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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of China Oil And Gas Group Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2016 (the "Period").

The unaudited condensed consolidated financial information for the Period has not been audited but has been reviewed by the Company's audit committee (the "Audit Committee").

FINANCIAL HIGHLIGHTS

- Total gas sales volume increased by 10% to 1,392 million cubic meters.
- Profit for the Period increased by 142% to HK$413 million; and profit attributable to shareholders of the Company increased by 123% to HK$200 million.
- Earnings per share increased by 110% to HK cents 3.824.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 HK$'000 (unaudited)	2015 HK$'000 (unaudited)
Revenue	(4)	**3,298,290**	3,857,615
Cost of sales		**(2,708,278)**	(3,433,429)
Gross profit		**590,012**	424,186
Other income		**15,091**	14,209
Other gains/(losses), net		**124,842**	(2,424)
Selling and distribution costs		**(23,158)**	(28,858)
Administrative expenses		**(139,884)**	(155,519)
Operating profit		**566,903**	251,594
Finance income		**42,120**	57,302
Finance costs		**(87,706)**	(81,850)
Share of losses of investments accounted for using the equity method		**(7,147)**	(2,582)
Profit before taxation		**514,170**	224,464
Taxation	(5)	**(101,282)**	(53,511)
Profit for the period		**412,888**	170,953
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**79,242**	(122,718)
Changes in value of available-for-sale financial assets		**8,597**	7,862
Release of exchange reserve upon disposal of subsidiaries		**4,456**	–
Total comprehensive income for the period		**505,183**	56,097
Profit for the period attributable to:			
Owners of the Company		**200,062**	89,694
Non-controlling interests		**212,826**	81,259
		412,888	170,953
Total comprehensive income attributable to:			
Owners of the Company		**290,574**	(25,162)
Non-controlling interests		**214,609**	81,259
		505,183	56,097
		HK cents	*HK cents*
Earnings per share	(6)		
– Basic		**3.824**	1.822
– Diluted		**3.817**	1.821

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30.6.2016 HK$'000 (unaudited)	31.12.2015 HK$'000 (audited)
Assets			
Non-current assets			
Property, plant and equipment		**6,572,438**	6,535,541
Exploration and evaluation assets		**247,564**	249,139
Land use rights		**355,460**	314,013
Intangible assets		**1,031,941**	1,055,676
Investments accounted for using the equity method		**309,707**	316,854
Available-for-sale financial assets		**509,417**	354,947
Other non-current assets		**1,027,091**	904,806
Deferred tax assets		**19,064**	16,735
		10,072,682	9,747,711
Current assets			
Inventories		**145,113**	201,470
Deposits, trade and other receivables	*(8)*	**1,649,016**	1,562,686
Financial assets at fair value through profit or loss		**49,947**	50,271
Current tax recoverable		**6,106**	5,796
Time deposits with maturity over three months		–	216,000
Cash and cash equivalents		**1,857,278**	2,303,704
		3,707,460	4,339,927
Total assets		**13,780,142**	14,087,638

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2016

	Notes	30.6.2016 HK$'000 (unaudited)	31.12.2015 HK$'000 (audited)
Liabilities			
Current liabilities			
Trade and other payables	(9)	**1,404,927**	1,376,420
Receipt in advance		**938,980**	1,089,707
Short-term borrowings		**400,805**	972,774
Current tax payable		**140,557**	126,288
		2,885,269	3,565,189
Non-current liabilities			
Senior notes		**4,999,156**	4,992,169
Deferred tax liabilities		**231,783**	231,700
Other non-current liabilities		**105,778**	98,326
		5,336,717	5,322,195
Total liabilities		**8,221,986**	8,887,384
Equity			
Equity attributable to owners of the Company			
Share capital		**58,257**	58,257
Reserves		**3,004,923**	2,718,807
		3,063,180	2,777,064
Non-controlling interests		**2,494,976**	2,423,190
Total equity		**5,558,156**	5,200,254
Total equity and liabilities		**13,780,142**	14,087,638

(1) GENERAL INFORMATION

China Oil And Gas Group Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business in Hong Kong is Suite 2805, 28th Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong. The Company is an investment holding company. Its subsidiaries are principally engaging in investment in energy related business in various regions in the People's Republic of China ("PRC") and West Central Alberta, Canada, including but not limited to 1) piped city gas business, pipeline design and construction; 2) transportation, distribution and sales of compressed natural gas ("CNG") and liquefied natural gas ("LNG"); and 3) development, production and sale of oil and gas and other upstream energy resources. The Company and its subsidiaries are collectively referred to as the "Group".

