

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



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 2022**

Key Highlights:

- **Our revenue and other income (including government subsidies and VAT refunds) for 2022 increased by 46.37%¹ to RMB2.914 billion, while profit and EBITDA for the year increased by 73.61% and 45.75% to RMB1.416 billion and RMB2.251 billion, respectively. Our earnings per share increased by 73.75% to RMB0.417.**
- **The gross production of CBM for 2022 reached 1,467 MMCM, representing an increase of 13.00% compared to that of 1,298 MMCM for 2021.**
 - In respect of Panzhuang concession, gross production for 2022 was 1,183 MMCM, representing an increase of 0.66% compared to that of 1,175 MMCM for 2021;
 - In respect of Mabi concession, gross production for 2022 was 284 MMCM, representing an increase of 130.76% compared to that of 123 MMCM for 2021.

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 2022 reached 4.02 MMCM per day, representing a YoY increase of 12.92% compared to that of 3.56 MMCM per day for 2021.**
- **The gross sales volume² for 2022 reached 1,415 MMCM, representing an increase of 13.23% compared to that of 1,250 MMCM for 2021.**
 - In respect of Panzhuang concession, the gross sales volume for 2022 reached 1,147 MMCM, representing an increase of 0.44% compared to that of 1,142 MMCM for 2021;
 - In respect of Mabi concession, the gross sales volume for 2022 reached 268 MMCM, representing an increase of 148.34% compared to that of 108 MMCM for 2021.
- **The realized ASP³ in respect of Panzhuang concession for 2022 increased by 28.33% to RMB2.31 per cubic meter compared to RMB1.80 for 2021; while the realized ASP in respect of Mabi concession for 2022 increased by 22.75% to RMB2.05 per cubic meter compared to RMB1.67 for 2021.**
- **In 2022, a total of 69 wells have been drilled (of which 8 were SLHs and 61 were PDWs) in Panzhuang concession.**
- **In 2022, a total of 181 wells have been drilled (of which 164 were SLHs and 17 were PDWs) in Mabi concession, average drilling time for SLH wells was 16 days.**
- **AAG Energy placed great value on QHSE and made efforts on assuming its social responsibilities. In 2022, AAG Energy maintained zero for LTIR and TRIR in respect of its health, safety and environmental protection performance. As of 31 December 2022, the excellent safety performance record of zero lost time injury of AAG Energy has accumulated to 8 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 2022.

FINANCIAL SUMMARY

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2,566,744	1,739,226
Other income	347,683	251,875
Profit from operations	1,697,187	1,148,199
EBITDA	2,251,425	1,544,722
Adjusted EBITDA	2,254,160	1,551,720
Profit for the year	1,416,109	815,679
Basic earnings per share (RMB)	0.417	0.240
Diluted earnings per share (RMB)	0.417	0.240
	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	5,202,581	4,478,379
Cash and bank balances	2,186,457	1,886,905
Total assets	9,309,725	8,085,942
Total equity	7,583,636	6,425,550

BUSINESS REVIEW

In 2022, the COVID-19 pandemic became more severe, with a widespread and complex transmission chain. In addition, the conflict between Russia and Ukraine at the beginning of the year had a profound impact on global energy, existing a lot of uncertain factor in domestic and oversea energy sector and natural gas price.

In 2022, the Group forged ahead to the development strategy established at the end of 2020 to set up the existing business in the concessions and increasing development efforts, and achieved an excellent performance. In terms of production, the Group's gross production in 2022 increased by 13.00% from that of 2021 to 1,467 million cubic meters (“**MMCM**”) (or 51.8 billion cubic feet (“**bcf**”)), including 1,183 MMCM (or 41.8 bcf) from Panzhuang concession and 284 MMCM (or 10 bcf) from the Mabi concession.

In terms of investment, the actual capital expenditure in 2022 was RMB1.282 billion as compared with the annual budget of RMB1.578 billion. Compared to 2021, drilling activities in 2022 remained stable, with a total of 250 wells drilled for the year. The fracturing activities continued to increase by 81.63% to 267 wells as compared to 2021, reaching a historical high. At the same time, we continued to focus on reducing costs and improving profitability. The average drilling cost per meter of a single lateral horizontal well (“**SLH**”) was RMB1,728, representing a decrease of 4.86% as compared to 2021. The average drilling cost per well of a pad drilling well (“**PDW**”) decreased by 7.69% from RMB0.78 million in 2021 to RMB0.72 million.

In terms of market sales, the Group's realized average selling price (“**ASP**”) in 2022 was RMB2.26 per cubic meter, of which realized ASP in Panzhuang concession was RMB2.31 per cubic meter (an increase of 28.33% from RMB1.80 per cubic meter in 2021), and the realized ASP in Mabi concession was RMB2.05 per cubic meter (an increase of 22.75% from RMB1.67 per cubic meter in 2021).

In terms of financial results, the Group's revenue and other income (including government subsidies and VAT refunds) in 2022 increased by 46.37% to RMB2.914 billion as compared to 2021, operating profit increased by 47.81% to RMB1.697 billion, profit for the year increased by 73.61% to RMB1.416 billion, EBITDA increased by 45.75% to RMB2.251 billion, and earnings per share increased by 73.75% to RMB0.417.

OPERATIONS REVIEW

The Group placed great value on quality, health, safety and environment (“QHSE”) and made efforts on assuming its social responsibilities. In 2022, in strict compliance with the new Work Safety Law (《安全生產法》), the Group established the dual prevention and control system and the quality management mechanism to further enhance and upgrade the QHSE management system of the Company. Through the health, safety and environment (“HSE”) performance evaluation, contractor bridging management and HSE information system, the responsibilities of all employees in safety production were consolidated, management measures were refined, safety management of contractors were strengthened, and HSE education and training and supervision and inspections were enhanced. We continued to improve our risk management capabilities so as to ensure the safe, continuous, stable and compliant operation of all business activities of the Company. In 2022, 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 2022, the Group has achieved extraordinary results of a total of 8 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”), which business review as follow:

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”).

In view of the impact of the “5 · 30” Incident (On 30 May 2022, a leakage and explosion accident occurred in the Tongyu Pipeline, one of the main transmission channel of Panzhuang concession (owned by Shanxi Tongyu Coalbed Methane Transportation and Distribution Co. Ltd, our associate)) on the production and sales of Panzhuang concession and based on the actual situation, we adjusted the annual targets for production and sales of the Panzhuang concession moderately.

