



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



2011

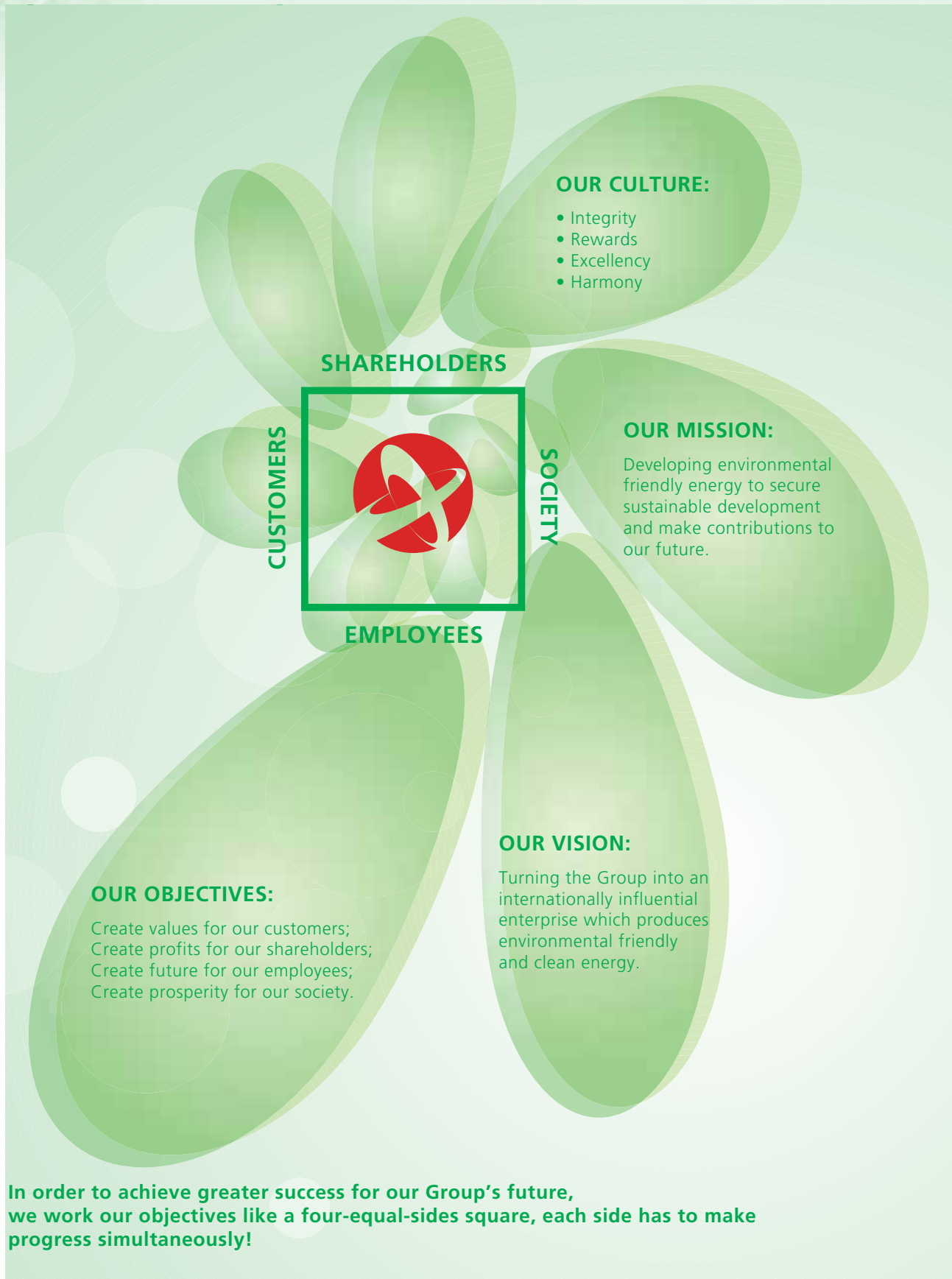
Interim Report



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Enterprise Culture



Financial Highlights

	(6 months)		+ / (-)	(6 months)		+ / (-)	(12 months)		+ / (-)
	Notes	1.1-30.6.2011		(6 months) 1.1-30.6.2010	(6 months) 1.1-30.6.2009		(12 months) 1.1-31.12.2010	(12 months) 1.1-31.12.2009	
Turnover (HK\$ million)		2,033	1,102	84%	796	38%	2,626	1,721	53%
Gross profit (HK\$ million)		406	312	30%	209	49%	578	408	42%
Total Sales on Gas Volume (million m ³)		805	662	22%	471	41%	1,273	965	32%
Total Transmission Gas Volume (million m ³)		508	478	6%	382	25%	824	762	8%
Total Transportation Gas Volume (million m ³)		45	43	5%	34	26%	86	62	39%
Profit for the Period/Year (HK\$ million)		252	195	29%	151	29%	354	253	40%
Profit attributable to equity holders of the Company		105.7	87.8	20%	79.8	10%	165	132	25%
Earnings per share (HK cents)		2.14	1.79	20%	1.76	2%	3.35	2.96	13%
Total Assets (HK\$ million)		6,237	3,937	58%	2,861	38%	4,466	3,365	33%
Net Assets (HK\$ million)		3,618	3,003	20%	2,029	48%	3,252	2,223	46%
Net Assets Value per share (HK cents)	(a)	52.19	46.90	11%	35.38	33%	49.06	36.61	34%
Cash per share (HK cents)	(b)	41.28	23.95	72%	15.18	58%	24.28	24.00	1%

