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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND RESUMPTION OF TRADING

FINANCIAL AND OPERATIONAL HIGHLIGHTS OF THE GROUP

FINANCIAL HIGHLIGHTS	2023	2022 (Restated)*	Change
	HK$'million	*HK$'million*	%
Revenue	**18,528**	17,297	+7.1%
Gross profit	**1,971**	2,121	-7.1%
Gross profit margin (%)	**10.6%**	12.3%	-1.7%
OPERATION HIGHLIGHTS	***Million m³***	*Million m³*	
Total Gas Sales and Transmission Volume	**7,008**	5,913	+18.5%
— Gas Sales Volume	**4,575**	4,468	+2.5%
— Transmission Volume	**2,433**	1,445	+68.4%

* Refer to note 10 to the consolidated financial statements for details of the restatements.

ANNUAL RESULTS

The board (the "**Board**") of Directors (the "**Directors**") of China Oil And Gas Group Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2023 together with the relevant comparative figures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	**2023** ***HK$'000***	2022 (Restated) *HK$'000*
Revenue	3	**18,527,804**	17,296,675
Cost of sales		**(16,556,680)**	(15,175,877)
Gross profit		**1,971,124**	2,120,798
Other income		**61,640**	42,065
Other gains, net		**2,384**	42,315
Selling and distribution costs		**(85,630)**	(81,323)
Administrative expenses		**(703,656)**	(507,603)
Net impairment losses on financial and contract assets		**(201,111)**	(11,709)
Reversal of impairment on oil and gas properties under property, plant and equipment		**—**	118,251
Operating profit	4	**1,044,751**	1,722,794
Net impairment losses on investment in an associate		**(140,650)**	—
Finance income		**214,654**	247,024
Finance costs		**(432,757)**	(453,051)
Share of profits of investments accounted for using the equity method, net		**34,541**	59,734
Profit before taxation		**720,539**	1,576,501
Taxation	5	**(340,385)**	(388,688)
Profit for the year		**380,154**	1,187,813

	Note	2023	2022 (Restated)
		HK$'000	*HK$'000*
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**(126,515)**	(926,347)
Change in value of debt investments at fair value through other comprehensive income		**(18,908)**	(31,549)
Item that will not be reclassified to profit or loss			
Currency translation differences		**(128,085)**	—
Change in value of equity investments at fair value through other comprehensive income		**(15,095)**	7,377
Other comprehensive (loss) for the year, net of tax		**(288,603)**	(950,519)
Total comprehensive income for the year		**91,551**	237,294
(Loss)/profit attributable to:			
Owners of the Company		**(232,496)**	730,144
Non-controlling interests		**612,650**	457,669
		380,154	1,187,813
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(393,014)**	73,886
Non-controlling interests		**484,565**	163,408
		91,551	237,294
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company for the year	7		
— Basic *(HK cents)*		**(4.7)**	14.9
— Diluted *(HK cents)*		**(4.7)**	14.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	**31 December 2023**	31 December 2022 (Restated)	1 January 2022 (Restated)
		HK$'000	*HK$'000*	*HK$'000*
Assets				
Non-current assets				
Investment properties		**131,602**	—	—
Property, plant and equipment		**10,126,358**	10,230,445	10,232,467
Right-of-use assets		**513,585**	546,568	663,945
Exploration and evaluation assets		**107,484**	107,069	115,027
Intangible assets		**1,018,138**	1,042,460	1,038,669
Investments accounted for using the equity method		**1,633,245**	1,698,560	1,758,418
Financial assets at fair value through other comprehensive income ("**FVOCI**")		**186,007**	232,288	289,795
Other non-current assets		**1,243,673**	1,456,592	1,183,053
Deferred tax assets		**45,176**	12,534	14,698
		15,005,268	15,326,516	15,296,072
Current assets				
Inventories		**594,831**	582,560	476,789
Contract assets, deposits, trade and other receivables	8	**1,988,960**	1,843,352	2,335,615
Current tax recoverable		**6,106**	5,972	6,334
Time deposits with maturity over three months		**1,150,475**	621,500	979,660
Cash and cash equivalents		**2,095,411**	3,329,715	2,786,609
		5,835,783	6,383,099	6,585,007
Total assets		**20,841,051**	21,709,615	21,881,079
Liabilities				
Current liabilities				
Trade and other payables	9	**1,870,571**	1,767,336	1,476,570
Contract liabilities		**2,899,198**	2,950,910	3,156,067
Senior notes		**—**	669,728	—
Short-term borrowings		**3,664,790**	3,859,986	1,345,142
Current tax payable		**185,911**	143,731	61,469
Lease liabilities		**11,070**	10,986	16,219
		8,631,540	9,402,677	6,055,467

