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**AAG**

**AAG Energy Holdings Limited**

**亞美能源控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2686)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**Key Highlights:**

- **Our revenue and other income (including government subsidies and VAT refunds) for 2021 increased by 55.69%<sup>1</sup> to RMB1.991 billion, while net profit and EBITDA for the year increased by 59.84% and 55.25% to RMB816 million and RMB1.545 billion, respectively. Our earnings per share increased by 60.00% to RMB0.24.**
- **The Board recommends a final full year dividend of RMB0.0589 per share (equivalent to approximately HK\$0.0724 per share) subject to the approval by shareholders of the Company at the AGM.**
- **The gross production of CBM for 2021 reached 1,298 MMCM, representing an increase of 25.52% compared to that of 1,034 MMCM for 2020.**
  - In respect of Panzhuang concession, gross production for 2021 was 1,175 MMCM, representing an increase of 21.46% compared to that of 967 MMCM for 2020;
  - In respect of Mabi concession, gross production for 2021 was 123 MMCM, representing an increase of 84.22% compared to that of 67 MMCM for 2020.

*Note 1:* Due to the difference in unit of expression and decimal places reserved of data, there may be slight deviation in the percentage of increase or decrease. The percentage of increase or decrease is based on the calculation of the minimum units of expression and decimal places reserved available in the announcement.

- **The average gas production for 2021 reached 3.56 MMCM per day, representing a YoY increase of 25.80% compared to that of 2.83 MMCM per day for 2020.**
- **The gross sales volume<sup>2</sup> for 2021 reached 1,250 MMCM, representing an increase of 24.49% compared to that of 1,004 MMCM for 2020.**
  - In respect of Panzhuang concession, the gross sales volume for 2021 reached 1,142 MMCM, representing an increase of 21.10% compared to that of 943 MMCM for 2020;
  - In respect of Mabi concession, the gross sales volume for 2021 reached 108 MMCM, representing an increase of 76.66% compared to that of 61 MMCM for 2020.
- **The realized ASP<sup>3</sup> in respect of Panzhuang concession for 2021 increased by 26.76% to RMB1.80 per cubic meter compared to RMB1.42 for 2020; while the realized ASP in respect of Mabi concession for 2021 increased by 21.01% to RMB1.67 per cubic meter compared to RMB1.38 for 2020.**
- **In 2021, a total of 62 wells have been drilled (of which 21 were SLHs and 41 were PDWs) in Panzhuang concession, average drilling time for SLH wells was just 15.97 days.**
- **In 2021, a total of 190 wells have been drilled (of which 89 were SLHs and 101 were PDWs) in Mabi concession, average drilling time for SLH wells was just 14 days.**
- **AAG Energy placed great value on HSE and made efforts on assuming its social responsibilities. In 2021, AAG Energy maintained zero for LTIR and TRIR in respect of its safety and environmental protection performance. As of 31 December 2021, the excellent safety performance record of zero lost time injury of AAG Energy has accumulated to 7 years and 117 days.**

*Note 2:* Gross sales volume represents gross production less utilization loss.

*Note 3:* Realized ASP excludes the directly attributable pass through cost, thus reflecting the realized wellhead price.

Dear shareholders:

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of AAG Energy Holdings Limited (“**AAG Energy**” or the “**Company**”, together with its subsidiaries, collectively the “**Group**”), I hereby present the annual results of the Group for the year ended 31 December 2021.

## FINANCIAL SUMMARY

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<b>1,739,226</b>	1,038,524
Other income	<b>251,875</b>	240,368
Profit from operations	<b>1,148,199</b>	723,629
EBITDA	<b>1,544,722</b>	994,997
Adjusted EBITDA	<b>1,551,720</b>	996,062
Profit for the year	<b>815,679</b>	510,296
Basic earnings per share (RMB)	<b>0.240</b>	0.150
Diluted earnings per share (RMB)	<b>0.240</b>	0.150
	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	<b>4,478,379</b>	3,994,259
Cash and bank balances	<b>1,886,905</b>	1,845,553
Total assets	<b>8,085,942</b>	7,038,381
Total equity	<b>6,425,550</b>	5,960,842

## BUSINESS REVIEW

As climate change becomes increasingly severe, green and low-carbon development strategies have attracted extensive attention. According to the “Natural Gas Analysis and Forecast 2021–2024” report issued by the International Energy Agency, the global natural gas demand will show an increasing trend in the next few years.

In 2021, under the influence of extreme weather and the international oil price went out of the trough, the natural gas market showed a stronger peak season and a less-than-sluggish low season. 2021 is also the first year for China to widely promote the development of natural gas under the “14th Five-Year Plan”. With the promotion of the “dual carbon” goal, natural gas consumption has grown rapidly. The fundamentals of the development of the domestic natural gas industry continue to improve with vibrant performance. In 2021, the apparent consumption of natural gas in China reached 372.6 billion cubic meters, representing an increase of 12.7% as compared with that of 2020.

By the end of 2020, the Group took the lead in establishing a development strategy to set up the existing business in the concessions and increasing development efforts, and made full use of industrial advantages to achieve excellent performance. In terms of production, the Group’s gross production in 2021 increased by 25.52% from that of 2020 to 1,298 million cubic meters (“**MMCM**”) (or 45.8 billion cubic feet (“**bcf**”)), including 1,175 MMCM (or 41.5 bcf) of production from Panzhuang concession and 123 MMCM (or 4.3 bcf) of production from Mabi concession.

In terms of investment, the actual capital expenditure in 2021 was RMB859 million as compared with the annual budget of RMB967 million. Compared to 2020, drilling and fracturing activities in 2021 continued to increase by 62.58% and 23.53% to 252 wells and 147 wells respectively. At the same time, we continued to focus on reducing costs and improving profitability. The average drilling cost of a single lateral horizontal well (“**SLH**”) decreased as compared with 2020, of which the average drilling cost of SLH wells in 3# coal seam was RMB2.54 million, representing a decrease of 8.63% as compared with RMB2.78 million in 2020, and the average drilling cost of SLH wells in 15# coal seam was RMB2.7 million, representing a decrease of 5.26% as compared with RMB2.85 million in 2020. The average drilling cost of a pad drilling well (“**PDW**”) decreased by 10.34% from RMB0.87 million in 2020 to RMB0.78 million.

In terms of market sales, the Group's realized average selling price (“**ASP**”) in 2021 was RMB1.79 per cubic meter, of which the realized ASP in Panzhuang concession was RMB1.80 per cubic meter (an increase of 26.76% from RMB1.42 per cubic meter in 2020), and the realized ASP in Mabi concession was RMB1.67 per cubic meter (an increase of 21.01% from RMB1.38 per cubic meter in 2020).

In terms of financial results, the Group's revenue and other income (including government subsidies and VAT refunds) in 2021 increased by 55.69% to RMB1.991 billion as compared to 2020, operating profit increased by 58.67% to RMB1.148 billion, profit for the year increased by 59.84% to RMB816 million, EBITDA increased by 55.25% to RMB1.545 billion, and earnings per share increased by 60.00% to RMB0.24.

## **OPERATIONS REVIEW**

AAG Energy placed great value on Health, Safety and Environment (“**HSE**”) and made efforts on assuming its social responsibilities. 2021 is a year of rapid development for the Company's business. HSE work is full of challenges. By updating the safety production standardization system, and strengthening safety education and training, contractor management, ecological and environmental management and safety culture construction, the Group continues to strengthen the HSE awareness of employees. In 2021, the Group continued to maintain zero lost time injury rate (“**LTIR**”), zero total recordable incident rate (“**TRIR**”) and zero environmental pollution incident rate in respect of the HSE performance. As of 31 December 2021, the Group has achieved extraordinary results of a total of 7 years and 117 days without lost time injury.

The two major assets operated by two subsidiaries of the Company, namely Panzhuang concession operated by Sino-American Energy, Inc. (“**SAEI**”) and Mabi concession operated by Asian American Gas, Inc. (“**AAGI**”), have made significant progress in achieving certain key operational targets.

### **1. Panzhuang Concession**

Our Panzhuang concession, which is in partnership with China United Coalbed Methane Corporation Ltd. (“**CUCBM**”), continued to be the Coalbed Methane (“**CBM**”) project with the highest output in China, and was listed as China's key CBM project in production under the “14th Five-Year Plan” for the development and utilization of CBM (coal mine gas) prepared by the National Energy Administration (the “**NEA**”) and issued by the National Development and Reform Commission (“**NDRC**”) of the People's Republic of China (“**PRC**”).

— *Production Update*

In 2021, the gross production of Panzhuang concession reached 1,175 MMCM (41.5bcf), which was 8.78% higher than the original target of 1,080 MMCM (38.1 bcf), with a 21.46% year-on-year (“YoY”) increase compared to that of 967 MMCM (34.2 bcf) in 2020. The average daily gas production was 3.22 MMCM, representing an increase of 21.97% compared to that of 2.64 MMCM in 2020. By the end of 2021, there were a total of 504 wells in production, including 158 PDWs, 49 multi-lateral drilling wells (“MLD”) and 297 SLHs in Panzhuang concession. Further details on production and well count are set out below in Table 1.

— *Geological Research*

The Company is committed to the geological research of CBM reservoir, and has basically identified the characteristics and minability of geological resources of CBM in thin coal seams, and verified the adaptability of drilling, fracturing and pumping technologies for CBM development in thin coal seams. The gas production performance of the 13 tested wells was satisfactory, of which 9 wells have achieved high production and stable production, with an average daily gas production per well of 6,000-7,000 cubic meters, and the stable daily gas production of 4 wells exceeds 10,000 cubic meters, and the daily gas production of the highest gas production well reaches 15,000 cubic meters, which has reached the average production level of a SLH in the major coal seam. In the future, we will accelerate the exploration progress and development scale of CBM in thin coal seams.

