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

中油燃氣集團有限公司*

CHINA OIL AND GAS GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 603)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

ANNUAL RESULTS

The board of Directors (the "Board") of China Oil And Gas Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 together with the relevant comparative figures.

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover		**1,471,364**	677,372
Cost of sales		**(1,119,397)**	(507,685)
Gross profit		**351,967**	169,687
Other income and gains, net		**17,784**	53,790
Selling and distribution costs		**(16,507)**	(11,676)
Administrative expenses		**(110,115)**	(64,037)
Operating profit		**243,129**	147,764
Finance costs		**(24,489)**	(19,812)
Share of profits of associates of a jointly controlled entity		**–**	1,970
Share of profits/(losses) of associates		**2,488**	(475)
Profit before taxation		**221,128**	129,447
Taxation	*4*	**(34,085)**	(15,639)
Profit for the year	*5*	**187,043**	113,808
Attributable to:			
Equity holders of the Company		**73,025**	72,622
Minority interests		**114,018**	41,186
		187,043	113,808
Earnings per share	*7*		
– Basic		**1.75 cents**	2.07 cents
– Diluted		**–**	1.93 cents

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**1,004,165**	513,578
Leasehold land and land use rights		**33,825**	25,526
Goodwill		**627,258**	558,305
Other intangible assets		**3,802**	1,803
Available-for-sale financial assets		**499**	1,542
Total non-current assets		**1,669,549**	1,100,754
Current assets			
Inventories		**46,286**	27,292
Financial assets at fair value through profit or loss		**19,517**	16,219
Deposits, trade and other receivables	*8*	**326,165**	202,285
Current tax recoverable		**–**	695
Cash and cash equivalents		**731,151**	839,166
Total current assets		**1,123,119**	1,085,657
Total assets		**2,792,668**	2,186,411
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital		**44,579**	38,172
Reserves		**1,454,245**	1,217,000
		1,498,824	1,255,172
Minority interests		**405,004**	287,013
Total equity		**1,903,828**	1,542,185

	Notes	**2008**	2007
		HK$'000	*HK$'000*
Non-current liabilities			
Bank and other borrowings		**64,749**	79,110
Convertible notes		**–**	145,332
Deferred tax liabilities		**5,851**	5,420
Total non-current liabilities		**70,600**	229,862
Current liabilities			
Trade and other payables	*9*	**555,099**	316,162
Bank and other borrowings		**240,573**	80,147
Convertible notes		**–**	604
Current tax payable		**22,568**	17,451
Total current liabilities		**818,240**	414,364
Total liabilities		**888,840**	644,226
Total equity and liabilities		**2,792,668**	2,186,411
Net current assets		**304,879**	671,293
Total assets less current liabilities		**1,974,428**	1,772,047

NOTES:

1. GENERAL

China Oil and Gas Group Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 28 May 1993. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is Suite 2805, 28th Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong. The Company is an investment holding company.

2. STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

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

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group as follows:

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of these new and revised HKFRS had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segment, and (b) on a secondary segment reporting basis, by geographical segment.

Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

The Group is principally engaged in investments in the natural and other gas and also energy related business in the People's Republic of China ("PRC").

(a) Business segments

Segment revenues and results

For the years ended 31 December 2008 and 2007, no business segment information in respect of the Group's operation has been presented as all the Group's turnover was derived from natural gas business.

(b) Geographical segments

No geographical segment information in respect of the Group's operation as its revenues are primarily generated in the PRC and its major assets are located in the PRC.

4. TAXATION

Pursuant to the income tax rules and regulations of the PRC, provision for PRC enterprise income tax is calculated based on a statutory rate of 25% (2007: 33%) of the assessable profits of the companies within the Group, except for certain subsidiaries in the PRC being entitled to preferential tax treatments, which are taxed at preferential rate of 18%.

No provision for Hong Kong profits tax has been made for those companies subject to Hong Kong profits tax within the Group as these subsidiaries did not have any assessable profits for the year (2007: Nil).

