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

	Six months ended 30 June		
	2019	2018	**Change**
	RMB million	*RMB million*	*%*
Revenue	**53,543**	49,593	7.96
Profit before income tax expense	**7,673**	7,231	6.11
Profit attributable to the owners of the Company	**3,143**	3,092	1.65
EBITDA *(note 1)*	**11,181**	10,760	3.91
	RMB cent	*RMB cent*	*%*
Earnings per share (Basic)	**38.90**	38.31	1.54
Earnings per share (Diluted)	**36.85**	36.39	1.26
Dividend per share – Interim	**NIL**	NIL	N/A

Note:

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

The directors of Kunlun Energy Company Limited (the "Company") (the "Directors") announce that the unaudited consolidated interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2019 are as follows:

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Note	Six months ended 30 June **2019** *RMB million*	2018 *RMB million*
Revenue	3	**53,543**	49,593
Other gains, net		**159**	106
Interest income		**189**	107
Purchases, services and others		**(39,363)**	(36,223)
Employee compensation costs		**(2,295)**	(1,957)
Depreciation, depletion and amortisation		**(3,134)**	(3,061)
Selling, general and administrative expenses		**(1,345)**	(1,188)
Taxes other than income taxes		**(214)**	(204)
Interest expenses	4	**(563)**	(575)
Share of profits less losses of:			
– Associates		**520**	564
– Joint ventures		**176**	69
Profit before income tax expense	5	**7,673**	7,231
Income tax expense	6	**(2,404)**	(2,191)
Profit for the period		**5,269**	5,040
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
– Fair value gain/(loss) on other financial assets (non-recycling), net of tax		**92**	(99)
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements, net of nil tax, of:			
– Subsidiaries		**(56)**	57
– Associates		**10**	(12)
– Joint ventures		**1**	16
Other comprehensive income for the period		**47**	(38)
Total comprehensive income for the period		**5,316**	5,002

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Note	***RMB million***	*RMB million*
Profit for the period attributable to:			
– Owners of the Company		**3,143**	3,092
– Non-controlling interests		**2,126**	1,948
		5,269	5,040
Total comprehensive income for the period attributable to:			
– Owners of the Company		**3,181**	3,076
– Non-controlling interests		**2,135**	1,926
		5,316	5,002
Earnings per share for profit attributable to owners of the Company	*7*		
– Basic (RMB cent)		**38.90**	38.31
– Diluted (RMB cent)		**36.85**	36.39

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	**30 June 2019** *RMB million*	31 December 2018 *RMB million*
Assets			
Non-current assets			
Property, plant and equipment		**100,424**	95,933
Advanced operating lease payments		**—**	3,872
Investments in associates		**4,009**	4,124
Investments in joint ventures		**2,848**	2,870
Intangible and other non-current assets		**2,163**	1,889
Deferred tax assets		**1,304**	1,242
		110,748	109,930
Current assets			
Inventories		**1,830**	1,865
Accounts receivable	*9*	**2,398**	2,459
Prepaid expenses and other current assets		**6,775**	5,859
Cash and cash equivalents		**17,845**	20,474
		28,848	30,657
Total assets		**139,596**	140,587
Equity			
Capital and reserves attributable to owners of the Company			
Share capital		**66**	65
Retained earnings		**26,599**	25,362
Other reserves		**17,451**	17,277
		44,116	42,704
Non-controlling interests		**29,266**	27,390
Total equity		**73,382**	70,094

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2019

	Note	**30 June 2019** *RMB million*	31 December 2018 *RMB million*
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	*10*	**25,563**	27,355
Income tax payable		**523**	794
Other tax payable		**171**	464
Short-term borrowings		**8,695**	7,072
Convertible bonds		**3,284**	3,306
Lease liabilities		**262**	150
		38,498	39,141
Non-current liabilities			
Long-term borrowings		**23,961**	28,163
Deferred tax liabilities		**1,616**	1,292
Lease liabilities		**455**	53
Other liabilities		**1,684**	1,844
		27,716	31,352
Total liabilities		**66,214**	70,493
Total equity and liabilities		**139,596**	140,587
Net current liabilities		**(9,650)**	(8,484)
Total assets less current liabilities		**101,098**	101,446

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited consolidated interim financial information set out in this announcement does not constitute the unaudited interim financial report of Kunlun Energy Company Limited (the "Company") and its subsidiaries (together, the "Group") for the six months ended 30 June 2019 but is extracted from that unaudited interim financial report which has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 27 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out below.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

Changes in accounting policies

The HKICPA has issued a new Hong Kong Financial Reporting Standard ("HKFRS"), HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below.

