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KUNLUN ENERGY COMPANY LIMITED  
(Incorporated in Bermuda with limited liability)

昆 侖 能 源 有 限 公 司

(Stock Code: 00135.HK)

## ANNOUNCEMENT OF RESULTS

### HIGHLIGHTS OF THE FINANCIAL RESULTS OF THE GROUP

	Year ended 31 December		
	2014 <i>HK\$'million</i>	2013 <i>HK\$'million</i>	Change %
Revenue	48,044	43,430	10.62
Profit before income tax expense	11,956	14,353	(16.70)
Profit attributable to the owners of the Company	5,610	6,851	(18.11)
EBITDA (note)	17,617	19,275	(8.60)
	<i>HK cent</i>	<i>HK cent</i>	
Earnings per share (Basic)	69.52	85.01	(18.22)
Earnings per share (Diluted)	69.49	84.83	(18.08)
Dividend per share – Final	20.00	23.00	(13.04)
	<i>HK\$'million</i>	<i>HK\$'million</i>	
Profit attributable to the owners of the Company (by segment)			
– Exploration and Production	1,550	2,226	(30.37)
– Natural Gas Sales (including LNG Processing)	415	947	(56.18)
– LNG Terminal	401	435	(7.82)
– Natural Gas Pipeline	3,624	3,358	7.92
EBITDA (by segment)			
– Exploration and Production	3,439	4,368	(21.27)
– Natural Gas Sales (including LNG Processing)	2,664	3,090	(13.79)
– LNG Terminal	1,591	2,199	(27.65)
– Natural Gas Pipeline	10,383	9,678	7.28

Note: EBITDA is defined as profit before income tax expense, excluding interest, depreciation, depletion and amortisation.

**FINANCIAL INFORMATION**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2014*

	<i>Note</i>	<b>2014</b> <i>HK\$'million</i>	2013 <i>HK\$'million</i>
Revenue	3	48,044	43,430
Other gains, net		837	768
Interest income		217	228
Purchases, services and others		(26,354)	(21,303)
Employee compensation costs		(2,368)	(2,046)
Exploration expenses		–	(11)
Depreciation, depletion and amortisation		(5,392)	(4,528)
Selling, general and administrative expenses		(2,777)	(2,878)
Taxes other than income taxes		(737)	(746)
Interest expenses	4	(486)	(622)
Share of profits less losses of:			
– Associates		716	1,646
– Joint ventures		256	415
		<hr/>	<hr/>
<b>Profit before income tax expense</b>	5	<b>11,956</b>	14,353
Income tax expense	6	(3,080)	(3,845)
		<hr/>	<hr/>
<b>Profit for the year</b>		<b>8,876</b>	10,508
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
– Currency translation differences			
– Subsidiaries		(1,283)	1,439
– Associates		(572)	(46)
– Joint ventures		(9)	(1)
– Fair value loss on available-for-sale financial assets		(29)	(10)
		<hr/>	<hr/>
<b>Other comprehensive income, net of nil tax</b>		<b>(1,893)</b>	1,382
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total comprehensive income for the year</b>		<b>6,983</b>	11,890
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)***For the year ended 31 December 2014*

	<i>Note</i>	<b>2014</b> <b><i>HK\$'million</i></b>	<b>2013</b> <b><i>HK\$'million</i></b>
Profit for the year attributable to:			
– Owners of the Company		<b>5,610</b>	6,851
– Non-controlling interests		<b>3,266</b>	3,657
		<hr/> <b>8,876</b>	<hr/> 10,508
Total comprehensive income for the year attributable to:			
– Owners of the Company		<b>4,307</b>	7,842
– Non-controlling interests		<b>2,676</b>	4,048
		<hr/> <b>6,983</b>	<hr/> 11,890
Earnings per share for profit attributable to owners of the Company			
	<i>7</i>		
– Basic (HK cent)		<b>69.52</b>	85.01
– Diluted (HK cent)		<b>69.49</b>	84.83
		<hr/> <hr/> <b>69.49</b>	<hr/> <hr/> 84.83

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Note</i>	2014 <i>HK\$'million</i>	2013 <i>HK\$'million</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		86,442	82,943
Advanced operating lease payments		3,379	2,895
Investments in associates		4,775	5,720
Investments in joint ventures		1,451	1,564
Available-for-sale financial assets		83	120
Intangible and other non-current assets		1,509	3,104
Deferred tax assets		456	254
		<hr/>	<hr/>
		98,095	96,600
		-----	-----
<b>Current assets</b>			
Inventories		1,157	1,173
Accounts receivable	9	1,988	1,893
Prepaid expenses and other current assets		5,741	4,899
Cash and cash equivalents		10,729	14,897
		<hr/>	<hr/>
		19,615	22,862
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<b>Total assets</b>		<b>117,710</b>	<b>119,462</b>
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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*As at 31 December 2014*

	<i>Note</i>	2014 <i>HK\$'million</i>	2013 <i>HK\$'million</i>
<b>Equity</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		81	81
Retained earnings		27,765	24,530
Reserves		25,042	25,795
		52,888	50,406
<b>Non-controlling interests</b>		21,426	21,862
		74,314	72,268
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	<i>10</i>	14,776	12,676
Income tax payable		805	510
Other tax payable		262	394
Short-term borrowings		8,465	13,551
Obligations under finance leases		194	–
		24,502	27,131
<b>Non-current liabilities</b>			
Long-term borrowings		16,224	17,799
Deferred tax liabilities		1,414	1,715
Obligations under finance leases		649	–
Other long-term obligations		607	549
		18,894	20,063
<b>Total liabilities</b>		43,396	47,194
<b>Total equity and liabilities</b>		117,710	119,462
<b>Net current liabilities</b>		(4,887)	(4,269)
<b>Total assets less current liabilities</b>		93,208	92,331

## NOTES TO THE FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information set out in this announcement does not constitute the consolidated financial statements of Kunlun Energy Company Limited (the “Company”) and its subsidiaries (together, the “Group”) for the year ended 31 December 2014, but are extracted from those consolidated financial statements.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

#### Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the contents of this financial information:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- HK (IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of new or amended HKFRSs are discussed below:

#### Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on this financial information as the Company does not qualify to be an investment entity.

#### Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on this financial information as they are consistent with the policies already adopted by the Group.

## **Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets**

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recovered amount is based on fair value less costs of disposal. These amendments do not have an impact on this financial information as the Group and the Company does not have any significant impaired non-financial assets.

## **HK (IFRIC) 21, Levies**

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on this financial information as the guidance is consistent with the Group's existing accounting policies.

## **2. SEGMENT INFORMATION**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker which is determined as the Executive Directors of the Company.

The Group organises its business around products and services. From the products and services perspective, the Group is engaged in a broad range of petroleum related activities and derives its revenue from its two operating segments: Exploration and Production and Natural Gas Distribution.

The Exploration and Production segment is engaged in the exploration, development, production and sale of crude oil and natural gas. It is further evaluated on a geographic basis (the Peoples' Republic of China (the "PRC") and other territories).

The Natural Gas Distribution segment is engaged in the sale of natural gas, LNG processing, LNG terminal business and transmission of natural gas in the PRC. It is evaluated on a business basis, Natural Gas Distribution segment includes Natural Gas Sales, LNG Processing, LNG Terminal and Natural Gas Pipeline.

No sales between operating segments are undertaken. The Executive Directors assesses the performance of the operating segments based on each segment's profit/(loss) before income tax expense, share of profits less losses of associates and joint ventures ("segment results").

Total assets exclude deferred and current taxes, available-for-sale financial assets, investments in associates and joint ventures, all of which are managed on a central basis ("segment assets").

Corporate income and expenses, net, mainly refers to interest income earned from cash and cash equivalents, and general and administration expenses incurred at corporate level.

Corporate assets mainly comprise cash and cash equivalents held at corporate level.

The segment information provided to the Executive Directors for the reportable segments for the years ended 31 December 2014 and 2013 are as follows:

	Exploration and Production		Natural Gas Distribution					Corporate	Inter-company adjustment	Total	
	PRC HK\$'million	Others HK\$'million	Sub-total HK\$'million	Natural Gas Sales HK\$'million	LNG Processing HK\$'million	Natural Gas Sales and LNG Processing Sub-total HK\$'million	LNG Terminal HK\$'million	Natural Gas Pipeline HK\$'million	Sub-total HK\$'million		HK\$'million
<b>For the year ended 31 December 2014</b>											
Gross revenue	3,477	1,859	5,336	26,291	3,446	29,737	1,994	12,691	44,422	-	49,758
Less: Inter-company adjustment	-	-	-	-	(1,654)	(1,654)	(48)	(12)	(1,714)	-	(1,714)
Revenue from external customers	<u>3,477</u>	<u>1,859</u>	<u>5,336</u>	<u>26,291</u>	<u>1,792</u>	<u>28,083</u>	<u>1,946</u>	<u>12,679</u>	<u>42,708</u>	-	<u>48,044</u>
Segment results	837	341	1,178	1,303	(338)	965	805	8,141	9,911	(105)	10,984
Share of profits less losses of:											
- Associates	-	601	601	114	-	114	1	-	115	-	716
- Joint ventures	-	523	523	3	-	3	-	-	3	(270)	256
Profit before income tax expense	837	1,465	2,302	1,420	(338)	1,082	806	8,141	10,029	(375)	11,956
Income tax expense											(3,080)
Profit for the year											<u>8,876</u>
Segment results included:											
- Interest income	140	8	148	86	6	92	2	61	155	245	217
- Depreciation, depletion and amortisation	(672)	(596)	(1,268)	(1,109)	(211)	(1,320)	(702)	(2,100)	(4,122)	(2)	(5,392)
- Interest expenses	-	(17)	(17)	(212)	(142)	(354)	(85)	(203)	(642)	(158)	(486)
<b>As at 31 December 2014</b>											
Non-current assets	3,152	792	3,944	21,726	14,934	36,660	11,032	38,529	86,221	1,165	91,330
Current assets	1,028	1,233	2,261	9,475	1,241	10,716	475	2,476	13,667	3,679	19,607
Segment assets	4,180	2,025	6,205	31,201	16,175	47,376	11,507	41,005	99,888	4,844	110,937
Investments in associates	-	2,428	2,428	2,341	-	2,341	6	-	2,347	-	4,775
Investments in joint ventures	-	1,136	1,136	179	-	179	-	-	179	136	1,451
Sub-total	4,180	5,589	9,769	33,721	16,175	49,896	11,513	41,005	102,414	4,980	117,163
Available-for-sale financial assets											83
Deferred tax assets											456
Others											8
Total assets											<u>117,710</u>