	2008	2007
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**–**	–
Taxation outside Hong Kong	**33,997**	15,841
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences	**88**	(202)
Taxation charge	**34,085**	15,639

A reconciliation of the tax expense applicable to profit before taxation using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense using the domestic taxation rates applicable to the profit of the consolidated companies is as follows:

	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	**221,128**	129,447
Tax calculated at the domestic tax rate of 16.5% (2007: 17.5%)	**36,486**	22,653
Tax effect of income not subject to taxation	**(17,318)**	(32,909)
Tax effect of expenses not deductible for tax purpose	**8,776**	16,337
Effect of different tax rates of its subsidiaries	**6,141**	9,558
Taxation charge	**34,085**	15,639

5. PROFIT FOR THE YEAR

This has been arrived at after charging:

	2008	2007
	HK$'000	*HK$'000*
Staff costs (excluding directors' remuneration):		
Salaries and wages	**28,043**	17,638
Retirement benefits scheme contributions	**89**	159
	28,132	17,797
Minimum lease payments under operating leases for leasehold land and buildings	**4,853**	2,998
Auditors' remuneration	**1,433**	1,080
Depreciation of property, plant and equipment	**45,653**	27,520
Bad debts written off	**405**	29
Amortisation of leasehold land and land use rights	**657**	565
Loss on disposal of property, plant and equipment and leasehold land and land use rights	**34**	1,253
Impairment losses of available-for-sale financial assets	**1,043**	–
Fair value losses on financial assets at fair value through profit or loss	**16,950**	4,660
Loss on disposal of financial assets at fair value through profit or loss, net	**2,779**	–
Amortisation of other intangible assets	**44**	41
Loss on exchange, net	**1,299**	–
Share of associates' taxation	**246**	–

6. DIVIDEND

No dividend was paid or proposed during the current financial year, nor has any dividend been proposed since the balance sheet date (2007: Nil).

7. EARNINGS PER SHARE

(a) Basic earnings per share

	2008	2007
	HK cents per share	HK cents per share
Basic earnings per share	**1.75**	2.07

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2008	2007
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company	**73,025**	72,622
Earnings used in the calculation of basic earnings per share	**73,025**	72,622

	2008	2007
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	**4,173,757,142**	3,510,968,433

(b) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2008 has not been calculated as there was no dilutive effect during the year (2007: HK cents 1.93).

The calculation of the diluted earnings per share for 2007 was based on the profit attributable to equity holders of the Company of HK$80,465,000 and the weighted average of 4,160,968,433 ordinary shares in issue during the year, calculated as follows:

	2007 *HK$'000*
Profit for the year attributable to equity holders of the Company (basic)	72,622
Effect of interest accrued on liability component of convertible notes	7,843
Profit for the year attributable to equity holders of the Company (diluted)	80,465

	2007 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,510,968,433
Effect of conversion of convertible notes	650,000,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,160,968,433

8. DEPOSITS, TRADE AND OTHER RECEIVABLES

	2008 ***HK$'000***	2007 *HK$'000*
Trade receivables	**78,601**	92,540
Other receivables, deposits and prepayments	**247,564**	109,745
	326,165	202,285

The directors consider that the carrying amounts of deposits, trade and other receivables approximate to their fair values.

At each of the balance sheet date, the Group's allowances for impairment of trade receivables were individually determined based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment allowances were recognised. All of the trade and other receivables are expected to be received or recognised as expense within one year.

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

The ageing analysis of trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Current to 90 days	**31,591**	45,070
91 to 180 days	**975**	1,235
Over 180 days	**46,035**	46,235
Total	**78,601**	92,540

The ageing analysis of trade receivables that are not impaired is as follows:

	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**31,591**	45,070
Past due but not impaired	**47,010**	47,470
Total	**78,601**	92,540

As at 31 December 2008, trade receivables of HK$47,010,000 (2007: HK$47,470,000) that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in their credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The ageing analysis of these receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
91 to 180 days	**975**	1,235
Over 180 days	**46,035**	46,235
Total	**47,010**	47,470

All other receivables, deposits and prepayments are neither past due nor impaired.

9. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Trade payables	**122,964**	61,229
Other payables and accruals	**432,135**	254,933
	555,099	316,162

The directors consider that the carrying amounts of trade and other payables approximate to their fair values.

