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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)**

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

**Key Interim Results Highlights:**

- **As of 30 June 2022, AAG Energy has achieved an excellent safety performance record of zero lost time injury for 7 years and 298 days in a row.**
- **Our revenue and other income (including government subsidies and VAT refunds) for 1H2022 increased by 78.43%<sup>1</sup> to RMB1.496 billion as compared to that of the corresponding period of 2021. Net profit increased by 94.18% to RMB739 million. EBITDA increased by 65.84% to RMB1.133 billion. Earnings per share increased by 94.64% to RMB0.218.**
- **Our gross production for 1H2022 was 712 MMCM, representing an increase of 15.41% as compared to that of the corresponding period of 2021:**
  - In respect of Panzhuang concession, gross production for 1H2022 was 598 MMCM, representing an increase of 5.22% as compared to that of the corresponding period of 2021;
  - In respect of Mabi concession, gross production for 1H2022 was 114 MMCM, representing an increase of 135.23% as compared to that of the corresponding period of 2021;
  - In respect of AAG Energy, daily production for 1H2022 reached 3.93 MMCM, representing an increase of 15.25% as compared to that of the corresponding period of 2021.

- **Our gross sales volume<sup>2</sup> for 1H2022 was 688 MMCM, representing an increase of 16.81% as compared to that of the corresponding period of 2021:**
  - In respect of Panzhuang concession, gross sales volume for 1H2022 was 582 MMCM, representing an increase of 5.98% as compared to that of the corresponding period of 2021;
  - In respect of Mabi concession, gross sales volume for 1H2022 was 106 MMCM, representing an increase of 166.31% as compared to that of the corresponding period of 2021.
- In 1H2022, the realized ASP<sup>3</sup> in respect of Panzhuang concession was RMB2.31 per cubic meter, representing an increase of 40.85% as compared to that of the corresponding period of 2021; while the realized ASP in respect of Mabi concession was RMB1.79 per cubic meter, representing an increase of 28.78% as compared to that of the corresponding period of 2021.
- In 1H2022, we have drilled a total of 44 wells (of which 4 were SLHs and 40 were PDWs) in Panzhuang concession; while we have drilled a total of 101 wells (of which 94 were SLHs and 7 were PDWs) in Mabi concession.
- In 1H2022, Xinxhe Investment's LNG outsourced processing recorded a sales volume of LNG was 45,600 tonnes, the sales volume of liquid trading was 13,100 tonnes.

*Note 1:* Due to the difference in units of expression and decimal places reserved of data, there may be a 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.

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

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

The board (the “**Board**”) of directors (the “**Directors**”) of AAG Energy Holdings Limited (the “**Company**”, “**AAG Energy**” or “**We**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the same period last year as follows:

## FINANCIAL SUMMARY

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue	<b>1,330,463</b>	714,731
Other income	<b>165,955</b>	123,949
Profit from operations	<b>853,872</b>	515,907
EBITDA	<b>1,132,856</b>	683,116
Adjusted EBITDA	<b>1,134,600</b>	685,303
Profit for the period	<b>739,125</b>	380,640
Basic earnings per share (RMB)	<b>0.218</b>	0.112
Diluted earnings per share (RMB)	<b>0.218</b>	0.112
	As at	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Property, plant and equipment	<b>4,818,237</b>	4,478,379
Cash and bank balances	<b>2,100,644</b>	1,886,905
Total assets	<b>8,417,693</b>	8,085,942
Total equity	<b>6,938,317</b>	6,425,550

## BUSINESS REVIEW

During the first half of 2022 (“**1H2022**”), affected by changes in the international situation and intensified geopolitical conflicts, global commodity prices, including oil, natural gas and coal, continued to rise, and energy prices increased significantly. On the other hand, in Shanxi where the Group’s resources are located and the peripheral area of Henan, the natural gas market enjoys sustained development, and have large market capacity to help balance the peak and valley differences between the off and peak seasons. In terms of project investment and development, the Group has gained a better recognition of the geology of the stock concessions, and gradually optimized project engineering adaptability and steadily improved project management; the Group has also strengthened the project production and epidemic prevention and control, in workplace, reinforced safety protection, and completed efficient investment according to plan, resulting in a better performance than expected.

The Group’s total coalbed methane (“**CBM**”) production in 1H2022 increased by 15.41% to 712 million cubic meters (“**MMCM**”) (i.e. 25.1 billion cubic feet (“**bcf**”)) as compared to 617 MMCM (i.e. 21.8 bcf) in the first half of 2021 (“**1H2021**”), which includes the gross production of 598 MMCM (i.e. 21.1 bcf) in Panzhuang concession and 114 MMCM (i.e. 4.0 bcf) in Mabi concession.

The Group’s total CBM sales volume in 1H2022 increased by 16.81% to 688 MMCM (i.e. 24.3 bcf) as compared to 589 MMCM (i.e. 20.8 bcf) in 1H2021, which included the gross sales volume of 582 MMCM (i.e. 20.5 bcf) in Panzhuang concession and 106 MMCM (i.e. 3.8 bcf) in Mabi concession.

The realized average selling price (“**ASP**”) of Panzhuang concession increased from RMB1.64 per cubic meter in 1H2021 to RMB2.31 per cubic meter in 1H2022, representing an increase of 40.85%; the realised ASP of Mabi concession increased from RMB1.39 per cubic meter in 1H2021 to RMB1.79 per cubic meter in 1H2022, representing an increase of 28.78%.

The Group’s revenue and other income (including government subsidies and VAT refunds) in 1H2022 increased by 78.43% to RMB1.496 billion, net profit increased by 94.18% to RMB739 million, EBITDA increased by 65.84% to RMB1,133 million, and earnings per share increased by 94.64% to RMB0.218, as compared to the same period of 2021.

On 30 May 2022, a leakage and explosion accident occurred in the Tongyu Pipeline, one of the main transmission channels of Panzhuang concession (owned by Shanxi Tongyu Coalbed Methane Transportation and Distribution Co. Ltd, our associate) (**the “5 • 30” Incident**). As a result of the Incident, coupled with secondary causes such as the planned summer maintenance of the surrounding liquefied natural gas (“LNG”) plants, as well as the pressure and capacity overload of the northern pipeline as the main backup channel, the production and sales of Panzhuang concession were partially affected. In response, the Company immediately activated its contingency plan and implemented countermeasures to minimize such impact by implementing preventive maintenance work in advance, enhancing high-pressure outbound transmission capacity, and deploying contingency market coordination and supply plans. During 1H2022, the Panzhuang concession faced the opportunity loss of its gas production volume of approximately 27 MMCM, representing approximately 3.8% of the gross CBM production during 1H2022. It is expected that such impact will be further mitigated by mid-September 2022, when the high-pressure outbound transmission capacity has increased.

During 1H2022, the Group has achieved operating results towards certain key business objectives as follows:

- **Health, Safety, Environment (“HSE”)**

As a leading CBM exploration and development enterprise in China, the Group always adheres to the principle of “health, safety and environmental protection are the top priority” and the safety management concept of “all accidents are preventable”. During 1H2022, in face of the complex and severe epidemic and safety situation, the Group continued to make excellent progress in HSE performance indicators with the joint efforts of all employees, and achieved a health, safety and environmental performance with zero total recordable incident rate (“**TRIR**”), zero lost time injury rate (“**LTIR**”) and zero preventable mobile vehicles accident (“**PMVA**”). As of 30 June 2022, AAG Energy has achieved an excellent safety performance record of zero lost time injury for 7 years and 298 days in a row.

