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 2020

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 2020 (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**").

BUSINESS HIGHLIGHTS

- The sales volume of natural gas was 2,019 million cubic meters, flat with the same period last year;
- The overall gross margin rose by 5.3% to 16.1%;
- The cash flow generated from operating activities increased by 21.0% to HK$548 million; and
- The profit of the period attributable to the owners of the Company was HK$190 million, and excluding other (losses)/gains, core earnings increased by 2.7%.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	4	**4,653,901**	5,147,124
Cost of sales		**(3,905,127)**	(4,360,768)
Gross profit		**748,774**	786,356
Other income		**16,155**	18,058
Other (losses)/gains, net		**(11,999)**	6,541
Selling and distribution costs		**(38,254)**	(29,586)
Administrative expenses		**(159,283)**	(173,670)
Operating profit		**555,393**	607,699
Finance income		**97,626**	78,550
Finance costs		**(119,396)**	(116,773)
Share of losses of investments accounted for using the equity method		**(3,043)**	(16)
Profit before taxation		**530,580**	569,460
Taxation	5	**(104,807)**	(88,220)
Profit for the period		**425,773**	481,240
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(284,799)**	3,435
Changes in value of debt investments at fair value through other comprehensive income		**(31,194)**	27,752
Item that will not be reclassified to profit or loss:			
Change in value of equity investments at fair value through other comprehensive income		**(15,714)**	(29,142)
Total comprehensive income for the period		**94,066**	483,285

	Notes	Six months ended 30 June **2020** ***HK$'000*** **(unaudited)**	2019 *HK$'000* (unaudited)
Profit for the period attributable to:			
Owners of the Company		**189,741**	202,967
Non-controlling interests		**236,032**	278,273
		425,773	481,240
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**(62,962)**	204,367
Non-controlling interests		**157,028**	278,918
		94,066	483,285
		HK cents	*HK cents*
Earnings per share	6		
– Basic		**3.847**	4.060
– Diluted		**3.847**	4.056

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**30.6.2020**	31.12.2019
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Assets			
Non-current assets			
Property, plant and equipment		**8,088,503**	8,068,912
Right-of-use assets		**500,291**	499,190
Exploration and evaluation assets		**145,615**	153,063
Intangible assets		**964,294**	970,166
Investments accounted for using the equity method		**372,503**	378,823
Financial assets at fair value through other comprehensive income		**695,894**	693,942
Other non-current assets		**1,155,783**	1,195,673
Deferred tax assets		**11,600**	8,968
		11,934,483	11,968,737
Current assets			
Inventories		**221,645**	262,850
Contract assets, deposits, trade and other receivables	8	**1,869,195**	1,777,940
Current tax recoverable		**5,868**	6,168
Time deposits with maturity over three months		**500,310**	295,590
Cash and cash equivalents		**2,657,793**	2,521,199
		5,254,811	4,863,747
Total assets		**17,189,294**	16,832,484

	Notes	**30.6.2020** ***HK$'000*** **(unaudited)**	31.12.2019 *HK$'000* (audited)
Liabilities			
Current liabilities			
Trade and other payables	9	**1,266,444**	1,289,056
Contract liabilities		**1,549,763**	1,571,197
Short-term borrowings		**1,748,556**	1,408,814
Current tax payable		**237,102**	236,649
Lease liabilities		**15,167**	12,761
		4,817,032	4,518,477
Non-current liabilities			
Senior notes		**5,421,397**	5,411,161
Long-term borrowings		**19,413**	26,466
Lease liabilities		**55,888**	48,113
Deferred tax liabilities		**229,596**	237,408
Assets retirement obligation		**143,033**	147,844
		5,869,327	5,870,992
Total liabilities		**10,686,359**	10,389,469
Equity			
Equity attributable to owners of the Company			
Share capital		**57,670**	57,670
Reserves		**3,337,967**	3,400,614
		3,395,637	3,458,284
Non-controlling interests		**3,107,298**	2,984,731
Total equity		**6,502,935**	6,443,015
Total equity and liabilities		**17,189,294**	16,832,484

(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 2019.