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

For the Group, the right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.275%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The difference between the operating lease commitments as at 31 December 2018 and the opening balance for lease liabilities recognised as at 1 January 2019 arise primarily from short-term leases and other leases with remaining lease term ending on or before 31 December 2019 and the discounting effect of future lease payments for the remaining leases.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets in "property, plant and equipment" and presents lease liabilities separately in the consolidated statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *RMB million*	Reclassification *RMB million*	Capitalisation of operating lease contracts *RMB million*	**Carrying amount at 1 January 2019** ***RMB million***
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:				
Property, plant and equipment	95,933	4,102	641	**100,676**
— equipment and machinery	42,375	(642)	—	**41,733**
— right-of-use assets	—	4,744	641	**5,385**
Advanced operating lease payments	3,872	(3,872)	—	**—**
Total non-current assets	109,930	230	641	**110,801**
Prepaid expenses and other current assets	5,859	(230)	—	**5,629**
Current assets	30,657	(230)	—	**30,427**
Lease liabilities (current) *(note)*	150	—	149	**299**
Current liabilities	39,141	—	149	**39,290**
Net current liabilities	(8,484)	(230)	(149)	**(8,863)**
Total assets less current liabilities	101,446	—	492	**101,938**
Lease liabilities (non-current) *(note)*	53	—	492	**545**
Total non-current liabilities	31,352	—	492	**31,844**
Net assets	70,094	—	–	**70,094**

Note: The carrying amounts of obligations under finance lease at 1 January 2019 were included in lease liabilities.

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019	At 1 January 2019
	RMB million	*RMB million*
Included in "Property, plant and equipment":		
Leasehold land leased for own use, carried at depreciated cost	**3,875**	3,872
Plant, machinery and equipment, carried at depreciated cost	**1,403**	1,513
	5,278	5,385

(c) ***Impact on the financial result and cash flows of the Group***

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. There is no significant change on the reported profit before income tax expense in the Group's consolidated statement of comprehensive income, as compared to the results if HKAS 17 had been applied during the period.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within consolidated statement of cash flows.

Upon the adoption of HKFRS 16, the Group presented capital element of lease rentals paid of RMB126 million and interest element of lease rentals paid of RMB17 million under the financing activities in the consolidated statement of cash flows.

The following table may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A)	**Add back: HKFRS 16 depreciation and interest expense (B)**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17 *(note)* (C)**	**Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C)**	Compared to amounts reported for 2018 under HKAS 17
	RMB million	***RMB million***	***RMB million***	***RMB million***	*RMB million*
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	**8,236**	**90**	**(99)**	**8,227**	7,806
Interest expenses	**(563)**	**12**	**—**	**(551)**	(575)
Profit before income tax expense	**7,673**	**102**	**(99)**	**7,676**	7,231
Profit for the period	**5,269**	**102**	**(99)**	**5,272**	5,040

Note: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

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 four operating segments: Natural Gas Sales, LNG Processing and Terminal, Natural Gas Pipeline and Exploration and Production.

The Natural Gas Sales segment is engaged in the wholesales and retail sales of various natural gas and LPG products. LNG Processing and Terminal segment is engaged in the processing, unloading, storing, gasification and entrucking of LNG. Natural Gas Pipeline segment is engaged in the transmission of natural gas through pipeline. The Exploration and Production segment is engaged in the exploration, development, production and sales of crude oil and natural gas.

The Executive Directors assess 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").

Segment assets exclude deferred and current taxes, other financial assets, investments in associates and joint ventures, as all of which are managed on a central basis.

Corporate income and expenses, net, mainly refers to interest income earned from cash and cash equivalents, net exchange gains/losses, general and administrative expenses and interest 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 six months ended 30 June 2019 and 2018 are as follows:

	Natural Gas Sales *RMB million*	LNG Processing and Terminal *RMB million*	Natural Gas Pipeline *RMB million*	Exploration and Production *RMB million*	Corporate *RMB million*	Inter-company adjustment *RMB million*	Total *RMB million*
For the six months ended 30 June 2019							
Gross revenue	44,069	4,765	5,199	1,007	—	—	55,040
Less: Inter-company adjustment	(649)	(839)	(9)	—	—	—	(1,497)
Revenue from external customers	43,420	3,926	5,190	1,007	—	—	53,543
Segment results	2,187	1,822	3,186	153	(371)	—	6,977
Share of profits less losses of:							
– Associates	150	—	—	370	—	—	520
– Joint ventures	42	—	—	133	1	—	176
Profit/(loss) before income tax expense	2,379	1,822	3,186	656	(370)	—	7,673
Income tax expense							(2,404)
Profit for the period							5,269
Segment results included:							
– Interest income	292	17	13	4	267	(404)	189
– Depreciation, depletion and amortisation	(1,260)	(643)	(1,067)	(152)	(12)	—	(3,134)
– Interest expenses	(260)	(214)	(57)	—	(436)	404	(563)
As at 30 June 2019							
Segment assets	59,225	24,029	43,274	2,906	1,755	—	131,189
Investments in associates	3,621	6	—	382	—	—	4,009
Investments in joint ventures	1,654	—	—	1,139	55	—	2,848
Additions to non-current segment assets during the period	2,327	538	962	86	11	—	3,924

	Natural Gas Sales *RMB million*	LNG Processing and Terminal *RMB million*	Natural Gas Pipeline *RMB million*	Exploration and Production *RMB million*	Corporate *RMB million*	Inter-company adjustment *RMB million*	Total *RMB million*
For the six months ended 30 June 2018							
Gross revenue	40,865	4,044	5,051	942	—	—	50,902
Less: Inter-company adjustment	(484)	(816)	(9)	—	—	—	(1,309)
Revenue from external customers	40,381	3,228	5,042	942	—	—	49,593
Segment results	2,140	1,725	2,783	237	(287)	—	6,598
Share of profits less losses of:							
– Associates	137	1	—	426	—	—	564
– Joint ventures	56	—	—	11	2	—	69
Profit/(loss) before income tax expense	2,333	1,726	2,783	674	(285)	—	7,231
Income tax expense							(2,191)
Profit for the period							5,040
Segment results included:							
– Interest income	104	12	10	3	184	(206)	107
– Depreciation, depletion and amortisation	(1,167)	(635)	(1,117)	(134)	(8)	—	(3,061)
– Interest expenses	(100)	(268)	(123)	—	(290)	206	(575)
As at 31 December 2018							
Segment assets	57,872	24,237	43,008	2,764	4,336	–	132,217
Investments in associates	3,376	6	–	742	–	–	4,124
Investments in joint ventures	1,656	–	–	1,161	53	–	2,870
Additions to non-current segment assets during the year	4,905	1,046	2,851	301	–	–	9,103

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 six months ended 30 June 2019, revenue of approximately RMB10,172 million (six months ended 30 June 2018: RMB9,840 million) is derived from one (six months ended 30 June 2018: one) customer with whom transactions have exceeded 10% of the Group's revenues. The revenue is attributable to the Natural Gas Sales, LNG Processing and Terminal, Natural Gas Pipeline and Exploration and Production segments.

3 REVENUE

Revenue mainly represents revenue from sales of natural gas, LNG processing and terminal business, pipeline transmission of natural gas and sales of crude oil. Disaggregation of revenue from contracts with customers is disclosed in Note 2.

4 INTEREST EXPENSES

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Interest expenses	**877**	807
Less: Amounts capitalised	**(314)**	(232)
Total interest expenses	**563**	575

Amounts capitalised are borrowing costs that are attributable to the construction of qualifying assets. The average interest rate used to capitalise such borrowing costs was 4.66% (six months ended 30 June 2018: 3.74%) per annum for the six months ended 30 June 2019.

5 PROFIT BEFORE INCOME TAX EXPENSE

Items charged/(credited) in arriving at the profit before income tax expense include:

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Amortisation of advanced operating lease payments	**—**	55
Amortisation of intangible assets	**29**	26
Depreciation, depletion and amortisation of property, plant and equipment	**3,105**	2,980
Cost of inventories recognised as expense	**39,541**	36,466
Operating lease expenses under HKAS 17	**—**	217
Impairment loss/(reversal of impairment loss) on accounts receivable	**43**	(43)

6 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Current tax		
– PRC	**1,977**	1,750
– Overseas	**185**	65
	2,162	1,815
Deferred tax	**242**	376
	2,404	2,191

Hong Kong Profits Tax has not been provided for as the Group has no assessable profit for the six months ended 30 June 2019 (six months ended 30 June 2018: 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% (six months ended 30 June 2018: 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% (six months ended 30 June 2018: 15% to 20%).

Income tax on overseas profits has been calculated on the estimated assessable profit for the six months ended 30 June 2019 at the applicable rates of taxation prevailing in the jurisdictions in which the Group operates.