During 1H2022, the Group continued to optimise the management of health, safety and environmental protection, consolidated the foundation of health, safety and environmental protection management, promoted the implementation of safety production responsibility system at all levels, established and operated the “dual prevention mechanism of safety risk classification control and hidden risk investigation and management”, and fully implemented the management requirements of the Group’s health, safety and environmental protection management system and safety production standardization.

During 1H2022, the Group focused on the inspection efforts on spring production safety, hoisting safety, management audit of CBM pipeline integrity, contractor operation bridging management, and various health, safety and environmental protection trainings and activities. The Group has conducted training sessions for 1,104 man-time with 4,434 training hours, contractor training sessions for 2,572 man-time and 10,771 training hours, construction contractor operation bridging management for 42 contractors, 45 drills in various departments, and 4 HSE activities of the Group. Through continuous strict management of health, safety and environmental protection, the Company effectively ensured the safety, stability and continuity of production and construction activities, promoted the continuous improvement of work-site management level, and ensured the implementation of the Company's HSE management objectives.

- **Panzhuang Concession**

Our Panzhuang concession, which is in partnership with China United Coalbed Methane Corporation Ltd. (“**CUCBM**”), continued to be the 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**”).

In 2011, the NDRC approved a 495 MMCM/year production capacity construction plan for the Panzhuang concession. Due to the optimization of the well type (multi-lateral drilling well (“**MLD**”) to single lateral horizontal well (“**SLH**”)) and the significant improvement of economy, the construction plan was adjusted to 650 MMCM/year in 2018, and adjusted to 1,000 MMCM/year in 2021 due to the breakthrough of production capacity of the SLH in the No. 15 coalseam. At present, the construction of the main coalseam is near completion, while the thin coalseam development tests have yielded promising results, and the preparation of the thin coalseam development plan has been initiated in 2022. The Panzhuang concession continues to bring surprises to the coalbed methane industry through continuous technological innovation.

During 1H2022, Panzhuang concession affected by the “5 • 30” Incident of the Tongyu Pipeline, the production volume was partially suppressed, but the gross production volume still reached 598 MMCM (i.e. 21.1 bcf), representing an increase of 5.22% from 569 MMCM (i.e. 20.1 bcf) during 1H2021. The average daily production was 3.305 MMCM (i.e. 0.11672 bcf) in 1H2022, as compared to 3.141 MMCM (i.e. 0.11092 bcf) in 1H2021. As of 30 June 2022, there are 542 wells in production, including 49 MLDs, 299 SLHs and 194 pad drilling wells (“**PDW**”) in Panzhuang concession.

The Group is committed to the geological research and resource development of full CBM reservoirs. In order to fully exploit the resource and maximize efficiency of Panzhuang concession and further improve the economic and social benefits of the concession, 13 thin coal seam test wells have been commissioned between 2019 to 2021 and all have indicated positive gas production performance. Among which, the daily stable gas volume of 4 test wells exceeded 10,000 cubic meters, and the highest daily gas production volume of a single well exceeded 15,000 cubic meters. Based on the preliminary test results, the Group continued to complete the drilling of 36 thin coal seams wells during 1H2022, including 10 parameter wells and 26 production trial wells, and a total of 33 wells completed fracturing and commissioning. Currently, those 33 wells are in the stage of drainage and pressure reduction or production enhancement, and various data collection has been completed. All those result are laying a solid foundation for larger scale commercial development of thin coal seam resources.

The work plan in 2022 for Panzhuang concession focuses on accelerating of production growth while keeping competitive costs. In 1H2022, a total of 44 wells were drilled in Panzhuang concession, including 4 SLHs and 40 PDWs (including 10 thin seam parameter wells). Among which, the trial well test for the coring and injection, and pressure reduction work of thin coal seams parameter wells was successful, which further consolidated the foundation for the development of thin coal seams in Panzhuang concession. The average drilling cycle and drilling cost of SLH were basically maintain the same as 2021. The drill cycle of PDW was 4.84 days, representing a decrease of 17% from 5.82 days for the same period last year. The average drilling cost per well was limited at RMB740,000, representing a decrease of approximately 8% from RMB800,000 for the same period last year. In addition, we have fractured 33 PDWs and put 33 wells into commissioning in the Panzhuang concession.

The Panzhuang concession's surface facilities include 6 gas gathering stations, 20 valve groups, 55 compressors, 69.4 km of gathering pipelines and 135 km of single-well pipelines, with a primary compression capacity of 4.56 MMCM per day and a secondary compression capacity of 1.20 MMCM per day. In order to alleviate the impact of the "5 • 30" Incident on the production pressure of Panzhuang concession, the construction of 0.7 MMCM compressors is under construction in Panzhuang concession during 1H2022. After the completion and commissioning, the production capacity of secondary compression will reach 1.90 MMCM.

For detailed information on the operation performance and well count of the Panzhuang concession, please refer to Table 1.



- **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, has also been listed as the key CBM construction project in Shanxi Province.

The Mabi concession is of large coalbed depth, low resource richness and strong inhomogeneity as its main features, resulting in difficulties in achieving economic development. The Company has continued to increase its investment in technology innovation since 2018, and resolved each problem through “sweet spot” zone evaluation, three-dimensional seismic, long extended horizontal drilling, large-scale fracturing and intelligent discharge, and has formed the current trend of rapid capacity construction and production increase.

During 1H2022, the gross production volume of Mabi concession was 114 MMCM (i.e. 4.0 bcf), representing an increase of 135.23% from 48 MMCM (i.e. 1.7 bcf) in 1H2021. During 1H2022, the average daily production was 628,200 cubic meters (i.e. 22,180,000 cubic feet), compared to 267,100 cubic meters (i.e. 9,430,000 cubic feet) in 1H2021. As at 30 June 2022, 414 wells were in production in Mabi concession, including 1 MLD, 110 SLHs and 303 PDWs.

The construction of the No. 2 gas gathering station is a key task for the development of the southern area of the Mabi concession in 2022. It has met the conditions for primary compression and commissioning by the end of June and the secondary compression is currently under active construction. The 35KV power transmission project in the southern area of the Mabi concession was successfully completed and is transmitting electricity in 1H2022. After the commissioning of the 35KV power transmission project, the power supply capacity and safe operation level of the No. 2 gas gathering station area is substantially improved, providing an effective guarantee for the subsequent increase of production capacity of the Mabi concession.



In 2022, Mabi concession is planned to deploy production trial wells in selected production areas in the north area, and select 2 SLHs and 2 PDWs for large-scale volume fracturing innovation tests, laying a foundation for the promotion of new technologies and new craftsmanship. As of 30 June 2022, drilling of 16 wells in the production area has been completed, and the volume fracturing tests has been carried out as planned. At the same time, in 1H2022, the Company is also actively promoting the evaluation, construction and production integration in northern Mabi concession. With the commencement of production capacity construction in northern Mabi concession, the effective utilisation of CBM resources in northern Mabi concession will be gradually promoted, laying a solid foundation for the development of the northern area of Mabi concession.

Based on the positive results of all developed areas of Mabi concession, on the basis of strengthening investment in 2021, the Group has promoted a more aggressive capital expenditure plan in the Mabi concession in 1H2022. In 1H2022, a total of 101 wells were drilled in the Mabi concession, including 94 SLHs and 7 PDWs, representing a year-on-year increase of approximately 15% as compared to 88 wells in the same period of 2021. Given that the coal seam in Mabi concession is deeper than that in Panzhuang concession and the drilling technique is slightly different, the single well drilling cost in Mabi concession is higher than that in Panzhuang concession, with the average single well drilling cost for SLH is RMB3.76 million, and the average single well drilling cost for PDW is RMB1.10 million. In addition, due to the acceleration and completion of the construction of No. 2 station and the 35KV substation, the Mabi concession has completed 90 new wells fracturing during 1H2022, representing an increase of 246% as compared with 26 wells in the same period of 2021. The Company will accelerate the investment and development of Mabi concession through continuous high-quality and rapid investment, and strive to increase the CBM production of the Mabi concession.