— *Production Update*

In 2022, the gross production of Panzhuang concession reached 1,183 MMCM (41.8 bcf), which was 2.34% higher than the adjusted target of 1,155 MMCM (40.8 bcf), with a year-on-year (“YoY”) increase compared to that of 1,175 MMCM (41.5 bcf) in 2021. The average daily gas production was 3.24 MMCM, which was relatively stable as compared to that of 3.22 MMCM in 2021. By the end of 2022, there were a total of 582 wells in production, including 230 PDWs, 49 multi-lateral drilling wells (“MLD”) and 303 SLHs in Panzhuang concession. Further details on production and well count are set out below in Table 1.

— *Exploration and Development of Thin Coal Seams*

The domestic proved CBM geological reserves is 5,950 MMCM of Panzhuang concession thin coal seams. The reporting progress of reserves is smooth. The report of proved reserves has passed the expert evaluation by the reserves evaluation office of the Ministry of Natural Resources of the PRC, and the approval documents will be obtained soon. The exploratory wells of thin coal seams have achieved good results and have been converted into production wells to increase gas production. The development plan for CBM in thin coal seams in Panzhuang concession has been prepared and submitted. It is expected to enter the development phase upon obtaining the relevant approvals.

— *Drilling and Surface Facilities Update*

In 2022, a total of 69 wells were drilled in Panzhuang concession, including 8 SLHs and 61 PDWs (including 10 parameter wells). The average drilling time for PDWs was only 5.16 days. The construction of thin coal seam parameter wells has been completed, which provide a basis for the preparation of thin coal seam development plan, and laid a solid foundation for the replacement and improvement of production.

Currently, the surface facilities of Panzhuang concession include 6 gas gathering stations, 54 wellhead compressors, 68 kilometers of trunk lines and 142 kilometers of inter-well pipelines. The central gas gathering station has a secondary processing capacity of 1.90 MMCM per day, and compressors at remaining stations and wellheads have a processing capacity of 4.62 MMCM per day.

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 2022.

— *Production Update*

In 2022, the gross production of Mabi concession was 284 MMCM (10.0 bcf), which was 11.81% higher than the target of 254 MMCM (9 bcf), and with a 130.76% YoY increase compared to that of 123 MMCM (4.3 bcf) in 2021. The average daily gas production in 2022 was 0.78 MMCM, representing an increase of 129.41% compared to that of 0.34 MMCM in 2021, the daily gas production exceeded 1 MMCM by 31 October and achieved 1.15 MMCM by 31 December. By the end of 2022, there were a total of 498 wells in production, including 314 PDWs, 1 MLD and 183 SLHs in Mabi concession. Further details on production and well count are set out below in Table 1.

In 2022, a total of 181 wells were drilled (including 164 SLHs and 17 PDWs) in Mabi concession. With the maturity of the drilling technology, the length of horizontal section of SLH has been extended, with focus on areas with more complex geological conditions. The average drilling time of SLH was 16 days.

In 2022, Mabi concession completed a total of 193 wells and a total of 2,142 stages of fracturing, representing an increase of 79% and 195% compared with 2021, respectively. The test of ultra-low-density ceramic proppant conducted in Mabi concession in 2020 and 2021 has showed obvious production enhancement effect in some wells, and further tests will be conducted to obtain more data support. The results of the tests of atypical large-scale volume fracturing of 2 wells and large-scale volume fracturing of 4 wells conducted in Mabi concession in 2022 are expected to be obtained in 2023.

181 wells drilled in 2022 will commence production in 2023.

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

Through continuous summarization and optimization of the management experience, a management model catering for the development of southern area of Mabi concession has been established. As the understanding of the geological conditions of the concession, drilling, fracturing, surface construction and other processes and technologies further enhances during the development phase, the Company has formulated the adjustment plan of the ODP of the southern area of Mabi concession in 2022 and is actively handling the relevant review and approval procedures, laying the foundation for further efficient development of the southern area.

In 2022, the surface constructions of Mabi concession, including the No. 2 gas gathering station, 35 kilovolt single tower double circuit and substation, were completed and put into use. The high-pressure outbound transmission capacity in the southern area has been established, which has improved the outbound capacity and supported the steady production enhancement in the southern area effectively.

— *Research and Development Progress of the Northern Area of Mabi Concession*

The Company adheres to the step-by-step rolling development strategy in order to facilitate the efficient development of Mabi concession, and further enhances our understanding of the geological conditions through 3D seismic exploration and continues to monitor the preliminary test wells. The Company has formulated the development plan for the selected MB076 well block in 2022, and is actively handling the relevant review and approval procedures. Upon approval, the Company will push forward the construction work steadily and efficiently in order to support the future production growth in Mabi concession.

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

	2022	2021	% Change
Gross production (MMCM)	1,466.72	1,297.94	13.00%
Total average daily production (MMCMD)	4.02	3.56	12.92%
Gross production of PZ (MMCM)	1,182.49	1,174.77	0.66%
PZ MLD	96.56	123.05	-21.53%
PZ SLH	852.63	865.80	-1.52%
PZ PDW	233.30	185.92	25.48%
Total producing wells of PZ**	582	504	15.48%
PZ MLD	49	49	0.00%
PZ SLH	303	297	2.02%
PZ PDW	230	158	45.57%
PZ wells drilled	69	62	11.29%
PZ wells fracked	74	39	89.74%
Gross production of MB (MMCM)	284.23	123.17	130.76%
MB MLD	0.20	0.20	0.00%
MB SLH	175.07	60.68	188.51%
MB PDW	108.96	62.29	74.92%
Total producing wells of Mabi**	498	327	52.29%
MB MLD	1	1	0.00%
MB SLH	183	54	238.89%
MB PDW	314	272	15.44%
MB wells drilled	181	190	-4.74%
MB wells fracked	193	108	78.70%

Notes:

* Operations update as of 31 December 2022, 08: 00 CST.

** Well count is calculated from pumping start date.

3. Reserve Update

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 2022 (“2022YE”) were 172.6 bcf and 557.5 bcf respectively, representing a 14% increase from the 1P reserve of 152.0 bcf as at the end of 2021 (“2021YE”) and a 12% decrease from the 2P reserve of 635.1 bcf as at 2021YE. After deducting net gas production of 40.3 bcf for 2022, the 1P reserves increased by 55% and 2P reserves decreased by 6%.