The ageing analysis of trade payables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Current to 90 days	**71,722**	39,809
91 to 180 days	**25,593**	5,991
Over 180 days	**25,649**	15,429
Total	**122,964**	61,229

10. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2008, two of the subsidiaries of the Company, China City Natural Gas Co., Ltd. ("CCNG") and 西寧中油燃氣有限責任公司 provided financial guarantees on loan facilities granted to other subsidiaries of the Company to the extent of HK$107,990,000 (2007: HK$44,000,000) and HK$53,995,000 (2007: Nil) respectively and the Group does not have any other significant contingent liabilities.

In the opinion of the directors, the fair values of the above financial guarantees are insignificant as at 31 December 2008 and 31 December 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS DEVELOPMENT AND PROSPECTS

During 2008, we made our investment decisions as prudent as in prior years. We continued our focus on the core operation, piped city natural gas business, while at the same time, introduced additional manpower in the development of compressed natural gas ("CNG") stations, liquefied natural gas ("LNG") factories and the gas transportation/logistic services simultaneously. In geographical circumstances, we started our natural gas business in the North-Western district initially. Up to date, we have already extended our operations to Shandong district, Xianggan district, Yangtze delta district, and even Guangdong district. Accordingly, I am glad to announce that our Group has received distinguished progress, which we have surpassingly completed our targets set at the beginning of the Year.

Up to date, our Group has obtained 37 ownership of natural gas projects which scattered in 7 provinces and 15 cities. By the end of 2008, 7 new gas project corporations have been incorporated within our Group, they are Qinghai China Oil and Gas (LNG) Project, Liling China Oil Compressed Natural Gas (CNG) Project, Nanchang LNG Reception Station Project, Pingxiang CNG Reception Station Project as well as LNG and CNG fleet with 70 trailers and over 100 tank wagons have been put into operation. Our Group has focused in 5 key areas regarding market development which has achieved substantial progress.

North-Western District (西北區域):

Based on the foundation of Xining China Oil Corporation, in view of the opportunity from Se-Ning-Lan Multi-Track Construction (澀寧蘭複線), Qinghai China Oil Ganhe Industrial Park Gas Corporation and Qinghai China Oil East Gas Corporation have been incorporated one after another, and Qinghai China Oil Pipeline Corporation has been reorganised. In particular, the LNG project of Qinghai China Oil and Gas with daily processing capacity of 250,000m^3, has guaranteed the gas source in developing our Group's coastal market after it's put into production.

Yangtze Delta District (長三角區域):

Our Group has arranged its market development staffs to perform discreet surveys on three cities along Jiangdu-Nantong Pipeline (江都－南通管線) i.e. Yangzhou, Taizhou and Nantong, as well as the 8 municipalities, 10 counties and 36 township development areas and industrial zones alone this pipeline. We have received satisfactory results that we have signed 5 cooperation framework agreements with a few towns, development zones, and industrial parks. The natural gas mother station and a number of vehicles refueling stations in Nanjing and Maanshan have been put into operation. In addition, we were granted the franchise operation rights of gas businesses in Lishui Economic and Technological Development Zone, achieving sound economic results. Leveraging on the advantages of natural gas resources, our Group will strive to increase market share, and try to obtain the franchise operation rights of gas businesses in more areas of the district and construct an additional number of vehicles refueling stations in the future.

Xianggan District (湘贛區域):

In elaborating our resources advantage of Xiangli Branch Line (湘醴支線), we have built our supply base in Liling that we can actively expand outwards. From Liling, we begin to develop new projects and at the same time continue to improve the sale capacity and market share of CNG and LNG. In view of an excellent opportunity of an exclusive outlet of Xi'er Line Project (西二線項目), Nanchang China Oil Corporation has expanded projects along the branch lines. Pinxiang China Oil Corporation has actively and stably pushed forwards the Liling-Pingxiang Natural Gas Pipeline project.

Shandong District (山東區域):

Begining with Binzhou China Oil Corporation, our Group plans the development of the natural gas market in Shandong area in an unified way. With the opportunity of pipeline construction of PetroChina in Shandong area, it has gradually strengthened and improved the existing projects, actively expanded our operations toward the surrounding areas and kept a powerful trend of development.