(2) BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. These interim financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2015.

(3) SIGNIFICANT ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to HKFRSs issued by the HKICPA:

HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer plants
HKAS 27 (Amendment)	Equity method in separate financial statements
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: Applying the consolidation exception
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

The application of the above new, revised or amended standards and interpretations have no material impact on the results and the financial position of the Group.

(4) REVENUE AND SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for the purposes of resource allocation and assessment of performance focuses more specifically on sales of natural gas, gas pipeline construction and connection; and exploitation and production of crude oil and natural gas.

The Group has presented the following three reportable segments for the six months ended 30 June 2016:

– sales and distribution of natural gas and other related products

– gas pipeline construction and connection

– exploitation and production of crude oil and natural gas

Information regarding the Group's reportable segments as provided to the executive directors for the purposes of resources allocation and assessment of segment performance for the six months ended 30 June 2016 and 2015 is set out below:

Business Segments

For the six months ended 30 June 2016:

	Sales and distribution of natural gas and other related products *HK$'000*	Gas pipeline construction and connection *HK$'000*	Exploitation and production of crude oil and natural gas *HK$'000*	Group *HK$'000*
Segment revenue and results				
Sales to external customers	**2,795,900**	**355,173**	**147,217**	**3,298,290**
Segment results	**321,077**	**176,261**	**3,031**	**500,369**
Finance income				**42,120**
Other gains, net				**124,842**
Finance costs				**(87,706)**
Share of losses of investments accounted for using the equity method				**(7,147)**
Unallocated corporate expenses				**(58,308)**
Profit before taxation				**514,170**
Taxation				**(101,282)**
Profit for the period				**412,888**

For the six months ended 30 June 2015:

	Sales and distribution of natural gas and other related products *HK$'000*	Gas pipeline construction and connection *HK$'000*	Exploitation and production of crude oil and natural gas *HK$'000*	Group *HK$'000*
Segment revenue and results				
Sales to external customers	3,201,711	413,211	242,693	3,857,615
Segment results	73,165	199,605	18,943	291,713
Finance income				57,302
Other losses, net				(2,424)
Finance costs				(81,850)
Share of losses of investments accounted for using the equity method				(2,582)
Unallocated corporate expenses				(37,695)
Profit before taxation				224,464
Taxation				(53,511)
Profit for the period				170,953

Analysis of the Group's assets by geographical market is set out below:

Assets

	At 30.6.2016 Total assets *HK$'000*	At 31.12.2015 Total assets *HK$'000*
Hong Kong	**562,918**	726,579
Mainland China	**10,097,645**	10,529,668
Canada	**2,231,444**	2,092,584
Total	**12,892,007**	13,348,831
Unallocated		
Investments accounted for using the equity method	**309,707**	316,854
Deferred tax assets	**19,064**	16,735
Available-for-sale financial assets	**509,417**	354,947
Financial assets at fair value through profit or loss	**49,947**	50,271
Total assets	**13,780,142**	14,087,638

(5) TAXATION

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong profits tax for the Period (2015: Nil).

In accordance with the relevant PRC corporate income tax laws, regulations and implementation guidance note, subsidiaries in Mainland China are subject to the PRC corporate income tax rate at 25% (2015: 25%). Certain subsidiaries are entitled to tax concessions and tax relief whereby the profits of those subsidiaries are taxed at a preferential income tax rate of 15% (2015: 15%).

Taxation on overseas (other than Hong Kong and PRC) profits has been calculated on the estimated assessable profit for the year at the applicable rates of taxation prevailing in the jurisdictions in which the Group operates.