	Note	**31 December 2023** *HK$'000*	31 December 2022 (Restated) *HK$'000*	1 January 2022 (Restated) *HK$'000*
Non-current liabilities				
Senior notes		**2,999,366**	2,995,751	5,645,120
Long-term borrowings		**1,047,541**	875,727	1,729,667
Lease liabilities		**28,442**	40,646	58,747
Deferred tax liabilities		**427,319**	402,531	315,331
Assets retirement obligation		**144,901**	141,737	197,974
		4,647,569	4,456,392	7,946,839
Total liabilities		**13,279,109**	13,859,069	14,002,306
Equity				
Equity attributable to owners of the Company				
Share capital		**56,368**	56,368	57,670
Reserves		**3,761,848**	4,166,310	4,141,020
		3,818,216	4,222,678	4,198,690
Non-controlling interests		**3,743,726**	3,627,868	3,680,083
Total equity		**7,561,942**	7,850,546	7,878,773
Total equity and liabilities		**20,841,051**	21,709,615	21,881,079

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

China Oil And Gas Group Limited (the "**Company**") is 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 is at 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 and 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".

These financial statements are presented in Hong Kong dollars, unless otherwise stated.

2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2.1 Going concern

As at 31 December 2023, the Group had net current liabilities of HK$2,795,757,000, which included short-term borrowings amounting to HK$3,664,790,000.

The Group's short-term borrowings included a 364-day syndicated bridge loan facilities ("**Bridge Loan Facilities**") of US$300 million which will mature on the date falling 364 days after the first utilization date of the facilities being drawn down, i.e. being 16 December 2024. The Bridge Loan Facilities are subject to certain financial and non-financial undertaking, including but not limited to the undertaking that the trading of shares of the Company on the Stock Exchange is not suspended for more than 14 consecutive trading days. The Company's shares have been suspended for trading since 2 April 2024.

The above condition indicated the existence of a material uncertainty with respect to going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and operating performance of the Group and its available sources of financing to assess whether the Group will have sufficient financial resources to fulfil its financial obligations to continue as a going concern. The plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position, including but not limited to the following:

(i) The Group has obtained a syndicated term loan facility of US$235 million ("**Syndicated Loan Facilities**") for 36 months from the date of first utilization date of the Syndicated Loan Facilities and the due date is extendable to the date falling 60 months after the first utilization date. The Bridge Loan Facilities is obtained to meet the Company's financial needs before fulfilment of all conditions precedent for the drawdown of the Syndicated Loan Facilities. The Group also received commitment letters from certain lenders to join the Syndicated Loan Facilities for a further amount of US$95 million (subject to satisfaction of certain conditions) after the year end date. The Directors believe that conditions are all administrative and the Group will be able to refinance the Bridge Loan Facilities with the Syndicated Loan Facilities on or before the maturity of the Bridge Loan Facilities.

(ii) The Bridge Loan Facilities and the Syndicated Loan Facilities are subject to the same financial and non-financial undertaking, including but not limited to undertaking that the trading of shares of the Company on the Stock Exchange is not suspended for more than 14 consecutive trading days. The Group has obtained a wavier on 22 April 2024 from the lenders of the Bridge Loan Facilities and the Syndicated Loan Facilities to allow the trading of shares of the Company on the Stock Exchange is not suspended for more than 20 consecutive trading days. The Directors consider that the Group will be able to fulfil the requirement under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and resume the trading of its shares within the grace period.

The Directors have reviewed the Group's cash flow projections, which cover not less than twelve months from 31 December 2023. In the opinion of the Directors, in light of the above and taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient financial resources to satisfy its future working capital requirements as and when they fall due in the coming twelve months from 31 December 2023. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, a material uncertainty exists as to whether the Group is able to achieve its plans and measures as described in (i) and (ii) above. Whether the Group will be able to continue as going concern depends on: (i) fulfilment of all conditions precedent for the drawdown of the Syndicated Loan Facilities; (ii) will be able to resume the trading of its shares within the grace period.

Should the Group be unable to achieve the above plans and measures such that it would not be able to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for further financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

(a) Changes in accounting policy and disclosures

The Group has adopted the following amendments to standards and accounting guideline which are relevant to the Group's operations and are mandatory for the financial year beginning on or after 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17	Insurance Contracts
HKAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules

The amendments to standards and accounting guideline listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standard and amendments to standards not yet adopted

The following are new standard and amendments to standards that have been issued but are not effective for the financial year beginning 1 January 2024 and have not been early adopted.

		Effective for accounting year beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
HKFRS 7 and HKAS 7 (Amendments)	Supplier finance arrangements	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	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

The Group will apply the above new and amended standards and interpretation when they become effective. The directors of the Company assess that the adoption of the new standard and amendments to standards is not expected to have any significant impact on the results and the financial position of the Group.