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 RMB3,143 million (six months ended 30 June 2018: RMB3,092 million) and weighted average number of ordinary shares in issue during the six months ended 30 June 2019 of approximately 8,080 million shares (six months ended 30 June 2018: 8,072 million shares).

(b) Diluted earnings per share is calculated based on the Group's profit attributable to owners of the Company of approximately RMB3,186 million (six months ended 30 June 2018: RMB3,138 million) and the weighted average number of ordinary shares of approximately 8,645 million shares (six months ended 30 June 2018: 8,623 million shares) after adjusting for the effect of convertible bonds, calculated as follows:

(i) Profit attributable to owners of the Company (diluted)

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Profit attributable to owners of the Company	**3,143**	3,092
After tax effect of effective interest on the liability component of convertible bonds	**43**	46
Profit attributable to owners of the Company (diluted)	**3,186**	3,138

(ii) Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2019	2018
	million shares	*million shares*
Weighted average number of ordinary shares at 30 June	**8,080**	8,072
Effect of conversion of convertible bonds	**565**	551
Weighted average number of ordinary shares (diluted) at 30 June	**8,645**	8,623

8 DIVIDENDS

(a) Final dividend attributable to owners of the Company in respect of 2017 of RMB21.0 cents per share amounting to a total of approximately RMB1,742 million was approved by the shareholders in the Annual General Meeting on 24 May 2018. The amount is based on approximately 8,072 million shares in issue as at 20 March 2018 which was paid on 26 June 2018.

(b) Final dividend attributable to owners of the Company in respect of 2018 of RMB23.0 cents per share amounting to a total of approximately RMB1,831 million was approved by the shareholders in the Annual General Meeting on 6 June 2019. The amount is based on approximately 8,080 million shares in issue as at 19 March 2019 which was paid on 28 June 2019.

(c) The Directors do not recommend a payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

9 ACCOUNTS RECEIVABLE

As of the end of the reporting period, the ageing analysis of accounts receivable, based on the invoice date and net of loss allowance, is as follows:

	30 June 2019 *RMB million*	31 December 2018 *RMB million*
Within 3 months	**1,640**	1,990
Between 3 to 6 months	**312**	76
Over 6 months	**446**	393
	2,398	2,459

The Group's revenue from rendering of terminal and pipeline services and sales of crude oil 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.

10 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	30 June 2019 *RMB million*	31 December 2018 *RMB million*
Accounts payable	**3,024**	2,791
Contract liabilities	**8,141**	9,383
Salaries and welfare payable	**724**	383
Accrued expenses	**358**	14
Dividends payable	**1,021**	1,059
Interest payable	**149**	139
Construction fee and equipment cost payables	**8,751**	10,361
Amounts due to related parties		
– Non-controlling interests	**1**	1
– Others	**134**	236
Other payables	**3,260**	2,988
	25,563	27,355

As of the end of the reporting period, the ageing analysis of accounts payable, based on the invoice date, is as follows:

	30 June 2019 *RMB million*	31 December 2018 *RMB million*
Within 3 months	**1,339**	1,875
Between 3 to 6 months	**176**	124
Over 6 months	**1,509**	792
	3,024	2,791

11 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, except for convertible bonds with carrying amount at 30 June 2019 of RMB10 million that were fully repaid, all the remaining convertible bonds were converted and 575,669,721 ordinary shares were issued in this connection. As a result, share capital of the Company was increased by HK$5,756,697 (approximately RMB5,062,411).

BUSINESS REVIEW

I am pleased to report the results of Kunlun Energy Company Limited (the "Company") and its subsidiaries (together, the "Group") for the six months ended 30 June 2019 (the "Period") to the shareholders on behalf of the Board of Directors (the "Board").

During the Period, the Chinese government continues to intensify its effort on opening up to the outside world and domestic reduction on fees and taxs, to optimise and upgrade the industrial structure, and the emerging industries continue to release new vitality in economic development. The overall economy of the People's Republic of China (the "PRC") is generally stable and in steady progress, with GDP growth of 6.3% in the first half of this year. With the progressing of the State's awareness on ecological civilisation, the "Blue Sky Defence War" continues to have a fruitful harvest, and strict governance will be imposed on the three major pollution sources such as industry, coal and motor vehicles. Following the full launch of the 4-year second round of central government eco-environmental protection inspection, the natural gas utilisation level of all provinces, autonomous region and municipalities will continue to increase. In the first half of the year, the national production volume and the net imported volume of natural gas was 149.3 billion cubic metres, representing a year-on-year increase of 10.8%, and demand for natural gas maintained at a double-digit rapid growth.