	Unaudited (6 months) 1.1-30.6.2016 ***HK$'000***	Unaudited (6 months) 1.1-30.6.2015 *HK$'000*
Current tax:		
PRC corporate income tax	**113,374**	82,219
Overseas taxation	**–**	5,276
Under provision in prior years	**1,281**	–
	114,655	87,495
Deferred tax	**(13,373)**	(33,984)
Taxation	**101,282**	53,511

(6) EARNINGS PER SHARE

(a) The calculation of basic earnings per share is based on the Group's profit attributable to owners of the Company of approximately HK$200,062,000 (six months ended 30 June 2015: HK$89,694,000) and weighted average number of ordinary shares in issue less shares held under share award scheme during the Period of approximately 5,232,314,000 shares (six months ended 30 June 2015: 4,923,182,000 shares).

(b) Diluted earnings per share is calculated based on the profit attributable to owners of the Company of approximately HK$200,062,000 (six months ended 30 June 2015: HK$89,694,000), and the weighted average number of ordinary shares of approximately 5,241,745,000 shares (six months ended 30 June 2015: 4,925,306,000 shares), which is the weighted average number of ordinary shares in issue less shares held under share award scheme during the Period plus the weighted average number of dilutive potential ordinary shares in respect of share options of approximately 9,431,000 shares (six month ended 30 June 2015: 2,124,000 shares) deemed to be issued at no consideration if all outstanding share options granted had been exercised.

(7) DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2016 (2015: Nil). During the Period, no dividend was paid to the shareholders (2015: The bonus issue related to the year ended 31 December 2014 credited as fully paid by way of capitalisation of an amount of approximately HK$5,296,000 in the share premium account of the Company).

(8) DEPOSITS, TRADE AND OTHER RECEIVABLES

	Unaudited **At 30.6.2016** ***HK$'000***	Audited At 31.12.2015 *HK$'000*
Trade receivables	**850,220**	803,503
Other receivables, deposits and prepayments	**798,796**	759,183
	1,649,016	1,562,686

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

Up to 3 months	**736,558**	722,367
3 to 6 months	**47,078**	31,031
Over 6 months	**66,584**	50,105
Total	**850,220**	803,503

(9) TRADE AND OTHER PAYABLES

	Unaudited **At 30.6.2016** ***HK$'000***	Audited At 31.12.2015 *HK$'000*
Trade payables	**640,695**	670,774
Other payables and accruals	**764,232**	705,646
	1,404,927	1,376,420

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

Up to 3 months	**511,541**	565,916
3 to 6 months	**67,281**	45,933
Over 6 months	**61,873**	58,925
Total	**640,695**	670,774

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2016, with the implementation of "Coal to Gas Project" and the significant rebound of the international oil prices as well as the benefit from downward adjustment of the prices of upstream gas in November last year, natural gas had regained some ground against alternative energy sources in terms of economic benefits and the downstream environment got improved. The Group optimized the management mode and improved the structure and procedures based on the business development needs; adhered the principle of "simplicity and high efficiency" for equipment acquisition and personnel recruitment to simplify the job function of the position; established a budget benchmarking management and fee standardized system to optimize budget management; enhanced performance management to improve incentive and restriction system for market expansion and sales growth of gas. The amount of total sales of natural gas of the Group recorded a 10% growth for the first half of 2016.

Benefited from the continuous enhancement in operating management which effectively control the cost and expense and broaden income sources as well as the completion of price adjustment in major regions of the natural gas distribution business of the Group and a considerable growth in the sales of natural gas, the Group recorded a profit of HK$413 million for the six months ended 30 June 2016, representing a remarkable growth of 142% as compared with the profit of HK$171 million for the six months ended 30 June 2015.

CITY PIPELINE NATURAL GAS BUSINESS

Sales and distributions of natural gas revenue

Revenue from the sales and distribution of natural gas amounted to HK$2,796 million, which accounted for 85% of the total revenue. During the period ended 30 June 2016, the Group's total gas sales volume reached 1,392 million cubic meters (2015: 1,271 million cubic meters), representing an increase of 10% as compared to the corresponding period last year. Amongst the total gas sales volume, gas consumption by residential user was 452 million cubic meters (2015: 356 million cubic meters); by industrial and commercial users was 756 million cubic meters (2015: 728 million cubic meters); and by gas stations was 183 million cubic meters (2015: 187 million cubic meters), representing an increase of 27%, 4% and a decrease of 2% respectively. Pipeline gas transmission volume was 155 million cubic meters (2015: 247 million cubic meters); and the transportation volume was 8 million cubic meters (2015: 30 million cubic meters).