The 1P reserve and 2P reserve of Panzhuang concession were 102.6 bcf and 124.2 bcf as at 2022YE, representing a decrease of 11% and 16% respectively from the 1P reserve of 114.7 bcf and the 2P reserve of 148.1 bcf as at 2021YE. After deducting net gas production of 32.0 bcf for 2022, 1P reserves increased by 24% and 2P reserves increased by 7%.

The 1P reserve and 2P reserve of Mabi concession were 70.0 bcf and 433.3 bcf as at 2022YE, representing an increase of 88% and a decrease of 11% respectively from the 1P reserve of 37.3 bcf and the 2P reserve of 487.0 bcf as at 2021YE. After deducting net gas production of 8.3 bcf for 2022, the 1P reserve increased by 141% and the 2P reserve decreased by 9%.

Table 2 — Reserve Data * *

	2022 Gross (bcf)	2022 Net* (bcf)	2021 Net* (bcf)
Total			
Proved (1P)	232.53	172.65	152
Proved + probable (2P)	790.12	557.48	635.1
Proved + probable + possible (3P)	933.61	655.85	876.2
Panzhuang concession			
Proved (1P)	133.17	102.62	114.7
Proved + probable (2P)	161.67	124.16	148.1
Proved + probable + possible (3P)	197.33	150.85	213.2
Mabi concession			
Proved (1P)	99.36	70.03	37.3
Proved + probable (2P)	628.45	433.32	487
Proved + probable + possible (3P)	736.28	505.00	663

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.

4. Liquefied Natural Gas ("LNG") Outsourced Processing and Trading Business

In 2022, the LNG outsourced processing gas volume of Xinhe Investment Holding Co., Ltd. ("**Xinhe Investment**"), a wholly-owned subsidiary of the Group, was 68.37 MMCM, the sales volume of LNG was 45,600 tonnes. The sales volume of piped gas of the energy trading business was 2.05 MMCM. The sales volume of LNG was 36,200 tonnes. The sales volume of Compressed Natural Gas ("**CNG**") was 5.36 MMCM.

5. Operation of Joint Venture Company

Based on the development level of the energy industry and the Company's own development scale, in order to better implement the "Four Alterations" core strategy of "development of full industrial chain, new-and-high technologies, internationalization and financial development" of natural gas energy, Xinjiang Xintai Natural Gas Co., Ltd. ("**XTRQ**") (the controlling shareholder of the Company) and Xinhe Investment entered into the Joint Venture Agreement on 18 January 2022 to make a capital contribution of RMB50 million for the joint establishment of Dongcheng Xintai Energy Research Co., Ltd. ("**Dongcheng Xintai**"), with XTRQ and Xinhe Investment holding 51% (RMB25.50 million) and 49% (RMB24.50 million) of the shares, respectively.

Dongcheng Xintai conducts research with focus on renewable energy and new energy fields, develops new technologies, materials and development solutions, and promotes the application of technological research results. It has established a development platform through resource integration and vertical development.

On 30 March 2022, XTRQ and Xinhe Investment entered into a capital increase agreement, with each of XTRQ and Xinhe Investment contributing an additional RMB127.5 million and RMB122.5 million, respectively. The registered capital of the Company increased to RMB300 million, and the share of equity held by the shareholders remained unchanged.

For details of the joint venture company, please refer to the Company's announcements dated 18 January 2022 and 30 March 2022, respectively.

OUTLOOK AND GUIDANCE FOR 2023

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.

For 2023, we are pleased to present the latest goals as follows:

Panzhuang Concession

The Group will continue to invest in Panzhuang concession in 2023, 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 21 well sites, the drilling work of 75 new wells (including 70 drilling operations for thin coal seams and 5 drilling operations for main coal seams), the fracturing construction work of 77 new wells, the commencing production of 85 new wells and implementing related ancillary surface facilities engineering.
- With the scheduled project implementation and related government approvals, the gross production of Panzhuang concession in 2023 is expected to be 1,149 MMCM (40.6 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 2023, to optimize mutual guarantee agreements and continue to identify new development opportunities and cooperation channels.

Mabi Concession

The Group will continue to strengthen investment in Mabi concession in 2023, details are as follows:

- In Mabi concession, the Group will continue to obtain approval for the ODP adjustment plan of the southern area and the development plan for MB076 well block, 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 2023, we plan to complete the drilling work of 178 new wells (including 51 wells in the southern area and 127 wells in the northern area), the fracturing construction work of 165 new wells, the commencing production of 151 new wells and implementing related ancillary surface facilities engineering in Mabi concession.

- With the scheduled project implementation and related government approvals, the gross production of Mabi concession in 2023 is expected to be 536 MMCM (18.9 bcf).

According to the development plan of Panzhuang concession and Mabi concession mentioned above, the Group estimates to incur capital expenditures of approximately RMB1.592 billion in 2023, which will be financed by its own cash flow. The Group will assess the capital investment plan for 2023 from time to time, and will make necessary disclosure in the interim results for 2023 for any change.

The Group will committed to sustainable 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 future 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.

LNG Outsourced Processing and Trading Business

It is expected that the global economic growth will slow down in 2023, which may reduce the demand for natural gas. However, the natural gas market remains in a tight balance. AAG Energy has implemented the comprehensive industry strategy, strengthening strategy and innovation strategy. By leveraging its platform advantages, Xinhe Investment will continue to expand upstream gas sources, strengthen pipeline interconnection, cultivate the mid and downstream markets, and proactively layout incremental markets to expand its sales scope. In the coming year, Xinhe Investment expects to achieve a sales volume of 107,300 tonnes for the outsourced processing of LNG, a sales volume of 2.85 MMCM for piped gas, a sales volume of 44,000 tonnes for LNG and a sales volume of 12 MMCM for CNG of the energy trading business.