The Group adhered to the concepts of new development, employed them as its guiding principle and took its responsibility seriously for its shareholders, employees and society. It proactively seized opportunities during this strategic period vital to the development of the industry and adapted to the macro trend of the oil and gas system reform in the country. It sought to exchange complementary advantages with the entities within the industry in up-stream and down-stream, strengthen cooperation with them, and jointly establish an ecosystem based on mutual benefits and win-win situations for the natural gas industrial chain. Benefiting from the new sale integration system for natural gas in PetroChina Company Limited ("PetroChina"), the Group systematically reconstructed its business management structure, organisational and control system, and business operation model, thereby eliminating the systematic and structural hurdles that had long hampered the growth of sales and the improvement of efficiency in its end-users business. As a result, the retail sales volume of its natural gas retail sales business increased significantly. The new advantages of LNG integrated operation were initially established, and the operating results were obviously better than expected. The Company's development momentum and vitality have been continuously enhanced by the special reform of the "Double Hundred Action".

The Group captured the strategic opportunities in the development of the PRC natural gas industry and conformed to the trend of China's oil and gas system reform. The Group combined with optimisation adjustment made by PetroChina on the natural gas sales management system, relied on resource advantages and synergy, adhered to high-quality development, vigorously developed the end-users projects, such as city gas and users, endeavored to increase the sales volume of natural gas end-user consumption, continued to create the advantages in LNG's "extraction, storage, production, distribution, sales" integrated operations, accelerated the application of LNG in vehicle and ship business, and promoted the launch of "Double-Hundred Action" special reform measures, thereby enhanced the competitiveness and the development momentum and vitality of the Group.

During the Period, the Group recorded revenue of RMB53,543 million, representing an increase of RMB3,950 million or 7.96% compared with the revenue for the same period of last year; profit before income tax expense was RMB7,673 million, representing an increase of RMB442 million or 6.11% compared with the profit before income tax expense for the same period of last year; profit attributable to owners of the Company was RMB3,143 million, representing an increase of RMB51 million or 1.65% compared with the profit attributable to owners of the Company for the same period of last year.

NEW PROJECT DEVELOPMENT

Since PetroChina has optimised and overhauled the natural gas sales management system in October 2018, the Group has focused more on the development of natural gas end-users retail business. During the Period, 14 new development projects have commenced operation with the increase in the annual retail sales capability of 600 million cubic metres, 26 projects completed business registration and are expected to increase in annual retail sales capability of 1,500 million cubic metres. During the Period, the number of city gas projects of the Group amounted to 340, covering 31 provinces, cities and autonomous regions across the country.

In addition, taking advantage of the "Gasification in Longjiang' Strategic Cooperation Framework Agreement" entered into between PetroChina and the government of Heilongjiang Province, the Group will fully tap into the resources of Sino-Russian Eastern Pipeline and make all-out effort to promote the development of end-users utilisation projects in order to support the strategic implementation of "Gasification in Longjiang". The Group and the refined oil sales companies of PetroChina jointly drew up a blueprint for the "promotion of joint development of oil and gas", with a plan to construct 100 oil and gas joint refilling stations across Sichuan Province within three years.

NATURAL GAS SALES

The Group actively responded to the country's call for "Defending the Blue Sky" (「藍天保衛戰」), fully leveraged its resources, made joint efforts and collaborated with each unit, vigorously promoted the development of new retail gas users base, actively expanded the scope of the consumption in gas of the existing users, effectively enhanced its sales efficiency and achieved increase in both sales volume and efficiency. During the Period, total natural gas sales volume recorded 12,595 million cubic metres, representing a year-on-year increase of 20.33%, among which, city gas sales volume recorded 8,995 million cubic metres, representing a year-on-year increase of 25.17%. During the Period, the number of new users amounted to 327,000, including 324,000 new residential users and 2,383 new industrial and commercial users and the cumulative number of users has reached more than 10 million.

The Group adhered to the strategy of stimulating retail sales with the construction of branch pipelines, and promoted the key branch pipeline projects in an orderly manner during the Period. In which, the Group commenced the operations of 3 branch pipeline projects including Liaoning Wafangdian-Changxingdao branch pipeline, Shandong Donggang meter and regulator station, Miluo Pingjiang branch pipeline, started the construction of 5 branch pipeline projects including Chaozhou natural gas pipeline project, Haimen city gas, Tai'erzhuang natural gas utilisation project, Yunnan Anning natural gas utilisation project, and continued to advance the construction of 8 branch pipeline projects including Yunnan Honghe branch pipeline, Guizhou Duyun Kaili branch pipeline and Changsha Yiyang.