For detailed information of the operation performance and well count of the Mabi concession, please refer to Table 1.

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

	<b>1H2022</b>	1H2021	% Change	2021
Gross production (MMCM)	<b>711.91</b>	616.86	15.41%	1,297.94
Total average daily production (MMCMD)	<b>3.93</b>	3.41	15.25%	3.56
Gross production of PZ (MMCM)	<b>598.20</b>	568.52	5.22%	1,174.77
PZ MLD	<b>49.40</b>	63.78	-22.55%	123.05
PZ SLH	<b>436.39</b>	421.74	3.47%	865.80
PZ PDW	<b>112.41</b>	83.00	35.43%	185.92
Total producing wells of PZ**	<b>542</b>	452	19.91%	504
PZ MLD	<b>49</b>	49	0.00%	49
PZ SLH	<b>299</b>	272	9.93%	297
PZ PDW	<b>194</b>	131	48.09%	158
PZ wells drilled	<b>44</b>	33	33.33%	62
PZ wells fracked	<b>33</b>	15	120.00%	39
Gross production of MB (MMCM)	<b>113.71</b>	48.34	135.23%	123.17
MB MLD	<b>0.10</b>	0.09	11.11%	0.20
MB SLH	<b>63.47</b>	20.19	214.36%	60.68
MB PDW	<b>50.14</b>	28.06	78.69%	62.29
Total producing wells of Mabi**	<b>414</b>	270	53.33%	327
MB MLD	<b>1</b>	1	0.00%	1
MB SLH	<b>110</b>	48	129.17%	54
MB PDW	<b>303</b>	221	37.10%	272
MB wells drilled	<b>101</b>	88	14.77%	190
MB wells fracked	<b>90</b>	26	246.15%	108

\* Operations update as of 30 June 2022, 08: 00 CST.

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

- **LNG Outsourced Processing and Trading Business**

The Group upheld the development strategy of “entire natural gas industry ecological chain”, and the relevant business structure has begun to take shape. During 1H2022, in accordance with the business development needs, the Group continued to actively optimize the allocation of resources in various aspects, i.e. manpower, financial and material resources, gradually build up a professional team to further explore a mature commercialization model, and to gain effective backing for future investment in new concessions and new cooperation models. Currently, Xinhe Investment Holding Co., Ltd. (“**Xinhe Investment**”), the group’s wholly-owned subsidiary, is showing initial results in LNG outsourced processing business and energy trading business.

During 1H2022, Xinhe Investment’s LNG outsourced processing gas volume was 68.37 MMCM (or 2.4 bcf), the average daily gas volume was 0.5027 MMCM (or 0.01775 bcf). The actual production days were 136 days. The sales volume of LNG was 45,600 tonnes.

During 1H2022, Xinhe Investment realised gas trading of 2.05 MMCM (i.e. 0.0724 bcf), the sales volume of liquid trading was 13,100 tonnes.

## **OUTLOOK FOR THE SECOND HALF OF 2022 (“2H2022”)**

In face of the complex and severe international environment and the severe impact of the continuous recurrence of the domestic epidemic, the state has efficiently coordinated the epidemic prevention and control and economic and social development, and focused on stabilising the macro-economy. The domestic epidemic prevention and control situation is generally positive, production demand is gradually recovering, and the national economy is showing a good momentum. Under the guidance of top-level policy design such as the “14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035”, the “14th Five-Year Plan for Modern Energy System” and the “dual carbon” goals, the natural gas market has maintained the positive trend.

In face of such market opportunities, under the guidance of the Group’s clear strategic planning, we will increase investment in the development of its existing concessions and continue to increase production to expand its market share. In order to strengthen the construction of CBM transmission and distribution capacity and the construction of industrial ecological chain, we will continue to seek valuable investment targets beneficial the Group’s business development. The Group will also promote our value-based cooperation with our partners, jointly enhance our ability to cope with market changes, further optimise our costs, and maintain growth in both production and net profit, thereby laying a solid foundation for high-quality and rapid development of the Group in the medium to long run.

For 2H2022, we are pleased to report the following updated objectives:

- **Panzhuang concession**

In 2H2022, upon the guaranteed of 61 wells drilled under the annual work plan, 7 wells were added in the Panzhuang concession, bring the working capacity to a total of 68 wells drilled. Panzhuang concession will continue to promote the remaining 24 drilling operations, while at the same time pursue the procurement of drainage equipment, the operation of new wells, the expansion and transformation of No. 1 station and the corresponding ground supporting facilities according to the adjusted annual work plan. The drilling completed in 2H2022 will start to contribute production in 2023. At the same time, the Group will continue to promote the preparation work related to the development of thin coal seams, laying a solid foundation for the development of thin coal seams in the future.

- **Mabi concession**

In 2H2022, the Group will aim to achieve the annual drilling task of 176 wells in accordance with the work annual plan formulated at the beginning of the year for the Mabi concession. Meanwhile, the Group will continue to evaluate the integration of construction and production in the northern area of Mabi concession. It is expected that new wells drilled and fractured in 2022 will start to gradually contribute to the production volume during 1H2023, and thus, certain of the surface construction work were moved to 2023.

Based on the above adjusted development plans for Panzhuang concession and Mabi concession, the Group's capital expenditure budget for 2022 will basically maintain the same as the beginning of the year, including approximately RMB250 million for Panzhuang concession and approximately RMB1,302 million for Mabi concession. AAG Energy completed a capital expenditure of RMB609 million in 1H2022. The remaining capital expenditure will be funded by internal cash flow in 2H2022.

- **LNG Outsourced Processing and Trading Business**

Affected by the “5 • 30” Incident, the LNG outsourced processing business was temporarily suspended. Xinhe Investment actively opened up new channels for upstream gas source organisations, explored new channels for entrusted processing and cooperation.

During 2H2022, Xinhe Investment will focus on further increasing its market share and enhancing its influence in the Central China market; building a more mature commercialization model and gradually establishing a sound digital management team; and fully mobilizing internal and external resources to accelerate the construction of the Group's “entire natural gas industry ecological chain”. Meanwhile, the business development of Xinhe Investment will better integrate with the upstream development businesses, and make good use of the synergy effect within the industry, providing support for the Group's future projects of acquiring new concessions and innovative cooperation models. According to the overall budget of the Company and the LNG market, Xinhe Investment is expected to realize approximately 20,000 tonnes of the LNG trading volume in 2H2022.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME**

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	5	<b>1,330,463</b>	714,731
Other income	6	<b>165,955</b>	123,949
Other (losses)/gains, net		<b>(22,191)</b>	4,832
<b>Operating expenses</b>			
Depreciation and amortisation		<b>(278,984)</b>	(167,209)
Employee benefit expenses		<b>(45,370)</b>	(48,597)
Materials, services and logistics		<b>(248,991)</b>	(102,951)
Net impairment losses on financial assets		<b>(39,264)</b>	(3,548)
Others		<b>(7,746)</b>	(5,300)
<b>Total operating expenses</b>		<b>(620,355)</b>	(327,605)
<b>Profit from operations</b>		<b>853,872</b>	515,907
Finance income	8	<b>17,922</b>	11,379
Finance costs	8	<b>(4,750)</b>	(2,181)
Exchange gains/(losses)	8	<b>47,890</b>	(3,563)
<b>Finance income, net</b>		<b>61,062</b>	5,635
Share of net loss of associates accounted for using the equity method		<b>(9,173)</b>	–
<b>Profit before income tax</b>		<b>905,761</b>	521,542
Income tax expense	9	<b>(166,636)</b>	(140,902)
<b>Profit attributable to owners of the Company for the period</b>		<b>739,125</b>	380,640
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		<b>(26,927)</b>	(5,133)
<b>Total comprehensive income attributable to owners of the Company for the period</b>		<b>712,198</b>	375,507
<b>Earnings per share (RMB)</b>			
— Basic	13	<b>0.218</b>	0.112
— Diluted	13	<b>0.218</b>	0.112