(3) SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Other than the changes of accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") and application of hedge accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

In the current period, the Group has applied the Amendments to Reference to the Conceptual Framework in HKFRSs that are mandatorily effective for the current period and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

(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 2020:

— 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 purpose of resources allocation and assessment of segment performance for the six months ended 30 June 2020 and 2019 is set out below:

Business Segments

For the six months ended 30 June 2020:

	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				
Segment revenue				
Recognised at a point in time	**4,184,693**	**–**	**134,156**	**4,318,849**
Recognised over time	**–**	**335,052**	**–**	**335,052**
Sales to external customers	**4,184,693**	**335,052**	**134,156**	**4,653,901**
Segment results	**443,848**	**168,765**	**9,449**	**622,062**
Finance income				**97,626**
Other losses, net				**(11,999)**
Finance costs				**(119,396)**
Share of losses of investments accounted for using the equity method				**(3,043)**
Unallocated corporate expenses				**(54,670)**
Profit before taxation				**530,580**
Taxation				**(104,807)**
Profit for the period				**425,773**

For the six months ended 30 June 2019:

	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				
Segment revenue				
Recognised at a point in time	4,626,383	–	218,873	4,845,256
Recognised over time	–	301,868	–	301,868
Sales to external customers	4,626,383	301,868	218,873	5,147,124
Segment results	423,726	160,465	69,553	653,744
Finance income				78,550
Other gains, net				6,541
Finance costs				(116,773)
Share of losses of investments accounted for using the equity method				(16)
Unallocated corporate expenses				(52,586)
Profit before taxation				569,460
Taxation				(88,220)
Profit for the period				481,240

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

Assets

	At 30.6.2020 Total assets *HK$'000*	At 31.12.2019 Total assets *HK$'000*
Hong Kong	**142,699**	139,269
Mainland China	**13,611,198**	13,111,217
Canada	**2,355,400**	2,500,265
Total	**16,109,297**	15,750,751
Unallocated		
Investments accounted for using the equity method	**372,503**	378,823
Deferred tax assets	**11,600**	8,968
Financial assets at fair value through other comprehensive income	**695,894**	693,942
Total assets	**17,189,294**	16,832,484

(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 (2019: Nil).

Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on dividends declared in respect of profits earned by the Company's PRC subsidiaries from 1 January 2008 onwards at 10% (2019: 10%). Certain entities of the Group with Hong Kong business and directly owns at least 25% of the capital of the PRC subsidiaries are entitled to the lower withholding tax rate at 5% (2019: 5%).

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% (2019: 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% (2019: 15%).

Canada income tax has been provided for at the rate of 27% on the estimated assessable profits for the year (2019: 27%), which represented the tax rate in Alberta, Canada and the Canada's federal tax rate of 12% (2019: 12%) and 15% (2019: 15%) respectively.

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) 1.1–30.6.2020 ***HK$'000***	Unaudited (6 months) 1.1–30.6.2019 *HK$'000*
Current tax:		
PRC corporate income tax	**104,928**	99,062
Overseas taxation	**–**	–
Under provision in prior years	**–**	–
	104,928	99,062
Deferred tax	**(121)**	(10,842)
Taxation	**104,807**	88,220

(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$189,741,000 (six months ended 30 June 2019: HK$202,967,000) and weighted average number of ordinary shares in issue less shares held under share award scheme during the Period of approximately 4,932,171,000 shares (six months ended 30 June 2019: 4,999,509,000 shares).

(b) Diluted earnings per share is calculated based on the profit attributable to owners of the Company of approximately HK$189,741,000 (six months ended 30 June 2019: HK$202,967,000), and the weighted average number of ordinary shares of approximately 4,932,171,000 shares (six months ended 30 June 2019: 5,003,947,000 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 Nil shares (six month ended 30 June 2019: 2,905,000 shares) deemed to be issued at no consideration if all outstanding share options granted had been exercised and the effect of awarded shares of approximately Nil shares (six months ended 30 June 2019: 1,533,000 shares).