— *Drilling and Surface Facilities Update*

In 2021, a total of 62 wells were drilled in Panzhuang concession (including 21 SLHs and 41 PDWs). The average drilling time of SLHs was only 15.97 days. At the same time of completing the thin coal seam test well, the construction of thin coal seam parameter well was initiated, which provided a basis for accelerating the preparation of the thin coal seam development plan and laid a solid foundation for the subsequent replacement and improvement of production.

Currently, the surface facilities of our Panzhuang concession include 6 gas gathering stations, 58 wellhead compressors, 68 kilometers of trunk lines and 135 kilometers of inter-well pipelines. The central gas gathering station has a secondary processing capacity of 1.20 MMCM per day, and compressors at remaining stations and wellheads have a processing capacity of 4.56 MMCM per day. The double-circuit 35 kilovolt and other power lines meet the electricity demand of Panzhuang concession, and provide a favorable guarantee for improving the CBM transmission and distribution capacity of Panzhuang concession to increase production and sales.

## 2. Mabi Concession

Our Mabi concession, which is in partnership with China National Petroleum Corporation (“CNPC”), was listed as China’s key CBM project under construction under the “14th Five-Year Plan” for the development and utilization of CBM (coal mine gas) prepared by the NEA and issued by the NDRC, and was also one of the key CBM construction projects in Shanxi Province in 2021.

### — *Production Update*

In 2021, the gross production of Mabi concession was 123 MMCM (4.3 bcf) with an average daily gas production of 0.34 MMCM, representing an increase of 86.10% compared to that of 0.1827 MMCM in 2020. By the end of 2021, there were a total of 327 wells in production, including 272 PDWs, 1 MLD and 54 SLHs in Mabi concession. Further details on production and well count are set out below in Table 1.

In 2021, a total of 190 wells were drilled (including 89 SLHs and 101 PDWs) in Mabi concession, representing an increase of 192% as compared to 2020. The drilling investment in Mabi concession reached a new high. With the maturity and stability of the two-section well type and nearbore directional technology, the average drilling time of SLH was only 14 days, and the length of the single horizontal section increased by 140 meters on average compared with 2020, representing an increase of 15%, which greatly improved the development economy.

In 2021, a total of 108 wells and a total of 725 stages of fracturing were completed in Mabi concession, representing an increase of 33% and 68% as compared to 2020 respectively. The maturity of the fracturing process, selection of fracturing tools, and innovative and efficient management of common tubing with bottom sealing, drag and fracturing greatly improved the fracturing quality and reduced the fracturing cost. In 2021, the single-stage fracturing cost of SLH decreased by 10% YoY. At the same time, the test of ultra-low-density ceramic proppant showed obvious production enhancement effect.

190 wells drilled in 2021 will commence production in 2022.

### — *Implementation Progress of the Overall Development Plan (“ODP”) of the Southern Area of Mabi Concession*

Through continuous improvement of resource evaluation methods and continuous innovation of engineering process technology, under the high-level organization and leadership, efficient investment control and high-standard quality requirements, the Company has mastered the geological and engineering technology adapted to the characteristics of Mabi concession, and the southern area of Mabi concession will be effectively developed and utilized.

In 2021, the Company accelerated the construction of the No. 2 gas gathering station and regional facilities, completed a total of 11.9 kilometers of outbound pipelines, 24 kilometers of inter-well pipelines, and 43% of the main construction of the 35 kilovolt single tower double circuit and substation, which will effectively guarantee the increase of production after completion.

— *Geology Research Progress of the Northern Area of Mabi Concession*

Through continuous monitoring of the pumping test of three No. 3 coal SLH wells in the northern area of the Mabi concession, the three wells are currently in the stage of stable gas production, with an average daily gas production per well of 8,300 cubic meters, and the daily gas production of the highest gas production well reaches 10,000 cubic meters, which preliminarily verified the development potential of the northern area of Mabi concession. Through in-depth geological research on the northern area of Mabi concession, the Company has selected 64 square kilometers of production areas in the northern area, and is conducting 3D seismic exploration and the preparation of the development plan, which will gradually improve the effective utilization of CBM resources in the northern area in the future.

*Table 1 — Operation Update\* of Panzhuang (“PZ”) and Mabi (“MB”) concessions*

	2021	2020	% Change
Gross production (MMCM)	<b>1,297.94</b>	1,034.05	25.52%
Total average daily production (MMCMD)	<b>3.56</b>	2.83	25.80%
Gross production of PZ (MMCM)	<b>1,174.77</b>	967.19	21.46%
PZ MLD	<b>123.05</b>	156.95	-21.60%
PZ SLH	<b>865.80</b>	697.81	24.07%
PZ PDW	<b>185.92</b>	112.43	65.37%
Total producing wells of PZ**	<b>504</b>	424	18.87%
PZ MLD	<b>49</b>	49	0.00%
PZ SLH	<b>297</b>	255	16.47%
PZ PDW	<b>158</b>	120	31.67%
PZ wells drilled	<b>62</b>	90	-31.11%
PZ wells fracked	<b>39</b>	38	2.63%
Gross production of MB (MMCM)	<b>123.17</b>	66.86	84.22%
MB MLD	<b>0.20</b>	0.17	17.65%
MB SLH	<b>60.68</b>	17.40	248.74%
MB PDW	<b>62.29</b>	49.29	26.37%
Total producing wells of Mabi**	<b>327</b>	220	48.64%
MB MLD	<b>1</b>	1	0.00%
MB SLH	<b>54</b>	25	116.00%
MB PDW	<b>272</b>	194	40.21%
MB wells drilled	<b>190</b>	65	192.31%
MB wells fracked	<b>108</b>	81	33.33%



*Notes:*

\* Operations update as of 31 December 2021, 08: 00 CST.

\*\* Well count is calculated from pumping start date.

### **3. Reserve Upgrade**

Based on reports issued by Netherland Sewell & Associates Inc. (“NSAI”), an independent reserve certification company, the Group’s 1P and 2P natural gas reserves as at the end of 2021 (“**2021YE**”) were 152.0 bcf and 635.1 bcf respectively, representing a 16% decrease from the 1P reserve of 179.9 bcf as at the end of 2020 (“**2020YE**”) and a 1% decrease from the 2P reserve of 640.6 bcf as at 2020YE. After deducting net gas production of 35.0 bcf for 2021, the 1P and 2P reserves increased by 5% and 5% respectively.

The 1P reserve and 2P reserve of Panzhuang concession were 114.7 bcf and 148.1 bcf as at 2021YE, representing a decrease of 24% and 17% respectively from the 1P reserve of 150.2 bcf and the 2P reserve of 179.4 bcf as at 2020YE. After deducting net gas production of 31.9 bcf for 2021, 1P reserves decreased by 3% and 2P reserves increased by 0.4%. The 1P reserve decreased after deducting the 2021 net gas production due to the delay in the commencement of production of some of the completed wells in 2020 to 2021. 2P reserves increased slightly due to the increase in the number of thin coal seam planned wells in the future. The increased 2P reserves will also continue to contribute to the continued high production of Panzhuang concession.

The 1P reserve and 2P reserve in Mabi concession were 37.3 bcf and 487.0 bcf as at 2021YE, representing an increase of 26% and an increase of 6% respectively from the 1P reserve of 29.7 bcf and the 2P reserve of 461.2 bcf as at 2020YE. After deducting net gas production of 3.1 bcf for 2021, the 1P reserve increased by 40% and the 2P reserve increased by 6%. Due to the acceleration of drilling operations and the commissioning of new wells in Mabi concession in 2021, the production capacity contribution from new wells has increased, resulting in a significant increase in 1P reserves. The Group’s pilot test in the northern area of Mabi concession achieved good gas production results, strengthened well position deployment in the area, and optimized long-range plan (“**LRP**”), resulting in an increase in estimated 2P reserves.

Table 2 — Reserve Data \* \*

	2021 Gross (bcf)	2021 Net* (bcf)	2020 Net* (bcf)
<b>Total</b>			
Proved (1P)	<b>194.6</b>	152	179.9
Proved + probable (2P)	<b>897.1</b>	635.1	640.6
Proved + probable + possible (3P)	<b>1,250.8</b>	876.2	860.4
<b>Panzhuang concession</b>			
Proved (1P)	<b>147.9</b>	114.7	150.2
Proved + probable (2P)	<b>191.6</b>	148.1	179.4
Proved + probable + possible (3P)	<b>278.4</b>	213.2	224.7
<b>Mabi concession</b>			
Proved (1P)	<b>46.7</b>	37.3	29.7
Proved + probable (2P)	<b>705.5</b>	487	461.2
Proved + probable + possible (3P)	<b>972.4</b>	663	635.7

Notes:

\* Net gas reserves are the Company's share of the gas reserves according to the terms of each production sharing contract and after adjustment for fuel and shrinkage.

\* \* Our reserve estimates and future net income have been prepared by NSAI in accordance with generally accepted petroleum engineering and valuation principles for oil and gas reserve estimates and audits issued by the Society for Petroleum Engineering. According to the definitions and guidelines of the 2018 PRMS (the Petroleum Resource Management System published by the Society of Petroleum Engineers ("SPE"), the World Petroleum Council ("WPC"), the American Association of Petroleum Geologists ("AAPG"), the Society of Petroleum Evaluation Engineers ("SPEE"), the Society of Exploration Geophysicists ("SEG"), the Society of Petrophysicists and Well Log Analysts ("SPWLA") and the European Association of Geoscientists and Engineers ("EAGE") in June 2018), NSAI has adopted standard engineering and geosciences methods or a combination of both, where analytical methods such as (production) dynamic methods, volumetric methods and simulation methods are considered to be necessary for the classification, classification and estimation of reserves. Our reserves are estimates only and should not be construed as exact quantities.