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		As at <b>30 June 2022</b>	As at 31 December 2021
	<i>Note</i>	<b>RMB'000</b> <b>(Unaudited)</b>	<b>RMB'000</b> <b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>4,818,237</b>	4,478,379
Right-of-use assets		<b>56,409</b>	59,435
Intangible assets		<b>21,319</b>	24,198
Restricted bank deposits		<b>60,230</b>	60,230
Investments in associates	<i>10</i>	<b>243,612</b>	242,985
Other financial assets at amortised costs		<b>31,378</b>	55,000
Other non-current assets		<b>32,176</b>	309
		<u><b>5,263,361</b></u>	<u>4,920,536</u>
<b>Current assets</b>			
Inventories		<b>13,160</b>	11,049
Other current assets		<b>57,966</b>	101,146
Trade and other receivables	<i>11</i>	<b>1,042,792</b>	1,226,536
Term deposits with initial terms of over three months		–	200,000
Cash and cash equivalents		<b>2,040,414</b>	1,626,675
		<u><b>3,154,332</b></u>	<u>3,165,406</u>
<b>Total assets</b>		<u><b>8,417,693</b></u>	<u>8,085,942</u>



		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		2,080	2,080
Share premium		3,322,737	3,522,168
Other reserves		249,131	276,058
Retained earnings		3,364,369	2,625,244
		<u>6,938,317</u>	<u>6,425,550</u>
<b>Total equity</b>		<u><b>6,938,317</b></u>	<u><b>6,425,550</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Asset retirement obligations		154,397	150,695
Non-current lease liabilities		44,845	41,914
Deferred income tax liabilities		162,704	478,061
		<u>361,946</u>	<u>670,670</u>
<b>Current liabilities</b>			
Trade and other payables	12	937,658	803,599
Current income tax liabilities		169,348	172,390
Current lease liabilities		10,424	13,733
		<u>1,117,430</u>	<u>989,722</u>
<b>Total liabilities</b>		<u><b>1,479,376</b></u>	<u><b>1,660,392</b></u>
<b>Total equity and liabilities</b>		<u><b>8,417,693</b></u>	<u><b>8,085,942</b></u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>		
Cash generated from operations	1,350,397	417,870
Interest paid	(1,805)	(1,762)
Income tax paid	(485,034)	(144,815)
	<b>863,558</b>	<b>271,293</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment and intangible assets	(460,790)	(288,005)
Decrease/(increase) in term deposits with initial terms of over three months	200,000	(200,000)
Payments for financial assets at fair value through profit or loss	(160,000)	(274,312)
Payments for financial assets at amortised cost	(604)	(207,957)
Investments to associates	(9,800)	–
Proceeds from sale of financial assets at fair value through profit or loss	160,327	261,080
Proceeds from disposal of property, plant and equipment	–	741
Interest received	9,748	10,559
Others	2,401	–
	<b>(258,718)</b>	<b>(697,894)</b>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of options	–	1,481
Principal elements of lease payments	(2,517)	(3,443)
Dividends paid to the Company's shareholders	(196,790)	(351,120)
	<b>(199,307)</b>	<b>(353,082)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		
	<b>405,533</b>	<b>(779,683)</b>
Cash and cash equivalents at beginning of the period	1,626,675	1,790,505
Exchange gains/(losses) on cash and cash equivalents	8,206	(3,467)
	<b>2,040,414</b>	<b>1,007,355</b>
<b>Cash and cash equivalents at end of the period</b>	<b>2,040,414</b>	<b>1,007,355</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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 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 30 June 2022, 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. BASIS OF PREPARATION

This condensed consolidated interim financial information for the half-year reporting period ended 30 June 2022 has been prepared in accordance with Accounting Standard HKAS 34 Interim Financial Reporting.

The interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial information is to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by the Company during the interim reporting period.

The condensed consolidated interim financial information is presented in Renminbi (“RMB”) unless otherwise stated.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards as set out below.

### **New and amended standards adopted by the Group**

A number of new or amended standards became applicable for the current reporting period and the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

- Property, Plant and Equipment: Proceeds before intended use — Amendments to HKAS 16
- Reference to the Conceptual Framework — Amendments to HKFRS 3
- Annual Improvements to HKFRS Standards 2018–2020

## 4. 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 CODM considers the business from perspective of types of goods delivered. During the six months ended 30 June 2022, the Group’s operating segments are as follows:

— Panzhuang and Mabi concessions: the sale of CBM.

The two 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.

— Xinhe: the sale of liquified natural gas (“LNG”).

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 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 six months ended 30 June 2022 is as follows:

	<b>Panzhuang concession</b> <i>RMB'000</i>	<b>Mabi concession</b> <i>RMB'000</i>	<b>Xinhe</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>(Unaudited)</b>				
<b>For the six months ended</b>				
<b>30 June 2022</b>				
Segment revenue	<b>997,549</b>	<b>162,570</b>	<b>291,043</b>	<b>1,451,162</b>
Inter-segment revenue	<b>(120,699)</b>	<b>–</b>	<b>–</b>	<b>(120,699)</b>
Revenue from external customers	<b>876,850</b>	<b>162,570</b>	<b>291,043</b>	<b>1,330,463</b>
EBITDA(i)	<b>995,747</b>	<b>105,419</b>	<b>35,567</b>	<b>1,136,733</b>
Other income	<b>151,858</b>	<b>14,097</b>	<b>–</b>	<b>165,955</b>
Operating expenses	<b>(348,901)</b>	<b>(127,561)</b>	<b>(135,681)</b>	<b>(612,143)</b>
Depreciation and amortisation	<b>(201,944)</b>	<b>(73,690)</b>	<b>(1,394)</b>	<b>(277,028)</b>
Net impairment losses on				
financial assets	<b>(15,038)</b>	<b>–</b>	<b>(24,226)</b>	<b>(39,264)</b>
Finance income	<b>12,678</b>	<b>1,444</b>	<b>2,108</b>	<b>16,230</b>
Finance costs	<b>(4,106)</b>	<b>(617)</b>	<b>–</b>	<b>(4,723)</b>
Exchange gains/(losses)	<b>23,313</b>	<b>(9,937)</b>	<b>–</b>	<b>13,376</b>
Share of net loss of associates accounted for using the equity method	<b>–</b>	<b>–</b>	<b>(9,173)</b>	<b>(9,173)</b>
Income tax expense	<b>(197,252)</b>	<b>39,179</b>	<b>(8,563)</b>	<b>(166,636)</b>

(i) EBITDA is calculated based on segment revenue and segment expenses of each segment.