3 Revenue and segment information

The Group's principal activities are the sales and distribution of natural gas, crude oil and other related products, provision of construction and connection services of gas pipelines and production and sales at coal derived clean energy and other related products in the PRC, and the exploitation and production of crude oil and natural gas in Canada. Revenue for the year comprises the following:

	2023	2022
	HK$'000	*HK$'000*
		(Restated)
Sales and distribution of natural gas and other related products	**14,096,140**	14,616,792
Gas pipeline connection and construction services income	**1,145,077**	959,762
Exploitation and production of crude oil and natural gas	**501,798**	726,721
Production and sales of coal-derived clean energy and other related products	**2,784,789**	993,400
	18,527,804	17,296,675

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 year ended 31 December 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

No operating segments have been aggregated to form the above reportable segments.

The executive Directors assess the performance of the business segments based on profit before taxation without allocation of other gains, net, interest income, finance costs, share of profits of investments accounted for using the equity method, reversal of impairment on oil and gas properties under property, plant and equipment, written off of exploration and evaluation assets, provision for/(reversal of provision for) impairment loss of loan and interest receivables from an associate and other unallocated corporate expenses, which is consistent with these in the consolidated financial statements. Meanwhile, the Group does not allocate assets and liabilities to its segments and report the sales from external customers by geographical market, as the executive directors do not use this information to allocate resources to or evaluate the performance of operating segment. Therefore, the Group does not report a measure of segment assets and liabilities for each reportable segment and a measure of sales by geographical market.

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 years ended 31 December 2023 and 2022 is set out below.

For the year ended 31 December 2023:

	Sales and distribution of natural gas and other related products *HK$'000*	Gas pipeline construction and connection *HK$'000*	Exploitation and production of crude oil and natural gas *HK$'000*	Production and sales of coal-derived clean energy and other related products *HK$'000*	Group *HK$'000*
Segment revenue and results					
Segment revenue					
Recognised at a point in time	**14,096,140**	**—**	**501,798**	**2,784,789**	**17,382,727**
Recognised over time	**—**	**1,145,077**	**—**	**—**	**1,145,077**
Sales to external customers	**14,096,140**	**1,145,077**	**501,798**	**2,784,789**	**18,527,804**
Segment results	**1,169,160**	**432,504**	**175,552**	**(148,376)**	**1,628,840**
Finance income					**214,654**
Other gains, net					**2,384**
Finance costs					**(432,757)**
Net impairment losses on financial and contract assets					**(201,111)**
Net impairment losses on investment in an associate					**(140,650)**
Written off of exploration and evaluation assets	**—**	**—**	**(2,935)**	**—**	**(2,935)**
Share of profits of investments accounted for using the equity method, net					**34,541**
Unallocated corporate expenses					**(382,427)**
Profit before taxation					**720,539**
Taxation					**(340,385)**
Profit for the year					**380,154**

For the year ended 31 December 2022:

	Sales and distribution of natural gas and other related products *HK$'000*	Gas pipeline construction and connection *HK$'000* (Restated)	Exploitation and production of crude oil and natural gas *HK$'000*	Production and sales of coal-derived clean energy and other related products *HK$'000*	Group *HK$'000* (Restated)
Segment revenue and results					
Segment revenue					
Recognised at a point in time	14,616,792	—	726,721	993,400	16,336,913
Recognised over time	—	959,762	—	—	959,762
Sales to external customers	14,616,792	959,762	726,721	993,400	17,296,675
Segment results	1,140,253	404,073	402,424	5,663	1,952,413
Finance income					247,024
Other gains, net					42,315
Finance costs					(453,051)
Provision for impairment loss of loan and interest receivables from an associate					(11,709)
Reversal of impairment on oil and gas properties under property, plant and equipment	—	—	118,251	—	118,251
Written off of exploration and evaluation assets	—	—	(3,665)	—	(3,665)
Share of profits of investments accounted for using the equity method, net					59,734
Unallocated corporate expenses					(374,811)
Profit before taxation					1,576,501
Taxation					(388,688)
Profit for the year					1,187,813

Note:

No external customers of the Group contributed over 10% of the Group's revenue for the years ended 31 December 2023 and 2022.