Gas pipeline construction and connection revenue

The Group has completed new connections to 67,472 residential users and 367 industrial and commercial users during the Period, with accumulated connections of the Group of 1,018,852 residential users and 8,702 industrial and commercial users. The Group will continue to develop more channels for the sales of natural gas and provide services to more natural gas end-users, which will lay a solid foundation for the sales of natural gas by the Group in the future.

New Projects

In April 2016, the Group has successfully obtained the concession right for operation of pipeline gas business in the area of Wulie area, Dongtai City, Jiangsu Province. In July 2016, the Group also entered into an exclusive concession right agreement with the management committee of Zhangye Economic and Technological Development Zone in Zhangye City, Gansu Province. The Group has established a total of 111 natural gas project companies in 14 provinces with 68 concession rights in the PRC. As at 30 June 2016, the Group has a total of 53 natural gas stations, where two CNG stations, one LNG natural gas station and two L/CNG refueling stations are newly put into operation in 2016. During the first half of 2016, the Group has extended its high pressure pipeline network to 1,085 km, which prompted the development of downstream projects effectively. The city and courtyard pipeline network reached an aggregated length of 6,927 km. The Group will make persistent efforts to obtain new gas projects and promote the development of natural gas distribution business.

EXPLOITATION AND PRODUCTION OF CRUDE OIL AND NATURAL GAS

For the six months ended 30 June 2016, the Group continued the business of exploitation and production of light oil and natural gas in Canada. According to the reserve report prepared by GLJ Petroleum Consultants, the Group has recorded proved reserves of 20.5 million barrels of oil equivalent and proved plus probable reserves of 30.1 million barrels of oil equivalent (62% is liquid products, 38% is natural gas) as of 31 December 2015.

During the first half of 2016, the average daily production of the Group was 5,218 barrels of oil equivalent (2015: 5,638 barrels of oil equivalent), where 60% is light oil and NGLs, 40% is natural gas. The average operating netback value was CAD16.37/boe (2015: CAD23.02/boe).

BUSINESS PROSPECT

Recently, the National Development and Reform Commission issued the "Administrative Measure for the Pricing of Natural Gas Pipeline Transmission (Trial)" and "Supervising Measures for the Cost Pricing of Natural Gas Pipeline Transmission (Trial)", which have regulated that the pipeline transmission price shall be charged based on the principle of "permitted cost plus reasonable revenue". The government's intention is to make the pricing mechanism of pipeline transmission more open and more transparent which will be beneficial to the marketizing reform of natural gas price. It is expected that the successful implementation of such measures can control the supply-sided cost of upstream natural gas which is expected to lower the cost of gas for end users, and the demand for natural gas consumption will also be stimulated, so as to benefit the sales of natural gas of the Group.

In respect of natural gas distribution business, "Coal to Gas Project" will become the major promotion force for growth of natural gas consumption in China. The "Action Plan on Prevention and Control of Air Pollution"《大氣污染防治行動計畫》issued by the State Council clearly stated "gradually eliminate small coal-fired boilers, increase the speed of "replaced by natural gas" in existing industrial enterprises gas facilities in major regions, and will basically complete the "replaced by natural gas" task of coal-fired boilers, industrial kilns and self-owned coal-fired power plants by 2017." At present, local governments of nearly 20 provinces, including Jiangsu, Jiangxi, Shandong and Hunan etc., gradually launched incentive of "Coal to Gas Project". The Group will display its own advantages, grasp all opportunities from local policies, and actively participate in business "Coal to Gas Project" and generating power by gas in place of coal, which can further enhance the sales volume of natural gas distribution business.

For the users connection business, according to the "13th Five-Year Plan" of the Central Government, there will be 10 million new urban households each year in the coming years and the potential for connection to residential users is huge. The Group will adopt positive measures within the existing areas with concession rights to increase effort in market expansion and explore new customers for an accelerated growth of users.