	Exploration and Production			Natural Gas Distribution					Corporate	Inter-company adjustment	Total	
	PRC HK\$'million	Others HK\$'million	Sub-total HK\$'million	Natural Gas Sales HK\$'million	LNG Processing HK\$'million	Natural Gas Sales and LNG Processing Sub-total HK\$'million	LNG Terminal HK\$'million	Natural Gas Pipeline HK\$'million	Sub-total HK\$'million	HK\$'million		HK\$'million
<b>For the year ended 31 December 2013</b>												
Gross revenue	3,610	2,050	5,660	22,073	3,498	25,571	2,635	11,932	40,138	-	-	45,798
Less: Inter-company adjustment	-	-	-	-	(2,100)	(2,100)	(123)	(145)	(2,368)	-	-	(2,368)
Revenue from external customers	3,610	2,050	5,660	22,073	1,398	23,471	2,512	11,787	37,770	-	-	43,430
Segment results	1,148	701	1,849	1,473	158	1,631	1,135	7,774	10,540	(97)	-	12,292
Share of profits less losses of:												
- Associates	-	1,365	1,365	281	-	281	-	-	281	-	-	1,646
- Joint ventures	-	433	433	-	-	-	-	-	-	(18)	-	415
Profit before income tax expense	1,148	2,499	3,647	1,754	158	1,912	1,135	7,774	10,821	(115)	-	14,353
Income tax expense												(3,845)
Profit for the year												10,508
<b>Segment results included:</b>												
- Interest income	173	6	179	93	5	98	3	33	134	68	(153)	228
- Depreciation, depletion and amortisation	(613)	(249)	(862)	(834)	(186)	(1,020)	(881)	(1,762)	(3,663)	(3)	-	(4,528)
- Interest expenses	-	(38)	(38)	(127)	(129)	(256)	(186)	(175)	(617)	(120)	133	(622)
<b>As at 31 December 2013</b>												
Non-current assets	3,261	1,153	4,414	20,807	11,456	32,263	11,733	39,429	83,425	1,103	-	88,942
Current assets	1,413	1,800	3,213	11,804	2,270	14,074	598	1,692	16,364	3,242	-	22,819
Segment assets	4,674	2,953	7,627	32,611	13,726	46,337	12,331	41,121	99,789	4,345	-	111,761
Investments in associates	-	3,371	3,371	2,343	-	2,343	6	-	2,349	-	-	5,720
Investments in joint ventures	-	1,005	1,005	147	-	147	-	-	147	412	-	1,564
Sub-total	4,674	7,329	12,003	35,101	13,726	48,827	12,337	41,121	102,285	4,757	-	119,045
Available-for-sale financial assets												120
Deferred tax assets												254
Others												43
Total assets												119,462

Neither the Group's revenue is derived from nor the Group's non-current assets are located in the place of domicile of the Company.

For the year ended 31 December 2014, revenue of approximately HK\$14,431 million (2013: HK\$16,800 million) are derived from one (2013: two) single customers with whom transactions have exceeded 10% of the Group's revenues. The revenue is attributable to the Exploration and Production and Natural Gas Distribution segments.

### 3. REVENUE AND TURNOVER

Turnover mainly represents revenue from the sales of crude oil, the sales of natural gas, LNG processing, LNG terminal business and transmission of natural gas. Analysis of revenue by segment is shown in Note 2.

### 4. INTEREST EXPENSES

	2014 <i>HK\$'million</i>	2013 <i>HK\$'million</i>
Interest expenses on:		
Bank loans, wholly repayable within five years	55	17
Other loans, wholly repayable within five years, from:		
– An intermediate holding company	509	798
– An immediate holding company	35	13
– China Petroleum Finance Company Limited (“CP Finance”)	850	980
– Fellow subsidiaries	64	74
Finance charges on obligations under finance leases, from:		
– A fellow subsidiary	1	–
– A third party	7	–
Less: Amounts capitalised	<u>(1,035)</u>	<u>(1,260)</u>
	<u><u>486</u></u>	<u><u>622</u></u>

Amounts capitalised are borrowing costs that are attributable to the construction of qualifying assets. The average interest rate used to capitalise such borrowing cost was 5.08% (2013: 5.80%) per annum for the year ended 31 December 2014.

### 5. PROFIT BEFORE INCOME TAX EXPENSE

Items charged in arriving at the profit before income tax expense include:

	2014 <i>HK\$'million</i>	2013 <i>HK\$'million</i>
Amortisation of advanced operating lease payments and intangible assets	81	60
Auditors' remuneration	21	19
Cost of inventories recognised as expense	28,354	23,025
Depreciation and depletion of property, plant and equipment	5,311	4,468
Operating lease expenses	433	248
Impairment loss on property, plant and equipment	2	12
Impairment loss on available-for-sale financial assets	<u>6</u>	<u>–</u>

## 6. INCOME TAX EXPENSE

	2014 <i>HK\$'million</i>	2013 <i>HK\$'million</i>
<b>Current tax</b>		
– PRC	3,101	2,847
– Overseas	481	629
	<u>3,582</u>	<u>3,476</u>
<b>Deferred tax</b>	(502)	369
	<u>3,080</u>	<u>3,845</u>

Hong Kong Profits Tax has not been provided for as the Group has no assessable profit for the year (2013: Nil).

In accordance with the relevant PRC income tax rules and regulations, the PRC corporate income tax rate applicable to the Group's subsidiaries in the PRC is principally 25% (2013: 25%). The operations of the Group's certain regions in the PRC have qualified for certain tax incentives in the form of a preferential income tax rates ranging from 15% to 20% (2013: 10% to 20%).

Income tax on overseas 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.

Included in overseas income tax expenses is withholding tax of approximately HK\$217 million (2013: HK\$320 million) in respect of dividend received from an associate, CNPC-Aktobemunaigas Joint Stock Company ("Aktobe"), which is charged at 20% (2013: 20%).

## 7. BASIC AND DILUTED 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\$5,610 million (2013: HK\$6,851 million) and weighted average number of ordinary shares in issue during the year of approximately 8,070 million shares (2013: 8,059 million shares).
- (b) Diluted earnings per share is calculated based on the Group's profit attributable to owners of the Company of approximately HK\$5,610 million (2013: HK\$6,851 million), and the weighted average number of ordinary shares of approximately 8,073 million shares (2013: 8,076 million shares) which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of dilutive potential ordinary shares in respect of share options of approximately 3 million shares (2013: 17 million shares) deemed to be issued at no consideration if all outstanding share option granted had been exercised.