Analysis of the Group's assets by geographical market for the years ended 31 December 2023 and 2022 is set out below:

	2023		2022		2021
		Additions to non-current		Additions to non-current	
	Total assets	**assets**	Total assets	assets	Total assets
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)	(Restated)	(Restated)
Hong Kong	**478,372**	**193,280**	1,027,200	33,904	422,045
Mainland China	**15,891,153**	**717,735**	16,215,609	1,483,449	16,903,683
Canada	**2,607,098**	**222,909**	2,523,424	287,053	2,492,440
Total	**18,976,623**	**1,133,924**	19,766,233	1,804,406	19,818,168
Unallocated					
Investments accounted for using the equity method	**1,633,245**		1,698,560		1,758,418
Deferred tax assets	**45,176**		12,534		14,698
Financial assets at fair value through other comprehensive income	**186,007**		232,288		289,795
Total assets	**20,841,051**		21,709,615		21,881,079

4 Operating profit

Operating profit has been arrived after charging/(crediting) the following items:

	2023	2022
	HK$'000	*HK$'000*
		(Restated)
Employee benefit expenses	**533,778**	531,403
Cost of inventories recognised as expense	**14,305,302**	12,786,391
Auditor's remuneration		
— Audit services	**4,500**	3,150
Depreciation and depletion of property, plant and equipment	**690,986**	739,298
Depreciation of right-of-use assets	**24,288**	23,194
Amortisation of intangible assets	**8,722**	9,761
Short term lease expenses	**4,704**	3,516
Gains on disposals of property, plant and equipment	**(4,469)**	(47,697)
Net impairment losses on financial and contract assets	**201,111**	11,709
Net impairment losses on investment in an associate	**140,650**	—
Net exchange losses	**7,695**	10,725
Written off of exploration and evaluation assets	**2,935**	3,665

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 year (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 23% on the estimated assessable profits for the year (2022: 23%), which represented the tax rate in Alberta, Canada and the Canada's federal tax rate of 8% (2022: 8%) and 15% (2022: 15%) respectively.

Taxation on other overseas 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.

	2023	2022
	HK$'000	*HK$'000*
		(Restated)
Current tax	**352,332**	276,692
Deferred tax	**(11,947)**	111,996
Taxation	**340,385**	388,688

There is no tax impact relating to components of other comprehensive income for the year ended 31 December 2023 (2022: Nil).

6 Dividend

The Board has decided not to propose final dividend for the year ended 31 December 2023 (2022: Nil).

7 (Loss)/Earnings per share

Basic

The calculation of basic (loss)/earnings per share is based on the Group's (loss)/profit attributable to owners of the Company of approximately (HK$232,496,000) (2022: HK$730,144,000) and weighted average number of ordinary shares in issue less shares held under share award scheme during the year of approximately 4,901,495,000 shares (2022: 4,901,495,000 shares).

Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and shares held under the share award scheme during the year. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and future service cost.

	2023 ***HK$'000***	2022 *HK$'000* (Restated)
(Loss)/profit attributable to owners of the Company	**(232,496)**	730,144
Weighted average number of ordinary shares in issue less shares held under the share award scheme during the year *(thousands)*	**4,901,495**	4,901,495
Weighted average number of ordinary shares for diluted (loss)/earnings per share *(thousands)*	**4,901,495**	4,901,495

The diluted loss per share is equal to the basic loss per share for the year ended 31 December 2023. For the year ended 31 December 2023, the options granted and remained unexercised are not included in the calculation of diluted loss per share because they are antidilutive. These options could potentially dilute basic (loss)/earnings per share in the future. For the year ended 31 December 2022, the options granted and remained unexercised did not have dilutive impact since the outstanding share options did not have dilutive effect because the exercise price per share option was higher than the average share price of the Company.

8 Contract assets, deposits, trade and other receivables

The Group allows an average credit period ranging from 60 to 90 days to its trade customers and keeps monitoring its outstanding trade receivables. Overdue balances are regularly reviewed by senior management of the Group.

	2023	2022	1 January 2022
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Trade receivables	**656,996**	457,056	584,978
Less: Loss allowance	**(17,981)**	—	—
Trade receivables, net	**639,015**	457,056	584,978

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

	31 December 2023	31 December 2022	1 January 2022
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Up to 3 months	**373,604**	366,585	365,113
3 to 6 months	**55,774**	35,195	41,710
Over 6 months	**227,618**	55,276	178,155
Total	**656,996**	457,056	584,978

9 Trade and other payables

As at 31 December 2023, included in trade and other payables is the balance of trade payables amounting to HK$750,385,000 (31 December 2022 (restated): HK$729,490,000, 1 January 2022 (restated): HK$696,723,000).