As the year 2016 is the first year for the "13th Five-Year Plan", under the effect of structural adjustment and industry upgrade themed supply-side structural reform, the economy of China shows signs of stabilising and recovering. As the main driving force in energy structured adjustment, the proportion of natural gas in the total consumption of major energy sources has reached 5.9%. However, there is still a wide gap from the target of the "13th Five-Year Plan" of China that the proportion of natural gas consumption in the total consumption of major energy sources should reach 10%, and the consumption of natural gas will reach 350 billion cubic meters by 2020. Therefore, the development of the natural gas industry will have a very promising prospect. The Group is full of confidence in the natural gas distribution business that we have engaged in.

For the business of exploitation of upstream oil and gas, leveraging its advantages in premium light oil assets, highly efficient cost management and above-peer technology, the Group effectively mitigated the impact of the decline in oil price. In the second half of 2016, the Group will continue its prudent planning for the development of oil and gas with fewer drilling activities and make use of the market environment, of which the oil price is low, to strategically increase its reserve and interest in high-valued light oil and gas in order to reinforce the foundation of the Group's long-term development. Meanwhile, the Group will continue to strictly control over its investments and costs, improve production technology and structure, compress the inefficient capacity and raise revenue while cutting expenditure to increase the unit profit of the oil and gas exploitation business.

Facing opportunities and challenges, the Group proactively adapts to changes in the market environment by coordinating its various businesses to form a diversified development layout with city gas projects as the main body plus "Coal to Gas Project", pipeline construction, transportation, LNG processing plant, gas stations and overseas exploitation of upstream resources, hence realising the optimal allocation of resources. The Group will continue to do its best in enhancing its operational and managerial standards, strengthening market development and sales, optimsing its business layout and asset structure and actively explore the model of "internet +" energy in order to create sustainable rewards for users, community and shareholders. With the various factors and development planning mentioned above, the Group will grow steadily in the second half of 2016 and in the future.

FINANCIAL REVIEW

For the six months ended 30 June 2016, the Group recorded the revenue of HK$3,298 million. Due to the city-gate gas price cut in PRC during November 2015 and the exchange differences arising on translation from the operating currencies to presentation currency, revenue registered a decrease of 14% from HK$3,858 million.

The total revenue combining by three segments, namely (1) sales and distribution of nautral gas and other related products, (2) gas pipeline construction and connection and (3) exploitation and production of crude oil and natural gas, amounted to HK$2,796 million, HK$355 million and HK$147 million respectively.

Although the revenue recorded a decrease as compared to that for the last corresponding period, the Group's overall gross profit amounted to HK$590 million (2015: HK$424 million), represented a 39% growth and its gross profit margin increase to 18% from the last corresponding period's 11%. Profit for the Period recorded a significant increase of 142% from the last corresponding period's HK$171 million to current period's HK$413 million. These increases are derived from the increase in the natural gas sales volume and the successful transfer of the natural gas prices to end users.

Throughout all these years, the Group placed great emphasis on the effectiveness and appropriateness of sales strategies and successfully controlled all of its expenses. Administrative expenses were HK$140 million (2015: HK$156 million), representing a decrease of 10% and selling and distribution costs was decreased by 20% to HK$23 million (2015: HK$29 million).

Finance costs (net of capitalization) increased slightly from the last corresponding period's HK$82 million to HK$88 million. The Group's weighted average cost of all indebtedness (including bank borrowings, other borrowings and senior notes) as at 30 June 2016 was 5.67% (2015: 5.4%).

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

It is the Group's policy to use the cash flow generated from operations and appropriate level of borrowings as the principal source of fund to finance major expansion and acquisition. As at 30 June 2016, the Group's total indebtedness (including bank borrowings, other borrowings and senior notes) amounted to HK$5,400 million (31 December 2015: HK$5,965 million).