FINANCIAL RESULTS

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2022 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2022	2021
	Note	RMB'000	RMB'000
Revenue	4	2,566,744	1,739,226
Other income	5	347,683	251,875
Other (losses)/gains, net		(21,729)	18,022
Operating expenses			
Depreciation and amortisation		(554,238)	(396,523)
Employee benefit expenses		(106,833)	(102,901)
Exploration expenses		(94,918)	(50,280)
Materials, services and logistics		(379,862)	(283,644)
Net impairment losses on financial assets		(39,264)	(9,757)
Others		(20,396)	(17,819)
Total operating expenses		<u>(1,195,511)</u>	<u>(860,924)</u>
Profit from operations		<u>1,697,187</u>	<u>1,148,199</u>
Finance income	6	36,023	24,522
Finance costs	6	(9,738)	(5,750)
Exchange gains/(losses)	6	95,100	(8,597)
Finance income, net		<u>121,385</u>	<u>10,175</u>
Share of net loss of associates accounted for using the equity method		<u>(17,715)</u>	<u>(14,052)</u>
Profit before income tax		<u>1,800,857</u>	<u>1,144,322</u>
Income tax expense	7	(384,748)	(328,643)
Profit attributable to owners of the Company for the year		<u><u>1,416,109</u></u>	<u><u>815,679</u></u>

		Year ended 31 December	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		<u>(58,811)</u>	<u>(1,663)</u>
Total comprehensive income attributable to owners of the Company for the year		<u>1,357,298</u>	<u>814,016</u>
Earnings per share (RMB)			
— Basic	<i>11</i>	0.417	0.240
— Diluted	<i>11</i>	<u>0.417</u>	<u>0.240</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2022	2021
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		5,202,581	4,478,379
Right-of-use assets		51,838	59,435
Intangible assets		20,809	24,198
Restricted bank deposits		67,797	60,230
Investments in associates	8	372,270	242,985
Other financial assets at amortised cost		31,378	55,000
Other non-current assets		34,243	309
		<u>5,780,916</u>	<u>4,920,536</u>
Current assets			
Inventories		16,871	11,049
Other current assets		77,146	101,146
Trade and other receivables	9	1,246,486	1,226,536
Financial assets at fair value through profit or loss		69,646	–
Term deposits with initial terms of over three months		–	200,000
Cash and cash equivalents		2,118,660	1,626,675
		<u>3,528,809</u>	<u>3,165,406</u>
Total assets		<u><u>9,309,725</u></u>	<u><u>8,085,942</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		2,080	2,080
Share premium		3,323,159	3,522,168
Other reserves		217,044	276,058
Retained earnings		4,041,353	2,625,244
Total equity		<u><u>7,583,636</u></u>	<u><u>6,425,550</u></u>

		As at 31 December	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Asset retirement obligations		141,335	150,695
Non-current lease liabilities		41,297	41,914
Deferred income tax liabilities		195,678	478,061
		<u>378,310</u>	<u>670,670</u>
Current liabilities			
Trade and other payables	<i>10</i>	1,149,372	803,599
Current income tax liabilities		188,967	172,390
Current lease liabilities		9,440	13,733
		<u>1,347,779</u>	<u>989,722</u>
Total liabilities		<u>1,726,089</u>	<u>1,660,392</u>
Total equity and liabilities		<u>9,309,725</u>	<u>8,085,942</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Cash generated from operations	2,479,187	1,577,532
Interest paid	(3,785)	(3,707)
Income tax paid	(650,554)	(210,376)
	<hr/>	<hr/>
Net cash generated from operating activities	1,824,848	1,363,449
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(1,130,134)	(699,239)
Increase in restricted bank deposits	(7,566)	(5,182)
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	(279,114)	(789,345)
Payments for financial assets at amortised cost	(604)	(207,957)
Loans to third party	(2,300)	(3,452)
Investments to associates	(147,000)	(234,388)
Proceeds from sale of financial assets at fair value through profit or loss	212,450	790,156
Proceeds from repayment of financial assets at amortised cost	–	166,124
Proceeds from disposal of property, plant and equipment	–	741
Interest received	13,022	14,996
	<hr/>	<hr/>
Net cash used in investing activities	(1,141,246)	(1,167,546)

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from financing activities		
Proceeds from exercise of options	207	1,481
Principal elements of lease payments	(6,436)	(6,194)
Dividends paid to the Company's shareholders	(196,790)	(351,120)
	<u>(203,019)</u>	<u>(355,833)</u>
Net cash used in financing activities		
	<u>(203,019)</u>	<u>(355,833)</u>
Net increase/(decrease) in cash and cash equivalents	480,583	(159,930)
Cash and cash equivalents at beginning of the year	1,626,675	1,790,505
Exchange gains/(losses) on cash and cash equivalents	11,402	(3,900)
	<u>1,626,675</u>	<u>1,790,505</u>
Cash and cash equivalents at end of the year	<u>2,118,660</u>	<u>1,626,675</u>

NOTES 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 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 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. 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 the disclosure 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 or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

- 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
- Covid-19 Related Rent Concessions beyond 30 June 2021 — Amendment to HKFRS 16 (March 2021)

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

(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 2022 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 CODM considers the business from perspective of types of goods delivered. During the year ended 31 December 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 year ended 31 December 2022 is as follows:

	Panzhuang concession RMB’000	Mabi concession RMB’000	Xinhe RMB’000	Total RMB’000
Year ended 31 December 2022				
Segment revenue	1,918,205	471,513	297,725	2,687,443
Inter-segment revenue	(120,699)	–	–	(120,699)
Revenue from external customers	1,797,506	471,513	297,725	2,566,744
EBITDA (i)	1,933,483	300,990	31,566	2,266,039
Other income	280,422	67,261	–	347,683
Operating expenses	(616,777)	(411,382)	(146,921)	(1,175,080)
Depreciation and amortisation	(356,703)	(190,687)	(2,800)	(550,190)
Net impairment losses on financial assets	(15,038)	–	(24,226)	(39,264)
Finance income	22,246	4,124	4,194	30,564
Finance costs	(8,449)	(1,251)	–	(9,700)
Exchange gains/(losses)	40,897	(6,705)	–	34,192
Share of net loss of associates accounted for using the equity method	–	–	(17,715)	(17,715)
Income tax expense	(391,930)	15,745	(8,562)	(384,747)