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

	31 December 2023	31 December 2022	1 January 2022
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Up to 3 months	**677,495**	558,829	545,256
3 to 6 months	**36,012**	38,157	61,620
Over 6 months	**36,878**	132,504	89,847
Total	**750,385**	729,490	696,723

10 Prior Year Adjustments and Restatement

Revenue recognition adjustments

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

Interest capitalisation adjustments

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

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

The effects of the restatements on the Group's consolidated statement of comprehensive income for the year ended 31 December 2022 are summarised as follows:

		Prior year adjustments		
	As previously reported	**Revenue and cost recognition**	**Interest capitalisation**	**Restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	17,420,512	(123,837)	—	17,296,675
Cost of sales	(15,174,805)	6,968	(8,040)	(15,175,877)
Finance costs	(325,712)	—	(127,339)	(453,051)
Profit before taxation	1,828,749	(116,869)	(135,379)	1,576,501
Taxation	(422,663)	31,965	2,010	(388,688)
Profit for the year	1,406,086	(84,904)	(133,369)	1,187,813
Other comprehensive (loss)/income:				
Currency translation differences	(955,550)	29,203	—	(926,347)

		Prior year adjustments		
	As previously reported	Revenue and cost recognition	Interest capitalisation	Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other comprehensive (loss)/income for the year, net of tax	(979,722)	29,203	—	(950,519)
Total comprehensive income for the year	426,364	(55,701)	(133,369)	237,294
Profit attributable to:				
Owners of the Company	918,875	(58,911)	(129,820)	730,144
Non-controlling interests	487,211	(25,993)	(3,549)	457,669
	1,406,086	(84,904)	(133,369)	1,187,813
Total comprehensive income for the year attributable to:				
Owners of the Company	233,414	(29,708)	(129,820)	73,886
Non-controlling interests	192,950	(25,993)	(3,549)	163,408
	426,364	(55,701)	(133,369)	237,294
Earnings per share for profit attributable to owners of the Company for the year				
— Basic *(HK cents)*	18.7	(1.2)	(2.6)	14.9
— Diluted *(HK cents)*	18.7	(1.2)	(2.6)	14.9

The effects of the restatements on the Group's consolidated statement of financial position as at 31 December 2022 are summarised as follows:

		Prior year adjustments		
	As previously reported	Revenue and cost recognition	Interest capitalisation	Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	10,856,439	35,443	(661,437)	10,230,445
Deferred tax assets	647	—	11,887	12,534
Inventories	600,240	(17,680)	—	582,560
Contract assets, deposits, trade and other receivables	2,449,643	(606,291)	—	1,843,352
Total assets	22,947,693	(588,528)	(649,550)	21,709,615
Trade and other payables	1,784,790	(17,454)	—	1,767,336
Contract liabilities	2,892,691	58,219	—	2,950,910
Current tax payable	293,270	(149,539)	—	143,731
Total liabilities	13,967,843	(108,774)	—	13,859,069
Reserves	4,918,577	(289,353)	(462,914)	4,166,310
Non-controlling interests	4,004,905	(190,401)	(186,636)	3,627,868
Total equity	8,979,850	(479,754)	(649,550)	7,850,546
Total equity and liabilities	22,947,693	(588,528)	(649,550)	21,709,615

The effects of the restatements on the Group's consolidated statement of financial position as at 1 January 2022 are summarised as follows:

		Prior year adjustments		
	As previously reported	Revenue and cost recognition	Interest capitalisation	Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	10,738,279	20,247	(526,059)	10,232,467
Deferred tax assets	4,821	—	9,877	14,698
Inventories	408,231	68,558	—	476,789
Contract assets, deposits, trade and other receivables	2,675,790	(340,175)	—	2,335,615
Total assets	22,648,631	(251,370)	(516,182)	21,881,079
Trade and other payables	1,414,388	62,182	—	1,476,570
Contract liabilities	2,917,409	238,658	—	3,156,067
Current tax payable	189,624	(128,155)	—	61,469
Total liabilities	13,829,621	172,685	—	14,002,306
Reserves	4,733,762	(259,648)	(333,094)	4,141,020
Non-controlling interests	4,027,578	(164,407)	(183,088)	3,680,083
Total equity	8,819,010	(424,055)	(516,182)	7,878,773

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Due to international geopolitical turmoil, the energy market went through frequent fluctuation, the supply chain of the energy sector was frequently affected, energy prices fluctuated drastically at a high level, and the growth of energy consumption slowed down in 2023. In the face of complicated and changing international environment, the natural gas industry in China acted resolutely and proactively to ensure stable supply and demand, secure supply and steady prices, and contributed positively to stabilising the supply chain of the global natural gas industry. Nevertheless, domestic natural gas production maintained fairly high growth rate. The natural gas production exceeded 229.71 billion cubic metres in 2023, representing a year-on-year increase of 5.8%. The apparent natural gas consumption reached 394.53 billion cubic metres, representing a year-on-year increase of 7.6%. And the import volume amounted to 119.971 million tons, representing a year-on-year increase of 9.9%.