## 8. DIVIDEND ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2014 <i>HK\$'million</i>	2013 <i>HK\$'million</i>
Proposed final dividend attributable to owners of the Company for 2014 ( <i>note (a)</i> )	1,614	–
Final dividend attributable to owners of the Company for 2013 ( <i>note (b)</i> )	–	1,854
	<u>          </u>	<u>          </u>

### Notes:

- (a) At the meeting on 26 March 2015, the Board of Directors proposed final dividend attributable to owners of the Company in respect of 2014 of HK20 cents per share amounting to a total of approximately HK\$1,614 million. The amount is based on approximately 8,072 million shares in issue as at 26 March 2015. This financial information does not reflect this dividend payable as the final dividends were proposed after the date of the statement of financial position and will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2015 when approved at the 2015 Annual General Meeting.
- (b) Final dividend attributable to owners of the Company in respect of 2013 of HK23 cents per share amounting to a total of approximately HK\$1,854 million were approved by the shareholders in the Annual General Meeting on 12 June 2014. The amount is based on approximately 8,062 million shares in issue as at 20 March 2014. The actual final dividend for 2013 was approximately HK\$1,857 million due to additional shares issued during the period from 21 March 2014 to 19 June 2014, the date of closure of the register of members, and was paid on 30 June 2014.

## 9. ACCOUNTS RECEIVABLE

The ageing analysis of accounts receivable at 31 December 2014 and 2013, based on the invoice date (or date of revenue recognition, if earlier), is as follows:

	2014 <i>HK\$'million</i>	2013 <i>HK\$'million</i>
Within 3 months	1,329	1,352
Between 3 to 6 months	254	397
Over 6 months	405	144
	<u>          </u>	<u>          </u>
	<u>1,988</u>	<u>1,893</u>

The Group's revenue from sales of crude oil and rendering of terminal and pipeline services are generally collectable within a period ranging from 30 to 90 days from the invoice date while the sales of natural gas are made in cash or on credit terms no more than 90 days. As at 31 December 2014, accounts receivable of approximately HK\$659 million (2013: HK\$541 million) were past due but for which the Group has not provided for impairment loss. These accounts receivable relate to a number of independent customers that have a good track record with the Group. As of 31 December 2014 and 2013, there are no provision of impairment of accounts receivable. Accordingly, the ageing analysis of the accounts receivable which are past due but not impaired is disclosed in the above ageing analysis.

## 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at 31 December 2014, included in the balance is accounts payable of HK\$1,871 million (2013: HK\$1,542 million).

The ageing analysis of accounts payable at 31 December 2014 and 2013, based on the invoice date, is as follows:

	2014 <i>HK\$'million</i>	2013 <i>HK\$'million</i>
Within 3 months	1,278	923
Between 3 to 6 months	194	254
Over 6 months	399	365
	<u>1,871</u>	<u>1,542</u>

## BUSINESS REVIEW

For the year ended 31 December 2014 (the “Year”), the revenue of the Group amounted to HK\$48,044 million, representing an increase of HK\$4,614 million or 10.62% compared with last year, and profit attributable to owners of the Company for the Year was HK\$5,610 million, representing a decrease of HK\$1,241 million or 18.11%. During the year, under the influence of global political and economic factors, great changes happened in the landscape of energy supply and consumption in the world, and the core oil and gas business of the Group also faced severe challenge. The sharp drop in global oil price reduced the profitability of Exploration and Production business. The growth of natural gas demand in China was suppressed amid factors such as a slower domestic economy, higher natural gas price and sustained fall in refined oil prices, resulting in the Group’s lacking significant progress in its LNG Terminal, Natural Gas Sales and LNG Processing businesses. Nevertheless, the Natural Gas Pipeline business remained stable with some growth and continued to contribute steady income for the Group.

### I. Exploration and Production

For the Year, the sales volume of crude oil in the Exploration and Production business was 16.88 million barrels, representing a decrease of 0.58 million barrels or 3.32% compared with last year. Revenue amounted to HK\$5,336 million, representing a decrease of HK\$324 million or 5.72% as compared to last year. Profit before income tax expense was HK\$2,302 million, representing a decrease of HK\$1,345 million or 36.88% compared to last year. One of the major reasons for the decrease in the profit before income tax expense was the rapid decline in international oil prices in the second half of the Year, reducing the Group’s average realised crude oil selling price to US\$84.47 per barrel from US\$97.30 per barrel of last year, representing a reduction of US\$12.83 or 13.19%. Another reason is a decrease in contribution from an associate company in Kazakhstan, which was caused by the substantial depreciation of its local currency and increase in portion of domestic sales volume under the local government’s request.

## **II. Natural Gas Pipeline**

During the Year, the transmission volume of Natural Gas Pipeline business was 30,693 million cubic metres, representing an increase of 5,357 million cubic metres or 21.14% compared with last year, of which, the transmission volume of Shaanxi-Beijing Pipeline was 29,962 million cubic metres. The transmission volume of other pipelines in operation was 731 million cubic metres. Revenue for the Year was HK\$12,691 million, representing an increase of HK\$759 million or 6.36% as compared to last year; profit before income tax expense was HK\$8,141 million, representing an increase of HK\$367 million or 4.72% as compared to last year. During the Year, commencement of operation of the Liangxiang-to-Xishatun section in the No. 3 Shaanxi-Beijing Pipeline signaled the full operation of the entire pipeline. Construction for the No. 4 Shaanxi-Beijing Pipeline commenced, with a design capacity of 35,000 million cubic metres per year. Upon its completion and operation, the Group's leading position in the natural gas business in Beijing, Tianjin and Hebei regions will be further strengthened, bringing new source of growth in the Natural Gas Pipeline business.