<b>(Unaudited)</b>				
<b>For the six months ended</b>				
<b>30 June 2021</b>				
Revenue from external customers	671,542	42,442	747	714,731
EBITDA	673,441	18,049	(2,237)	689,253
Other income	116,430	7,519	–	123,949
Operating expenses	(259,529)	(55,410)	(3,207)	(318,146)
Depreciation and amortisation	(142,069)	(22,731)	(223)	(165,023)
Net impairment losses on				
financial assets	(1,371)	(2,173)	(4)	(3,548)
Finance income	7,995	1,072	289	9,356
Finance costs	(1,695)	(455)	–	(2,150)
Exchange (losses)/gains	(4,498)	3,133	(548)	(1,913)
Income tax expense	(135,418)	(5,480)	–	(140,898)

	<b>Panzhuang concession</b> <i>RMB'000</i>	<b>Mabi concession</b> <i>RMB'000</i>	<b>Xinhe</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>(Unaudited)</b>				
<b>As at 30 June 2022</b>				
Segment assets	<b>3,480,905</b>	<b>3,838,526</b>	<b>658,158</b>	<b>7,977,589</b>
Segment liabilities	<b>670,744</b>	<b>778,546</b>	<b>23,492</b>	<b>1,472,782</b>
Investment in associates	–	–	<b>243,612</b>	<b>243,612</b>
Additions to non-current assets (other than deferred income tax assets)	<b>110,536</b>	<b>510,502</b>	<b>(1,148)</b>	<b>619,890</b>
<b>(Audited)</b>				
<b>As at 31 December 2021</b>				
Segment assets	4,088,985	3,261,864	618,392	7,969,241
Segment liabilities	1,073,233	566,004	13,772	1,653,009
Investment in associates	–	–	242,985	242,985
Additions to non-current assets (other than deferred income tax assets)	<b>292,940</b>	<b>537,638</b>	<b>352,064</b>	<b>1,182,642</b>

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Total EBITDA for reportable segments</b>	<b>1,136,733</b>	689,253
Headquarter overheads	<b>(3,877)</b>	(6,137)
Depreciation and amortisation	<b>(278,984)</b>	(167,209)
Finance income	<b>17,922</b>	11,379
Finance costs	<b>(4,750)</b>	(2,181)
Exchange gains/(losses)	<b>47,890</b>	(3,563)
Share of net loss of associates accounted for using the equity method	<b>(9,173)</b>	–
Profit before income tax	<b>905,761</b>	521,542

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

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
Total segment assets	<b>7,977,589</b>	7,969,241
<b>Unallocated</b>		
Unallocated property, plant and equipment	<b>104</b>	151
Unallocated trade and other receivables	<b>442</b>	250
Unallocated cash and cash equivalents	<b>438,838</b>	115,225
Others	<b>720</b>	1,075
Total assets per balance sheet	<b><u>8,417,693</u></b>	<u>8,085,942</u>

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

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	As at 31 December 2021 RMB'000 (Audited)
Total segment liabilities	<b>1,472,782</b>	1,653,009
<b>Unallocated</b>		
Unallocated lease liabilities	<b>482</b>	823
Unallocated trade and other payables	<b>6,112</b>	6,560
Total liabilities per balance sheet	<b><u>1,479,376</u></b>	<u>1,660,392</u>

## 5. REVENUE

The Group's revenue is mainly derived through the sale of LNG and 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.



## 6. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
VAT refund (a)	<b>80,106</b>	50,459
Government subsidy (b)	<b>85,849</b>	73,490
	<b>165,955</b>	123,949

- (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.

## 7. PROFIT BEFORE INCOME TAX

Profit before income tax was determined after charging the following:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
LNG sales cost	<b>106,697</b>	–
Pipeline transportation cost	<b>62,391</b>	40,648
Power and fuel	<b>27,985</b>	22,996
Maintenance cost	<b>14,216</b>	10,943

## 8. FINANCE INCOME, NET

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense of lease liabilities	(1,805)	(1,762)
Accretion expenses of asset retirement obligations	(2,945)	(419)
	<u>(4,750)</u>	<u>(2,181)</u>
Finance costs	(4,750)	(2,181)
Finance income	17,922	11,379
Exchange gains/(losses)	47,890	(3,563)
	<u>61,062</u>	<u>5,635</u>
Finance income, net	<u>61,062</u>	<u>5,635</u>

## 9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	481,993	101,534
Deferred income tax	(315,357)	39,368
	<u>166,636</u>	<u>140,902</u>
	<u>166,636</u>	<u>140,902</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 period.

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 rates as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Profit before income tax	<b>905,761</b>	521,542
Tax expense calculated at applicable tax rates	<b>173,188</b>	139,493
(Utilisation of previously)/current period deductible temporary differences for which no deferred tax asset was recognised	<b>(18,330)</b>	1,025
Expenses not deductible for taxation purposes	<b>11,778</b>	384
	<b>166,636</b>	140,902
Income tax expense	<b>166,636</b>	140,902

## 10. INVESTMENTS IN ASSOCIATES

	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Shanxi Tongyu (a)	<b>233,808</b>	242,985
Dongcheng Xintai (b)	<b>9,804</b>	–
	<b>243,612</b>	242,985

- (a) Shanxi Tongyu Coalbed Methane Transportation and Distribution Ltd. (“**Shanxi Tongyu**”) is mainly engaged in sales, transmission and distribution of CBM. The Group holds 32.1296% of the shares of Shanxi Tongyu.
- (b) Dongcheng Xintai Energy Research Co., Ltd. (“**Dongcheng Xintai**”) is mainly engaged in energy technology development and energy technology services. During the period, the Group paid RMB9,800,000 to establish Dongcheng Xintai, representing 49% share of the total capital contribution.
- (c) The carrying amount of investments in associates has changed as follows in the six months ended 30 June 2022:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Beginning of the period	<b>242,985</b>	–
Addition	<b>9,800</b>	–
Loss for the period	<b>(9,173)</b>	–
	<b>243,612</b>	–
End of the period	<b>243,612</b>	–

## 11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables (a)		
— CUCBM	280,794	318,319
— PetroChina	56,261	102,049
— Shanxi Tongyu	89,267	89,267
— External customers	29,695	8,271
	<u>456,017</u>	<u>517,906</u>
Less: loss allowance for impairment of trade receivables (e)	(30,222)	(15,184)
Trade receivables, net	<u>425,795</u>	<u>502,722</u>
Government grants receivables (b)		
— Government	296,867	404,779
— CUCBM	2,143	43,783
— PetroChina	9,745	9,745
Due from PSC partners for cash calls and accrued expenses (c)		
— CUCBM	127,980	134,876
— PetroChina	172,603	123,096
Loans to third party (d)	1,051	3,452
Deposits and others	8,781	6,256
	<u>619,170</u>	<u>725,987</u>
Less: Loss allowance for impairment of other receivables (e)	(2,173)	(2,173)
Other receivables, net	<u>616,997</u>	<u>723,814</u>
Total trade and other receivables	<u><u>1,042,792</u></u>	<u><u>1,226,536</u></u>

(a) **Trade receivables**

The ageing analysis of trade receivables is as follows:

	<b>As at 30 June 2022 RMB'000 (Unaudited)</b>	<b>As at 31 December 2021 RMB'000 (Audited)</b>
Within 3 months	<b>366,750</b>	505,367
6 months to 1 year	<b>89,267</b>	12,539
	<b>456,017</b>	517,906
Less: loss allowance for impairment of trade receivables (e)	<b>(30,222)</b>	(15,184)
	<b>425,795</b>	502,722

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 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 concession 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 30 June 2022 reconcile to the opening loss allowances as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	(Unaudited)
Opening loss allowance	(15,184)	(7,600)
Increase in loss allowance recognised in profit or loss during the period	<u>(15,038)</u>	<u>(1,375)</u>
Closing loss allowance	<u><u>(30,222)</u></u>	<u><u>(8,975)</u></u>

The loss allowances for other receivables as at 30 June 2022 reconcile to the opening loss allowances as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	(Unaudited)
Opening loss allowance	(2,173)	–
Increase in loss allowance recognised in profit or loss during the period	<u>–</u>	<u>(2,173)</u>
Closing loss allowance	<u><u>(2,173)</u></u>	<u><u>(2,173)</u></u>

- (f) As at 30 June 2022, the carrying amounts of trade and other receivables approximated their fair values.