Despite market volatility over the past year, whilst securing gas supply, safe production and stable operation, the Group resolutely maintained steady development in a step-by-step orderly manner amidst various difficulties, boldly acted and adapted to the changes, and managed to attain achievements and breakthroughs with great efforts. In 2023, the Group organised the formulation of a strategic implementation plan based on the development goals of its medium-and long-term strategies; It vigorously promoted the construction of its strategic performance management and control system, optimised the organisational structure, innovated the management mechanism, secured resource support and built a risk control system; It created a platform, defined the pathway, improved the environment, and provided impetus to reach its strategic goals. While promoting the development strategy of resource acquisition, market development and non-gas business, the strategies were implemented in an orderly manner through the five strategic measures of strengthening the enterprise with talents, organisational support, quality and efficiency improvement, cost refining and cultural leadership. The Group's entire management and staff worked together to overcome various difficulties, and withstood major tests brought about by the economic downturn. Its high-quality development began to take off with significant progress, and its operating results were improved steadily.

Progress was made in standardising the Group's management, and the quality of management was more effectively enhanced in 2023. The Group further consolidated the integration of business development, staff exchange and corporate culture building, through which it had significantly higher synergies between operation and management, and the management model was better organised, standardised and process-based. In terms of cybersecurity and informatisation, the Group made every effort to promote IT construction. During the year, it completed the construction and launch of the financial shared platform and collaborative office platform. The "Financial Shared Service Center" was put into operation as scheduled; The informatisation of its joint-stock companies was right on track with the ERP system up and running. As for operational and value-added businesses, the Group launched its private-label gas appliances and other product lines, completed its re-branding, pivoted on products in smart kitchen, and established its initial brand influence in the region, thanks to which the value-added business earned good revenue. In respect of the new energy business, the Group actively acted on the national new energy policy. Shandong Visdom Gas Equipment Manufacturing Co. Ltd. (山東齊智公司) and Wuhan Dongfang Natural Gas Co., Ltd. (武漢東方公司) had constructed photovoltaic projects and put them into production, marking the Group's first step towards new energy business.

CITY PIPELINE NATURAL GAS BUSINESS

Sales and distribution of natural gas

During the year, the Group's natural gas sales and transmission volume increased 18.5% as compared to last year.

The Group's natural gas sales volume recorded to be 4,575 million cubic meters for 2023 (2022: 4,468 million cubic meters), increased by 2.4% compared with the same period last year. Transmission volume was 2,433 million cubic meters, recorded a 68.4% rise as compared to the same period last year.

Consumption of residential users decreased by 2% from last year's 1,005 million cubic meters to 984 million cubic meters; industrial and commercial users recorded 3,163 million cubic meters (2022: 3,081 million cubic meters), increased by 3% compared with the same period last year; gas consumption of gas stations recorded an increase of 13% at current year's 431 million cubic meters from last year's 382 million cubic meters. Each of the above categories representing 22%, 69% and 9% of the total gas sales volume (2022: 23%, 69% and 8%), respectively.

Development of new users

For 2023, the Group connected 128,395 (2022: 148,300) new residential users and the accumulated development of residential users were 2,041,936. Total connections for new industrial and commercial users were 1,312 (2022: 1,094) and the accumulated development of industrial and commercial users were 18,008.

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 2023 was 5,469 barrels of oil equivalent per day ("**boe/d**"), approximately the same as in the comparable period of 2022.

Reference crude oil prices were 17.6% lower in 2023, with West Texas Intermediate averaging US$77.62 per barrel compared with US$94.23 per barrel in 2022. The Group realized a crude oil price of CAD96.69 per barrel in 2023 compared to CAD117.32 per barrel in 2022 with a year-on-year decrease of 17.6%. The Group achieved the average operating netback of CAD31.19 per barrel of oil equivalent, representing a decrease of 35.9% as compared with CAD48.67 per barrel of oil equivalent for the same period last year.

BUSINESS PROSPECTS

China's economy still encountered multiple short-term challenges in 2023. In response, the PRC government introduced policies, including the Outline of Strategic Planning for Expanding Domestic Demand. In 2024, we will stick to the strategy of boosting domestic demand and developing a complete domestic demand system, and accelerating the establishment of a new development pattern in which domestic economic cycle plays a leading role while international economic cycle remains its extension and supplement so as to carry out the strategic decision of long-term development, peace and security. Moreover, we will proactively implement fiscal policies and prudent monetary policies, step up macroeconomic policy adjustments, and vigorously boost market confidence in order to ensure the steady and upward economic operation, significant quality improvement and reasonable growth in quantity.

With respect to the development of the natural gas industry, as the National Energy Administration put forward in the Guiding Opinions on Energy Work in 2023, the safe energy and secure supply should be reinforced; high-quality energy development should be continuously advanced; security of energy supply should be prioritised; and we should be prepared for the unexpected and worst, and keenly aware of issues and systematic concepts. For a longer period of time in future, it will be critical and fairly difficult for us to start preparations and build capabilities for reaching the goal of carbon peak and neutrality, and it's essential to solve energy security issues first.