Notes:

(a)
$$\frac{\text{Net assets}}{\text{Issued and fully paid ordinary shares}}$$

(b)
$$\frac{\text{Cash and cash equivalent}}{\text{Issued and fully paid ordinary shares}}$$

Operation Map

Strong operations in 5 key markets

The Group has established 70 project companies in 27 cities, 5 key areas in 10 provinces, and owns 27 city gas franchise operation rights



Board of Directors

Executive Directors

XU Tie-liang (*Chairman & Chief Executive Officer*)
ZHU Yuan
GUAN Yijun
CHEUNG Shing

Independent Non-Executive Directors

LI Yunlong
SHI Xun-zhi
WANG Guangtian

Company Secretary

CHAN Yuen Ying Stella, *ACIS, ACS, MHKIoD*

Authorised Representatives

XU Tie-liang
CHAN Yuen Ying Stella

Audit Committee

LI Yunlong (*chairman*)
SHI Xun-zhi
WANG Guangtian

Remuneration Committee

LI Yunlong (*chairman*)
WANG Guangtian
CHEUNG Shing

Nomination Committee

WANG Guangtian (*chairman*)
LI Yunlong
CHEUNG Shing

Auditor

PricewaterhouseCoopers

Legal Advisers

(As to Hong Kong Law)
LI & Partners

(As to PRC Law)
Beijing Huao Law & Partners

Principal Registrars

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong

Suite 2805, 28th Floor
Sino Plaza
255-257 Gloucester Road
Causeway Bay
Hong Kong

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited

Stock Code

603

Website and E-Mail Address

Website: <http://www.hk603.com>

E-mail: info@hk603.com

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 2011 (the "Period").

The Unaudited Condensed Consolidated Financial Information for the Period have not been audited but have been reviewed by the Company's Audit Committee (the "Audit Committee").

CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January to 30 June 2011

		Unaudited (6 months) 1.1-30.6.2011 HK\$'000	Unaudited (6 months) 1.1-30.6.2010 HK\$'000
Turnover	4	2,032,558	1,101,951
Other income and gains, net	5	11,896	1,354
Interest income		8,918	3,990
Purchases, services and others		(1,626,667)	(790,317)
Employee compensation costs		(39,251)	(25,905)
Depreciation and amortisation expenses		(6,807)	(5,189)
Interest expenses	6	(21,825)	(10,381)
Other expenses		(43,982)	(30,407)
Profit before taxation	7	314,840	245,096
Taxation	8	(63,234)	(50,531)
Profit for the period		251,606	194,565
Other comprehensive income:			
Exchange differences on translation of foreign operations		70,507	(75)
Other comprehensive expense for the period, net of tax		70,507	(75)
Total comprehensive income for the period		322,113	194,490
Profit attributable to:			
Equity holders of the Company		105,727	87,786
Non-controlling interests		145,879	106,779
		251,606	194,565
Total comprehensive income attributable to:			
Equity holders of the Company		152,732	87,711
Non-controlling interests		169,381	106,779
		322,113	194,490
Earnings per share	9		
– Basic		2.136 cents	1.794 cents
– Diluted		2.116 cents	1.771 cents

CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	Unaudited At 30.6.2011 HK\$'000	Audited At 31.12.2010 HK\$'000
Non-current assets			
Property, plant and equipment		1,731,246	1,431,470
Leasehold land and land use rights		81,155	77,332
Goodwill		932,232	683,443
Other intangible assets		4,090	6,839
Available-for-sale financial assets		190,452	190,452
Total non-current assets		2,939,175	2,389,536
Current assets			
Inventories		142,279	81,066
Financial assets at fair value through profit or loss		295,332	259,243
Deposits, trade and other receivables	11	816,787	489,688
Fixed deposits held at banks with maturity over three months		–	44,460
Cash and cash equivalents		2,043,823	1,202,013
Total current assets		3,298,221	2,076,470
Current liabilities			
Trade and other payables	12	1,052,118	875,406
Bank and other borrowings		564,321	281,113
Current tax payable		28,771	30,223
Total current liabilities		1,645,210	1,186,742
Net current assets		1,653,011	889,728
Total assets less current liabilities		4,592,186	3,279,264
Non-current liabilities			
Bank and other borrowings		962,800	16,380
Deferred tax liabilities		11,495	11,207
Total non-current liabilities		974,295	27,587
Net assets		3,617,891	3,251,677
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	49,509	49,509
Reserves		2,535,131	2,379,603
		2,584,640	2,429,112
Non-controlling interests		1,033,251	822,565
Total equity		3,617,891	3,251,677

CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2011

	Attributable to equity holders of the Company										
	Issued share capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK'000	Total HK'000
At 1 January 2011	49,509	1,963,391	963	81,480	(473)	74,597	7,737	251,908	2,429,112	822,565	3,251,677
Change in equity for 2011											
Exchange differences on translating foreign operations	-	-	-	-	-	47,005	-	-	47,005	23,502	70,507
Profit for the period	-	-	-	-	-	-	-	105,727	105,727	145,879	251,606
Total comprehensive income for the period	-	-	-	-	-	47,005	-	105,727	152,732	169,381	322,113
Equity-settled share- based payments	-	-	-	-	-	-	2,798	-	2,798	-	2,798
Capital injection by minority interests	-	-	-	-	-	-	-	-	-	58,107	58,107
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	(48,025)	(48,025)
Changes in the ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	(2)	-	(2)	(292)	(294)
Non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	31,515	31,515
At 30 June 2011	49,509	1,963,391	963	81,480	(473)	121,602	10,533	357,635	2,584,640	1,033,251	3,617,891

CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (Continued)

For the period ended 30 June 2011

	Attributable to equity holders of the Company										
	Issued share capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK'000	Total HK'000
At 1 January 2010	44,579	1,968,998	893	81,480	-	46,372	2,332	(512,582)	1,632,072	590,676	2,222,748
Change in equity for 2010											
Exchange differences on translating foreign operations	-	-	-	-	-	(75)	-	-	(75)	-	(75)
Profit for the period	-	-	-	-	-	-	-	87,786	87,786	106,779	194,565
Total comprehensive income for the period	-	-	-	-	-	(75)	-	87,786	87,711	106,779	194,490
Equity-settled share- based payments	-	-	-	-	-	-	2,798	-	2,798	-	2,798
Capital injection by minority interests	-	-	-	-	-	-	-	-	-	12,462	12,462
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	(28,344)	(28,344)
Repurchase of own shares	(70)	(6,028)	70	-	-	-	70	(170)	-	(6,098)	(6,098)
Issue of shares by placement	5,000	600,421	-	-	-	-	-	-	605,421	-	605,421
Surplus reserve offset losses	-	(600,000)	-	-	-	-	-	600,000	-	-	-
At 30 June 2010	49,509	1,963,391	963	81,480	-	46,297	5,130	175,134	2,321,904	681,573	3,003,477

CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the period from 1 January to 30 June 2011

	Unaudited (6 months) 1.1-30.6.2011 HK\$'000	Unaudited (6 months) 1.1-30.6.2010 HK\$'000
Net cash (used in)/generated from operating activities	78,244	(239,309)
Net cash used in investing activities	(506,421)	(140,346)
Net cash generated from/(used in) financing activities	1,250,766	496,329
Net increase/(decrease) in cash and cash equivalents	822,589	116,674
Cash and cash equivalents at beginning of the period	1,202,013	1,069,717
Effect of foreign exchange rate changes	19,221	–
Cash and cash equivalents at end of the period	2,043,823	1,186,391

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) GENERAL

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) BASIS OF PREPARATION

The Unaudited Condensed Consolidated Interim Financial Information 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 comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These Unaudited Condensed Consolidated Interim Financial Information have been prepared under the historical cost convention, as modified by revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The Unaudited Condensed Consolidated Interim Financial Information presented herein should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the annual report of the Group for the year ended 31 December 2010.

The accounting policies and methods of computation applied in the preparation of the Unaudited Consolidated Interim Condensed Financial Information are consistent with those of the Consolidated Financial Statements for the year ended 31 December 2010.

During the reporting period, the Group has applied the following standards, amendments and interpretations (new HKFRs) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) which are or have become effective in the accounting periods beginning on 1 January 2011.

New standards, amendments and interpretations to standards are mandatory for the first time for the financial year beginning 1 January 2011, which were not related to the Group at present and had no material impact on the results and the financial position of the Group.

Disclosure under the HKAS 1 (Revised)	and HKFRS 7, and there were some exemption for its first application.
HKAS 24 (Revised)	Connected person Disclosures

In addition, the HKICPA issued amendments to the existing standards according to the annual improved items. Such amendments are expected to have no material impact on the results and the financial position of the Group, except for the amendment of HKAS 34 Interim Financial Report.

As for the amendments, new standards and interpretations that have been issued but not yet effective during the accounting period by the end of 30 June 2011, the Directors of the Company anticipate that the application of these new standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) BASIS OF PREPARATION (Continued)

Effective for accounting periods beginning on or after the following date :

HKFRS 12 (Revised) Deferred income tax: recovery of related assets	Effective on or after 1 July 2012
HKFRS 1 (Revised) Disclosures – Financial assets and exemption of requirements on the fixed date for the first adoption	Effective on or after 1 July 2011
HKFRS 7 (Revised) Disclosures – Transfer of Financial Assets	Effective on or after 1 July 2011
HKFRS 9 Financial Instruments	Effective on or after 1 July 2013
HKFRS 10 Consolidated Financial Statements	Effective on or after 1 July 2013
HKFRS 11 Joint Arrangement	Effective on or after 1 July 2013
HKFRS 12 Disclosure on Equity of Other Entities	Effective on or after 1 July 2013
HKFRS 13 Fair Value Calculation	Effective on or after 1 July 2013

Management anticipates that the application of these new and revised standards, amendments and interpretations will have no material impact on the Group's results of operations and financial positions.

(3) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's management makes assumptions, estimates and judgements in the process of applying the Group's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRS. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year are discussed below.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in the Group's 2010 annual report. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(ii) Fair value estimation

The carrying value less impairment provision, if any, for financial assets and liabilities with a maturity of less than one year, is a reasonably approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(iii) Income tax

The Company is subject to income taxes in Hong Kong and the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(b) Critical judgements in applying the entity's accounting policies

The Group follows the guidance of HKAS 39 on determining when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of such financial asset is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's executive directors for the purposes of resource allocation and assessment of performance focuses more specifically on sales of natural gas and gas pipeline construction and connection. The Group has presented the following three reportable segments:

- sales and distribution of natural gas and other related products
- sales of liquefied petroleum gas ("LPG")
- gas pipeline construction and connection

No operating segments have been aggregated to form the above reportable segments.