## **IMPACT OF 2021 POLICY**

On 3 June 2021, the Shanxi Provincial Government issued the “Approval Procedure for Coal-Formed Gas Mining Projects in Shanxi Province” (《山西省煤成氣開採項目審批流程》), which requires that, according to the characteristics of coal-formed gas projects, the coal-formed gas mining process shall be divided into four stages: acquisition of mining rights, exploration, development and production, and relinquishment. Through optimization of the approval procedure, the approval time frame is considerably shortened, further accelerating the development progress of CBM exploration and development.

On 24 October 2021, the Central Committee of the Communist Party of China and the State Council issued the “Opinions on Fully and Accurately Implementing the New Development Concept to Work on Carbon Peak and Carbon Neutrality” (《關於完整準確全面貫徹新發展理念做好碳達峰、碳中和工作的意見》), which requires arrangement and deployment for the dual-carbon work at national level, and the construction of a clean, low-carbon, safe and efficient energy system. As the most clean and low-carbon fossil energy, natural gas is a key way to achieve the adjustment of the energy industry structure. As an upstream CBM exploration and development enterprise, the Group will benefit from the dual effects of policies and market in the current and long term in the future, and further increase the release of CBM production capacity and economic benefits.

## **OUTLOOK AND GUIDANCE FOR 2022**

Notwithstanding the resurgence of the COVID-19 pandemic in some regions, global economy is anticipated to recover gradually. According to the forecast in the World Economic Outlook Report published by the International Monetary Fund (“IMF”) in January 2022, global economy is expected to grow by 4.4% in 2022. With the steady recovery of the domestic economy and a clear dual carbon goal, natural gas, as a clean and low-carbon energy, will become the major growth point of energy structure adjustment and the main force of low-carbon transformation. China’s natural gas consumption will continue to experience rapid growth.

The Group will continue to strengthen the investment and development strategy of the existing CBM concessions, striving to build an ecological chain of the entire natural gas industry while strengthening the development of CBM transmission and distribution capabilities, thus lowering the market risks of the products. Meanwhile, by leveraging its advantages in CBM exploration and development technology and industry, the Group intends to further expand its upstream resources.

Driven by the dual-carbon goals, the Group will continue to strengthen the ESG management system by further integrating the strategic objectives of sustainable development into the development planning system of AAG Energy, setting up strategic objectives with sustainable development as the core, breaking down the work action plan and promoting the implementation. For investment related to development and construction in the future, the Group will continue to focus on scientific and technological innovation by conducting more research on green technology development, facilitating the process of green development.

The impact of the COVID-19 pandemic has not been eliminated, and yet challenges and opportunities coexist in the post-epidemic era. In 2022, the Group will continue to regularly prevent and control the epidemic, striving to maintain the “three zero” record of “zero confirmed case, zero suspected case and zero infection”, with a focus on increasing investment and development of traditional CBM projects led by technological innovation, strengthening the building of the ecological chain of the entire natural gas industry, making unremitting efforts to facilitate cost reduction and higher efficiency for the Company, hence achieving continuous growth in production and net profit.

For 2022, we are pleased to present the latest goals as follows:

### **Panzhuang Concession**

The Group will continue to strengthen investment in Panzhuang concession in 2022, details are as follows:

- The Group will implement the full year plan upon the related government approvals on Panzhuang concession, including the plans of completing pre-drilling construction of 16 well sites, the drilling work of 61 new wells, the fracturing construction work of 63 new wells, the pumping equipment purchase and commencing production of 72 new wells, as well as implementing related ancillary surface facilities engineering.

Among them, the Group plans to complete the drilling work of 39 new wells in thin coal seams, the fracturing construction work of 50 new wells, the procurement of pumping facilities and the commissioning of 50 new wells.

- With the scheduled project implementation and related government approvals, the gross production of Panzhuang concession in 2022 is expected to be 1,188 MMCM (42.0 bcf).
- Due to the frequent coal mining activities in the surrounding coal mines adjoin Panzhuang concession, the Company will continue to strengthen communication and cooperation with these coal mines in 2022, to optimize mutual guarantee agreements and continue to identify new development opportunities and cooperation channels.

### **Mabi Concession**

The Group will continue to invest in Mabi concession in 2022, details are as follows:

- In Mabi concession, the Group will continue to enhance the investment and construction per the ODP of the southern area of Mabi concession and optimize the development of the northern area. In 2022, we plan to implement drilling of 176 CBM wells in Mabi concession (including 158 wells in the southern area and 18 wells in the northern area), and will also focus on the development and construction in the area around No. 2 gas gathering station.

- With the scheduled project implementation and related government approvals, the gross production of Mabi concession in 2022 is expected to be 254 MMCM (9.0 bcf).
- According to the Measures for the Administration of Exploration and Exploitation of Coalbed Methane in Shanxi Province (《山西省煤層氣勘查開採管理辦法》) issued by the People's Government of Shanxi Province, the exploration license for Mabi concession, which will be renewed in 2022, will reduce the area of exploration rights in the unproved reserves area by 25%. The reduced area is a resource-weak area. The reduction will not have any impact on the Group's reserves. The Group will continue to update the progress of mining rights.

According to the development plan of Panzhuang concession and Mabi concession mentioned above, the Group estimates to incur capital expenditures of approximately RMB1.578 billion in 2022, which will be financed by its own cash flow. The Group will assess the capital investment plan for 2022 from time to time, and will make necessary disclosure in the interim results for 2022 for any change.

The Group is highly confident in focusing on and dealing with uncertainties, as well as sustainably committed to cost reduction and efficiency enhancement to deliver promising operating results. Meanwhile, we will continue to enhance technological innovation, thereby laying a solid foundation for the stable production and development of Panzhuang concession and the large-scale development of Mabi concession. Besides, the Group will base on its groundbreaking technological advantages to identify new development opportunities mainly in China's market as planned and actively expand new concessions and businesses. The Group firmly believes that the pursuit of excellence in existing concessions and the selection of quality new concessions and businesses opportunities will provide clean energy for more clients and relevant communities and create higher return for our shareholders.

## FINANCIAL RESULTS

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2021 together with the comparative figures for the previous year as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	1,739,226	1,038,524
Other income	5	251,875	240,368
Other gains, net		18,022	2,095
<b>Operating expenses</b>			
Depreciation and amortisation		(396,523)	(271,368)
Employee benefit expenses		(102,901)	(73,372)
Exploration expenses		(50,280)	–
Materials, services and logistics		(283,644)	(190,831)
Net impairment losses on financial assets		(9,757)	(7,600)
Others		(17,819)	(14,187)
<b>Total operating expenses</b>		<u>(860,924)</u>	<u>(557,358)</u>
<b>Profit from operations</b>		<u>1,148,199</u>	<u>723,629</u>
Finance income	6	24,522	33,237
Finance costs	6	(5,750)	(4,834)
Exchange losses	6	(8,597)	(9,459)
<b>Finance income, net</b>		<u>10,175</u>	<u>18,944</u>
Share of net loss of associates accounted for using the equity method		<u>(14,052)</u>	<u>–</u>
<b>Profit before income tax</b>		<u>1,144,322</u>	<u>742,573</u>
Income tax expense	7	(328,643)	(232,277)
<b>Profit attributable to owners of the Company for the year</b>		<u><u>815,679</u></u>	<u><u>510,296</u></u>

		<b>Year ended 31 December</b>	
		<b>2021</b>	2020
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		<u>(1,663)</u>	<u>(31,692)</u>
<b>Total comprehensive income attributable to owners of the Company for the year</b>		<u><b>814,016</b></u>	<u><b>478,604</b></u>
<b>Earnings per share (RMB)</b>			
— Basic	<i>11</i>	<b>0.240</b>	0.150
— Diluted	<i>11</i>	<u><b>0.240</b></u>	<u>0.150</u>

## CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2021	2020
	Note	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		4,478,379	3,994,259
Right-of-use assets		59,435	65,579
Intangible assets		24,198	29,742
Restricted bank deposits		60,230	55,048
Investments in associates	8	242,985	–
Other financial assets at amortised cost		55,000	–
Other non-current assets		309	142
		<u>4,920,536</u>	<u>4,144,770</u>
<b>Current assets</b>			
Inventories		11,049	9,822
Other current assets		101,146	21,873
Trade and other receivables	9	1,226,536	1,071,411
Term deposits with initial terms of over three months		200,000	–
Cash and cash equivalents		1,626,675	1,790,505
		<u>3,165,406</u>	<u>2,893,611</u>
<b>Total assets</b>		<u><b>8,085,942</b></u>	<u><b>7,038,381</b></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		2,080	2,079
Share premium		3,522,168	3,869,806
Other reserves		276,058	279,392
Retained earnings		2,625,244	1,809,565
		<u>6,425,550</u>	<u>5,960,842</u>
<b>Total equity</b>		<u><b>6,425,550</b></u>	<u><b>5,960,842</b></u>



		<b>As at 31 December</b>	
		<b>2021</b>	<b>2020</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Asset retirement obligations		<b>150,695</b>	20,120
Non-current lease liabilities		<b>41,914</b>	40,357
Deferred income tax liabilities		<b>478,061</b>	437,612
		<u><b>670,670</b></u>	<u>498,089</u>
<b>Current liabilities</b>			
Trade and other payables	<i>10</i>	<b>803,599</b>	468,169
Current income tax liabilities		<b>172,390</b>	94,572
Current lease liabilities		<b>13,733</b>	16,709
		<u><b>989,722</b></u>	<u>579,450</u>
<b>Total liabilities</b>		<u><b>1,660,392</b></u>	<u>1,077,539</u>
<b>Total equity and liabilities</b>		<u><b>8,085,942</b></u>	<u>7,038,381</u>

## NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

AAG Energy Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are principally engaged in exploration, development and production of coalbed methane (“**CBM**”) in the People’s Republic of China (the “**PRC**”). The Company is an exempted company incorporated in the Cayman Islands with limited liability on 23 December 2014. The address of the Company’s registered office is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Group conducts its business through two Production Sharing Contracts (“**PSC**”) entered into with China United Coalbed Methane Corporation Ltd. (“**CUCBM**”) and China National Petroleum Corporation (“**CNPC**”) (authorizing its subsidiary PetroChina Company Limited (“**PetroChina**”)) for Panzhuang and Mabi concessions respectively in Qinshui Basin, Shanxi Province of the PRC.

