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ENHANCEMENT OF INTERNAL CONTROL

Reference is made to the announcement of China Oil And Gas Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 27 June 2024 relating to the further information in respect of annual results for the year ended 31 December 2023 (the “**Announcement**”). Unless otherwise stated, capitalised terms used herein shall bear the same meanings as those defined in the Announcement.

The Board places great importance in robust internal controls. In order to prevent re-occurrence of similar incidents of prior year adjustments in future, with the support of external professionals, such as the Company’s Auditor, the Group will provide regular training to its accounting staff to refresh their knowledge in the accounting policies and practice used in preparation of the 2023 Results and revisit and enhance relevant internal controls over financial reporting processes and rectify any identified control deficiencies in preparing the financial information so as to improve the overall quality of the Company’s financial reporting process and control environment. Besides, going forward the relevant management will discuss with the Company’s auditor in advance focusing on the potential high-risk areas before each year’s audit process. The Company also plans to allocate more human resources towards the preparation of the financial statements and monitoring internal controls.

The Group’s management also performs regular project review procedures on the Group’s gas pipeline construction and connection projects, including but not limited to performing analytical procedures on reasonableness of the project contract progress and gross profit margin, with a focus on projects with material project contract sums which historically have a higher risk of material errors.

The main enhancements include (1) identifying the key points of internal control, focusing on key processes such as revenue recognition, cost management, project management, fund management and financial statements; (2) strengthening communication among various business departments to assist the preparation of financial statements, identify the problems and make corresponding rectifications; (3) examine and correct the control deficiencies discovered during the preparation of financial information. Relevant considerations include: handling problems in a timely manner, assessing the reliability of the information, and the suitability of business operations and management processes, consistency of business and financial information, etc.

Deepening the accounting staff knowledge to the latest regulatory requirements such as corporate governance and corporate regulations, and strengthen their understanding of regulatory requirements. The training content includes: analysis of the latest regulatory concerns and internal control compliance requirements.

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

Hong Kong, 12 July 2024

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

** For identification purpose only*