(7) DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2020 (2019: Nil).

(8) CONTRACT ASSETS, DEPOSITS, TRADE AND OTHER RECEIVABLES

	Unaudited At 30.6.2020 ***HK$'000***	Audited At 31.12.2019 *HK$'000*
Trade receivables	**716,349**	487,627
Other receivables, deposits and prepayments	**1,152,846**	1,290,313
	1,869,195	1,777,940

The ageing analysis of trade receivables based on invoice date is as follows:		
Up to 3 months	**621,954**	440,707
3 to 6 months	**69,531**	26,583
Over 6 months	**24,864**	20,337
Total	**716,349**	487,627

(9) TRADE AND OTHER PAYABLES

	Unaudited At 30.6.2020 ***HK$'000***	Audited At 31.12.2019 *HK$'000*
Trade payables	**410,120**	492,869
Other payables and accruals	**856,324**	796,187
	1,266,444	1,289,056

The ageing analysis of trade payables based on invoice date is as follows:		
Up to 3 months	**162,995**	391,660
3 to 6 months	**30,043**	39,850
Over 6 months	**217,082**	61,359
Total	**410,120**	492,869

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Since January 2020, the coronavirus disease ("**COVID-19**") has continued to spread across the world, severely affecting the global economy. Mainland China also faced many adversities such as economic downturn, suspension of production and operations, and policy impacts. Against these backdrops, the Group sized up the situation and analysed the influence right away and responded promptly to the unexpected crisis, effectively containing the impact of the epidemic on itself.

In the first half of 2020, due to factors such as lower upstream gas prices and currency devaluation, the Group recorded a total revenue of HK$4,654 million (2019: HK$5,147 million), a period-on-period decrease of 9.6%. The profit of the Group attributable to the owners of the Company was HK$190 million, representing a period-on-period decrease of 6.5%. Profit attributable to the owners of the Company (excluding other (losses)/gains) increased by 2.7%.

CITY PIPELINE NATURAL GAS BUSINESS

Sales and distribution of natural gas

With the severe effect of the pandemic, the Group's natural gas sales volume recorded to be 2,019 million cubic meters for the first six months of 2020 (2019: 2,016 million cubic meters), flat with the same period last year. Transmission volume was 423 million cubic meters, recorded a 21% drop as compared to the last period.

As most residential users needed to quarantine at home under COVID-19, consumption of residential users increased by 8% from last period's 571 million cubic meters to 617 million cubic meters; with the temporary shut-down of industries and commercials during the pandemic, industrial and commercial users recorded 1,242 million cubic meters (2019: 1,245 million cubic meters), flat with the same period last year; gas consumption of gas stations recorded a decrease from last period's 200 million cubic meters to current period's 160 million cubic meters. Each of the above category representing 30%, 62% and 8% of the total gas sales volume (2019: 28%, 62% and 10%), respectively.

Development of new users

For the first six months of 2020, the Group connected 65,475 (2019: 49,346) new residential users, representing a period-to-period increase of 33% and the accumulated connections of residential users were 1,531,891. Total connections for industrial and commercial users were 874 (2019: 557), representing a period-to-period increase of 57% and the accumulated connections of industrial and commercial users were 13,598.

New project expansion

During the first half of 2020, while promoting organic growth from existing projects, the Group also conducted thorough inspections on the areas surrounding the natural gas pipelines and the coastal areas. During the period, the Group has successfully obtained two concession rights projects, namely: Penggao Town of Pingxiang City in Jiangxi Province, together with Zhangye Economic and Technological Development Zone in Gansu Province. As at 8 July 2020, the Group acquired another three concession rights projects in Jishan County, Wanrong County and Ruicheng County of Yuncheng City, Shanxi Province. The Group has established a total of 135 natural gas project companies in 16 provinces and autonomous regions, with 73 concession rights in the PRC.

EXPLOITATION AND PRODUCTION OF CRUDE OIL AND NATURAL GAS BUSINESS

The Group's production in the first half of 2020 was 5,305 barrels of oil equivalent per day ("**boe/d**"), a decrease of 5% from 5,577 boe/d in the comparable period of 2019.