The Overall Development Plan (“**ODP**”) of Panzhuang concession was approved by the National Development and Reform Commission (“**NDRC**”) of the PRC on 28 November 2011, which allowed Panzhuang concession to enter into commercial development phase. On 1 November 2016, Panzhuang concession entered into production phase after the Joint Management Committee (“**JMC**”) approved and announced based on the terms of Panzhuang PSC. The ODP of the Southern Area of Mabi concession was approved by NDRC in September 2018. With this approval, the Southern Area of Mabi concession is eligible for commercial development. On 1 January 2020, the Southern Area of Mabi concession entered into production phase after the JMC approved and announced based on the terms of Mabi PSC. As at 31 December 2021, the Northern Area of Mabi concession was still in exploration phase.

The Company’s initial public offering (“**IPO**”) of its shares on the Main Board of the Stock Exchange of Hong Kong Limited was completed on 23 June 2015.

In 2018, Liming Holding Limited (“**Liming**”), an indirect wholly owned subsidiary, controlled through Sichuan Liming Energy Development Co., Ltd. (“**Sichuan Liming**”), of Xinjiang Xintai Natural Gas Co., Ltd. (“**XTRQ**”), a company incorporated in the PRC and listed on the Shanghai Stock Exchange (stock code: 603393), acquired approximately 50.5% of issued shares of the Company.

The Directors regard Liming, Sichuan Liming and XTRQ as its immediate parent entity, intermediate parent entity and the ultimate parent entity of the Company respectively subsequent to the completion of the takeover (“**Change of Control**”).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”) and requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are presented in Renminbi (“**RMB**”) unless otherwise stated.

The preparation of the 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.

### ***(a) New and amended standards adopted by the Group***

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

- Covid-19-related Rent Concessions — Amendments to HKFRS 16
- Interest Rate Benchmark Reform — Phase 2 — Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The amendments 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 standards and interpretations not yet adopted***

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group.

- Classification of Liabilities as Current or Non-current — Amendments to HKAS 1
- Disclosure of Accounting Policies — Amendments to HKAS 1 and HKFRS Practice Statement 2
- Definition of Accounting Estimates — Amendments to HKAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to HKAS 12

These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 3. SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified as the directors and chief executive of the Company who review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The Group’s operating segments are defined by PSCs, which is the basis by which the CODM makes decisions about resources to be allocated and assesses their performance. The financial information of the two concessions under the relating PSCs has been separated to present segment information to be reviewed by the CODM.

The measurement of results and assets of the operating segments are the same as those described in the summary of significant accounting policies. The CODM evaluates the performance of the operating segments of the PSCs based on profit before income tax, depreciation and amortisation, finance income, finance costs and exchange gains/(losses) (“EBITDA”).

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2021 is as follows:

	<b>Panzhuang concession</b>	<b>Mabi concession</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended 31 December 2021</b>			
Revenue from external customers	1,522,736	176,946	1,699,682
EBITDA	1,477,455	73,537	1,550,992
Other income	223,651	28,224	251,875
Operating expenses	(596,668)	(196,727)	(793,395)
Depreciation and amortisation	(325,181)	(65,389)	(390,570)
Net impairment losses on financial assets	(7,579)	(2,173)	(9,752)
Finance income	17,200	2,221	19,421
Finance costs	(4,602)	(1,078)	(5,680)
Exchange (losses)/gains	(10,358)	6,054	(4,304)
Income tax expense	(295,202)	(31,559)	(326,761)
<b>Year ended 31 December 2020</b>			
Revenue from external customers	973,540	64,984	1,038,524
EBITDA	993,353	14,159	1,007,512
Other income	235,506	4,862	240,368
Operating expenses	(444,118)	(94,222)	(538,340)
Depreciation and amortisation	(228,421)	(38,021)	(266,442)
Net impairment losses on financial assets	(7,600)	–	(7,600)
Finance income	23,090	475	23,565
Finance costs	(3,872)	(821)	(4,693)
Exchange (losses)/gains	(30,199)	21,820	(8,379)
Income tax expense	(204,980)	(27,296)	(232,276)

	<b>Panzhuang concession</b> <i>RMB'000</i>	<b>Mabi concession</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>As at 31 December 2021</b>			
Total assets	<b>4,088,985</b>	<b>3,261,864</b>	<b>7,350,849</b>
Total liabilities	<b>1,073,233</b>	<b>566,004</b>	<b>1,639,237</b>
Additions to non-current assets (other than deferred income tax assets)	<b>292,940</b>	<b>537,638</b>	<b>830,578</b>
<b>As at 31 December 2020</b>			
Total assets	3,690,541	2,661,475	6,352,016
Total liabilities	816,965	257,513	1,074,478
Additions to non-current assets (other than deferred income tax assets)	285,762	235,782	521,544

A reconciliation of EBITDA to total profit before income tax is provided as follows:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Total EBITDA for reportable segments</b>	<b>1,550,992</b>	1,007,512
Headquarters and others overheads	<b>(6,270)</b>	(12,515)
Depreciation and amortisation	<b>(396,523)</b>	(271,368)
Finance income	<b>24,522</b>	33,237
Finance costs	<b>(5,750)</b>	(4,834)
Exchange losses	<b>(8,597)</b>	(9,459)
Share of net loss of associates accounted for using the equity method	<b>(14,052)</b>	–
Profit before income tax	<b><u>1,144,322</u></b>	<u>742,573</u>

Reportable segments' assets are reconciled to total assets as follows:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	<i>RMB'000</i>
Total segment assets	<b>7,350,849</b>	6,352,016
<b>Unallocated</b>		
Unallocated property, plant and equipment	<b>52,645</b>	207
Unallocated other financial assets at amortised cost	<b>55,000</b>	–
Unallocated trade and other receivables	<b>6,940</b>	24,268
Unallocated cash and cash equivalents	<b>306,765</b>	661,101
Others	<b>313,743</b>	789
	<u><b>8,085,942</b></u>	<u>7,038,381</u>
Total assets per balance sheet	<u><b>8,085,942</b></u>	<u>7,038,381</u>

Reportable segments' liabilities are reconciled to total liabilities as follows:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	<i>RMB'000</i>
Total segment liabilities	<b>1,639,237</b>	1,074,478
<b>Unallocated</b>		
Unallocated lease liabilities	<b>823</b>	518
Unallocated trade and other payables	<b>20,332</b>	2,543
	<u><b>1,660,392</b></u>	<u>1,077,539</u>
Total liabilities per balance sheet	<u><b>1,660,392</b></u>	<u>1,077,539</u>

#### 4. REVENUE

Almost all of the Group's revenue is derived through the sale of the Group's share of CBM sold to customers in the PRC. Sales of gas are recognised when control of the gas has transferred, being when the gas is delivered to the customers. The amount of revenue is recognised based on the terms of the PSCs and gas sales agreements.

## 5. OTHER INCOME

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
VAT refund (a)	<b>140,245</b>	85,343
Government subsidy (b)	<b>111,630</b>	155,025
	<b>251,875</b>	240,368

- (a) VAT refund is granted by the PRC government according to “The Notice on Tax Policy Issued by The Ministry of Finance and The State Administration of Taxation on Speeding Up The Drainage of Coalbed Methane” (《財政部國家稅務總局關於加快煤層氣抽採有關稅收政策問題的通知》). CUCBM and PetroChina apply for the VAT refund for Panzhuang and Mabi concessions, respectively. The Group recognises its entitlement based on the Group’s share of CBM sold and when there is reasonable assurance that the amount will be received.
- (b) Government subsidy is granted by the PRC government according to “The Implementation Opinions of Subsidies Granted by The Ministry of Finance on The Development and Utilisation of Coalbed Methane” (《財政部關於煤層氣(瓦斯)開發利用補貼的實施意見》) published on 20 April 2007, as amended by “Interim Measures for the Administration of Special Funds for the Development of Clean Energy” (《清潔能源發展專項資金管理暫行辦法》) issued on 12 June 2020. The Group applies for the subsidy for Panzhuang concession. PetroChina applies for the subsidy for Mabi concession. The Group recognises its entitlement based on the Group’s share of CBM sold and when there is reasonable assurance that the amount will be received.