## **III. LNG Terminal**

During the Year, gasification volume of natural gas of Jiangsu LNG Terminal and Dalian LNG Terminal owned by the Group amounted to 5,181 million cubic metres, representing a decrease of 1,656 million cubic metres or 24.22% compared to last year. Revenue for the Year amounted to HK\$1,994 million, representing a decrease of HK\$641 million or 24.33% compared to last year; profit before income tax expense was HK\$806 million, representing a decrease of HK\$329 million or 28.99% as compared to last year. The decrease in both revenue and profit before income tax expense was due to decline in LNG import volume under the adjustment in production plan of the parent company. These two LNG terminals serve an important role in safeguarding the natural gas resources of the parent company in the peak season and opening up the resources channel for the Group in the market for natural gas utilisation in the Southeastern region.

## **IV. LNG Processing Plant**

During the Year, 2 new LNG processing plants of the Group were put into operation. The total number of LNG processing plants in operation increased to 12 with total production capacity amounting to 7.18 million cubic metres per day, while there were 5 completed LNG plants awaiting commencement of operation, of which, Shandong Tai'an LNG processing plant (2.6 million cubic metres per day) and Hubei Huanggang LNG processing plant (5.0 million cubic metres per day), being the Group's landmark projects with proprietary knowledge in natural gas liquefaction technology, had almost completed all preparation work for production. So far, the Group has basically completed the network establishment of its LNG plants, which will provide our end-users with stable resources.

## V. Sales of Natural Gas

During the Year, the sales volume of natural gas was 7,757 million cubic metres, representing an increase of 608 million cubic metres or 8.50% compared with last year, of which, the sales volume of LNG was 2,916 million cubic metres, representing an increase of 442 million cubic metres or 17.87% compared with last year. Revenue for the Year amounted to HK\$29,737 million, representing an increase of HK\$4,166 million or 16.29%. Profit before income tax expense was HK\$1,082 million, representing a decrease of HK\$830 million or 43.41% compared with last year. Increase in revenue but with lower profit before income tax expense was mainly due to the rise in cost of natural gas which squeezed the profit margins in LNG sales.

During the Year, upholding the strategy of “Gas in Substitution of Oil”, the Group promoted the application of LNG fuel in the transportation sector comprising mainly the urban public transport, long-haul passenger transport and heavy duty trucks., while actively cooperating with the Ministry of Transport to establish the nationwide LNG vessel demonstration regions and projects. During the Year, 23,503 LNG vehicles were newly promoted, making a total of 105,089 LNG vehicles in aggregate. Supported by the operation of 752 LNG refilling stations and 321 CNG refilling stations, a nationwide sales station network has been basically formed, which further consolidated our leading position in the industry.

## BUSINESS PROSPECTS

In the current period and onwards, although the pressure of economic slowdown is still prevailing in China, growth in rigid demand for natural gas is expected to maintain. Adjustment in energy structure, progress in urbanization and creation of an ecological friendly civilization will be the major impetus in promoting the growth of natural gas demand. In November 2014, the “Action Plan for Energy Development Strategy (2014-2020)” issued by the State Council clearly stated that the proportion of natural gas in primary energy consumption should be increased to around 10% in 2020. By then, domestic natural gas consumption is expected to increase from the current 183,000 million cubic meters to around 360,000 million cubic meters, presenting a huge room for growth in the natural gas market. With the construction of the East Pipeline between China and Russia kicked off, coupled with the smooth operation of the Central Asia Pipeline, China-Myanmar Pipeline and coastal LNG import channels, the four major oil and gas import channels in China was preliminarily established. Moreover, the gradual improvements in the domestic trunk lines and the branch lines including West-to-East Pipeline and Shaanxi-Beijing Pipeline will provide more powerful sources and infrastructure protection for the future development of the natural gas market. Taking all these into consideration, despite the current challenges, the Group still believes that the domestic natural gas industry is in an important stage of strategic development which offers ample opportunities. In particular, along with the price convergence of incremental natural gas and stock natural gas for non-residential usage on 1 April 2015, and the gradual streamlining of the pricing mechanism of the domestic natural gas, the natural gas industry will enter into a new stage of orderly, healthy and rapid development. The Group will keep up its vigorous support for the implementation of the government’s energy policy, and actively promote the upgrade and healthy development of the natural gas industry.

In 2015, the Group will firmly uphold its general principle of “seeking progress in stability”, proactively adopt to the new norm of economic development in China and insight into the new development dynamics of the oil and gas industry. By monitoring the development of macro environment, the Group will initiate comprehensive strategy for business development, with an emphasis on strategic positioning. By focusing on the three merits of “low-cost development, business restructuring and fostering of growth points”, the Group will put forward reform and innovation, improve the development quality and operating efficiency, thereby bring a satisfactory return to shareholders.

Regarding the Exploration and Production business, encountering the challenge of the low oil price, the Group will vigorously expand revenue sources and reduce costs to enhance efficiency with innovative approaches. The Group will further increase oil recovery rate by technological innovation, reduce operation costs by improved management, and monitor foreign exchange risk by enhanced exchange managing mechanism.

Regarding the Natural Gas Pipeline business, with the existing trunk lines such as the Shaanxi-Beijing Pipeline as the core, the Group will continue to increase the gas transmission and distribution capacity of its pipeline network. At the same time, the Group will carry out the construction of the No. 4 Shaanxi-Beijing Pipelines and key regional branch pipeline network so as to further consolidate its market dominance position in the region.

Regarding the LNG Terminal business, the Group will further utilise its bridging role between resources and the market. While ensuring internal supply, more access will be provided for third parties on a fair basis in order to increase the utilisation rate of LNG terminals. At the same time, the Group will strengthen cost control to enhance operating efficiency.

Regarding the Natural Gas Sales and integrated utilisation business, with the support of the parent company, the Group will fully utilise its current advantage of the entire industry chain by coordinating resources and markets with an aim of achieving production-and-sale balance, optimizing production operation, as well as continuously improving operating efficiency of the existing plants and refilling stations. With its business restructuring in track, the Group will optimize its management of existing assets, further improve the governance structure and keep control of operating financial risk so as to create a new edge in business development. Seizing new opportunities in natural gas development, the Group seeks profit growth in new projects and new areas. By focusing on quality investment projects such as city gas, and combined oil and gas stations, the Group will expand its business structure and promote upgrading of the industry.