## 12. TRADE AND OTHER PAYABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade payables (a)	874,609	615,143
Amounts due to related parties		
— Xintai Jinggong	5,694	15,705
— Shanxi Tongyu	10,629	4,661
Amounts due to PSC partners		
— CUCBM	11,381	93,257
— PetroChina	6,485	9,552
Advance from customers	2,887	4,476
Tax payables	2,816	14,513
Payroll liabilities	13,940	34,195
Other payables	9,217	12,097
	<u>937,658</u>	<u>803,599</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 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 6 months	679,825	536,916
6 months to 1 year	151,075	24,646
1 to 2 years	30,723	38,208
2 to 3 years	3,972	3,405
Over 3 years	9,014	11,968
	<u>874,609</u>	<u>615,143</u>

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



### 13. 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 six months ended 30 June 2022 and 2021.

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to owners of the Company ( <i>RMB'000</i> )	<u>739,125</u>	<u>380,640</u>
Weighted average number of ordinary shares in issue ( <i>Thousands</i> )	<u>3,395,124</u>	<u>3,393,753</u>
Basic earnings per share ( <i>RMB</i> )	<u><u>0.218</u></u>	<u><u>0.112</u></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>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to owners of the Company ( <i>RMB'000</i> )	<u>739,125</u>	<u>380,640</u>
Weighted average number of ordinary shares in issue ( <i>Thousands</i> )	<u>3,395,124</u>	<u>3,393,753</u>
Adjustments for assumed conversion of share options ( <i>Thousands</i> )	<u>38</u>	<u>17</u>
Weighted average number of ordinary shares for diluted earnings per share ( <i>Thousands</i> )	<u>3,395,162</u>	<u>3,393,770</u>
Diluted earnings per share ( <i>RMB</i> )	<u><u>0.218</u></u>	<u><u>0.112</u></u>

#### **14. DIVIDENDS**

A dividend in respect of the year ended 31 December 2021 of RMB0.0589 per share was approved at the annual general meeting (“**AGM**”) on 20 May 2022 and was paid on 6 June 2022.

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.

## FINANCIAL REVIEW

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	<b>1,330,463</b>	714,731
— Panzhuang	<b>997,549</b>	671,542
— Mabi	<b>162,570</b>	42,442
— Xinhe	<b>291,043</b>	747
— Inter-segment eliminations	<b>(120,699)</b>	—
<b>Subsidy income</b>	<b>85,849</b>	73,490
— Panzhuang	<b>86,516</b>	69,850
— Mabi	<b>(667)</b>	3,640
<b>VAT refund</b>	<b>80,106</b>	50,459
— Panzhuang	<b>65,342</b>	46,580
— Mabi	<b>14,764</b>	3,879
<b>Other (losses)/gains, net</b>	<b>(22,191)</b>	4,832
<b>Operating expenses</b>	<b>(620,355)</b>	(327,605)
Depreciation and amortization	<b>(278,984)</b>	(167,209)
Employee benefit expenses	<b>(45,370)</b>	(48,597)
Materials, services and logistics	<b>(248,991)</b>	(102,951)
Net impairment losses on financial assets	<b>(39,264)</b>	(3,548)
Others	<b>(7,746)</b>	(5,300)
<i>Panzhuang</i>	<b>(348,901)</b>	(259,529)
Depreciation and amortization	<b>(201,944)</b>	(142,069)
Employee benefit expenses	<b>(32,522)</b>	(34,883)
Materials, services and logistics	<b>(94,984)</b>	(77,339)
Net impairment losses on financial assets	<b>(15,038)</b>	(1,371)
Others	<b>(4,413)</b>	(3,867)
<i>Mabi</i>	<b>(127,561)</b>	(55,410)
Depreciation and amortization	<b>(73,690)</b>	(22,731)
Employee benefit expenses	<b>(10,205)</b>	(10,962)
Materials, services and logistics	<b>(41,804)</b>	(18,499)
Net impairment losses on financial assets	—	(2,173)
Others	<b>(1,862)</b>	(1,045)

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<i>Xinhe</i>	<b>(256,380)</b>	(3,207)
Depreciation and amortization	<b>(1,394)</b>	(223)
Employee benefit expenses	<b>(235)</b>	–
Materials, services and logistics	<b>(229,212)</b>	(2,956)
Net impairment losses on financial assets	<b>(24,226)</b>	(4)
Others	<b>(1,313)</b>	(24)
<i>Inter-segment eliminations</i>		
Materials, services and logistics	<b>120,699</b>	–
<i>Headquarters</i>	<b>(8,212)</b>	(9,459)
Depreciation and amortization	<b>(1,956)</b>	(2,186)
Employee benefit expenses	<b>(2,408)</b>	(2,752)
Materials, services and logistics	<b>(3,690)</b>	(4,157)
Others	<b>(158)</b>	(364)
<b>EBITDA</b>	<b>1,132,856</b>	683,116
— Panzhuang	<b>995,747</b>	673,441
— Mabi	<b>105,419</b>	18,049
— Xinhe	<b>35,567</b>	(2,237)
— Headquarters	<b>(3,877)</b>	(6,137)
<b>Profit from operations</b>	<b>853,872</b>	515,907
Finance Income	<b>17,922</b>	11,379
Finance costs	<b>(4,750)</b>	(2,181)
Exchange gains/(losses)	<b>47,890</b>	(3,563)
<b>Finance income, net</b>	<b>61,062</b>	5,635
<b>Share of net loss of associates accounted for using the equity method</b>	<b>(9,173)</b>	–
<b>Profit before income tax</b>	<b>905,761</b>	521,542
Income tax expense	<b>(166,636)</b>	(140,902)
<b>Profit for the period</b>	<b>739,125</b>	380,640

The gross production volume, gross sales volume, net sales volume, realised ASP and revenue of Panzhuang and Mabi concessions are set out below:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
Gross production (bcf) <sup>1</sup>	<b>25.15</b>	21.78
Panzhuang	<b>21.13</b>	20.07
Mabi	<b>4.02</b>	1.71
Gross production volume (MMCM) <sup>1</sup>	<b>711.91</b>	616.86
Panzhuang	<b>598.20</b>	568.52
Mabi	<b>113.71</b>	48.34
Gross sales volume (bcf) <sup>2</sup>	<b>24.28</b>	20.79
Panzhuang	<b>20.54</b>	19.38
Mabi	<b>3.74</b>	1.41
Gross sales volume (MMCM) <sup>2</sup>	<b>687.58</b>	588.61
Panzhuang	<b>581.64</b>	548.83
Mabi	<b>105.94</b>	39.78
Net sales volume (bcf) <sup>3</sup>	<b>17.51</b>	14.75
Panzhuang	<b>14.68</b>	13.87
Mabi	<b>2.83</b>	0.88
Net sales volume (MMCM) <sup>3</sup>	<b>495.73</b>	417.53
Panzhuang	<b>415.65</b>	392.71
Mabi	<b>80.08</b>	24.82
Realized ASP (RMB/cubic meter) <sup>4</sup>		
Panzhuang	<b>2.31</b>	1.64
Mabi	<b>1.79</b>	1.39
Revenue (RMB'000)	<b>1,160,119</b>	713,984
Panzhuang	<b>997,549</b>	671,542
Mabi	<b>162,570</b>	42,442

*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.