Intersegment revenue is eliminated on consolidation. Intersegment sales and transactions are conducted in accordance with the terms mutually agreed between the parties.

The Board assesses the performance of the business segments based on profit before taxation without allocation of finance income/ (costs) and share of loss of an associate, which is consistent with these in the financial statements.

Information regarding the Group's reportable segments as provided to the Board for the purpose of resources allocation and assessment of segment performance for the periods ended 30 June 2011 and 2010 is set out below.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) SEGMENT INFORMATION (Continued)

Business Segments

For the period ended 30 June 2011:

	Sales and distribution of natural gas and other related products HK\$'000	Sales of LPG HK\$'000	Gas pipeline construction and connection HK\$'000	Group HK\$'000
Segment revenue and results				
Sales to external customers	1,651,013	266,924	114,621	2,032,558
Segment results	356,280	3,461	46,150	405,891
Interest income				8,918
Gain on disposal of financial assets at fair value through profit or loss				9,717
Fair value losses on financial assets at fair value through profit or loss				(1,575)
Finance cost				(21,825)
Unallocated corporate expenses				(86,286)
Profit before taxation				314,840
Taxation				(63,234)
Profit for the period				251,606

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) SEGMENT INFORMATION (Continued)

For the period ended 30 June 2010:

	Sales and distribution of natural gas and other related products HK\$'000	Gas pipeline construction and connection HK\$'000	Group HK\$'000
Segment revenue and results			
Sales to external customers	945,725	156,226	1,101,951
Segment results	214,726	96,909	311,635
Interest income			3,990
Loss on disposal of financial assets at fair value through profit or loss			(169)
Fair value gains on financial assets at fair value through profit or loss			372
Finance cost			(10,381)
Unallocated corporate expenses			(60,351)
Profit before taxation			245,096
Taxation			(50,531)
Profit for the period			194,565

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) OTHER INCOME AND GAINS, NET

	Unaudited (6 months) 1.1-30.6.2011 HK\$'000	Unaudited (6 months) 1.1-30.6.2010 HK\$'000
Government subsidies	107	281
Dividend income	122	36
Fair value gains on financial assets at fair value through profit or loss	–	372
Gain on disposal of financial assets at fair value through profit or loss	9,717	–
Others	1,950	665
	11,896	1,354

(6) INTEREST EXPENSES

	Unaudited (6 months) 1.1-30.6.2011 HK\$'000	Unaudited (6 months) 1.1-30.6.2010 HK\$'000
Interest on:		
Bank loans	15,702	10,340
Other borrowings	6,123	–
Securities trading account	–	41
	21,825	10,381

(7) PROFIT BEFORE TAXATION

	Unaudited (6 months) 1.1-30.6.2011 HK\$'000	Unaudited (6 months) 1.1-30.6.2010 HK\$'000
Loss on disposal of financial assets at fair value through profit or loss	–	169
Fair value losses on financial assets at fair value through profit or loss	1,575	–
Loss on exchange	2,293	1,033

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) 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% (2010: 25%) of the assessable profits for the companies within the Group, except for certain subsidiaries in the PRC which are entitled to exemption from PRC enterprise income tax for the first two years commencing from their first profit-making year of operation and thereafter, these subsidiaries will be entitled to a 50% relief from PRC enterprise income tax for the following three years. PRC enterprise income tax has been provided for after taking these tax incentives into account.

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 period (2010: Nil).

	Unaudited (6 months) 1.1-30.6.2011 HK\$'000	Unaudited (6 months) 1.1-30.6.2010 HK\$'000
Current tax and taxation charge for the period:		
Taxation outside Hong Kong	63,234	50,531

(9) EARNINGS PER SHARE

(a) Basic earnings per share

	Unaudited (6 months) 1.1-30.6.2011 HK Cents per share	Unaudited (6 months) 1.1-30.6.2010 HK Cents per share
Basic earnings per share	2.136	1.794

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

	Unaudited (6 months) 1.1-30.6.2011 HK\$'000	Unaudited (6 months) 1.1-30.6.2010 HK\$'000
Profit for the period attributable to equity holders of the Company	105,727	87,786
Earnings used in the calculation of basic earnings per share	105,727	87,786

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,950,856,213	4,890,242,953

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

	Unaudited (6 months) 1.1-30.6.2011 HK Cents per share	Unaudited (6 months) 1.1-30.6.2010 HK Cents per share
Diluted earnings per share	2.116	1.771

The calculation of the diluted earnings per share for the period is based on the profit attributable to equity holders of the Company of HK\$105,727,000 and the weighted average number of 4,950,856,213 shares which is the weighted average number of shares in issue during the period plus the weighted average number of 46,537,197 shares deemed to be issued at no consideration if all outstanding options had been exercised.

	Unaudited (6 months) 1.1-30.6.2011 HK\$'000	Unaudited (6 months) 1.1-30.6.2010 HK\$'000
Profit for the period attributable to equity holders of the Company	105,727	87,786
Earnings used in the calculation of diluted earnings per share	105,727	87,786

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,950,856,213	4,890,242,953
Effect of deemed issue of shares under the Company's share option scheme	46,537,197	62,035,753
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,997,393,410	4,952,278,706

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) DIVIDEND

No interim dividend was paid to shareholders during the period (2010: Nil).