During the first half of 2020, the Group drilled three (2.8 net) wells, and completed and tied in two (1.1 net) additional wells drilled in late 2019. Due to the decline in commodity prices, the Group delayed production from these wells until prices recovered.

Reference crude oil prices were 36% lower in the first half of 2020, with West Texas Intermediate ("**WTI**") averaging US$36.96 per barrel compared with US$57.38 per barrel in the first half of 2019. The WTI price weakened in the first half of 2020 as reductions in global economic activity due to COVID-19 resulted in a large decrease in demand for crude oil. The Group realized a crude oil price of CAD41.27 per barrel in 2020 compared to CAD67.87 per barrel in 2019. Natural gas prices strengthened in 2020 as reduced Canadian natural gas production volumes, as a result of shut-in crude oil production, provided support to natural gas prices.

BUSINESS PROSPECT

In the first half of 2020, most industrial and commercial customers had to suspend operations and production due to COVID-19, leading to the unsatisfactory gas sales volume of the Group. The Group, however, secured five concession right projects, indicating coexistence of opportunities and challenges. In 2020, the revolution of China's oil and gas industry will enter into the implementation stage with policies being applied. NDRC suggested that natural gas price as "viewing marketization of the natural gas industry as a revolution" and other positive policies. With the resumption of work and production and the central government's introduction of various measures such as tax incentives and economic stimulus measures, the Group's natural gas business will have a bright future. It will continue to explore new markets, reinforce its presence in the existing markets, enhance its team building, and grasp the rising opportunities. Facing challenges, the Group will uphold the objectives of "creating value for our customers, creating future for our employees and creating rewards for our shareholders" and strive to develop into a clean energy company with international influence.

FINANCIAL REVIEW

For the six months ended 30 June 2020, the Group recorded revenue of HK$4,654 million, representing a decrease of 9.6% from HK$5,147 million for the six months ended 30 June 2019.

The total revenue combined by three segments, namely (1) sales and distribution of natural gas and other related product, (2) gas pipeline construction and connection and (3) exploitation and production of crude oil and natural gas, amounted to HK$4,185 million, HK$335 million and HK$134 million respectively (2019: 4,626 million, HK$302 million and HK$219 million respectively).

The Group's overall gross profit amounted to HK$749 million (2019: HK$786 million), the overall gross margin rose by 5.3% to 16.1% (2019: 15.3%) due to the Group's effective optimization of cost structure; Profit for the Period attributable to the owners of the Company was HK$190 million, represented a decrease of 6.5%. Excluding other (losses)/ gains items, core earnings increased by 2.7%.

Administrative expenses were HK$159 million (2019: HK$174 million) as compared to a decrease of 8.7% for the same period last year, the proportion of administrative expenses to revenue was remained at 3.4% with selling and distribution costs recorded a slightly increase.

Finance costs (net of capitalization) increase slightly from the last corresponding period's HK$117 million to HK$119 million. The Group's weighted average cost of all indebtedness (including bank borrowings, other borrowings and senior notes) as at 30 June 2020 was 5.26% (2019: 4.18%).

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 expand business and acquire projects. As at 30 June 2020, the Group's total indebtedness (including bank borrowings, other borrowings and senior notes) amounted to HK$7,189 million (31 December 2019: HK$6,846 million).

As at 30 June 2020, the Group had cash and cash equivalents of HK$2,658 million (31 December 2019: HK$2,521 million). Total assets were HK$17,189 million (31 December 2019: HK$16,832 million), in which current assets were HK$5,255 million (31 December 2019: HK$4,864 million). Total liabilities of the Group were HK$10,686 million (31 December 2019: HK$10,389 million), in which current liabilities were HK$4,817 million (31 December 2019: HK$4,518 million). The Group's net debt-to-assets ratio, measured on the basis of total indebtedness, net of cash and term deposits, divided by total assets was 23.5% (31 December 2019: 24.0%). The Group's financial and liquidity remain stable, and well prepared for the development in the next half of 2020.

