the development in the second half of 2023.

For the six months ended 30 June 2023, the Group's net cash generated from operating activities amounted to HK\$702 million (six months ended 30 June 2022: HK\$990 million), a period-on-period decrease of 29%.

Total debt is calculated as total borrowings and senior notes. The Group's gearing ratio is approximately 84% (31 December 2022: 94%), which is calculated as a ratio of total debt to total equity.

As at 30 June 2023, the corporate guarantees issued by the Group to certain banks in respect of bank facilities granted to Shandong Shengli amounted to approximately HK\$783 million.

## **SIGNIFICANT INVESTMENTS**

As at 30 June 2023, the Group did not have any significant investment held.

## **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 2023.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2023, the Group employed a total of 4,777 (31 December 2022: 4,837) full-time employees, most of whom were stationed in the PRC. Total staff cost for the Period amounted to HK\$256 million (the first half of 2022: HK\$232 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 2023, senior notes were guaranteed by certain subsidiaries of the Company.

## **CONTINGENT LIABILITIES**

The Group has no material contingent liability as at 30 June 2023.

## **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 2023, the Group has no material litigation.

## **CAPITAL STRUCTURE**

As at 30 June 2023, 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.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

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

During the six months ended 30 June 2023, 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 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 2023. 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 2023, 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 2023.

## 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 2023.

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

Hong Kong, 22 August 2023

*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*