## **FINAL DIVIDEND**

The Board recommends the payment of a final dividend of HK20 cents per share (2013: HK23 cents per share) to Shareholders whose names appear on the Shareholders Register on 9 June 2015 (Tuesday), subject to the approval at the Annual General Meeting (the “2015 AGM”). The payment will be made on or before 19 June 2015. The proposed 2014 final dividend amounts to a total of approximately HK\$1,614 million and 2013 dividend of HK\$1,857 million was paid in 2014, which represents a payout ratio (dividend per share divided by basic earnings per share) of approximately 28.77% (2013: 27.06%).



## **CLOSURE OF SHAREHOLDERS REGISTER**

For the purposes of determining Shareholders' eligibility to attend and vote at the 2015 AGM, and entitlement to the final dividend, the Shareholders Register will be closed. Details of such closures are set out below:

(i) For determining eligibility to attend and vote at the 2015 AGM:

Latest time to lodge transfer documents for registration	4:00 p.m. on 27 May 2015 (Wednesday)
Closure of shareholders register	from 28 May 2015 (Thursday) to 2 June 2015 (Tuesday) (both dates inclusive)
Record date	2 June 2015 (Tuesday)

(ii) For determining entitlement to the final dividend:

Latest time to lodge transfer documents for registration	4:00 p.m. on 5 June 2015 (Friday)
Closure of shareholders register	from 8 June 2015 (Monday) to 9 June 2015 (Tuesday) (both dates inclusive)
Record date	9 June 2015 (Tuesday)

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2015 AGM, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Branch Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

## **ANNUAL GENERAL MEETING**

The 2015 AGM will be held on 3 June 2015 (Wednesday). The Notice of the 2015 AGM, which constitutes part of the circular to Shareholders, will be sent together with the 2014 Annual Report. The Notice of the 2015 AGM and the proxy form will also be available on the Company's website.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

Kunlun Energy Company Limited (the "Company") and its subsidiaries (together, the "Group") continued to expand its natural gas business segment during the year ended 31 December 2014 (the "Year"). The profit before income tax expense from the Natural Gas Distribution business segment contributed about 83.88% (2013: 75.39%) of the Group's profit before income tax expense for the Year.

## Operating results

Profit before income tax expense of the Group for the Year was approximately HK\$11,956 million, representing a decrease of 16.70% as compared with HK\$14,353 million for the last year. Profit attributable to owners of the Company for the Year was approximately HK\$5,610 million, representing a decrease of 18.11% as compared with HK\$6,851 million for the last year.

## Revenue

Revenue for the Year was approximately HK\$48,044 million, representing an increase of 10.62% as compared with amount of HK\$43,430 million for the last year. The increase was mainly due to the expansion of natural gas business.

Revenue from the Exploration and Production segment accounted for 11.11% (2013: 13.03%) of the Group's total revenue amounting to approximately HK\$5,336 million (2013: HK\$5,660 million) while revenue from the Natural Gas Distribution business segment accounted for 88.89% (2013: 86.97%) of the Group's total revenue amounting to approximately HK\$42,708 million (2013: HK\$37,770 million).

The table below sets out the sales volume and revenue for major segments of the Group for the year 2014 and 2013, and percentages of change during these two years.

	Sales volume (Group's portion)			Revenue (Per segment information)		
	for the year ended 31 December			for the year ended 31 December		
	2014 ( <i>'000 barrel</i> )	2013 ( <i>'000 barrel</i> )	Change %	2014 <i>HK\$'million</i>	2013 <i>HK\$'million</i>	Change %
<b>Exploration and Production business (by geographic locations)</b>						
The People's Republic of China (the "PRC")	5,368	5,273	1.80	3,477	3,610	(3.68)
South America ( <i>note (1)</i> )	653	632	3.32	1,004	1,065	(5.73)
Central Asia	646	659	(1.97)	465	513	(9.36)
South East Asia ( <i>note (2)</i> )	545	625	(12.80)	390	472	(17.37)
Sub-total	<u>7,212</u>	<u>7,189</u>	0.32	<u>5,336</u>	<u>5,660</u>	(5.72)
Share of an associate in Central Asia	5,773	6,456	(10.58)	–	–	N/A
Share of a joint venture in Middle East	3,892	3,811	2.13	–	–	N/A
Total of Exploration and Production	<u><u>16,877</u></u>	<u><u>17,456</u></u>	(3.32)	<u><u>5,336</u></u>	<u><u>5,660</u></u>	(5.72)

	<b>Revenue</b>		
	<b>(Per segment information)</b>		
	<b>for the year ended 31 December</b>		
	<b>2014</b>	2013	Change
	<i>HK\$'million</i>	<i>HK\$'million</i>	%
<b>Natural Gas Distribution business (by segments)</b>			
Natural Gas Pipeline <i>(note (3))</i>	<b>12,691</b>	11,932	6.36
LNG Terminal	<b>1,994</b>	2,635	(24.33)
Natural Gas Sales	<b>26,291</b>	22,073	19.11
LNG Processing	<b>3,446</b>	3,498	(1.49)
Sub-total	<b>29,737</b>	25,571	16.29
Less: Inter-company adjustment	<b>(1,714)</b>	(2,368)	(27.62)
Total of Natural Gas Distribution	<b>42,708</b>	37,770	13.07
Total revenue	<b>48,044</b>	43,430	10.62