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

	Panzhuang concession <i>RMB'000</i>	Mabi concession <i>RMB'000</i>	Xinhe <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2021				
Revenue from external customers	1,522,736	176,946	39,544	1,739,226
EBITDA	1,477,455	73,537	7,449	1,558,441
Other income	223,651	28,224	–	251,875
Operating expenses	(596,668)	(196,727)	(46,480)	(839,875)
Depreciation and amortisation	(325,181)	(65,389)	(1,592)	(392,162)
Net impairment losses on				
financial assets	(7,579)	(2,173)	(5)	(9,757)
Finance income	17,200	2,221	1,899	21,320
Finance costs	(4,602)	(1,078)	–	(5,680)
Exchange (losses)/gains	(10,358)	6,054	(548)	(4,852)
Share of net loss of associates accounted for using the equity method	–	–	(14,052)	(14,052)
Income tax expense	(295,202)	(31,559)	(1,878)	(328,639)
	Panzhuang concession <i>RMB'000</i>	Mabi concession <i>RMB'000</i>	Xinhe <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2022				
Segment assets	3,502,496	4,442,580	646,627	8,591,703
Segment liabilities	712,711	982,183	23,822	1,718,716
Investments in associates	–	–	372,270	372,270
Additions to non-current assets (other than deferred income tax assets)	239,265	1,055,927	126,485	1,421,677
As at 31 December 2021				
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
Investments in associates	–	–	242,985	242,985
Additions to non-current assets (other than deferred income tax assets)	292,940	537,638	352,064	1,182,642

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Total EBITDA for reportable segments	2,266,039	1,558,441
Headquarters overheads	(14,614)	(13,719)
Depreciation and amortisation	(554,238)	(396,523)
Finance income	36,023	24,522
Finance costs	(9,738)	(5,750)
Exchange gains/(losses)	95,100	(8,597)
Share of net loss of associates accounted for using the equity method	(17,715)	(14,052)
	<u>1,800,857</u>	<u>1,144,322</u>

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Total segment assets	8,591,703	7,969,241
Unallocated		
Unallocated property, plant and equipment	51	151
Unallocated trade and other receivables	338	250
Unallocated financial assets at fair value through profit or loss	69,646	–
Unallocated cash and cash equivalents	647,661	115,225
Others	326	1,075
	<u>9,309,725</u>	<u>8,085,942</u>
Total assets per balance sheet	<u>9,309,725</u>	<u>8,085,942</u>

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

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Total segment liabilities	1,718,716	1,653,009
Unallocated		
Unallocated lease liabilities	83	823
Unallocated trade and other payables	7,290	6,560
	<hr/>	<hr/>
Total liabilities per balance sheet	<u>1,726,089</u>	<u>1,660,392</u>

4. REVENUE

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of CBM	2,269,019	1,700,285
Sales of LNG	293,857	37,078
Others	3,868	1,863
	<hr/>	<hr/>
	<u>2,566,744</u>	<u>1,739,226</u>

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.

5. OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
VAT refund (a)	182,281	140,245
Government subsidy (b)	165,402	111,630
	<u>347,683</u>	<u>251,875</u>

- (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	
	2022	2021
	RMB'000	RMB'000
Interest expense of lease liabilities	(3,785)	(3,707)
Accretion expenses of asset retirement obligations	(5,953)	(2,043)
Finance costs	(9,738)	(5,750)
Finance income	36,023	24,522
Exchange gains/(losses)	95,100	(8,597)
Finance income, net	<u>121,385</u>	<u>10,175</u>

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	667,131	288,194
Deferred income tax	(282,383)	40,449
	<u>384,748</u>	<u>328,643</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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	1,800,857	1,144,322
Tax expense calculated at applicable tax rates	358,323	308,221
Utilization of previously year deductible temporary differences for which no deferred tax asset was recognised	–	(744)
Expenses not deductible for taxation purposes	17,179	21,122
Others	9,246	44
	<u>384,748</u>	<u>328,643</u>
Income tax expense	<u>384,748</u>	<u>328,643</u>

8. INVESTMENTS IN ASSOCIATES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Beginning of the year	242,985	–
Addition (a)	147,000	257,037
Loss for the year	(17,715)	(14,052)
End of the year	<u>372,270</u>	<u>242,985</u>

- (a) During the year of 2021, the Group increased the capital of Shanxi Tongyu Coalbed Methane Transportation and Distribution Ltd (“**Shanxi Tongyu**”) with a total consideration of RMB257,036,418 and hold 32.1296% of the total shares of Shanxi Tongyu after the completion of capital contribution. Shanxi Tongyu is mainly engaged in sales, transmission and distribution of CBM.

During the year of 2022, the Group paid RMB147,000,000 to establish Dongcheng Xintai Energy Research Co., Ltd. (“**Dongcheng Xintai**”), representing 49% share of the total capital contribution. Dongcheng Xintai is mainly engaged in energy technology development and energy technology services.

(b) Interests in associates

Set out below are the associates of the Group as at 31 December 2022 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 2022
		%			RMB'000
Shanxi Tongyu	Shanxi, PRC	32.1296	Associate	Equity method	225,265

9. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (a)		
— CUCBM	344,921	318,319
— PetroChina	79,789	102,049
— Shanxi Tongyu	89,267	89,267
— External customers	3,365	8,271
	<u>517,342</u>	<u>517,906</u>
Less: loss allowance for impairment of trade receivables (f)	<u>(30,222)</u>	<u>(15,184)</u>
Trade receivables, net	<u>487,120</u>	<u>502,722</u>
Notes receivables (b)	16,000	–
Government grants receivables (c)		
— Government	397,323	404,779
— CUCBM	20,137	43,783
— PetroChina	–	9,745
Due from PSC partners for cash calls and accrued expenses (d)		
— CUCBM	107,492	134,876
— PetroChina	205,892	123,096
Loans to third party (e)	5,752	3,452
Deposits and others	8,943	6,256
	<u>745,539</u>	<u>725,987</u>
Less: loss allowance for impairment of other receivables (f)	<u>(2,173)</u>	<u>(2,173)</u>
Other receivables, net	<u>743,366</u>	<u>723,814</u>
Total trade and other receivables	<u><u>1,246,486</u></u>	<u><u>1,226,536</u></u>

(a) Trade receivables

The ageing analysis of trade receivables is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 3 months	428,075	505,367
6 months to 1 year	–	12,539
1 year to 2 years	89,267	–
	<hr/>	<hr/>
	517,342	517,906
Less: loss allowance for impairment of trade receivables (f)	(30,222)	(15,184)
	<hr/>	<hr/>
	487,120	502,722
	<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 LNG from Xinhe and the sale of the Group’s share of CBM from Panzhuang concession.