For the six months ended 30 June 2020, the Group's net cash generated from operating activities amounted to HK$548 million (six months ended 30 June 2019: HK$453 million), a period-on-period increase of 21.0%.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group employed a total of 3,766 (31 December 2019: 3,693) full-time employees, most of whom were stationed in the PRC. Total staff cost for the Period amounted to HK$152 million (2019: HK$178 million). The Group remunerates its employees based on their performance, working experience and the prevailing market wage level. The total remuneration of the employees consists of basic salary, cash bonus and share-based incentives.

PLEDGE OF ASSETS

As at 30 June 2020, the Group did not have any outstanding indebtedness secured by assets.

CONTINGENT LIABILITIES

The Group has no material contingent liability as at 30 June 2020.

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 States dollars, and the Group's offshore bank loans and senior notes are denominated in Renminbi, Canadian dollars and United States 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 2020, the Group has no material litigation.

CAPITAL STRUCTURE

As at 30 June 2020, the issued share capital of the Company was HK$57,670,438 divided into 5,767,043,834 shares with a nominal value of HK$0.01 each.

EVENT AFTER REPORTING PERIOD

On 8 July 2020, China Oil and Gas Investment Group Co., Ltd. ("**China Oil and Gas Investment**"), a wholly-owned subsidiary of the Company, entered into the equity investment agreement (the "**Agreement**") with Zheng Shejian, Ning Xianguo, Shanxi Tianfengda Energy Group Co., Ltd.* (山西天豐達能源集團有限公司) ("**Shanxi Tianfengda**"), Jishan County Tianfengda Gas Co., Ltd.* (稷山縣天豐達燃氣有限公司) ("**Jishan County Tianfengda**"), Wanrong Tianfengda Gas Co., Ltd.* (萬榮縣天豐達燃氣有限公司) ("**Wanrong Tianfengda**") and Ruicheng County Fengde Gas Co., Ltd.* (芮城縣豐德燃氣有限公司) ("**Ruicheng County Fengde**"), pursuant to which China Oil and Gas Investment has conditionally agreed to:

(1) a capital increase of RMB1,480,878 to Jishan County Tianfengda, a capital increase of RMB5,927,197 to Wanrong Tianfengda; and a capital increase of RMB33,901,304 to Ruicheng County Fengde (the "**Capital Increase**"); and

(2) acquire (i) the capital contribution of RMB6,555,737 in Jishan County Tianfengda; (ii) the capital contribution of RMB19,221,841 in Wanrong Tianfengda; and (iii) the capital contribution of RMB10,829,609 in Ruicheng County Fengde, which were held by Shanxi Tianfengda

at a total consideration of RMB153,000,000.

Upon completion of the Capital Increase and the registration of the transfer of the capital contribution on 10 July 2020, China Oil and Gas Investment holds 70% equity interest of each of Jishan County Tianfengda, Wanrong Tianfengda and Ruicheng County Fengde. Jishan County Tianfengda, Wanrong Tianfengda and Ruicheng County Fengde become subsidiaries of the Company. The transactions contemplated under the Agreement constituted a discloseable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). For further details, please refer to the announcement of the Company dated 8 July 2020.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2020 (30 June 2019: 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 2020, 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities 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 2020. 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 2020, 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 non-executive Directors.

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 2020.

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; to approve the remuneration and terms of engagement of the external auditor, to provide recommendations for any questions regarding the resignation or dismissal of such auditor; to review the interim and annual reports, and financial statements of the Group; to oversee 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 internal control system.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Li Yunlong (as chairman), Mr. Wang Guangtian and Mr. Yang Jie. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2020.

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

Hong Kong, 27 August 2020

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Xu Tie-liang (Chairman and Chief Executive Officer), Ms. Guan Yijun and Mr. Liu Chunsun; and three independent non-executive Directors, namely Mr. Li Yunlong, Mr. Wang Guangtian and Mr. Yang Jie.

* *for identification purposes only*