(11) DEPOSITS, TRADE AND OTHER RECEIVABLES

	Unaudited At 30.6.2011 HK\$'000	Audited At 31.12.2010 HK\$'000
Trade receivables	171,692	99,320
Other receivables, deposits and prepayments	645,095	390,368
	816,787	489,688
The ageing analysis of trade receivables is as follows:		
Current to 90 days	101,673	92,752
91 – 180 days	63,934	3,450
Over 180 days	6,085	3,118
	171,692	99,320

(12) TRADE AND OTHER PAYABLES

	Unaudited At 30.6.2011 HK\$'000	Audited At 31.12.2010 HK\$'000
Trade payables	218,383	121,423
Other payables and accruals	833,735	753,983
	1,052,118	875,406
The ageing analysis of trade payables is as follows:		
Current to 90 days	138,011	75,315
91 – 180 days	43,025	10,735
Over 180 days	37,347	35,373
	218,383	121,423

(13) CAPITAL EXPENDITURE

During the six months ended 30 June 2011, the Group acquired property, plant and equipment amounting to HK\$244,130,000 (six months ended 30 June 2010: HK\$73,081,000) and disposed of property, plant and equipment with net book value of HK\$460,000 (six months ended 30 June 2010: HK\$331,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised ordinary shares of HK\$0.01 each at 30 June 2010, 31 December 2010 and 30 June 2011	125,000,000,000	1,250,000
Ordinary shares of HK\$0.01 each at 30 June 2010 and 31 December 2010	4,950,856,213	49,509
Ordinary shares of HK\$0.01 each at 30 June 2011	4,950,856,213	49,509

(15) PLEDGE OF ASSETS

The Group has pledged the actual capital investment paid in the formation of the equity interest in the capital of CCNG (a subsidiary owned as to 51% by the Group) as security for a loan of HK\$700,000,000 granted by China Petroleum Hong Kong (Holding) Limited.

Apart from the above, no assets of the Group has been pledged as at 30 June 2011 (2010: Nil).

(16) CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any significant contingent liabilities (2010: Nil).

(17) POST BALANCE SHEET EVENTS

In July 2011, China City Natural Gas Co. Limited ("CCNG") was granted an exclusive natural gas operating right in Jingan County, Jiangxi Province.

(18) APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 15 August 2011.

Report of the Board

Management Discussion and Analysis

The Group is principally engaged in the investments in, and the operation and management of the natural gas and energy related business. Gas operations of the Group include piped city gas business, pipeline design and construction, as well as transportation, delivery and distribution of compressed natural gas (“CNG”) and liquefied natural gas (“LNG”).

Business Review

As of 30 June 2011, the Group has established 70 project companies in 27 cities, 5 key areas in 10 provinces in China, and owns 27 city gas franchise operation rights.

Stepping into 2011, the Group adopted a pragmatic approach enabling the steady development of different businesses and made full use of resources and competitive edge in our management, contributing to the encouraging results.

In April 2011, the Group acquired city piped natural gas franchise operation right in 安徽省馬鞍山市承接產業轉移示範園區 (Maanshan City Anhui Province Undertaking Industries Relocated Demonstration Zone*).

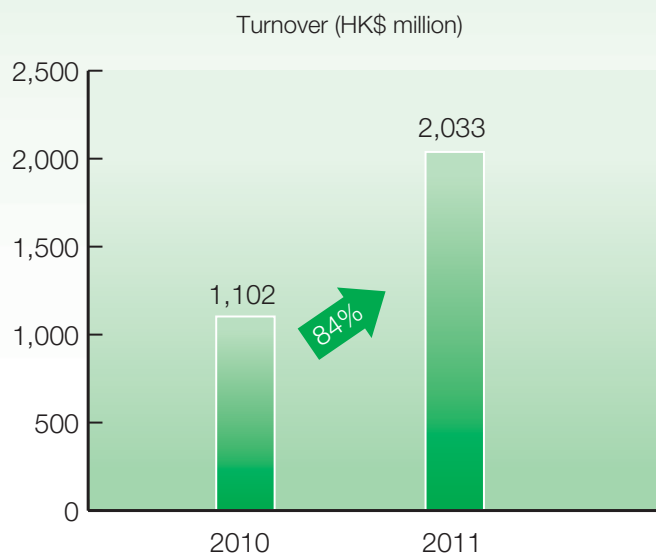
In June 2011, the Group was granted a city piped natural gas franchise operating right in 荷塘區 (Hetang District*), 石峰區 (Shifeng District*) and 雲龍示範區 (Yunlong Demonstration Zone*) in Zhuzhou, Hunan Province. A subsidiary of the Group and the wholly-owned subsidiary of 青海省發改委 (Reform Commission in Qinghai Province*) established a JV Company to engage in natural gas business covering the whole Qinghai Province. The Group acquired 35% equity interest in 山西國興煤層氣輸配有限公司 (Shanxi Guoxing Coalbed Methane Transmission Co. Limited*) held by Kunlun Energy Company Limited, a partner of the Group, so as to allow the transmission and distribution of resources of the Group’s coal-bed methane projects in Shanxi to get full support, laying a foundation for the upstream and downstream integrated operation in the future.

