



**THE STOCK EXCHANGE OF HONG KONG LIMITED**  
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)  
(the "Exchange")

16 October 2008

**The Listing Committee of The Stock Exchange of Hong Kong Limited (the "Listing Committee") criticises the following parties for breaching the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Exchange Listing Rules"):**

- 1. China Oil and Gas Group Limited (the "Company") (Stock code: 603);**
- 2. Mr Wong Kui Shing Danny ("Mr Danny Wong"), a former executive director of the Company resigned effective 30 August 2006; and**
- 3. Mr Wong King Shiu Daniel ("Mr Daniel Wong"), a former executive director of the Company resigned effective 30 August 2006.**

Mr Danny Wong and Mr Daniel Wong are collectively referred to as the "**Relevant Directors**".

**Facts**

The Company was required to publish the following financial results (collectively referred to as the "Financial Results") and dispatch the following financial reports (collectively referred to as the "Financial Reports") by the following deadlines:

- (i) its audited annual results (the "2005 Annual Results") and its annual report (the "2005 Annual Report") for the financial year ended 31 July 2005 within four months after the date upon which the financial year ended, i.e. by 30 November 2005.
- (ii) its unaudited interim results (the "2006 Interim Results") and its interim report (the "2006 Interim Report") for the six months ended 31 January 2006 not later than three months after the end of the relevant period, i.e. by 30 April 2006.

The relevant Financial Results and Financial Reports were published and dispatched on the following dates:

- (i) the 2005 Annual Results were published and the 2005 Annual Report was dispatched on 25 August and 29 August 2006 respectively, with a delay of approximately eight months and 25 days, and eight months and 29 days respectively;
- (ii) the 2006 Interim Results were published and the 2006 Interim Report was dispatched on 8 September 2006 and 13 September 2006 respectively, with a delay of approximately four months and eight days, and four months and 13 days respectively.

The delay was caused by the Company's failure to properly and adequately prepare for the implementation of the Hong Kong Accounting Standard 31 ("HKAS31") before the commencement of the 2005 financial year audit work. The Company had underestimated the risk and complexity associated with the change of HKAS31 and failed to prepare any plans or schedule of implementation. As a result, certain jointly controlled entities in the PRC had delayed provision of financial data required for the preparation of the 2005 Annual Results.

The Relevant Directors were executive directors of the Company at the material time, charged with executive responsibilities and powers and were responsible for the Company's management. There is no evidence that the Relevant Directors had discharged their obligation to adequately prepare for implementation of HKAS31. Consequently, they had breached their Undertakings to the Exchange in failing to use their best endeavours to cause the Company to comply with its financial reporting obligations in a timely manner as required by the Listing Rules.

The delay was for a lengthy period of time, especially in relation to the publication and dispatch of the 2005 Annual Results and the 2005 Annual Report. The delay in finalisation of the 2005 Annual Results led to a consequential delay in publication and dispatch of the 2006 Interim Results and 2006 Interim Report. The Company's shareholders and the investing public had been deprived of financial information of the Company for a considerable period of time.

### **Settlement**

As a consequence of a settlement,

1. the Company admitted breaching the provisions of Rules 13.49(1), 13.46(2)(a), 13.49(6) and 13.48(1) of the Listing Rules; and
2. each of the Relevant Directors has admitted breaching the Director's Declaration, Undertaking and Acknowledgement with regard to Directors given by each of them to the Exchange in the form set out in Appendix 5B to the Exchange Listing Rules (the "**Director's Undertaking**") in failing to use their best endeavours to procure the Company's compliance with the Listing Rules.

### **Sanction**

Having considered the foregoing facts and the representations made by the parties concerned, the Listing Committee has concluded that the Company was in breach of Rules 13.49(1), 13.46(2)(a), 13.49(6) and 13.48(1) of the Listing Rules and each of the Relevant Directors was in breach of the Director's Undertaking.

Accordingly, the Listing Committee hereby criticises the Company and the Relevant Directors for their respective breaches mentioned above.

For the avoidance of doubt, the Exchange confirms that this criticism applies only to the Company and the Relevant Directors respectively and not to any past or present member of the Board of Directors of the Company.

Richard Williams, Head of Listing, said, “Listed issuers are under an obligation to publish their financial results within periods of time that are clearly specified in the listing rules. The timely dissemination of financial information is crucial to the ability of shareholders and investors to make informed investment decisions.

The primary responsibility for ensuring the Company’s compliance with this obligation rests with its management. In this case, the primary underlying reason given for the substantial delays in this case was the implementation of a new accounting policy. The executive management however failed to anticipate the consequences of the change on the ability of the Company to comply with its core obligation thus giving rise to the public sanctions applied by the Committee in this case. The Exchange has in the past and will continue to take disciplinary action where necessary to enforce compliance with these very important financial reporting obligations against both the Company and the responsible directors.

Separately in this case, some of the Company’s former directors who were in office at the time of the breaches did not co-operate with the Division’s investigation. I note that those directors have resigned from the Company since the events in question and do not hold office with any other Hong Kong listed company. Subject to any explanation those former directors may offer as to their conduct in the matters arising from this case, in the event that they should be nominated as directors of any other company listed or to be listed in Hong Kong, this failure to co-operate will be taken into account in assessing their compliance with Rule 3.09.”