## 6. FINANCE INCOME, NET

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expense of lease liabilities	<b>(3,707)</b>	(4,096)
Accretion expenses of asset retirement obligations	<b>(2,043)</b>	(738)
Finance costs	<b>(5,750)</b>	(4,834)
Finance income	<b>24,522</b>	33,237
Exchange losses	<b>(8,597)</b>	(9,459)
Finance income, net	<b>10,175</b>	18,944

## 7. INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	<b>288,194</b>	174,469
Deferred income tax	<b>40,449</b>	57,808
	<u><b>328,643</b></u>	<u>232,277</u>

The Company and its subsidiaries incorporated under respective jurisdiction of the Cayman Islands, the British Virgin Islands and Samoa, are exempted from payment of local income tax.

No provision for Hong Kong profits tax has been provided as the Group did not derive any assessable profits in Hong Kong during the year.

According to the PRC Corporate Income Tax Law promulgated by the PRC government, the tax rate applicable to the Group's subsidiary established in the PRC and the PRC branches of the Group's subsidiaries is 25%. Corporate income tax in the PRC is calculated based on the taxable profit of the company or branches established in the PRC.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	<b>1,144,322</b>	742,573
Tax expense calculated at applicable tax rates	<b>308,221</b>	237,151
Utilization of previously year deductible temporary differences for which no deferred tax asset was recognised	<b>(744)</b>	(8,406)
Expenses not deductible for taxation purposes	<b>21,122</b>	3,227
Others	<b>44</b>	305
	<u><b>328,643</b></u>	<u>232,277</u>
Income tax expense	<b>328,643</b>	232,277



## 8. INVESTMENTS IN ASSOCIATES

Set out below are the associates of the Group as at 31 December 2021 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of relationship	Measurement method	Carrying amount at 31 December 2021
		%			<i>RMB'000</i>

Shanxi Tongyu (i)	Shanxi, PRC	32.1296	Associate	Equity method	242,985
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(i) Shanxi Tongyu Coalbed Methane Transportation and Distribution Ltd (“**Shanxi Tongyu**”) is mainly engaged in sales, transmission and distribution of CBM. During the year, the Group increased the capital of Shanxi Tongyu with a total consideration of RMB257,036,418. As at 31 December 2021, the Group holds 32.1296% of the shares of Shanxi Tongyu.

## 9. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (a)		
— CUCBM	318,319	193,194
— PetroChina	102,049	71,828
— Shanxi Tongyu	89,267	110,709
— External customers	8,271	12,355
	<b>517,906</b>	388,086
Less: loss allowance for impairment of trade receivables (e)	<b>(15,184)</b>	(7,600)
Trade receivables, net	<b>502,722</b>	380,486
Notes receivables	–	1,100
Government grants receivables (b)		
— Government	404,779	405,641
— CUCBM	43,783	–
— PetroChina	9,745	21,051
Due from PSC partners for cash calls and accrued expenses (c)		
— CUCBM	134,876	122,656
— PetroChina	123,096	109,294
Loans to third party (d)	3,452	–
Deposits and others	6,256	31,183
	<b>725,987</b>	689,825
Less: loss allowance for impairment of other receivables (e)	<b>(2,173)</b>	–
Other receivables, net	<b>723,814</b>	689,825
Total trade and other receivables	<b>1,226,536</b>	1,071,411

(a) **Trade receivables**

The ageing analysis of trade receivables is as follows:

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within 3 months	<b>505,367</b>	251,468
3 months to 6 months	–	12,245
6 months to 1 year	<b>12,539</b>	77,038
1 to 2 years	–	42,288
2 to 3 years	–	5,047
	<hr/>	<hr/>
	<b>517,906</b>	388,086
Less: loss allowance for impairment of trade receivables (e)	<b>(15,184)</b>	(7,600)
	<hr/>	<hr/>
	<b>502,722</b>	380,486
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables due from CUCBM represent the cash collected from external customers attributable to Sino-American Energy, Inc. (“SAEI”) and deposited into CUCBM’s bank account on behalf of the Group, which is jointly managed by CUCBM and SAEI.

Trade receivables due from PetroChina represent the amount to be collected from PetroChina relating to the sale of the Group’s share of CBM from Mabi and Panzhuang concessions.

Trade receivables due from Shanxi Tongyu represent the amount to be collected from Shanxi Tongyu relating to the sale of the Group’s share of CBM from Panzhuang concession.

Trade receivables due from external customers represent the amount to be collected from the independent customers relating to the sale of the Group’s share of CBM from Panzhuang concession.

- (b) This represents the VAT refund and government subsidies for CBM receivable from the government directly or through CUCBM and PetroChina.
- (c) This represents CUCBM's and PetroChina's share of the cash calls and accrued expenses for the development and production costs of Panzhuang and Mabi concessions yet to be received from CUCBM and PetroChina, respectively.
- (d) This represents loans to third party with a term of six months.
- (e) The loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Opening loss allowance	(7,600)	–
Increase in loss allowance recognised in profit or loss during the year	<u>(7,584)</u>	<u>(7,600)</u>
Closing loss allowance	<u><u>(15,184)</u></u>	<u><u>(7,600)</u></u>

The loss allowances for other receivables as at 31 December reconcile to the opening loss allowances as follows:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Opening loss allowance	–	–
Increase in loss allowance recognised in profit or loss during the year	<u>(2,173)</u>	<u>–</u>
Closing loss allowance	<u><u>(2,173)</u></u>	<u><u>–</u></u>

- (f) As at 31 December 2021, the carrying amounts of trade and other receivables approximated their fair values.
- (g) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
RMB	1,226,312	1,070,652
HK\$	224	719
US\$	<u>–</u>	<u>40</u>
	<u><u>1,226,536</u></u>	<u><u>1,071,411</u></u>

## 10. TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables	615,143	428,649
Amounts due to related parties		
— Xintai Jinggong	15,705	576
— Shanxi Tongyu	4,661	—
Amounts due to PSC partners		
— CUCBM	93,257	7,112
— PetroChina	9,552	7,463
Advance from customers	4,476	—
Tax payables	14,513	2,258
Payroll liabilities	34,195	17,138
Other payables	12,097	4,973
	<u>803,599</u>	<u>468,169</u>

(a) The ageing analysis of trade payables is as follows:

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 6 months	536,916	371,832
6 months to 1 year	24,646	20,331
1 to 2 years	38,208	12,441
2 to 3 years	3,405	12,526
Over 3 years	11,968	11,519
	<u>615,143</u>	<u>428,649</u>

(b) The carrying amounts of trade and other payables approximated their fair values.

- (c) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	<b>802,989</b>	467,393
HK\$	<b>283</b>	267
US\$	<b>327</b>	509
	<u><b>803,599</b></u>	<u>468,169</u>

## 11. EARNINGS PER SHARE

### (a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2021 and 2020.

	<b>Year ended 31 December</b>	
	<b>2021</b>	2020
Profit attributable to owners of the Company (RMB'000)	<u><b>815,679</b></u>	<u>510,296</u>
Weighted average number of ordinary shares in issue (Thousands)	<u><b>3,394,444</b></u>	<u>3,393,582</u>
Basic earnings per share (RMB)	<u><b>0.240</b></u>	<u>0.150</u>

### (b) Diluted

Diluted 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 share options outstanding which are potentially dilutive. The assumed proceeds from conversion of these options shall be regarded as having been received from the issue of ordinary shares at average market price of ordinary shares during the period. The difference between the number of shares that would have been issued assuming the exercise of the share options and the number of shares that could have been issued at the average market price of the ordinary shares during the period with the same total assumed proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	<b>Year ended 31 December</b>	
	<b>2021</b>	2020
Profit attributable to owners of the Company (RMB'000)	<u>815,679</u>	<u>510,296</u>
Weighted average number of ordinary shares in issue (Thousands)	<b>3,394,444</b>	3,393,582
Adjustments for assumed conversion of share options (Thousands)	<u>34</u>	<u>–</u>
Weighted average number of ordinary shares for diluted earnings per share (Thousands)	<u>3,394,478</u>	<u>3,393,582</u>
Diluted earnings per share (RMB)	<u><u>0.240</u></u>	<u><u>0.150</u></u>

## 12. DIVIDENDS

A dividend in respect of the year ended 31 December 2021 of RMB0.0589 per share will be proposed at the annual general meeting (“AGM”) on 20 May 2022. These financial statements do not reflect this dividend payable.

A dividend in respect of the year ended 31 December 2020 of RMB0.1031 per share was approved at the AGM on 13 May 2021 and was paid on 28 May 2021.

## 13. SUBSEQUENT EVENTS

On 18 January 2022, the Group entered into an agreement with XTRQ, pursuant to which the Group and XTRQ agreed to make a capital contribution of RMB24.5 million and RMB25.5 million to establish a company, representing 49.0% and 51.0% of the total capital contribution, respectively. On 30 March 2022, the Group entered into a capital increase agreement with XTRQ, pursuant to which the Group and XTRQ agreed to contribute additional RMB122.5 million and RMB127.5 million, respectively. Subsequent to the capital increase, the share of equity held by both parties remains unchanged.