The Group attained further progress in the construction and operation of its long distant natural gas pipeline. The Rugao-Haian branch line, with a total distance of 70 km in Jiangsu Province, has partially commenced its operation on its southern part while 70% of the entire construction of the 65 km Taizhou-Jiangyan-Dainan branch line was completed and expected to start its full operation in this year. The Group was granted the piped natural gas franchise operation in 13 towns and counties within the coverage of the branch lines and established a market for the sale of nearly 500 million m³ and piped gas supply market for 1 billion m³ per annum.

Interim Dividend

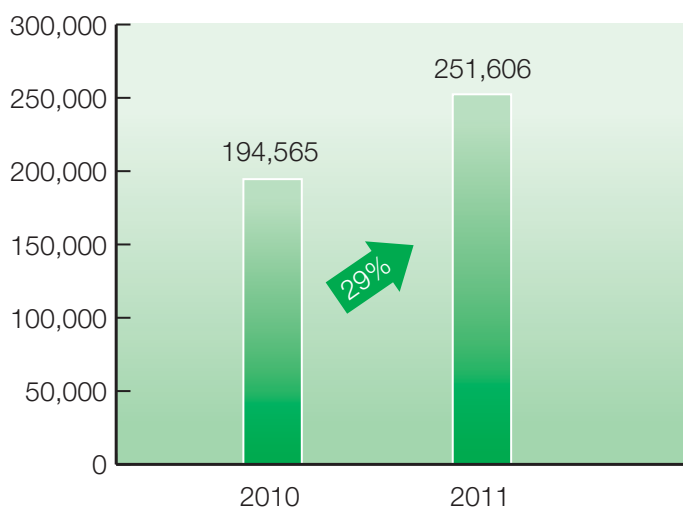
The Board resolved not to declare any interim dividend for the six months ended 30 June 2011 (30 June 2010: Nil).

Financial Results



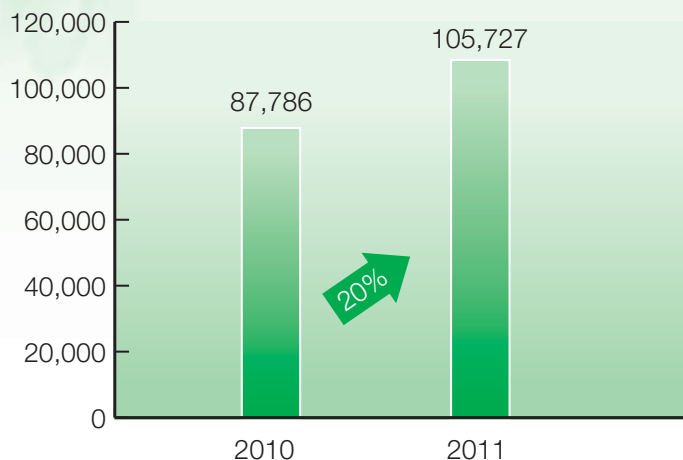
During the Period, the Group recorded a turnover of HK\$2,032,558,000 representing an increase of approximately 84% as compared to the last period's HK\$1,101,951,000. Gross profit amounted to HK\$405,891,000 (2010: HK\$311,634,000), increased by 30%. Profit for the Period was HK\$251,606,000 (2010: HK\$194,565,000) representing an increase of 29% and the Group's profit attributable to the shareholders was HK\$105,727,000 representing an increase of 20% as compared to HK\$87,786,000 of the last period. Basic earnings per share were HK\$2.136 cents and HK\$1.794 cents for both periods, respectively.

Profit for the period (HK\$ million)



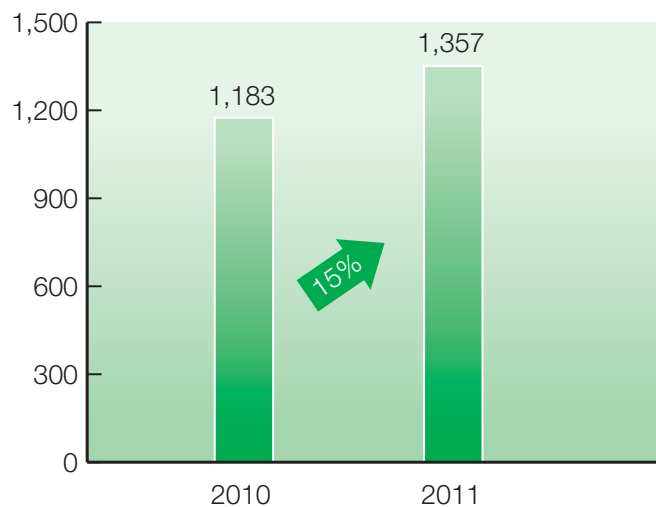
Report of the Board

Major operating profit attributable to the shareholders during the Period (HK\$ million)