Guangdong District (廣東區域):

The natural gas reception of Chaozhou China Gas Corporation from West-to-East Gas Supply 2nd Line (西氣東輸二線) has created favorable conditions. Chaozhou and Yinde China Gas Corporation have sped up the construction of LNG reception station in order to realize our gas supply as early as possible and to develop the surrounding natural gas markets. Our Group has planned to set up a LNG distribution team and establish a sales network of Guangdong LNG, and at the same time, develop the corresponding natural gas markets and realised a win-win situation of both sale and development by leveraging LNG sale advantage.

In light of a lack of natural gas resources and the undersupply situation, the Group and its business partners worked together to capitalise on their advantage on resources, allowing various natural gas businesses to achieve new development and new breakthroughs. As such, the Group planned to focus on developing the exploration and utilisation of different types of new clean energy, such as energy produced from coal, as well as upper- and lower-stream businesses in connection with the natural gas business.

FINAL DIVIDEND

The Board does not recommend any dividend for the Year (2007: Nil).

FINANCIAL RESULTS

For the Year ended, the Group recorded a turnover of HK$1,471,364,000 (2007: HK$677,372,000), representing an increase of approximately 117.2%. The Group's cost of sales was HK$1,119,397,000 (2007: HK$507,685,000) representing an increase of approximately 120.5%. Gross profit amounted to HK$351,967,000 (2007: HK$169,687,000) increased by 107.2%. Profit for the Year was HK$187,043,000 (2007: HK$113,808,000), increased by 64.3%.

One of the major reasons for these significant increases is the Group increased its equity interest in China City Natural Gas Co., Ltd ("CCNG") to 51%, consequently CCNG had become a subsidiary of the Group and the results of which were fully consolidated into the Group's results starting in July 2007. Other reasons that trigger these significant increases include the increase in sale of piped natural gas, the begin of LNG factory operation in Qinghai, together with the natural gas transport and logistics services, at the beginning of the Year, and projects invested in prior years have begun to yield.

The Group's profit attributed to the shareholders was HK$73,025,000 (2007: HK$72,622,000), which recorded a slightly increase of approximately 1% as compared to 2007. With the conversion of two convertible notes during the Year, the total ordinary shares of the Company have been increased by 650,000,000 Shares and caused a decrease of 15.4% of the earnings per share from HK cents 2.07 to the Year's HK cents 1.75.

Pursuant to the new Hong Kong Accounting Standards (the "HKAS") adopted in 2007, the movement of fair values of all financial derivative instruments of the Group shall be reflected in the income statement. During 2007, the Company issued two convertible notes in the principal amount of HK$66,000,000 and HK$90,000,000 respectively at a conversion price of HK$0.24 per share, which were fully converted in 2008. As such, the Group recognised a reduction of fair value of HK$4,049,000 (2007: HK$7,239,000) on the income statement for the unrealised interest on the convertible notes. In addition, fair value losses on financial assets written down to market value amounted to HK$17,993,000 in 2008 (2007: HK$4,660,000). Excluding the changes in such non-cash deductions, the Group's profit for the year was HK$209,085,000 (2007: HK$125,707,000) and profit attributable to shareholders was HK$95,067,000 (2007: HK$84,521,000), representing an increase by 66.3% and 12.5% respectively. Other than these deductions on complying with HKAS, our Group recorded interest income of HK$13,798,000 in 2008, with a significant decrease of approximately 38.3% as compared to HK$22,365,000 in 2007. Included in other income and gains also recorded a gain recognised due to the disposal of financial assets in 2007. As a result, other income and gains in 2008 was only HK$17,784,000 (2007: HK$53,790,000), decreased by approximately 67.0% as compared to that of 2007.