## FINANCIAL REVIEW

	Year Ended 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Revenue</b>	<b>1,739,226</b>	1,038,524
— Panzhuang	<b>1,522,736</b>	973,540
— Mabi	<b>176,946</b>	64,984
— Headquarters and others	<b>39,544</b>	—
<b>Subsidy income</b>	<b>111,630</b>	155,025
— Panzhuang	<b>99,188</b>	156,043
— Mabi	<b>12,442</b>	(1,018)
<b>VAT refund</b>	<b>140,245</b>	85,343
— Panzhuang	<b>124,463</b>	79,463
— Mabi	<b>15,782</b>	5,880
<b>Other gains, net</b>	<b>18,022</b>	2,095
<b>Operating expenses</b>	<b>(860,924)</b>	(557,358)
Depreciation and amortization	<b>(396,523)</b>	(271,368)
Employee benefit expenses	<b>(102,901)</b>	(73,372)
Exploration expenses	<b>(50,280)</b>	—
Materials, services and logistics	<b>(283,644)</b>	(190,831)
Net impairment losses on financial assets	<b>(9,757)</b>	(7,600)
Others	<b>(17,819)</b>	(14,187)
<i>Panzhuang</i>	<b>(596,668)</b>	(444,118)
Depreciation and amortization	<b>(325,181)</b>	(228,421)
Employee benefit expenses	<b>(68,798)</b>	(54,196)
Materials, services and logistics	<b>(182,296)</b>	(142,643)
Net impairment losses on financial assets	<b>(7,579)</b>	(7,600)
Others	<b>(12,814)</b>	(11,258)
<i>Mabi</i>	<b>(196,727)</b>	(94,222)
Depreciation and amortization	<b>(65,389)</b>	(38,021)
Employee benefit expenses	<b>(28,338)</b>	(14,932)
Exploration expenses	<b>(50,280)</b>	—
Materials, services and logistics	<b>(46,913)</b>	(39,009)
Net impairment losses on financial assets	<b>(2,173)</b>	—
Others	<b>(3,634)</b>	(2,260)

	<b>Year Ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<i>Headquarters and others</i>	<b>(67,529)</b>	(19,018)
Depreciation and amortization	<b>(5,953)</b>	(4,926)
Employee benefit expenses	<b>(5,765)</b>	(4,244)
Materials, services and logistics	<b>(54,435)</b>	(9,179)
Net impairment losses on financial assets	<b>(5)</b>	–
Others	<b>(1,371)</b>	(669)
<b>EBITDA</b>	<b>1,544,722</b>	994,997
— Panzhuang	<b>1,477,455</b>	993,353
— Mabi	<b>73,537</b>	14,159
— Headquarters and others	<b>(6,270)</b>	(12,515)
<b>Profit from operations</b>	<b>1,148,199</b>	723,629
Finance income	<b>24,522</b>	33,237
Finance costs	<b>(5,750)</b>	(4,834)
Exchange losses	<b>(8,597)</b>	(9,459)
<b>Finance income, net</b>	<b>10,175</b>	18,944
<b>Share of net loss of associates accounted for using the equity method</b>	<b>(14,052)</b>	–
<b>Profit before income tax</b>	<b>1,144,322</b>	742,573
Income tax expense	<b>(328,643)</b>	(232,277)
<b>Profit for the year</b>	<b><u>815,679</u></b>	<b><u>510,296</u></b>



Production, sales, realized ASP and revenue are set out below:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
Gross production volume (bcf) <sup>1</sup>	<b>45.84</b>	36.52
Panzhuang	<b>41.49</b>	34.16
Mabi	<b>4.35</b>	2.36
Gross production volume (MMCM) <sup>1</sup>	<b>1,297.94</b>	1,034.05
Panzhuang	<b>1,174.77</b>	967.19
Mabi	<b>123.17</b>	66.86
Gross sales volume (bcf) <sup>2</sup>	<b>44.16</b>	35.47
Panzhuang	<b>40.34</b>	33.31
Mabi	<b>3.82</b>	2.16
Gross sales volume (MMCM) <sup>2</sup>	<b>1,250.27</b>	1,004.33
Panzhuang	<b>1,142.21</b>	943.16
Mabi	<b>108.06</b>	61.17
Net sales volume (bcf) <sup>3</sup>	<b>31.75</b>	25.25
Panzhuang	<b>28.79</b>	23.89
Mabi	<b>2.96</b>	1.36
Net sales volume (MMCM) <sup>3</sup>	<b>899.20</b>	714.95
Panzhuang	<b>815.34</b>	676.47
Mabi	<b>83.86</b>	38.48
Realized ASP (RMB per cubic meter) <sup>4</sup>	<b>1.79</b>	1.42
Panzhuang	<b>1.80</b>	1.42
Mabi	<b>1.67</b>	1.38
Revenue (RMB'000)	<b>1,699,682</b>	1,038,524
Panzhuang	<b>1,522,736</b>	973,540
Mabi	<b>176,946</b>	64,984

*Notes:*

1. Gross production volume is the total amount of CBM produced.
2. Gross sales volume is gross production volume less utilization loss.
3. Net sales volume is the portion of gross sales volume allocated to us under the production sharing contract, after the deduction of amount sold to pay applicable VAT and local taxes.
4. Realized ASP excludes the directly attributable pass through cost, thus reflecting the realized wellhead price.

*Revenue.* Our revenue increased by RMB701 million or 67.47% from RMB1.038 billion in 2020 to RMB1.739 billion in 2021. The increase was mainly due to the increase in realized ASP and net sales volume as a result of the increase in production volume in Panzhuang and Mabi concessions, as well as the increase in revenue due to the new energy trading and LNG processing and sales businesses. The gross production volume of Panzhuang concession increased by 21.46% from 967 MMCM in 2020 to 1,175 MMCM in 2021; realized ASP increased from RMB1.42 per cubic meter in 2020 to RMB1.80 per cubic meter in 2021. The gross production volume of Mabi concession increased by 84.22% from 67 MMCM in 2020 to 123 MMCM in 2021; realized ASP increased from RMB1.38 per cubic meter in 2020 to RMB1.67 per cubic meter in 2021.

*Subsidy income.* Our subsidy income decreased from RMB155 million in 2020 to RMB112 million in 2021, representing a decrease of RMB43 million or 27.99%, mainly due to the lower criteria set by the subsidizing authorities.

*VAT refund.* Our VAT refund increased by RMB55 million or 64.33% from RMB85 million in 2020 to RMB140 million in 2021, mainly due to the increase in realized ASP and net sales volume of Panzhuang and Mabi concessions.

*Other gains, net.* Our other gains increased by RMB15.93 million or 760.24% from RMB2.09 million in 2020 to RMB18.02 million in 2021, primarily due to the investment income arising from disposal of financial assets.

*Operating expenses.* Our operating expenses increased by RMB304 million or 54.47% from RMB557 million in 2020 to RMB861 million in 2021, primarily due to the increase in depreciation and amortization as a result of the increase in production wells, the increase in materials, services and logistics as a result of the increase in production wells, the newly incurred sales costs of LNG, and the newly incurred exploration expenses.

- *Depreciation and amortisation.* Our depreciation and amortization increased by RMB125 million or 46.12% from RMB271 million in 2020 to RMB396 million in 2021, mainly due to the increase in production wells and production volume in Panzhuang and Mabi concessions.

- *Employee benefit expenses.* Our employee benefit expenses increased by RMB30 million or 40.25% from RMB73 million in 2020 to RMB103 million in 2021, primarily due to the increase in wages and bonuses.
- *Exploration expenses.* Our exploration expenses were RMB50.28 million, primarily due to the permanent well closure in Mabi concession.
- *Materials, services and logistics.* Our materials, services and logistics expenses increased by RMB93 million or 48.64% from RMB191 million in 2020 to RMB284 million in 2021, primarily due to the increase in repair, wastewater treatment and other operating costs as a result of the increase in production wells and production volume, and the newly incurred sales costs of LNG.
- *Net impairment losses on financial assets.* Our net impairment losses on financial assets were RMB7.60 million and RMB9.76 million in 2020 and 2021 respectively, primarily due to the expected credit losses on trade receivables and other receivables.
- *Others.* Our other expenses were RMB14.19 million and RMB17.82 million in 2020 and 2021 respectively.

*EBITDA.* Our EBITDA increased by RMB550 million or 55.25% from RMB995 million in 2020 to RMB1.545 billion in 2021. The increase was primarily due to the increase in realized ASP and the increase in net sales volume as a result of the increase in production volume in Panzhuang and Mabi concessions, but partially offset by the decrease in subsidy income, the increase in materials, services and logistics, the newly incurred sales costs of LNG and the newly incurred exploration expenses. In conclusion, higher production and realized ASP have led to an increase in EBITDA, the magnitude of which was smaller than the increase in revenue. The EBITDA for 2020 amounted to RMB995 million, including non-operation related business development and legal consulting service expenses of RMB1.07 million. The EBITDA for 2021 amounted to RMB1.545 billion, including non-operating related business development and legal consulting service expenses of RMB7.00 million. The EBITDA of Panzhuang concession increased by RMB484 million or 48.73% from RMB993 million in 2020 to RMB1.477 billion in 2021. The increase in EBITDA of Panzhuang concession in 2021 was mainly due to the increase in production volume and realized ASP, but partially offset by the decrease in subsidy income and the increase in materials, services and logistics. The EBITDA of Mabi concession increased by RMB59.38 million or 419.37% from RMB14.16 million in 2020 to RMB73.54 million in 2021. The increase in EBITDA of Mabi concession in 2021 was primarily due to the increase in production and realized ASP, but partially offset by the newly incurred exploration expenses.

*Profit from operations.* As a result of the foregoing, our profit from operations increased by RMB424 million or 58.67% from RMB724 million in 2020 to RMB1.148 billion in 2021.

*Finance income.* Our finance income decreased by RMB8.72 million or 26.22% from RMB33.24 million in 2020 to RMB24.52 million in 2021, primarily due to the decrease in cash and bank balances.

*Finance costs.* Our finance costs were RMB4.83 million and RMB5.75 million in 2020 and 2021, respectively.

*Exchange losses.* Our exchange losses decreased from RMB9.46 million in 2020 to RMB8.60 million in 2021, primarily due to the foreign exchange gains of monetary items in foreign currency arising from the exchange rate fluctuations for foreign currency against RMB.