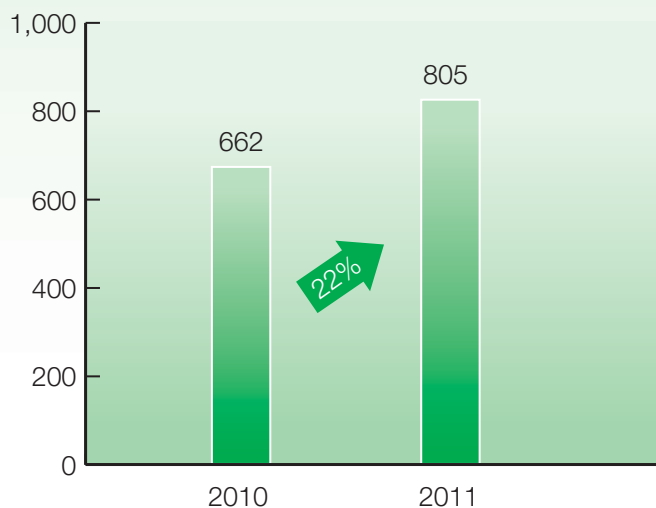


During the Period, the sales revenue of natural gas amounted to HK\$1,651,013,000 representing an increase of 75% as compared with the last period and 81% of overall revenues. Gas pipeline construction income amounted to HK\$114,621,000 representing a decrease of 27% as compared with the last period. The decrease was mainly due to some large industrial users were still under development and the proportion of residential households developed during the Period was comparatively low. The Group commenced the sales of LPG in 2011. During the Period, sales revenue of LPG amounted to HK\$266,924,000 representing 13% of overall revenues. The decrease in gross profit margin was mainly attributable to the changes in the income structure of the Group. Excluding the newly added LPG sales, the overall gross profit margin was 23%, which was mainly attributable to the decrease in consumer construction works and the rise in construction cost.

Total Gas Sales & Transmission Volume (million m³)

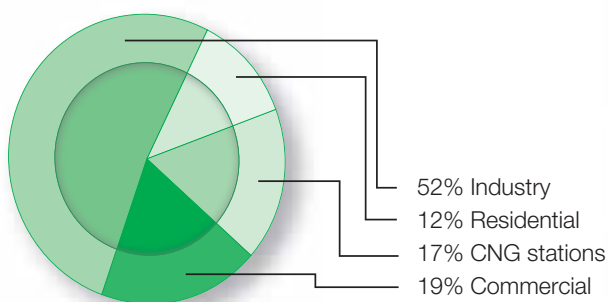


Total Gas Sales (million m³)

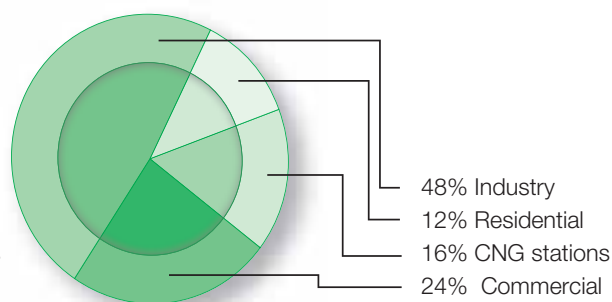


During the Period, the Group's total gas sales and transmission volume reached 1.357 billion m³, increasing 15% as compared to 1.183 billion m³ for the last period. Sales of natural gas amounted to 805 million representing an increase of 22% from last period; whereas 12% was from residential households, 52% was from industrial consumption, 19% was from commercial consumption, and 17% was from CNG stations (the ratios were 12%, 48%, 24% and 16% in 2010 respectively). Transmission volume was 508 million m³, representing an increase of 6% as compared with the last period; transportation gas volume was 45 million m³ representing an increase of 5% as compared with the last period. Besides, The total sales of LPG, which were newly added in this year, amounted to 41 thousand tonnes, which was approximately 49 million m³.

2011



2010



Report of the Board

Liquidity and Financial Resources

Financial Position

The Group remained at a strong financial position. As at 30 June 2011, the Group had cash and cash equivalents of approximately HK\$2,043,823,000 (31 December 2010: HK\$1,202,013,000). The Group's total borrowings amounted to HK\$1,527,121,000 (31 December 2010: HK\$297,493,000), representing bank borrowings and loans made for the gas operations in the PRC under a subsidiary of the Group except for the borrowing of HK\$700,000,000 from China Petroleum Hong Kong (Holding) Limited.

As at 30 June 2011, the Group had total assets of HK\$6,237,396,000 (31 December 2010: HK\$4,466,006,000), and among which current assets were HK\$3,298,221,000 (31 December 2010: HK\$2,076,470,000). Total liabilities of the Group was HK\$2,619,505,000 (31 December 2010: HK\$1,214,329,000), and among which current liabilities were HK\$1,645,210,000 (31 December 2010: HK\$1,186,742,000). The net assets amounted to HK\$3,617,891 (31 December 2010: HK\$3,251,677). The gearing ratio of the Group, measured on the basis of total liabilities as a percentage of total equity, was 72% (31 December 2010: 37%). The current ratio of the Group was 2.0 (2010: 1.75) and quick ratio was 1.92 (2010: 1.68).

Shareholding Structure

As at 30 June 2011, the issued share capital of the Company was HK\$49,508,562.13 divided into 4,950,856,213 shares of HK\$0.01 each.

Capital Investments and Commitments

During the Period, the Group did not incur or commit any material investment or capital expenditure.

Employees and Remuneration Policy

As at 30 June 2011, the Group employed a total workforce of approximately 1,752 (31 December 2010: 1,660). Most of the employees are located in the PRC. The remuneration, promotion and salary of the Group's employees are based on their work performance, working experiences and professional qualifications and the prevailing market practice.

Pledge of Assets

The Group has pledged the actual capital investment paid in the formation of the equity interest in the capital of CCNG (a subsidiary owned as to 51% by the Group) as security for a loan of HK\$700,000,000 granted by China Petroleum Hong Kong (Holding) Limited.

Apart from the above, no asset of the Group has been pledged as at 30 June 2011 (2010: Nil).

Contingent Liabilities

As at 30 June 2011, the Group did not have any significant contingent liabilities (2010: Nil).