BUSINESS REVIEW

During the Year, the Group's total gas sales and transmission volume reached 1.224 billion cubic meters (m^3), increased by 77.7% as compared to 689 million m^3 for last year. Total gas sales increased by 41% from last year's 578 million m^3 to current year's 815 million m^3; whereas transmission and transport increased by 268.5% from 111 million m^3 to the Year's 409 million m^3. Among the gas consumption, 44% (2007: 57%) was commercial and industrial consumption; 6% (2007: 7%) was household consumption; 29% (2007: 16%) was pipes gas transmission; and 21% (2007: 20%) was supplied to traffic and transport. The significant increase in sales volume was mostly contributed by the newly acquired piped gas transmission company, where our piped gas transmission increased from 111 million m^3 in 2007 to 363 million m^3 in 2008. Customers from the household, commercial and industrial sectors contributed 637 million m^3 in 2008 (2007: 449 million m^3), increased by 41.9%. The remaining increase of sales volume is contributed by the new operation of the LNG factory in Qinghai, CNG gas stations, restructure on some of the PRC operations, and the freshly development on natural gas transport and logistics operations.

The Group's operating and administrative expenses for the Year are HK$110,115,000 (2007: HK$64,037,000). The increase was mainly due to the decrease in fair value of financial assets as mentioned above and as well as the due diligent, marketing expenses for acquiring new projects, and the development of new markets. Finance costs increased from 2007's HK$19,812,000 to HK$24,489,000 this year. The finance costs were derived from the liability portion of the convertible notes, which were fully converted during the Year, and the interest paid on bank and other loans.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2008, the Group employed a total workforce of approximately 1,350 (2007: 480) among which 9 employees (2007: 9) were stationed in Hong Kong and the remaining were stationed in the PRC. The staff costs for the year amounted to HK$28,132,000 (2007: HK$17,797,000). The employees' remuneration, promotion and salary are assessed based on work performance, working experience and professional qualifications and the prevailing market practice.

PLEDGE OF ASSETS

As at 31 December 2008, no asset of the Group has been pledged (2007: RMB122,451,000).

CONTINGENT LIABILITY

As at 31 December 2008, the Group did not have any significant contingent liabilities.

CURRENCY AND INTEREST RATE EXPOSURE

The Group's sales are denominated in Renminbi, and investments are mostly made in Hong Kong Dollars. The Group does not anticipate material currency exposure and risk, and no currency and interest rate risk management or related hedges were made. Proper policy will be in place when the Board considers appropriate.

LITIGATION

As at 31 December 2008, the Group has no litigation.

LIQUIDITY AND FINANCIAL RESOURCES

Except as disclosed in note 38 to the financial statements included in the 2008 annual report of the Company to be despatched on 30 April 2009, the Group did not incur or commit any material investment or capital expenditure.

BORROWINGS

On 1 February 2007, the Company issued convertible notes in the principal amount of HK$66,000,000 to an independent third party at a conversion price of HK$0.24 per share convertible into 275,000,000 new shares of HK$0.01 each in the capital of the Company as part of the consideration for the Nanjing CNG Acquisition (the "Feb CN"). On 13 August 2008, the Feb CN was fully converted into 275,000,000 shares of the Company.

On 20 March 2007, the Company issued convertible notes in the principal amount of HK$90,000,000 to Mr. Xu Tie-liang as part of the consideration for the Anhui CNG Acquisition (the "Mar CN") at a conversion price of HK$0.24 per share convertible into 375,000,000 new shares of HK$0.01 each. On 29 April 2008, the Mar CN was fully converted into 375,000,000 shares of the Company at the conversion price of HK$0.24 each.

As at 31 December 2008, the Group's total borrowings amounted to HK$305,322,000 (2007: HK$159,257,000), representing bank borrowings and loans made for the gas operations in the PRC under CCNG, an increase of 91.72% as compared to 2007. All bank loans were unsecured and made in Renminbi with the interest rate of 5.94%. The unsecured other borrowings of HK$33,000,000 were interest bearing at 2.28% to 2.55% per annum, and the remaining HK$13,000,000 portions were bearing an interest rate of 4.78% repayable within 5 years.

Save for the borrowings of CCNG, the Group has no other bank loans, overdraft or borrowings.

CAPITAL STRUCTURE

In January 2008, the Company repurchased a total of 1,440,000 shares of HK$0.01 each in the capital of the Company at prices ranging from HK$0.395 to HK$0.405 per share in the open market for an aggregate amount of approximately HK$574,500. The above ordinary shares were subsequently cancelled.