- (b) Notes receivable are bank acceptance with maturity dates within six months.
- (c) This represents the VAT refund and government subsidies for CBM receivable from the government directly or through CUCBM and PetroChina.
- (d) 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.
- (e) This represents loans to third party with a term of six months.
- (f) The loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Opening loss allowance	(15,184)	(7,600)
Increase in loss allowance recognised in profit or loss during the year	<u>(15,038)</u>	<u>(7,584)</u>
Closing loss allowance	<u><u>(30,222)</u></u>	<u><u>(15,184)</u></u>

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Opening loss allowance	(2,173)	–
Increase in loss allowance recognised in profit or loss during the year	<u>–</u>	<u>(2,173)</u>
Closing loss allowance	<u><u>(2,173)</u></u>	<u><u>(2,173)</u></u>

- (g) As at 31 December 2022, the carrying amounts of trade and other receivables approximated their fair values.
- (h) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	1,246,241	1,226,312
HK\$	<u>245</u>	<u>224</u>
	<u><u>1,246,486</u></u>	<u><u>1,226,536</u></u>

10. TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables	1,055,488	615,143
Amounts due to related parties		
— Xintai Jingong	4,316	15,705
— Shanxi Tongyu	7,655	4,661
Amounts due to PSC partners		
— CUCBM	12,820	93,257
— PetroChina	6,128	9,552
Advance from customers	3,388	4,476
Tax payables	2,051	14,513
Payroll liabilities	44,206	34,195
Other payables	13,320	12,097
	<u>1,149,372</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 31 December	
	2022	2021
	RMB'000	RMB'000
Within 6 months	818,071	536,916
6 months to 1 year	167,667	24,646
1 to 2 years	52,220	38,208
2 to 3 years	9,643	3,405
Over 3 years	7,887	11,968
	<u>1,055,488</u>	<u>615,143</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:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	1,141,709	802,989
HK\$	3,404	283
US\$	4,259	327
	<u>1,149,372</u>	<u>803,599</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 2022 and 2021.

	Year ended 31 December	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	<u>1,416,109</u>	<u>815,679</u>
Weighted average number of ordinary shares in issue (Thousands)	<u>3,395,126</u>	<u>3,394,444</u>
Basic earnings per share (RMB)	<u><u>0.417</u></u>	<u><u>0.240</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.

	Year ended 31 December	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	<u>1,416,109</u>	<u>815,679</u>
Weighted average number of ordinary shares in issue (Thousands)	<u>3,395,126</u>	<u>3,394,444</u>
Adjustments for assumed conversion of share options (Thousands)	<u>–</u>	<u>34</u>
Weighted average number of ordinary shares for diluted earnings per share (Thousands)	<u>3,395,126</u>	<u>3,394,478</u>
Diluted earnings per share (RMB)	<u><u>0.417</u></u>	<u><u>0.240</u></u>

12. DIVIDENDS

The Board has not recommended the payment of a final dividend for the year ended 31 December 2022.

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

13. SUBSEQUENT EVENTS

As of 17 February 2023, Liming as the Offeror, and the Company made a Joint Announcement for (1) Pre-conditional proposal for the Privatisation of the Company by the Offeror (“**the Proposal**”) by the way of a scheme of arrangement (“**the Scheme**”) (under section 86 of the company act); (2) Proposed withdrawal of listing of the Company upon completion of the Scheme.

As of the date of this report issued, the Proposal is still subject to the fulfillment or waiver, as applicable, of certain pre-condition and conditions as described in the Joint Announcement.

FINANCIAL REVIEW

	Year Ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue	2,566,744	1,739,226
— Panzhuang	1,918,205	1,522,736
— Mabi	471,513	176,946
— Xinhe	297,725	39,544
— Inter-segment eliminations	(120,699)	—
Subsidy income	165,402	111,630
— Panzhuang	140,727	99,188
— Mabi	24,675	12,442
VAT refund	182,281	140,245
— Panzhuang	139,695	124,463
— Mabi	42,586	15,782
Other (losses)/gains, net	(21,729)	18,022
Operating expenses	(1,195,511)	(860,924)
Depreciation and amortization	(554,238)	(396,523)
Employee benefit expenses	(106,833)	(102,901)
Exploration expenses	(94,918)	(50,280)
Materials, services and logistics	(379,862)	(283,644)
Net impairment losses on financial assets	(39,264)	(9,757)
Others	(20,396)	(17,819)
<i>Panzhuang</i>	(616,777)	(596,668)
Depreciation and amortization	(356,703)	(325,181)
Employee benefit expenses	(72,517)	(68,798)
Materials, services and logistics	(159,637)	(182,296)
Net impairment losses on financial assets	(15,038)	(7,579)
Others	(12,882)	(12,814)
<i>Mabi</i>	(411,382)	(196,727)
Depreciation and amortization	(190,687)	(65,389)
Employee benefit expenses	(27,957)	(28,338)
Exploration expenses	(94,918)	(50,280)
Materials, services and logistics	(93,414)	(46,913)
Net impairment losses on financial assets	—	(2,173)
Others	(4,406)	(3,634)

	Year Ended 31 December	
	2022	2021
	RMB'000	RMB'000
<i>Xinhe</i>	(267,620)	(46,480)
Depreciation and amortization	(2,800)	(1,592)
Employee benefit expenses	(598)	(69)
Materials, services and logistics	(237,412)	(44,235)
Net impairment losses on financial assets	(24,226)	(5)
Others	(2,584)	(579)
 <i>Inter-segment eliminations</i>		
Materials, services and logistics	120,699	–
 <i>Headquarters</i>	(20,431)	(21,049)
Depreciation and amortization	(4,048)	(4,361)
Employee benefit expenses	(5,761)	(5,696)
Materials, services and logistics	(10,098)	(10,200)
Others	(524)	(792)
 EBITDA	2,251,425	1,544,722
— Panzhuang	1,933,483	1,477,455
— Mabi	300,990	73,537
— Xinhe	31,566	7,449
— Headquarters	(14,614)	(13,719)
 Profit from operations	1,697,187	1,148,199
 Finance income	36,023	24,522
Finance costs	(9,738)	(5,750)
Exchange gains/(losses)	95,100	(8,597)
 Finance income, net	121,385	10,175
 Share of net loss of associates accounted for using the equity method	(17,715)	(14,052)
 Profit before income tax	1,800,857	1,144,322
Income tax expense	(384,748)	(328,643)
 Profit for the year	<u>1,416,109</u>	<u>815,679</u>