In 2024, the Group will open a new chapter for high-quality development, where we will create new sources of income, cut spending, and attach equal importance to development and quality. As for the strategic planning of the year ahead, we will prioritise "faster growth", enhance the innovation and efficiency of existing industries, strengthen coordinated operation, and continue to develop new competitive businesses; We will further promote delicacy management, and elevate the the quality of basic management through full use of IT and digital platforms; We will put people first, and maximise the senior management's sense of initiative and entrepreneurship; And we will adopt various measures to safeguard the sustainable growth of the Group's benefits. The Group will continue to prioritise marketing and sales, and resource coordination, fully leverage the leading role of large regions and drive the growth of market shares at full speed. It will reinforce ex-ante price risk control, and promote price linkage to ensure a steady increase in price difference; It will focus on operational coordination, facilitate the sharing of resources within regions and the Group to maximise the effectiveness of resources. The Group will spare no effort in providing customers with a stable supply of natural gas, quality products and thoughtful services by addressing energy supply risks in corresponding regions, preparing adequate energy supply in advance, stabilising local reserves and establishing corporate social responsibility.

The Group will continuously work on the upstream and downstream integration, build development channels, strengthen institutional construction, accelerate the building of talent pipelines, enhance the operational efficiency of the organisation, establish a communication mechanism, step up management of internal and external relations, speed up platform development, fulfill the goal of IT and digital transformation, reinforce investment control, refine the evaluation system, further optimise the function bordering of relevant competent departments and refine the supervisory functions so as to form a energy supervision framework where various departments have reasonable division of labor and work in close coordination.

Besides, the Group will regulate data and resources to conduct value-based management of data; it will strengthen precautionary awareness and enhance the level of risk management; it will promote innovation and development and cultivate new competitive businesses; and it will reinforce the unity of knowledge and practice, and advance in-depth cultural construction by completing the compilation of its Culture Handbook so as to consolidate the construction of culture and "three fundamentals".

In accordance with the national objectives of ensuring secure and stable energy supply and continuously promoting high-quality development of energy, together with the strategic business presence and deployment of leading companies in the industry, the Group will be flexible when coping with various uncertainties, refine the coordination between the partial and entirety of the Group, continuously optimising its focus on medium-to-long-term business development, thus laying a firm and solid foundation for its medium-to-long-term business development. Moreover, the Group will proactively launch new businesses, such as integrated energy services and new energy, and conduct research and development of its ecosystem with a view to establishing a green and low-carbon circular economic development system. With the aid of eco-partners, the Group will carry out its new business strategy, and vigorously advance in-depth development of ESG-related green industries, such as photovoltaic, hydrogen utilisation and wastewater utilisation by the Group and its project companies through diverse forms of cooperation and development.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2023, the Group recorded revenue of HK$18,528 million, representing an increase of 7.1% from HK$17,297 million for the year ended 31 December 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$14,096 million, HK$1,145 million, HK$502 million and HK$2,785 million respectively (2022: HK$14,617 million, HK$960 million, HK$727 million and HK$993 million).

The Group's overall gross profit amounted to HK$1,971 million (2022: HK$2,121 million), representing a decrease of 7.1%; Loss for the year attributable to the owners of the Company was HK$232 million, represented a decrease of 131.8%. As at 31 December 2023, the Group has net impairment losses on financial and contract assets of HK$201 million; net impairment on investment in an associate of HK$141 million. As at 31 December 2022, the Group has a reversal of impairment on oil and gas properties under property, plant and equipment of HK$118 million. The Group counted the above as one-off items and these will not affect the ordinary operation and cash-flow of the Group.

Administrative expenses were HK$704 million (2022: HK$508 million), an increase of 38.6% as compared to the same period last year, the proportion of administrative expenses to revenue was slightly increase to 3.8% (2022: 2.9%) with selling and distribution costs recorded an increase of 5.3%.

Finance costs (net of capitalization) decreased slightly from last year's HK$453 million to HK$433 million. The Group's weighted average cost of all indebtedness (including bank borrowings, other borrowings and senior notes) for the year ended 31 December 2023 was 5.8% (2022: 6.6%).

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 bus3iness and acquire projects. As at 31 December 2023, the Group's total indebtedness (including bank borrowings, other borrowings and senior notes) amounted to HK$7,712 million (2022: HK$8,401 million).