## Six Months Ended 30 June 2022 Compared to Six Months Ended 30 June 2021

*Revenue.* Our revenue increased by RMB615 million, or 86.15%, from RMB715 million for the six months ended 30 June 2021 to RMB1,330 million for the six months ended 30 June 2022. 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 as a result of the new energy trading and LNG outsourced processing sales businesses. The gross production volume of Panzhuang concession increased by 5.22% from 569 MMCM in 1H2021 to 598 MMCM in 1H2022; the realized ASP increased from RMB1.64 per cubic meter in 1H2021 to RMB2.31 per cubic meter in 1H2022. The gross production volume of Mabi concession increased by 135.23% from 48 MMCM in 1H2021 to 114 MMCM in 1H2022; the average realized selling price increased from RMB1.39 per cubic meter in 1H2021 to RMB1.79 per cubic meter in 1H2022.

*Subsidy income.* For the six months ended 30 June 2021 and 30 June 2022, our subsidy income amounted to RMB73.49 million and RMB85.85 million respectively. Our subsidy income increased by RMB12.36 million or 16.82% for the six months ended 30 June 2022, primarily due to the increase in central and local fiscal award and subsidy funds in Panzhuang concession.

*VAT refund.* For the six months ended 30 June 2021 and 30 June 2022, our VAT refund amounted to RMB50.46 million and RMB80.11 million respectively. Our VAT refund increased by RMB29.65 million or 58.75% for the six months ended 30 June 2022, primarily due to the increase in net sales volume and realized ASP of Panzhuang and Mabi concessions.

*Other (losses)/gains, net.* Our other (losses)/gains changed from a gain of RMB4.83 million for the six months ended 30 June 2021 to a loss of RMB22.19 million for the six months ended 30 June 2022, primarily due to the payment of other expenses for land occupation.

*Operating expenses.* Our operating expenses increased by RMB292 million or 89.36% from RMB328 million for the six months ended 30 June 2021 to RMB620 million for the six months ended 30 June 2022, primarily due to an increase in depreciation and amortization as a result of an increase in production wells, an increase in materials, services and logistics as a result of an increase in production wells, and an increase in LNG sales costs.

- *Depreciation and amortization.* Our depreciation and amortisation increased by RMB112 million, or 66.85%, from RMB167 million for the six months ended 30 June 2021 to RMB279 million for the six months ended 30 June 2022, primarily due to the increase in production wells and production in Panzhuang and Mabi concessions.

- *Employee benefit expenses.* Our employee benefit expenses were RMB48.6 million and RMB45.37 million for the six months ended 30 June 2021 and the six months ended 30 June 2022, respectively.
- *Materials, services and logistics.* Our materials, services and logistics expenses increased by RMB146 million or 141.85% from RMB103 million for the six months ended 30 June 2021 to RMB249 million for the six months ended 30 June 2022, primarily due to the increase in repair, wastewater treatment and other operating costs as a result of more wells put into production and the increase in production volume, as well as the additional cost of sales of LNG.
- *Net impairment losses on financial assets.* Our net impairment losses on financial assets increased by RMB35.71 million or 1,006.65% from RMB3.55 million for the six months ended 30 June 2021 to RMB39.26 million for the six months ended 30 June 2022, primarily due to the increase in expected credit losses on trade receivables and other financial assets at amortised costs.
- *Others.* Our other expenses were RMB5.3 million and RMB7.75 million for the six months ended 30 June 2021 and the six months ended 30 June 2022 respectively.

*EBITDA.* Our EBITDA increased by RMB450 million or 65.84%, from RMB683 million for the six months ended 30 June 2021 to RMB1,133 million for the six months ended 30 June 2022. The increase was primarily due to the increase in realized ASP and production volume, resulting in the increase in net sales volume in Panzhuang and Mabi concessions, as well as the increase in revenue as a result of the new energy trading and LNG outsourced processing and sales businesses, partially offset by the increase in materials, services and logistics, and the new LNG sales costs. Overall, 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 of Panzhuang concession increased by RMB323 million or 47.86% from RMB673 million for the six months ended 30 June 2021 to RMB996 million for the six months ended 30 June 2022. The increase in EBITDA of Panzhuang concession was primarily due to increase in production volume and realized ASP, partially offset by increase in materials, services and logistics. Mabi concession's EBITDA increased by RMB87.37 million or 484.07% from RMB18.05 million for the six months ended 30 June 2021 to RMB105 million for the six months ended 30 June 2022. The increase in Mabi's EBITDA was primarily due to increase in production volume and realized ASP, partially offset by increase in materials, services and logistics. The EBITDA of Xinhe Investment turned from a loss of RMB2.24 million for the six months ended 30 June 2021 to a gain of RMB35.57 million for the six months ended 30 June 2022. The increase in EBITDA of Xinhe Investment was mainly due to the increase in revenue from the new energy trading and LNG outsourced processing and sales business, which was partially offset by the increase in cost of sales of LNG.

*Profit from operations.* As a result of the foregoing, our profit from operations increased by RMB338 million or 65.51% from RMB516 million for the six months ended 30 June 2021 to RMB854 million for the six months ended 30 June 2022.

*Finance income.* Our finance income increased by RMB6.54 million or 57.50% from RMB11.38 million for the six months ended 30 June 2021 to RMB17.92 million for the six months ended 30 June 2022, primarily due to the increase in cash and bank balances.

*Finance costs.* Our finance costs were RMB2.18 million for the six months ended 30 June 2021 and RMB4.75 million for the six months ended 30 June 2022.

*Exchange gains/(losses).* Our exchange gains/(losses) turned from an exchange losses of RMB3.56 million for the six months ended 30 June 2021 to exchange gains of RMB47.89 million for the six months ended 30 June 2022, primarily due to exchange gains on monetary items denominated in foreign currencies as a result of fluctuations in the exchange rate of foreign currencies 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 RMB9.17 million for the six months ended 30 June 2022.

*Profit before income tax.* Our profit before income tax increased by RMB384 million or 73.67% from RMB522 million for the six months ended 30 June 2021 to RMB906 million for the six months ended 30 June 2022, primarily due to the factors affecting EBITDA as mentioned above and the increase in finance income and exchange gains, and partially offset by the increase in depreciation and amortization expenses, the increase in finance costs and share of net loss of associates accounted for using the equity method incurred.

*Income tax expense.* Our income tax expense increased by RMB26 million or 18.26% from RMB141 million for the six months ended 30 June 2021 to RMB167 million for the six months ended 30 June 2022, mainly due to the increase in profit before income tax of Panzhuang concession for the six months ended 30 June 2022.

*Profit for the period.* Our profit for the period increased by RMB358 million or 94.18% from RMB381 million for the six months ended 30 June 2021 to RMB739 million for the six months ended 30 June 2022, mainly due to the factors affecting profit before income tax as stated above, but partially offset by the increase in income tax 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 primary sources of funding include cash generated from operating activities and proceeds from initial public offering (“IPO”).

As at 30 June 2022, we had cash and bank balances of RMB2.101 billion (31 December 2021: RMB1.887 billion).

Save as the information disclosed above or otherwise in this interim results announcement, the Group has 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 guarantees or other material contingent liabilities as at 30 June 2022.

### Cash Flow

The table below sets forth our cash flows for each of the periods indicated.

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net cash generated from operating activities	<b>863,558</b>	271,293
Net cash used in investing activities	<b>(258,718)</b>	(697,894)
Net cash used in financing activities	<b>(199,307)</b>	(353,082)
Net increase/(decrease) in cash and cash equivalents	<b>405,533</b>	(779,683)
Cash and cash equivalents at beginning of the period	<b>1,626,675</b>	1,790,505
Exchange gains/(losses) on cash and cash equivalents	<b>8,206</b>	(3,467)
Cash and cash equivalents at end of the period	<b><u>2,040,414</u></b>	<b><u>1,007,355</u></b>

### Operating Activities

For the six months ended 30 June 2022, net cash generated from operating activities was RMB864 million, primarily attributable to profit before income tax of RMB906 million, a decrease in trade and other receivables of RMB197 million and depreciation and amortisation of RMB279 million. These items were offset by income tax paid of RMB485 million.