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

	Year ended 31 December	
	2022	2021
Gross production volume (bcf) ¹	51.80	45.84
Panzhuang	41.76	41.49
Mabi	10.04	4.35
Gross production volume (MMCM) ¹	1,466.72	1,297.94
Panzhuang	1,182.49	1,174.77
Mabi	284.23	123.17
Gross sales volume (bcf) ²	50.00	44.16
Panzhuang	40.52	40.34
Mabi	9.48	3.82
Gross sales volume (MMCM) ²	1,415.64	1,250.27
Panzhuang	1,147.28	1,142.21
Mabi	268.36	108.06
Net sales volume (bcf) ³	36.39	31.75
Panzhuang	29.00	28.79
Mabi	7.39	2.96
Net sales volume (MMCM) ³	1,030.47	899.20
Panzhuang	821.26	815.34
Mabi	209.21	83.86
Realized ASP (RMB per cubic meter) ⁴	2.26	1.79
Panzhuang	2.31	1.80
Mabi	2.05	1.67
Revenue (RMB'000)	2,389,718	1,699,682
Panzhuang	1,918,205	1,522,736
Mabi	471,513	176,946

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 RMB828 million or 47.58% from RMB1.739 billion in 2021 to RMB2.567 billion in 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 due to the newly incurred energy trading and LNG outsourced processing and sales businesses. The gross production volume of Panzhuang concession increased by 0.66% from 1,175 MMCM in 2021 to 1,183 MMCM in 2022; realized ASP increased from RMB1.80 per cubic meter in 2021 to RMB2.31 per cubic meter in 2022. The gross production volume of Mabi concession increased by 130.76% from 123 MMCM in 2021 to 284 MMCM in 2022; realized ASP increased from RMB1.67 per cubic meter in 2021 to RMB2.05 per cubic meter in 2022.

Subsidy income. Our subsidy income increased by RMB53 million or 48.17% from RMB112 million in 2021 to RMB165 million in 2022, primarily due to the increase in central and local fiscal award and subsidy funds.

VAT refund. Our VAT refund increased by RMB42 million or 29.97% from RMB140 million in 2021 to RMB182 million in 2022, mainly 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 RMB18.02 million in 2021 to a loss of RMB21.73 million in 2022, primarily due to the payment of other expenses for land occupation.

Operating expenses. Our operating expenses increased by RMB335 million or 38.86% from RMB861 million in 2021 to RMB1,196 million in 2022, primarily due to the increase in depreciation and amortization as a result of the increase in production wells and production volume, the increase in exploration expenses, the increase in materials, services and logistics as a result of the increase in production wells, the increase in sales costs of LNG as a result of the increase in LNG outsourced processing and sales businesses, and the increase in net impairment losses on financial assets.

- *Depreciation and amortisation.* Our depreciation and amortization increased by RMB158 million or 39.77% from RMB396 million in 2021 to RMB554 million in 2022, mainly due to the increase in production wells and production volume in Panzhuang and Mabi concessions.
- *Employee benefit expenses.* Our employee benefit expenses were RMB103 million and RMB107 million in 2021 and 2022, respectively.
- *Exploration expenses.* Our exploration expenses increased by RMB45 million or 88.78% from RMB50 million in 2021 to RMB95 million in 2022, mainly due to the increase in the well closure in Mabi concession.
- *Materials, services and logistics.* Our materials, services and logistics expenses increased by RMB96 million or 33.92% from RMB284 million in 2021 to RMB380 million in 2022, primarily due to the increase in electricity, repair, wastewater treatment and other operating costs as a result of more wells coming into production and increased production, and the increase in sales costs of LNG as a result of the increase in LNG outsourced processing and sales businesses.
- *Net impairment losses on financial assets.* Our net impairment losses on financial assets increased by RMB29.50 million or 302.42% from RMB9.76 million in 2021 to RMB39.26 million in 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 RMB17.82 million and RMB20.40 million in 2021 and 2022, respectively.

EBITDA. Our EBITDA increased by RMB706 million or 45.75% from RMB1.545 billion in 2021 to RMB2.251 billion in 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 newly incurred energy trading and LNG outsourced processing and sales businesses, partially offset by the increase in exploration expenses, the increase in materials, services and logistics, and the increases in LNG sales costs and net impairment losses on financial assets. Overall, higher production volume and realized ASP have led to an increase in EBITDA. The EBITDA of Panzhuang concession increased by RMB456 million or 30.87% from RMB1.477 billion in 2021 to RMB1.933 billion in 2022, primarily due to increase in production volume and realized ASP. Mabi concession's EBITDA increased by RMB227 million or 309.30% from RMB74 million in 2021 to RMB301 million in 2022, primarily due to increase in production volume and realized ASP, partially offset by increase in materials, services and logistics and exploration expenses. The EBITDA of Xinhe Investment increased by RMB24.12 million or 323.76% from RMB7.45 million in 2021 to RMB31.57 million in 2022, mainly due to the increase in revenue from the newly incurred 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 RMB549 million or 47.81% from RMB1.148 billion in 2021 to RMB1.697 billion in 2022.

Finance income. Our finance income increased by RMB11.50 million or 46.90% from RMB24.52 million in 2021 to RMB36.02 million in 2022, primarily due to the increase in cash and bank balances.

Finance costs. Our finance costs were RMB5.75 million and RMB9.74 million in 2021 and 2022, respectively.

Exchange gains/(losses). Our exchange gains/(losses) turned from exchange losses of RMB8.60 million in 2021 to exchange gains of RMB95.10 million in 2022, 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 were RMB14.05 million and RMB17.72 million in 2021 and 2022, respectively.

Profit before income tax. Our profit before income tax increased by RMB657 million or 57.37% from RMB1.144 billion in 2021 to RMB1.801 billion in 2022, primarily due to the factors affecting EBITDA as described above and the increases in finance income and exchange gains, partially offset by the increase in depreciation and amortization expenses, the increase in finance costs and the increase in share of net loss of associates accounted for using the equity method.

Income tax expense. Our income tax expenses increased by RMB56 million or 17.07% from RMB329 million in 2021 to RMB385 million in 2022, mainly due to the increase in profit before income tax of Panzhuang concession in 2022.

