KUNLUN ENERGY COMPANY LIMITED
*(incorporated in Bermuda with limited liability)*
昆侖能源有限公司

**(Stock Code: 00135.HK)**

# PROFIT WARNING

This announcement is made by Kunlun Energy Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**").

During 2016, international oil prices had been fluctuating at the low end. Coupled with the slowdown of the economic growth both domestically and internationally, recovery of the LNG market will, as the Company expects, be even slower than previously estimated. In view of the above, the Company conducted an impairment test on the underlying assets of the Natural Gas Distribution segment under the Group ("**Relevant Assets**"). According to the initial assessment by the management, the Company may possibly provide for an impairment loss of RMB3,000 million to RMB4,000 million ("**Impairment Loss**") against the Relevant Assets. Such Impairment Loss has yet to be confirmed and audited. Upon confirmation, such Impairment Loss will be reflected in the consolidated financial statements of the Group for the year ended 31 December 2016 ("**2016 Financial Year**"). The Group is expected to record a decrease in profit attributable to the owners of the Company for the 2016 Financial Year as compared with the restated comparable figure for the year ended 31 December 2015[1].

As the Impairment Loss will constitute a non-recurring non-cash gain and loss item, the provision for the Impairment Loss will have no impact on the Group's operating cash flow, albeit a reduction in the profit of the Group for the 2016 Financial Year. To cope with any adverse effect which the economic environment may have on its results, the Group will continue to implement its cost control strategy and will increase its operating efficiency

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[1] On 28 December 2015, an agreement was entered into between the Group and PetroChina Company Limited ("PetroChina") for the acquisition of the entire interest held by PetroChina in PetroChina Kunlun Gas Company Limited ("Kunlun Gas"). The acquisition was completed on 31 May 2016 and since then Kunlun Gas has become a wholly-owned subsidiary of the Company. Based on the information currently available and having considered the requirements of the Accounting Guideline 5 "Merger accounting for common control combinations", the comparable figure of the Group for the year ended 31 December 2015 will be restated to include the financial position and operating results of Kunlun Gas (on a merger basis), as if the current group structure had been in existence since 1 January 2015. Please also refer to the 2016 interim report of the Company published in September 2016.

through innovative technology and management and will expedite the building of an operating advance with an integrated and inter-supporting structure among related business segments.

The Group is in the process of preparing the consolidated financial statements for the 2016 Financial Year as well as assessing the value of other assets of the Group. The information contained in this Announcement represents an initial assessment by the board of directors of the Company (the "**Board**"), which is solely based on the Board's reference to, and review of, the unaudited consolidated management accounts and on the materials currently available to the Board. Such information has not been reviewed or audited by the auditors of the Company and may be subject to amendment. Shareholders and potential investors of the Company are advised to refer to the results announcement of the Group for the 2016 Financial Year, which is expected to be published in March 2017.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

By Order of the Board
**Kunlun Energy Company Limited**
**Cheng Cheng**
*Company Secretary*

Hong Kong, 21 February 2017

*As at the date of this announcement, the Board comprises Mr. Huang Weihe as the Chairman and Executive Director, Mr. Wu Enlai as the Executive Director, Mr. Zhao Yongqi as the Chief Executive Officer and Executive Director, Mr. Zhao Zhongxun as Executive Director, Mr. Ding Shilu as Executive Director, Mr. Zhang Yaoming as Executive Director, and Mr. Li Kwok Sing Aubrey, Dr. Liu Xiao Feng and Mr. Sun Patrick as Independent Non-Executive Directors.*