As at 30 June 2016, the Group had cash and cash equivalents of HK$1,857 million (31 December 2015: HK$2,304 million). Total assets were HK$13,780 million (31 December 2015: HK$14,088 million), in which current assets were HK$3,707 million (31 December 2015: HK$4,340 million). Total liabilities of the Group were HK$8,222 million (31 December 2015: HK$8,887 million), in which current liabilities were HK$2,885 million (31 December 2015: HK$3,565 million). The Group's debt-to-assets ratio, measured on the basis of total indebtedness divided by total assets was 39% (31 December 2015: 42%). The current ratio (current assets divided by current liabilities) of the Group was 1.28 times (31 December 2015: 1.22 times). The Group's financial and liquidity remain stable, and well prepared for the development in the next half of 2016.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group employed a total of 3,543 (31 December 2015: 3,713) full-time employees, most of them were stationed in the PRC. Total staff cost for the year amounted to HK$141 million (2015: HK$134 million). The Group remunerates its employees based on their performance, working experience and the prevailing market wage level. The total remuneration of the employees consisted of basic salary, cash bonus and share-based incentives.

PLEDGE OF ASSETS

As at 30 June 2016, no assets of the Group has been pledged.

CONTINGENT LIABILITIES

The Group has no material contingent liability as at 30 June 2016.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The financial risk management of the Group is the responsibility of the Group's treasury function at the head office in Hong Kong. One of the major objectives of the Group's treasury policies is to manage its exposure to fluctuation in interest rates and foreign currency exchange rates. It is the Group's policy not to engage in speculative activities.

The Group conducts its business primarily in Renminbi. The Group's certain bank deposits are denominated in Hong Kong dollars, Renminbi and United State dollars, and the Group's offshore bank loans and senior notes are denominated in Renminbi and United State dollars.

Other than those disclosed, the Group does not have any material exposures to foreign exchange fluctuations. The Group does not have a foreign currency hedging policy. However, the Group monitors its foreign currency exposure closely and may, depending on the circumstances and trend of foreign currencies, consider adopting a significant foreign currency hedging policy in the future.

LITIGATION

As at 30 June 2016, the Group has no litigation.

CAPITAL STRUCTURE

As at 30 June 2016, the issued share capital of the Company was HK$58,256,838 divided into 5,825,683,834 Shares with a nominal value of HK$0.01 each.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2016 (30 June 2015: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2016, other than those purchased by its trustee for the Restricted Share Award Scheme adopted by the Board on 4 November 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code ("Model Code") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all Directors, the Company confirmed that all Directors have complied with the required standards set out in the Model Code throughout the Period.

CORPORATE GOVERNANCE PRACTICES

The Company has all along committed to fulfilling its responsibilities to its shareholders by ensuring that the proper processes for supervision and management of the Group's businesses are duly operated and reviewed and that good corporate governance practices and procedures are established throughout the six months ended 30 June 2016. The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the six months ended 30 June 2016, the Company was in compliance with the relevant code provisions set out in the CG Code except for the deviations as explained below.

Code provision A.2.1 of the CG Code provides that the responsibilities between chairman and chief executive officer should be divided. Mr. XU Tie-liang is the Chairman and the Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent nonexecutive Directors.

Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term and subject to re-election. The independent non-executive Directors are not appointed for a specific term, but they are subject to retirement from office by rotation at least once every three years in accordance with the Bye-Laws of the Company (the "Bye-Laws").

Code provision D.1.4 of the CG Code requires that the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Directors (except for Mr. XU Tie-liang). However, the Directors shall be subject to retirement by rotation in accordance with the Bye-Laws. In addition, the Directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-executive

Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

Save as the aforesaid and in the opinion of the Directors, the Company has met all relevant code provisions as set out in the CG Code during the six months ended 30 June 2016.

AUDIT COMMITTEE

The Company established the Audit Committee in 1998 with written terms of reference in compliance with the CG Code, which is currently made available on the Stock Exchange's website and the Company's website.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and accounts of the Group; and overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and to review the risk management and the internal control systems.

The Audit Committee comprises three independent non-executive Directors, namely Mr. LI Yunlong (as chairman), Mr. SHI Xun-zhi and Mr. WANG Guangtian. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2016.

By Order of the Board
China Oil And Gas Group Limited
Chan Yuen Ying, Stella
Company Secretary

Hong Kong, 29 August 2016

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Xu Tie-liang (Chairman and Chief Executive Officer), Mr. Zhu Yuan, Ms. Guan Yijun and Mr. Cheung Shing; and three independent non-executive Directors, namely Mr. Li Yunlong, Mr. Shi Xun-zhi and Mr. Wang Guangtian.

* *For identification purpose only*