Profit for the year. Our profit for the year increased by RMB600 million or 73.61% from RMB816 million in 2021 to RMB1.416 billion in 2022, 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 or losses, share of net profit or loss of associates accounted for using the equity method, income tax, 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 profit or loss of associates accounted for using the equity method, exchange gains or losses, finance income, finance costs, depreciation and amortization.

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Reconciliation of profit for the year to EBITDA:		
Profit for the year	1,416,109	815,679
Income tax expense	384,748	328,643
Share of net loss of associates accounted for using the equity method	17,715	14,052
Finance income	(36,023)	(24,522)
Finance costs	9,738	5,750
Exchange (gains)/losses	(95,100)	8,597
Depreciation and amortization	554,238	396,523
EBITDA	<u>2,251,425</u>	<u>1,544,722</u>
Non-operation-related business development and legal consulting service expenses	<u>2,735</u>	<u>6,998</u>
Adjusted EBITDA	<u>2,254,160</u>	<u>1,551,720</u>

Our EBITDA increased by RMB706 million or 45.75% from RMB1.545 billion in 2021 to RMB2.251 billion in 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 newly incurred energy trading and LNG outsourced processing and sales businesses, partially offset by the increase in exploration expenses, the increase in materials, services and logistics, and the increases in LNG sales costs and net impairment losses on financial assets. In conclusion, higher production volume and realised ASP have led to an increase in EBITDA. The EBITDA of Panzhung concession increased by RMB456 million or 30.87% from RMB1.477 billion in 2021 to RMB1.933 billion in 2022, primarily due to increased production volume and realised ASP. Mabi concession's EBITDA increased by RMB227 million or 309.30% from RMB74 million in 2021 to RMB301 million in 2022, primarily due to increased production volume and realised ASP, partially offset by the increases in materials, services and logistics and exploration expenses. The EBITDA of Xinhe Investment increased by RMB24.12 million or 323.76% from RMB7.45 million in 2021 to RMB31.57 million in 2022, mainly due to the increase in revenue from the newly incurred energy trading and LNG outsourced processing and sales business, which was partially offset by the increase in cost of sales of LNG.

Our adjusted EBITDA increased by RMB702 million or 45.27% from RMB1.552 billion in 2021 to RMB2.254 billion in 2022. The increase was primarily due to the aforementioned reasons for the increase in EBITDA.

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 2022, we had cash and bank balances of RMB2.186 billion (31 December 2021: RMB1.887 billion).

Save as the information disclosed above or otherwise in this 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 2022.

Cash flows

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

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	1,824,848	1,363,449
Net cash used in investing activities	(1,141,246)	(1,167,546)
Net cash used in financing activities	(203,019)	(355,833)
Net increase/(decrease) in cash and cash equivalents	480,583	(159,930)
Cash and cash equivalents at beginning of the year	1,626,675	1,790,505
Exchange gains/(losses) on cash and cash equivalents	11,402	(3,900)
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	<u>2,118,660</u>	<u>1,626,675</u>

Operating activities

Net cash generated from operating activities in 2022 was RMB1.825 billion, mainly due to profit before income tax of RMB1.801 billion, depreciation and amortization of RMB554 million, exploration expenses of RMB95 million and net impairment losses on financial assets of RMB39 million. These items were offset by income tax paid of RMB651 million and an increase in trade and other receivables of RMB25 million.

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 million. These items were offset by income tax paid of RMB210 million.

Investing activities

Net cash used in investing activities in 2022 was RMB1.141 billion, mainly comprised of purchases of property, plant and equipment of RMB1.130 billion, investments in associates of RMB147 million, investments in financial assets of RMB70 million, offset by a decrease in 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 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.

Financing activities

Net cash used in financing activities in 2022 was RMB203 million, which was mainly due to the payment of dividend of RMB197 million for year ended 31 December 2021 and repayment of lease liabilities of RMB6.44 million.

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.

Cash and bank balances

We had cash and bank balances of RMB1.887 billion and RMB2.186 billion as at 31 December 2021 and 2022, respectively. Our cash and bank balances consist of cash on hand, cash at banks and restricted bank deposits. As at 31 December 2021 and 2022, approximately 0.84% and 20.55% 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 2022, 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 RMB46,000 (31 December 2021: negative RMB1,187,000) lower/higher, 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 2022.

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 2022.

SIGNIFICANT CHANGES/EVENTS AFTER THE END OF THE FINANCIAL YEAR

Reference is made to the announcement jointly issued by the Company and Liming Holdings Limited (the “**Offeror**”) dated 17 February 2023 (the “**Scheme Announcement**”) in relation to, among other things, the proposed privatisation of the Company by the Offeror by way of a scheme of arrangement (the “**Scheme**”) under section 86 of the Companies Act and the proposed withdrawal of listing of the Company. Unless otherwise defined, capitalised terms used in this paragraph shall have the same meanings as those defined in the Scheme Announcement. If the Scheme becomes unconditional, the Scheme Shareholders will receive from the Offeror the Scheme Consideration of HK\$1.85 in cash for each Scheme Share, as consideration for the cancellation and extinguishment of the Scheme Shares held as at the Effective Date. Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Shares being issued as fully paid to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15 of the Listing Rules.

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 2022, the Group employed 531 employees (including 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

For the year ended 31 December 2022, 192,715 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 2022, the Company has no option 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 announcement, the Company has no option outstanding under the Pre-IPO Share Option Scheme.

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 2021 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 67,902,482 underlying shares) of the shares in issue as at the date of the 2021 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 2022, no RSUs have been granted, vested, lapsed or cancelled. As at 31 December 2022, 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 67,902,482, representing approximately 2.0% of the issued shares. However, this specific mandate will expire at the conclusion of the 2022 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 2022, the proceeds from the IPO of the Company had been fully utilized.

FINAL DIVIDEND

The Board has not recommended the payment of a final dividend for the year ended 31 December 2022 (2021: RMB0.0589 per share).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM is scheduled to be held on Tuesday, 2 May 2023. 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 26 April 2023 to 2 May 2023, 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 25 April 2023 (being the business day prior to the first day of closure of the Register of Members).

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 2022. 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 2022.

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 2022.

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 2022. 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 2022 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 2022 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, 14 March 2023

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.