	<b>Sale/processing volume</b>		
	<b>for the year ended 31 December</b>		
	<b>2014</b>	2013	Change
	<i>('000 cubic metre)</i>	<i>('000 cubic metre)</i>	%
<b>Natural Gas Distribution business (by activities)</b>			
Natural Gas Pipeline	<b>30,692,548</b>	25,336,174	21.14
LNG Terminal	<b>5,181,003</b>	6,837,051	(24.22)
Natural Gas Sales	<b>6,845,316</b>	6,222,455	10.01
LNG Processing	<b>911,771</b>	926,922	(1.63)
Sub-total	<b>7,757,087</b>	7,149,377	8.50
Less: Inter-company adjustment	<b>(724,460)</b>	(1,366,508)	(46.98)
Total of Natural Gas Distribution	<b>42,906,178</b>	37,956,094	13.04

Notes:

- (1) Only the Group 50% share of sales volume from an oilfield in South America is stated while its revenue is shown as 100% per consolidation requirement.
- (2) Only the Group 96.11% share of sales volume from an oilfield in South East Asia is stated while its revenue is shown as 100% per consolidation requirement.
- (3) Under the Natural Gas Pipeline segment, it included the following sales:

	Sales volume			Revenue		
	for the year ended 31 December			for the year ended 31 December		
	2014	2013	Change	2014	2013	Change
	('000	('000	%	HK\$'million	HK\$'million	%
	cubic metre)	cubic metre)				
Natural Gas Sales	<u>55,627</u>	<u>53,111</u>	4.74	<u>208</u>	<u>146</u>	42.47

### Other gains, net

Other gains, net for the Year was approximately HK\$837 million, representing an increase of 8.98% as compared with amount of HK\$768 million for the last year. The increase mainly came from the compensation from government in the PRC for revenue reduction due to the implementation of Valued-added-Tax (“VAT”) Reform. PetroChina Beijing Gas Pipeline Co., Ltd has received the VAT refunds of HK\$665 million (2013: HK\$538 million) under the transitional supportive financial policies, but no assurance that the Group will continue to receive such a grant in the future.

### Interest income

Interest income for the Year was approximately HK\$217 million, representing a decrease of 4.82% as compared with amount of HK\$228 million for the last year. The decrease was mainly due to a decrease in the average balance of cash and cash equivalents.

### Purchases, services and others

Purchases, services and others were approximately HK\$26,354 million for the Year, representing an increase of 23.71% as compared with amount of HK\$21,303 million for the last year. This was mainly due to the increase in purchase volume of natural gas which is in line with the expansion of natural gas business.

### Employee compensation costs

Employee compensation costs of the Group was approximately HK\$2,368 million for the Year, representing an increase of 15.74% as compared with amount of HK\$2,046 million for the last year. This increase was mainly due to the expansion of the Group’s natural gas business and the increase in the average salary level.

## **Exploration expenses**

There were no exploration expenses charged to profit or loss during the Year (2013: HK\$11 million).

## **Depreciation, depletion and amortisation**

Depreciation, depletion and amortisation for the Year was approximately HK\$5,392 million, representing an increase of 19.08% as compared with amount of HK\$4,528 million for the last year. This was mainly due to addition of property, plant and equipment during the Year following the business expansion.

## **Selling, general and administrative expenses**

Selling, general and administrative expenses for the Year was approximately HK\$2,777 million, representing a decrease of 3.51% as compared with amount of HK\$2,878 million for the last year. This was mainly due to the decrease in royalties in exploration and production business which is in line with the decrease in realised crude oil selling price.

## **Taxes other than income taxes**

Taxes other than income taxes for the Year was approximately HK\$737 million, representing a decrease of 1.21% as compared with amount of HK\$746 million for the last year. This decrease was mainly due to the decrease in levy on petroleum in line with the decrease in realised crude oil selling price of the Group's exploration and production business.

## **Interest expenses**

Interest expenses for the Year was approximately HK\$486 million, representing a decrease of 21.86% as compared with amount of HK\$622 million for the last year. Total interest expenses for the Year was approximately HK\$1,521 million of which HK\$1,035 million had been capitalised under construction-in-progress.

## **Share of profits less losses of associates**

Share of profits less losses of associates for the Year decreased by 56.50% to approximately HK\$716 million (2013: HK\$1,646 million). This was mainly due to the combined effect of the decrease in sales volume and realised crude oil selling price in CNPC–Aktobemunaigas Joint Stock Company and exchange loss due to devaluation of the currency of Republic of Kazakhstan for the Year.

## **Share of profits less losses of joint ventures**

Share of profits less losses of joint ventures for the Year decreased by 38.31% to approximately HK\$256 million (2013: HK\$415 million). It was mainly due to provision for impairment loss amounting to HK\$150 million (2013: HK\$ Nil) in relation to a joint venture.

## Profit before income tax expense

Profit before income tax expense for the Year was approximately HK\$11,956 million, representing a decrease of 16.70% as compared with amount of HK\$14,353 million for the last year.

The table below sets out the profit before income tax expense and percentage of change for major segments of the Group for the year 2014 and 2013.

	Profit before income tax expense for the year ended 31 December		
	2014	2013	Change
	<i>HK\$'million</i>	<i>HK\$'million</i>	%
<b>Exploration and Production business</b>			
PRC	837	1,148	(27.09)
South America	423	544	(22.24)
Central Asia	(70)	(53)	32.08
South East Asia	(12)	210	(105.71)
Sub-total	<u>1,178</u>	<u>1,849</u>	(36.29)
Share of an associate in Central Asia	601	1,365	(55.97)
Share of a joint venture in Middle East	523	433	20.79
Total of Exploration and Production	<u>2,302</u>	<u>3,647</u>	(36.88)
<b>Natural Gas Distribution business</b>			
Natural Gas Pipeline	8,141	7,774	4.72
LNG Terminal	806	1,135	(28.99)
Natural Gas Sales	1,420	1,754	(19.04)
LNG Processing	(338)	158	(313.92)
Sub-total	<u>1,082</u>	<u>1,912</u>	(43.41)
Total of Natural Gas Distribution	<u>10,029</u>	<u>10,821</u>	(7.32)
	<u>12,331</u>	<u>14,468</u>	(14.77)

## **Income tax expense**

Income tax expense for the Year was approximately HK\$3,080 million, representing a decrease of 19.90% as compared with amount of HK\$3,845 million for the last year. The effective tax rate (excluding joint ventures and associates) for the Year decrease to 28.04% (2013: 31.28%).