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 30 June 2011, the Group has no litigation.

Prospects

In the first half of this year, the recovery pace of the global economic conditions has been sluggish because of the problems such as global economic unrest, persistence of the European debt crisis, the economic uncertainties of the United States and Japan and the escalating global inflation. Nevertheless, the natural gas business of the Group has performed well and experienced steady rise which together with its sound balance sheet and cash flow has placed the Group in a good position for the maintenance of rapid growth. It will continue to invest in businesses in related to natural gas and clean energy as well as expanding them so as to achieve a diversified natural gas business across China while capturing of the opportunities to gain access to the international stage. Along with the recent addition of natural gas franchise operation rights and the establishment of related companies, the Group was also granted the natural gas franchise operation right by Jingan County in Jiangxi Province at the beginning of the second half of 2011. Other than persisting in striving for new gas operation rights, the Group is actively testing LNG vehicles and vessels in respect of their transformation project from oil to gas. The Group is also finalising the construction of several CNG, LNG and LCNG gas stations as well as following up with the cooperation with public transport vehicle companies and long-distance passenger transportation companies. The Board believes that, in the second half of the year, all staff of the Group will overcome difficulties and strive to attain better results and create higher values for the shareholders through their overwhelming enthusiasm and team-work.

Directors' Interests in Shares

As at 30 June 2011, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

Interests in shares, underlying shares and debentures of the Company

Name of Director	Capacity	Long position/ short position	Notes	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Xu Tie-liang	Interest in a controlled corporation	Long position	1	321,018,300	6.48%
	Interest in a controlled corporation	Long position	2	794,260,000	16.04%
Guan Yijun	Interest of spouse	Long position		1,115,278,300	22.53%
Zhu Yuan	Beneficial owner	Long position	3	1,500,000	0.03%

Report of the Board

Notes:

1. These 321,018,300 ordinary shares of the Company are held through Sino Advance Holdings Limited ("Sino Advance"), a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Sino Best International Group Limited ("Sino Best") (a company incorporated in the British Virgin Islands with limited liability) which in turn is wholly and beneficially owned by Mr. Xu Tie-liang.
2. These 794,260,000 ordinary shares of the Company are held through Sino Vantage Management Limited ("Sino Vantage"), a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Sino Best which in turn is wholly and beneficially owned by Mr. Xu Tie-liang.
3. These 1,500,000 shares are derived from the interest in 1,500,000 share options granted by the Company, details of which are set out in the section headed "SHARE OPTION SCHEME" below.

Save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company which were recorded on the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2011.

Substantial Shareholders

As at 30 June 2011, the interests or short positions of every person in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

Interests in the shares and underlying shares of the Company

Name of shareholder	Capacity	Long position/ short position	Notes	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Sino Advance	Beneficial owner	Long position	1	321,018,300	6.48%
Sino Vantage	Beneficial owner	Long position	1	794,260,000	16.04%
Sino Best	Interest in a controlled corporation	Long position	1	1,115,278,300	22.53%
New Stamina Investments Limited ("New Stamina")	Beneficial owner	Long position	2	275,000,000	5.55%
Lo Chung	Interest in a controlled corporation	Long position	2	275,000,000	5.55%
	Family interest	Long position	3	17,400,000	0.35%

Notes:

1. Sino Advance and Sino Vantage are wholly-owned by Sino Best which in turn is wholly and beneficially owned by Mr. Xu Tie-liang. Hence, Mr. Xu is deemed to be interested in 321,018,300 ordinary shares and 794,260,000 ordinary shares of the Company held through Sino Advance and Sino Vantage.
2. New Stamina is a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Lo Chung. Hence, Mr. Lo Chung is deemed to be interested in 275,000,000 ordinary shares of the Company held through New Stamina.
3. These 17,400,000 ordinary shares are held by the spouse of Mr. Lo Chung, and therefore, Mr. Lo Chung is deemed to be interested in these shares.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2011.

Share Option Scheme

The Company adopted a share option scheme (the "Scheme") on 31 January 2002, pursuant to which the Board may, at its discretion offer options to any eligible participant who is an employee, executive or officer of the Company or its subsidiaries (including executive and non-executive Directors of the Company or its subsidiaries) and any suppliers, consultants or advisers who will provide or have provided services to the Company or its subsidiaries.

The following table discloses the details of the share options outstanding during the six months ended 30 June 2011 as follows:

Name of Participant or Category	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1 January and 30 June 2011
Director Zhu Yuan	30.07.2009	30.07.2009 to 29.07.2014	0.43	1,500,000
Employees	30.07.2009	30.07.2009 to 29.07.2014	0.43	98,500,000
Total:				100,000,000

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

Report of the Board

Corporate Governance Practices

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

During the six months ended 30 June 2011, the Company was in compliance with the code provisions set out in the CG Code except for the deviations from code provisions A.2.1 and A.4.1.

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, being 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 calibre individuals with sufficient number thereof being independent non-executive 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 (except Mr. Wang Guangtian) are not appointed for a specific term but they are subject to retirement by rotation at least once every three years in accordance with 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 during the six months ended 30 June 2011.

Audit Committee

The Company has an Audit Committee which comprises three independent non-executive Directors of the Company, namely Mr. Li Yunlong (as chairman), Mr. Shi Xun-zhi and Mr. Wang Guangtian and was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The interim financial statements have been reviewed by the Audit Committee.

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

Hong Kong, 15 August 2011