## **Investing Activities**

For the six months ended 30 June 2022, net cash used in investing activities was RMB259 million, which primarily consisted of purchases of property, plant and equipment of RMB461 million, offset by a decrease in term deposits over three months of RMB200 million. The purchase of property, plant and equipment primarily comprised of payment for more wells drilled, additional valve banks, and construction of gas gathering stations and power facilities.

## **FINANCING ACTIVITIES**

Net cash used in financing activities was RMB199 million for the six months ended 30 June 2022, which was mainly used to pay dividends of RMB197 million for the year ended 31 December 2021.

## **Cash and bank balances**

We had cash and bank balances of RMB2.101 billion and RMB1.887 billion as at 30 June 2022 and 31 December 2021, respectively. Our cash and bank balances consist of cash on hand, cash at banks, and restricted bank deposits. As at 30 June 2022 and 31 December 2021, approximately 11.26% and 0.84% of our cash and bank balances were held in HK dollar or US dollar.

## **EBITDA AND ADJUSTED EBITDA**

We provide a reconciliation of EBITDA and adjusted EBITDA to profit for the period, 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 or losses, share of net profit or loss of associates accounted for using the equity method, income tax and depreciation and amortisation. Adjusted EBITDA refers to EBITDA adjusted to exclude non-cash expenses, non-recurring items or non-operations-related expenses to show 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 and by 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 an indicator of our operating performance or profitability. EBITDA and adjusted EBITDA are unable to account for income tax, share of net profit or loss of associates accounted for using the equity method, exchange gains or losses, finance income, finance costs and depreciation and amortisation.

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Reconciliation of profit for the period to EBITDA:</b>		
<b>Profit for the period</b>	<b>739,125</b>	380,640
Income tax expense	<b>166,636</b>	140,902
Share of net loss of associates accounted for using the equity method	<b>9,173</b>	–
Finance income	<b>(17,922)</b>	(11,379)
Finance costs	<b>4,750</b>	2,181
Exchange (gains)/losses	<b>(47,890)</b>	3,563
Depreciation and amortisation	<b>278,984</b>	167,209
<b>EBITDA</b>	<b><u>1,132,856</u></b>	<u>683,116</u>
Non-operating related business development and legal consulting service expenses	<b><u>1,744</u></b>	<u>2,187</u>
<b>Adjusted EBITDA</b>	<b><u><u>1,134,600</u></u></b>	<u><u>685,303</u></u>

Our EBITDA increased by RMB450 million or 65.84% from RMB683 million for the six months ended 30 June 2021 to RMB1.133 billion for the six months ended 30 June 2022. The increase was primarily due to the increase in realised 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 as a result of the new energy trading and LNG processing and sales businesses, partially offset by the increase in materials, services and logistics, and the new LNG sales costs. In conclusion, higher production and realised ASP have led to an increase in EBITDA, but less than the increase in revenue. The EBITDA of Panzhung concession increased by RMB323 million, or 47.86% from RMB673 million for the six months ended 30 June 2021 to RMB996 million for the six months ended 30 June 2022. The increase in EBITDA of Panzhuang concession was primarily due to increased production and realised ASP, partially offset by increased materials, services and logistics. Mabi concession's EBITDA increased by RMB87.37 million or 484.07% from RMB18.05 million for the six months ended 30 June 2021 to RMB105 million for the six months ended 30 June 2022. The increase in Mabi's EBITDA was primarily due to increased production and realised ASP, partially offset by increased materials, services and logistics. The EBITDA of Xinhe Investment changed from a loss of RMB2.24 million for the six months ended 30 June 2021 to a gain of RMB35.57 million for the six months ended 30 June 2022. The increase in EBITDA of Xinhe Investment was mainly due to the increase in revenue from the new energy trading and LNG outsourced processing and sales business, partially offset by the increase in cost of sales of LNG.

Our adjusted EBITDA increased by RMB450 million or 65.56% from RMB685 million for the 1H2021 to RMB1.135 billion for the 1H2022. The increase primarily was due to the aforementioned reasons for the increase in EBITDA.

## **FINANCIAL RISK MANAGEMENT**

### **(a) 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 condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2021.

There have been no changes in the risk management policies since year end.

### **(b) Liquidity risk**

Compared to 31 December 2021, there were no material changes in the contractual undiscounted cash out flows for financial liabilities.

## **ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

The Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2022.

## **SIGNIFICANT INVESTMENTS HELD**

The Group did not hold any significant investment during the six months ended 30 June 2022.

## **IMPORTANT EVENTS AFTER THE END OF THE SIX MONTHS ENDED 30 JUNE 2022**

Save as disclosed otherwise in this interim results announcement, there were no important events occurred after the end of the six months ended 30 June 2022 and up to the date of this interim results announcement.

## **EMPLOYEES**

As at 30 June 2022, the Group had 518 employees, with 1 based in Beijing, 514 (including 5 employment of the disabled) based in Shanxi, 2 based in Hong Kong and 1 based in Henan.

## **FORMATION OF A JOINT VENTURE COMPANY**

On 18 January 2022, the Group entered into an agreement with Xinjiang Xintai Natural Gas Co., Ltd. (“**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 dated 30 March 2022, respectively.

## **USE OF NET PROCEEDS FROM THE LISTING**

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 net proceeds from the 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 (the “**Prospectus**”).

As at 30 June 2022, net proceeds from the IPO of the Company have been fully utilized.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (Six months ended 30 June 2021: nil).

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in part 2 of “Corporate Governance Code” (the “**CG Code**”) of Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code for the six months ended 30 June 2022. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

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 of all Directors of the Company, each of the Directors has confirmed that they have complied with the required standards as set out in the Model Code for the six months ended 30 June 2022.

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

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2022.

## **COMPOSITION OF THE BOARD AND BOARD COMMITTEES**

For the six months ended 30 June 2022 and as of the date of this interim results announcement, Mr. Wei Jiangtao was appointed as a member of the ESG Working Group of the Company on 19 January 2022 with effect from the same day. Mr. Gong Chihua has been appointed as a member of ESG Working Group of the Company on 16 March 2022 with effect on the same day.

Save as disclosed above, there were no changes in the composition of the Board, the Audit Committee, the Nomination Committee, the Remuneration Committee and the Strategic Development Committee, and the ESG Working Group of the Company for the six months ended 30 June 2022 and as of the date of this interim results announcement.

## **RESIGNATION OF JOINT COMPANY SECRETARY**

Mr. Chiu Ming King has resigned as a joint company secretary of the Company on 22 July 2022. Ms. Su Xiaohang acts as the sole company secretary of the Company after Mr. Chiu’s resignation. For details, please refer to the announcement of the Company dated 25 July 2022.

## **AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS**

For the six months ended 30 June 2022 and as of the date of disclosure of this interim results announcement, the Audit Committee of the Company (the “**Audit Committee**”) 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 reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022.

The Company’s external auditor has reviewed the unaudited condensed consolidated interim financial information of the Group in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

## **PUBLICATION OF THE INTERIM RESULTS AND 2022 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.aagenergy.com](http://www.aagenergy.com)).

The Company’s 2022 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

*Certain figures included in this announcement have been subject to rounding adjustments. Any discrepancies are due to rounding.*

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

Hong Kong, 26 August 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.*