On 29 April 2008, the Mar CN has been fully converted into 375,000,000 shares of the Company at the conversion price of HK$0.24 per share.

On 13 August 2008, the Feb CN has been fully converted into 275,000,000 shares of the Company at the conversion price of HK$0.24 per share.

In October 2008, the Company repurchased a total of 7,940,000 shares of HK$0.01 each in the capital of the Company at prices ranging from HK$0.102 to HK$0.105 per share in the open market for an aggregate consideration of HK$820,000. The above ordinary shares were subsequently cancelled.

As at 31 December 2008, the Group had total assets of HK$2,793,000,000 (2007: HK$2,186,000,000), and among which current assets were HK$1,123,000,000 (2007: HK$1,086,000,000). The Group remained at a strong financial position, cash and cash equivalents amounted to HK$731,151,000 (2007: HK$839,166,000) and were mostly denominated in Hong Kong dollars and Renminbi. Total liabilities of the Group were HK$888,840,000 (2007: HK$644,226,000), and current liabilities were HK$818,240,000 (2007: HK$414,364,000). The Group's gearing ratio, measured on the basis of total liabilities as a percentage of total equity, was 47% (2007: 42%). The current ratio of the Group was 1.26 (2007: 2.62) and quick ratio was 1.32 (2007: 2.56).

FUTURE PLANS

The Group has companies at various stages of development, including those relatively matured companies under CCNG, and companies newly established within the past two years such as those located in Nanjing, Maanshan and Binzhou. These new companies are at their initial stage of development and their contributions to the Group are progressing at the present, where the matured companies under CCNG accounted for a substantial majority of the Group's sales recorded in 2008. In this year, we will increase our effort to develop the operation and market of the new companies and fully explore their potential, with the aim of their achieving or even exceeding the contribution made by matured companies to the Group. Meanwhile, as an emerging operation, the commencement of operation of the LNG factory will play a critical role in the Group's expansion into markets without the reach of gas pipelines. We will enhance techniques and further develop our sales network to fully utilise our capacity. We are committed to develop the LNG factory into a leader in the PRC in terms of capacity, as well as into a key contributor to the Group's results.

On 17 April 2009, we entered into a natrual gas utilisation projects agreement with Binzhou D&R Commission. Pursuant to the project agreement, our Group agreed to invest in natural gas utilisation projects in Beihoi Xin District and build natural gas stations in certain counties of Binzhou City, Shandong Province, the PRC. The total investment of the Binzhou gas projects is estimated to be RMB150 million, which will be satisfied by the internal resource of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2008, the Company purchased 9,380,000 shares of HK$0.01 each in the capital of the Company at prices ranging from HK$0.102 to HK$0.405 per share on the Stock Exchange. Details of the repurchases are as follows:

Month/Year	Number of shares repurchased	Purchase price per share		Aggregate purchase consideration
		Highest	Lowest	
		HK$	*HK$*	*HK$*
January 2008	1,440,000	0.405	0.395	574,500
October 2008	7,940,000	0.105	0.102	820,000
Total:	9,380,000			1,394,500

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules, which came into effect on 1 January 2005.

During the year ended 31 December 2008, the Company was in compliance with the code provisions set out in the CG Code except that code provision A.4.1 of the CG Code provides that the non-executive Directors should be appointed for a specific term. The non-executive Directors of the Company were not appointed for a specific term but they are subject to the provision for retirement by rotation under the Bye-laws of the Company.

Save as the aforesaid and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code for the year ended 31 December 2008.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") in 1998. The Audit Committee comprises three independent non-executive Directors, namely Mr. Li Yunlong, Mr. Shi Xun-zhi and Mr. Peng Long. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2008.

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

Hong Kong, 27 April 2009

As at the date of this announcement, the Board is comprised of three executive Directors, namely Mr. Xu Tie-liang, Mr. Qu Guo-hua and Mr. Cheung Shing, and three independent non-executive Directors, namely, Mr. Li Yunlong, Mr. Shi Xun-zhi and Mr. Peng Long.

* *For identification purpose only*