## **Profit for the Year and profit attributable to owners of the Company**

The profit for the Year of the Group was approximately HK\$8,876 million, representing a decrease of 15.53% as compared with amount of HK\$10,508 million for the last year. The profit attributable to owners of the Company for the Year was approximately HK\$5,610 million, representing a decrease of 18.11% as compared with amount of HK\$6,851 million for the last year.

## **Liquidity and capital resources**

As at 31 December 2014, the carrying value of total assets of the Group was approximately HK\$117,710 million, representing a decrease of HK\$1,752 million or 1.47% as compared with 31 December 2013 amount of HK\$119,462 million.

The gearing ratio of the Group was 25.57% as at 31 December 2014 compared with 30.26% as at 31 December 2013, representing a decrease of 4.69%. It is computed by dividing the sum of interest-bearing borrowings and obligations under finance leases of HK\$25,532 million (2013: HK\$31,350 million) by the sum of total equity, interest-bearing borrowings and obligations under finance leases of HK\$99,846 million (2013: HK\$103,618 million).

Profit before income tax expense, excluding interest, depreciation, depletion and amortisation (“EBITDA”) for the Year was approximately HK\$17,617 million, representing a decrease of 8.60% as compared with amount of HK\$19,275 million for the last year.

The Group received dividends of HK\$401 million from a joint venture in Middle East (2013: HK\$814 million) and HK\$1,041 million mainly from an associate in Central Asia during the Year (2013: HK\$1,826 million).

The Group obtained new borrowings and finance leases of HK\$10,054 million and repaid HK\$15,442 million to financial institutions and related parties resulting a net decrease in the aggregate amount of borrowings and obligations under finance leases of HK\$5,388 million during the Year.

During the Year, a few senior executives of the Company exercised share options. As a result, the Company issued 9.9 million new shares (2013: 15.6 million new shares) and received subscription amount of HK\$32 million (2013: HK\$86 million).

During the Year, the Company has not repurchased any of its shares. As at 31 December 2013, the Company repurchased a total of 4,518,000 shares of the Company with HK\$57 million.

As at 31 December 2014, the Group had net current liabilities of HK\$4,887 million. Notwithstanding the net current liabilities of the Group at 31 December 2014, the Group's consolidated financial statements have been prepared on a going concern basis because the directors are of the opinion that the Group would have adequate funds to meet its obligation, as and when they fall due, having regard to the following:

- (i) the Group has certain undrawn facilities which include an undrawn facility provided by the Company's immediate holding company amounting to HK\$2,300 million;
- (ii) the Group expects to generate positive operating cash flows in the future; and
- (iii) the directors consider that the Group could obtain financing from various sources of funding.

Consequently, the consolidated financial statements have been prepared on a going concern basis.

### **Use of proceeds**

The Group paid interest of HK\$1,486 million (2013: HK\$1,856 million) during the Year.

2013 final dividend of HK23 cents per share amounting to HK\$1,857 million (2012: HK23 cents per share amounting to HK\$1,855 million) was distributed to owners of the Company during the Year.

### **Pledge of assets**

As at 31 December 2014 and 2013, no short-term and long-term borrowings were secured by property, plant and equipment and advanced operating lease payments.

### **New investment in major projects**

There is no major acquisition during the Year.

### **Employee**

On 31 December 2014, the Group had approximately 21,751 staff globally (excluding the staff under entrustment contracts) (31 December 2013: 21,589 staff). Remuneration package and benefits were determined in accordance with market terms, industry practice as well as the duties, performance, qualifications and experience of the staff.



## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the Year.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted written guidelines on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transaction.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2014.

## **CORPORATE GOVERNANCE**

The Company is committed to the maintenance of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain high corporate governance standard. The Board of Directors (the "Board") is of the view that the Company has complied with all the code provisions in the Code on Corporate Governance Practices during the Year.

Pursuant to paragraph 45(6) of Appendix 16 to the Listing Rules Governing the Listing of Securities on the Stock Exchange, the board of directors of the Company wishes to confirm that the Audit Committee of the Company has reviewed with the management the accounting policies and standards adopted by the Company and its subsidiaries and discussed the internal control and financial reporting matters related to the preparation of the consolidated financial statements for the year ended 31 December 2014. The Audit Committee has also reviewed the annual results in conjunction with the Company's external auditor.

## **AUDIT COMMITTEE**

Pursuant to the Listing Rules, an audit committee, comprising three Independent Non-Executive Directors was established in December 1998.

Two meetings were held during the current financial year.

Written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the board of the directors of the Company. The principal activities of the audit committee include the review and supervision of the Group's financial reporting process and internal controls.

The figures in respect of the preliminary announcement of the Group's results of the year ended 31 December 2014 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

## **RELEASE OF DETAILED RESULTS ON THE STOCK EXCHANGE WEBSITE**

The Company's annual report containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Company's and the Stock Exchange's website in due course.

By the Order of the Board  
**KUNLUN ENERGY COMPANY LIMITED**  
**Wu Enlai**  
*Chairman and Executive Director*

Hong Kong, 26 March 2015

*The board of Directors as at the date of this announcement comprises of Mr Wu Enlai as Chairman and Executive Director, Mr Zhao Yongqi as Chief Executive Officer and Executive Director, Mr Zhang Bowen as the President and Executive Director, Mr Cheng Cheng as the Senior Vice President and Executive Director and Dr Lau Wah Sum, Mr Li Kwok Sing Aubrey and Dr Liu Xiao Feng as Independent Non-Executive Directors.*