*Share of net loss of associates accounted for using the equity method.* Our share of net loss of associates accounted for using the equity method was RMB14.05 million in 2021.

*Profit before income tax.* Our profit before income tax increased by RMB401 million or 54.10% from RMB743 million in 2020 to RMB1.144 billion in 2021, primarily due to the factors affecting EBITDA as described above, partially offset by the increase in depreciation and amortization expenses, the decrease in finance income, the increase in finance costs, exchange losses and share of net loss of associates accounted for using the equity method incurred.

*Income tax expense.* Our income tax expenses increased by RMB97 million or 41.49% from RMB232 million in 2020 to RMB329 million in 2021, mainly due to the increase in profit before income tax of Panzhuang concession and the increase in deferred income tax expenses of Mabi concession in 2021.

*Profit for the year.* Our profit for the year increased by RMB306 million or 59.84% from RMB510 million in 2020 to RMB816 million in 2021, mainly due to the factors affecting profit before income tax stated above but partially offset by the increase in income tax expense.

## **EBITDA AND ADJUSTED EBITDA**

We provide a reconciliation of EBITDA and adjusted EBITDA to profit for the year, which is the most directly comparable financial performance calculated and presented in accordance with HKFRS. EBITDA refers to earnings before finance income, finance costs, exchange gains/losses, share of net loss of associates accounted for using the equity method, income tax and depreciation and amortization. Adjusted EBITDA refers to EBITDA adjusted to exclude non-cash expenses, non-recurring items or non-operation-related expenses to demonstrate EBITDA of the Group's core operations.

We have included EBITDA and adjusted EBITDA as we believe they are financial measures commonly used in the oil and gas industry. We believe that EBITDA and adjusted EBITDA are used as supplemental financial measures by our management, investors, research analysts, bankers and others to assess our operating performance, cash flow and return on capital as compared to those of other companies in our industry, and our financing ability. However, EBITDA and adjusted EBITDA should not be considered in isolation or construed as alternatives to profit from operations or any other measure of performance or as indicators of our operating performance or profitability. EBITDA and adjusted EBITDA are unable to account for income tax, share of net loss of associates accounted for using the equity method, exchange gains/losses, finance income, finance costs and depreciation and amortization.

The following table sets forth a reconciliation of EBITDA and adjusted EBITDA to profit for the year.

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Reconciliation of profit for the year to EBITDA</b>		
<b>Profit for the year</b>	<b>815,679</b>	510,296
Income tax expense	<b>328,643</b>	232,277
Share of net loss of associates accounted for using the equity method	<b>14,052</b>	–
Finance income	<b>(24,522)</b>	(33,237)
Finance costs	<b>5,750</b>	4,834
Exchange losses	<b>8,597</b>	9,459
Depreciation and amortization	<b>396,523</b>	271,368
<b>EBITDA</b>	<b><u>1,544,722</u></b>	<u>994,997</u>
Non-operation-related business development and legal consulting service expenses	<b>6,998</b>	1,065
<b>Adjusted EBITDA</b>	<b><u>1,551,720</u></b>	<u>996,062</u>

Our EBITDA increased by RMB550 million or 55.25% from RMB995 million in 2020 to RMB1.545 billion in 2021. The increase was primarily due to the increase in realized ASP and the increase in net sales volume as a result of the increase in production volume in Panzhuang and Mabi concessions, but partially offset by the decrease in subsidy income, the increase in material, services and logistics, the newly incurred sales costs of LNG and the newly incurred exploration expenses. In conclusion, higher production and realized ASP have led to an increase in EBITDA, the magnitude of which was smaller than the increase in revenue.

Our adjusted EBITDA increased by RMB556 million or 55.79% from RMB996 million in 2020 to RMB1.552 billion in 2021. The increase was due to the aforementioned reasons for the increase in EBITDA coupled with the increase in non-operation-related business development and legal consulting service expenses.

## LIQUIDITY AND CAPITAL RESOURCES

The Group's financial management department is responsible for the financing and fund management policies related to the overall operations of the Group. Our investment funds were mainly derived from cash generated from operating activities.

As at 31 December 2021, we had cash and bank balances of RMB1.887 billion (31 December 2020: RMB1.846 billion).

Save as the information disclosed above or otherwise in this results announcement, the Group had no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, borrowings, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantee or other material contingent liabilities as at 31 December 2021.

### Cash flows

The table below sets forth our cash flow for each of the years indicated:

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	<b>1,363,449</b>	534,266
Net cash used in investing activities	<b>(1,167,546)</b>	(431,034)
Net cash used in financing activities	<b>(355,833)</b>	(367,656)
Net decrease in cash and cash equivalents	<b>(159,930)</b>	(264,424)
Cash and cash equivalents at beginning of the year	<b>1,790,505</b>	2,083,931
Exchange losses on cash and cash equivalents	<b>(3,900)</b>	(29,002)
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	<b><u>1,626,675</u></b>	<u>1,790,505</u>

## **Operating activities**

Net cash generated from operating activities in 2021 was RMB1.363 billion, mainly due to profit before income tax of RMB1.144 billion, depreciation and amortization of RMB397 million and exploration expenses of RMB50.28 million. These items were offset by income tax paid of RMB210 million and share of net loss of associates accounted for using the equity method of RMB14.05 million.

Net cash generated from operating activities in 2020 was RMB534 million, mainly due to profit before income tax of RMB743 million and depreciation and amortization of RMB271 million. These items were offset by income tax paid of RMB124 million and an increase in trade and other receivables of RMB375 million.

## **Investing activities**

Net cash used in investing activities in 2021 was RMB1.168 billion, mainly comprised of purchases of property, plant and equipment of RMB699 million, investments in associates of RMB234 million, purchases of term deposits with maturity over 3 months of RMB200 million. The purchase of property, plant and equipment mainly comprised of payment for more wells drilled, additional well head compressors and construction of gas gathering stations and power facilities.

Net cash used in investing activities in 2020 was RMB431 million, mainly comprised of purchases of property, plant and equipment of RMB504 million, offset by the decrease in term deposits with maturity over 3 months of RMB47.31 million and the interest received of RMB29.27 million. The purchase of property, plant and equipment mainly comprised of payment for more wells drilled, additional well head compressors and construction of gas gathering stations and power facilities.

## **Financing activities**

Net cash used in financing activities in 2021 was RMB356 million, which was mainly due to the payment of dividend of RMB351 million for year ended 31 December 2020 and repayment of lease liabilities of RMB6.19 million.

Net cash used in financing activities in 2020 was RMB368 million, which was mainly due to the payment of dividend of RMB359 million for the year ended 31 December 2019 and repayment of lease liabilities of RMB8.9 million.

## **Cash and bank balances**

We had cash and bank balances of RMB1.846 billion and RMB1.887 billion as at 31 December 2020 and 2021, respectively. Our cash and bank balances consist of cash on hand, cash at banks and restricted bank deposits. As at 31 December 2020 and 2021, approximately 30.30% and 0.84% of our cash and bank balances were held in Hong Kong dollars or US dollars, respectively.

## **FINANCIAL RISK FACTORS**

The operating activities of the Group expose to a variety of financial risks: credit risk, market risk (includes foreign exchange risk), liquidity risk and concentration risk. The overall risk management program of the Group focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

### **Credit risk**

Credit risk of the Group arises from cash at bank, trade and other receivables and other financial assets at amortised cost.

As the majority of the cash at bank are placed with state-owned and international banks and financial institutions in the PRC and Hong Kong, and there has been no recent history of default in relation to these banks and financial institutions, the corresponding credit risk is relatively low.

The Group has controls in place to assess the credit quality of its customers, taking into account of their financial positions, past experience and other factors. The Group's sales were only made to the customers with good credit history. The utilisation of credit limits is regularly monitored.

### **Foreign exchange risk**

The Group is exposed to foreign exchange risk arising from various currency exposures, particularly with respect to US dollar. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency other than the entity's functional currency.



Prior to 30 April 2016, we were exposed to non-cash foreign exchange risks arising from retranslation of inter-company loans denominated in US dollar. To manage the foreign exchange risk, the management decided to execute a debt restructuring on 30 April 2016 by converting the inter-company loans into perpetual loans through entering into perpetual loan agreements between respective group companies such that the perpetual loans do not bear interest and the lenders cannot request repayment. Upon completion of this debt restructuring, any foreign exchange difference arising from the retranslation of these US dollar denominated perpetual loans was recognized in equity in the consolidated financial statements.

The Group manages its foreign exchange risk by closely monitoring the movement of the foreign exchange rates and companies' internal accounts denominated in US dollar.

As at 31 December 2021, if RMB had weakened/strengthened by 1% against US dollar, with all other variables being held constant, profit before income tax for the year would have been RMB1,187,000 (31 December 2020: RMB1,649,000) higher/lower, respectively, mainly as a result of foreign exchange gains/losses on translation of US\$ denominated receivables and payables held by our entities with their functional currency as RMB.

## **SIGNIFICANT INVESTMENTS**

The Group did not hold any significant investments for the year ended 31 December 2021.

## **ACQUISITION AND DISPOSAL OF SUBSIDIARIES OR ASSOCIATES**

The details of acquisition of associates by the Group are disclosed in note 8 to the section headed "Financial Results" of this results announcement. Save as disclosed above, the Group had no other acquisition or disposal of subsidiaries or associates for the year ended 31 December 2021.