As at 31 December 2023, the Group had cash and cash equivalents and time deposits with maturity over three months of HK$3,246 million (2022: HK$3,951 million). Total assets were HK$20,841 million (2022: HK$21,710 million), in which current assets were HK$5,836 million (2022: HK$6,383 million). Total liabilities of the Group were HK$13,279 million (2022: HK$13,859 million), in which current liabilities were HK$8,632 million (2022: HK$9,403 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 21.4% (2022: 20.5%). The Group's financial and liquidity remain stable, and well prepared for the development in 2024.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group employed a total of 4,775 (2022: 4,837) full-time employees, most of whom were stationed in the PRC. 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 31 December 2023, senior notes issued by the Company and the Bridge Loan Facilities 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 company limited by shares established in the PRC whose issued shares are listed and traded on the main board of the Shenzhen Stock Exchange ("**Shandong Shengli**") (stock code: 000407), being 22.16% of the entire share capital of Shandong Shengli, were pledged to a bank to secure the banking facilities granted to the Group.

Certain property, plant and equipments and intangible assets are pledged for bank borrowings of HK$170 million.

CONTINGENT LIABILITIES

The Group has no material contingent liability as at 31 December 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 31 December 2023, the Group has no material litigation.

CAPITAL STRUCTURE

As at 31 December 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.

MATERIAL EVENTS

Under the terms of the agreements of the Syndicated Loan Facilities and the Bridge Loan Facilities, if there occurs a change in control, the lenders may declare the participation in the Syndicated Loan Facilities or the Bridge Loan Facilities (where appropriate) due and payable. The change in control includes, among others:

(a) Mr. Xu Tie-liang ("**Mr. Xu**"), an executive Director, Chairman of the Board and Chief Executive Officer of the Company (whether individually or collectively with his spouse and his or his spouse's children (whether through a trust or otherwise)):

  (i) is not, or ceases to be the single largest direct or indirect beneficial holder (holding not less than 25%) of each class of the Company's equity interests carrying any entitlement to vote; or

  (ii) does not, or ceases to (without prejudice to paragraph (i) above) directly or indirectly control the Group. For the purpose of this paragraph, "control" has the meaning given to it in The Codes on Takeovers and Mergers and Share Buy-backs;

(b) Mr. Xu is not, or ceases to be, chairman of the Board unless replaced by a person approved by all the lenders; or

(c) the Company does not, or ceases to:

   (i) own beneficially (and directly or indirectly) not less than 51% of each class of equity interests of China City Natural Gas Investment Group Co., Ltd. (中油中泰燃氣投資集團有限公司) ("**CCNG**"), carrying any entitlement to vote; or

   (ii) control, directly or indirectly, CCNG. For the purpose of this paragraph, "control" means the ability to direct CCNG's affairs and/or the composition of its board of directors (or equivalent body).

Details of the Syndicated Loan Facilities or the Bridge Loan Facilities are set out in the Company's announcement dated 5 December 2023.

EVENT AFTER THE REPORTING PERIOD

The outstanding guarantees in the amount of RMB140 million provided by China Oil and Gas Investment Group Company Limited* (中油燃氣投資集團有限公司), an indirect wholly-owned subsidiary of the Company, for the due performance of the repayment obligations of Shandong Shengli to its creditors were released upon full repayment of the loans by Shandong Shengli in January 2024. As at the date of this announcement, there was no outstanding guarantees provided to Shandong Shengli in favour of its relevant banking and financial institutions.

FINAL DIVIDEND

The Board resolved not to recommend any final dividend for the year ended 31 December 2023 (2022: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to 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 year.

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 year ended 31 December 2023. 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 year ended 31 December 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 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 year ended 31 December 2023.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the eligibility of the shareholders of the Company to attend and vote at the annual general meeting of the Company to be held on Friday, 21 June 2024 (the "**AGM**"), the register of members of the Company will be closed from Monday, 17 June 2024 to Friday, 21 June 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 14 June 2024.

AUDIT COMMITTEE

The Company established the audit committee of the Company (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 audited financial statements of the Group for the year ended 31 December 2023 and is of the opinion that such financial statements complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2023.

Our Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

As described in Note 2.1 to the consolidated financial statements, the Group had net current liabilities of HK$2,795,757,000, which included short-term borrowings amounting to HK$3,664,790,000. The Group's short-term borrowings included a 364-day syndicated bridge loan facilities ("**Bridge Loan Facilities**") of US$300 million which will mature on 16 December 2024. The Bridge Loan Facilities are subject to certain financial and non-financial undertaking, including but not limited to the undertaking that the trading of shares of the Company on the Hong Kong Stock Exchange is not suspended for more than 14 consecutive trading days. The Company's shares have been suspended for trading since 2 April 2024. These conditions, along with other matters as set forth in Note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to all our staff for their dedication and hard work and to our shareholders for their continuous support.

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended since 2 April 2024 pending the release of the announcement for the audited annual results of the Group for the year ended 31 December 2023. Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 26 April 2024.

By Order of the Board
China Oil And Gas Group Limited
Xu Tie-liang
Chairman

Hong Kong, 25 April 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*