## **SIGNIFICANT CHANGES/EVENTS AFTER THE END OF THE FINANCIAL YEAR**

On 18 January 2022, the Group entered into an agreement with XTRQ, pursuant to which the Group and XTRQ agreed to make a capital contribution of RMB24.5 million and RMB25.5 million to establish a company, representing 49.0% and 51.0% of the total capital contribution, respectively. On 30 March 2022, the Group entered into a capital increase agreement with XTRQ, pursuant to which the Group and XTRQ agreed to contribute additional RMB122.5 million and RMB127.5 million, respectively. Subsequent to the capital increase, the share of equity held by the Group and XTRQ remains unchanged. For details, please refer to the announcement of the Company dated 18 January 2022 and the announcement of the Company dated 30 March 2022.

Saved as the above and as disclosed in the section headed “Financial Results” of this results announcement, there were no subsequent events between the end of the reporting period and the date of this results announcement that would have a material impact on the Group.

## **EMPLOYEES**

As at 31 December 2021, the Group employed 503 employees (include 5 disabled persons), with 2 of them based in Hong Kong.

## **PRE-IPO SHARE OPTION SCHEME**

The Company adopted a pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) on 31 March 2015, the principal terms (such as the purpose, participants and consideration for accepting any options) of which are set out in the section headed “Statutory and General Information — Pre-IPO Share Option Scheme” in Appendix V to the prospectus of the Company dated 11 June 2015 (the “**Prospectus**”).

The Pre-IPO Share Option Scheme is valid from its effective date to the earlier of the Listing Date or the date of completion of the Pre-IPO change of control and no further options will be granted under it thereafter. Options granted during the term of the Pre-IPO Share Option Scheme may be terminated in accordance with any of the provisions described in the Pre-IPO Share Option Scheme. Each option will lapse on the date specified under the Pre-IPO Share Option Scheme, but in any event the exercise period of the options shall not exceed five years from the date of vesting of the relevant options.

The maximum number of shares issued and to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme to any person (including exercised and outstanding options) pursuant to the Pre-IPO Share Option Scheme and any other share compensation arrangements adopted by the Company shall not exceed 3.0% of the shares in issue from time to time.

## **OUTSTANDING OPTIONS**

During the year ended 31 December 2021, 1,541,722 options were exercised and no option was cancelled or lapsed. There was no change in the share options of the Directors, chief executives or substantial shareholders of the Company or their respective associates during the year. As at 31 December 2021, there were a total of 192,715 options outstanding. None of the Directors, chief executives or substantial shareholders of the Company or their respective associates held outstanding options.

As at the date of this results announcement, total outstanding options under the Pre-IPO Share Option Scheme were 192,715, representing approximately 0.006% of the issued shares of the Company.

Save as disclosed above, no further options have been or would be granted by the Company after the Listing Date pursuant to the Pre-IPO Share Option Scheme.

## POST-IPO RSU SCHEME

The Company adopted a post-IPO restricted share unit scheme (the “**Post-IPO RSU Scheme**”) on 5 June 2015, which took effect on the Listing Date, a summary of the principal terms (such as the purpose, participants) of which is set out in the section headed “Statutory and General Information — Post-IPO RSU Scheme” in Appendix V to the Prospectus.

The Post-IPO RSU Scheme is valid and effective for a term of 10 years from 5 June 2015 (the “**Scheme Period**”), after which period no further restricted share units (“**RSUs**”) shall be granted or accepted, but the provisions of such scheme shall remain in full force and effect in order to give effect to the vesting of RSUs granted and accepted prior to the expiration of the Scheme Period.

The Post-IPO RSU Scheme Limit may be refreshed from time to time subject to prior Shareholders’ approval, but in any event, the total number of shares that may underlie the RSUs granted following the date of approval of the refreshed limit (the “**New Approval Date**”) under the limit as refreshed from time to time must not exceed 2% of the number of shares in issue as at the New Approval Date.

On 18 December 2015, the Company granted an aggregate of 41,234,696 RSUs to certain connected grantees and non-connected grantees of the Group pursuant to the Post-IPO RSU Scheme. Subsequently the grant of RSUs to three connected grantees was approved by the independent shareholders at the extraordinary general meeting held on 22 January 2016. On 31 January 2016, an aggregate of 19,865,199 RSUs were accepted by the connected grantees and an aggregate of 21,199,297 RSUs were accepted by the non-connected grantees, respectively.

On 24 March 2017, the Board granted an aggregate of 26,333,182 RSUs to certain connected grantees and non-connected grantees of the Group pursuant to the Post-IPO RSU Scheme. Subsequently the grant of RSUs to six connected grantees was approved by the independent shareholders at the extraordinary general meeting held on 9 May 2017. On 31 May 2017, an aggregate of 26,333,182 RSUs were accepted by the relevant grantees.

At the 2020 annual general meeting of the Company (“**AGM**”), a specific mandate was granted to the Directors to exercise all the powers of the Company to grant RSUs pursuant to the Post-IPO RSU Scheme in respect of the underlying shares not exceeding 2% (i.e. the Directors were authorized to exercise the powers of the Company to grant the RSUs involving a maximum number of 67,871,647 underlying shares) of the shares in issue as at the date of the 2020 AGM during the period from the date of approving the mandate at that meeting up to the conclusion of the next AGM.

## OUTSTANDING RSUs

During the year ended 31 December 2021, no RSUs have been granted, vested, lapsed or cancelled. As at 31 December 2021, there were no outstanding RSUs.

As at the date of this results announcement, pursuant to the specific mandate obtained by the Board, the total number of securities available for issue under the Scheme were 67,871,647, representing approximately 2.0% of the issued shares. However, this specific mandate will expire at the conclusion of the 2021 AGM.

## USE OF PROCEEDS FROM THE LISTING OF THE COMPANY

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 23 June 2015 with proceeds from the initial public offering (“**IPO**”) of approximately RMB1.5069 billion, after deduction of the underwriting commission and other expenses. The Company intends to apply the proceeds from the Listing in accordance with the proposed applications as set out in the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in the prospectus of the Company dated 11 June 2015.

As at 31 December 2021, the proceeds from the IPO had been fully utilized. The following table sets out the breakdown of the use of proceeds from the IPO during the year ended 31 December 2021:

Use of net proceeds	Percentage of net proceeds	Net proceeds allocated (RMB hundred million)	Net proceeds	Net proceeds	Remaining amount (RMB hundred million)
			utilized as at 31 December 2020 (RMB hundred million)	utilized during the year ended 31 December 2021 (RMB hundred million)	
For the exploration and development of CBM in Panzhuang and Mabi concessions	60%	9.041	9.041	–	–
For the expansion of operations by acquiring interests in other CBM or other unconventional gas concessions or participating in cooperation or joint venture projects	35%	5.274	3.207	2.067	–
For working capital and general corporate purposes	5%	0.754	0.651	0.103	–
Total	100%	15.069	12.899	2.170	–

## **FINAL DIVIDEND**

The Board has recommended the payment of a final dividend of RMB0.0589 per share (equivalent to HK\$0.0724 per share) for the year ended 31 December 2021, subject to the approval of the Shareholders at the AGM to be held on 20 May 2022. The proposed dividends is expected to be paid on 9 June 2022 to the Shareholders whose names appear on the register of members on 30 May 2022. The dividends payable to the Shareholders will be distributed in HK Dollar at an average exchange rate of the central parity of RMB against HK Dollar as announced by The People's Bank of China for the five business days prior to the dividend declaration date.

## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The AGM is scheduled to be held on Friday, 20 May 2022. The AGM circular will be published and issued to the Shareholders in due course. For the purposes of determining the Shareholders' eligibility to attend and vote at the AGM, the register of members of the Company (the "**Register of Members**") will be closed from 17 May 2022 to 20 May 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. To be eligible to attend and vote at the AGM, all transfer forms, accompanied by the relevant share certificates, must be lodged for registration 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 no later than 4:30 p.m. on 16 May 2022 (being the business day prior to the first day of closure of the Register of Members).

The record date for determining the entitlements to the proposed final dividend is 30 May 2022. In order to determine the Shareholders' entitlements to the proposed final dividend, which is subject to the approval by the Shareholders at the AGM to be convened, the Register of Members will be closed from 26 May 2022 to 30 May 2022, both days inclusive, during which period the registration of transfer of shares will be suspended. All transfers forms accompanied by the relevant share certificates, must be lodged for registration 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 no later than 4:30 p.m. on 25 May 2022.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance our corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange as its own code of corporate governance. The Company has complied with all applicable provisions under the CG Code during the year ended 31 December 2021. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries to all Directors, all of the Directors have confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2021.

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

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2021.

## **AUDIT COMMITTEE**

The Board has established an audit committee (the “**Audit Committee**”) which comprises two independent non-executive Directors and a non-executive Director, namely Mr. Tai Kwok Leung Alexander (chairman), Dr. Liu Xiaofeng and Mr. Huang Min.

The Audit Committee has, together with the Board and external auditor of the Company, reviewed the accounting standards and practices adopted by the Group and the audited annual results for the year ended 31 December 2021. The Audit Committee has also reviewed the effectiveness of the risk management and internal control systems of the Company, and considers the risk management and internal control systems to be effective and adequate.

**PUBLICATION OF THE ANNUAL RESULTS AND 2021 ANNUAL REPORT ON  
THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aagenergy.com). The annual report for the year ended 31 December 2021 containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board  
**AAG Energy Holdings Limited**  
**Ming Zaiyuan**  
*Chairman and Executive Director*

Hong Kong, 30 March 2022

*As of the date of this announcement, the executive Directors are Mr. Ming Zaiyuan, Mr. Yan Danhua, and Mr. Zhang Jianbing; the non-executive Director is Mr. Huang Min; and the independent non-executive Directors are Mr. Tai Kwok Leung Alexander, Dr. Liu Xiaofeng and Dr. Yang Ruizhao.*