During the Period, Natural Gas Sales business recorded revenue of RMB44,069 million, representing a year-on-year increase of 7.84%. Profit before income tax was RMB2,379 million, representing a year-on-year increase of 1.97%.

LNG PROCESSING AND TERMINAL

The Group made full use of its special advantages of "terminals + processing plants", optimised the operation efficiency of LNG terminals through "gasification and transmission", "direct sales in liquid form" and "pipeline resource integration", effectively supported the efficient production of processing plants and sales of terminal stations in liquid forms and enhanced the operation capacity of processing plants, thereby resulting in an increase in the overall value of LNG business chain.

During the Period, LNG gasification and entrucking volume of Jiangsu LNG Terminal, Jingtang LNG Terminal and Dalian LNG Terminal under the Group amounted to 9,445 million cubic metres in total, representing a year-on-year increase of 0.06%. Average terminal utilisation rate increased 0.4 percentage points to 70.8% as compared with the same period of last year. 12 LNG processing plants were put into operation and the processing volume of LNG processing plants was 993 million cubic metres, representing a year-on-year increase of 375 million cubic metres. The production capacity was 43.9%, representing a year-on-year increase of 20.9 percentage points.

During the Period, LNG Processing and Terminal business recorded revenue of RMB4,765 million, representing a year-on-year increase of 17.83%. Profit before income tax was RMB1,822 million, representing a year-on-year increase of 5.56%.

NATURAL GAS PIPELINE

During the Period, PetroChina Beijing Gas Pipeline Co., Ltd. continued to improve its safety management level and accelerated the construction of interconnection projects with safe and stable operation of the pipelines. During the Period, the transmission volume of the Group amounted to 28,268 million cubic metres, representing a year-on-year increase of 7.61%. The revenue of Natural Gas Pipeline business reached RMB5,199 million, representing a year-on-year increase of 2.93% and profit before income tax was RMB3,186 million, representing a year-on-year increase of 14.48%.

EXPLORATION AND PRODUCTION

During the Period, the sales volume of crude oil of the Group was 6.80 million barrels, representing an increase of 0.19 million barrels or 2.87% compared with 6.61 million barrels for the same period of last year. During the Period, as international crude oil price declined compared with the same period of last year, the average realised crude oil selling price of the Group decreased to US$56.01/barrel from US$57.88/barrel during the same period of last year.

During the Period, the sales revenue of crude oil was RMB1,007 million, representing a year-on-year increase of 6.90%. Profit before income tax was RMB656 million, representing a decrease of RMB18 million or 2.67% from RMB674 million for the same period of last year.

BUSINESS PROSPECTS

The International Energy Agency considers that Asia-Pacific region is the main origin of growth in global natural gas demand at present and predicts that Asia will continue to lead the growth in global natural gas consumption in the coming 5 years. China will account for close to 40% of global consumption growth. Various authoritative organisations predict that the natural gas consumption in the PRC this year will exceed 300,000 million cubic metres. According to the national energy development plan, in the PRC, proportion of natural gas in the primary energy consumption structure will be strived to reach 10% in 2020 and the natural gas market will still have a great room for development in the coming years. In the first half of this year, the State Council issued the "Opinions on Promoting State Level Economic Technology Development Zone Innovation and Upgrading for Reforms and Opening-up of New Highlands" (關於推進國家級經濟技術開發區創新提升打造改革開放新高地的意見), showing its support for the state level economic technology development zones to introduce market-oriented reforms on the price of the non-residential use of natural gas pursuant to the regulations. It also issued documents including "Measures on Fair and Open Supervision of Oil and Gas Pipeline Network Facilities" (油氣管網設施公平開放監督辦法), thereby continuing to promote the construction of a system for the production, supply, storage and sales of natural gas for its coordination and development. Meanwhile, following the extensive implementation of the "Three-Year Action Plan for Defending the Blue Sky", and the joint statements by the Ministry of Transport and National Development and Reform Commission on giving priority to secure and speed up the approval of Changjiang LNG terminal, the room for growth of the natural gas market will continue to expand.

These macro environments are very beneficial to the development of the Group. In the context of the nation's deepening of the oil and gas system reforms, the development of the natural gas retail business will play a vital supportive role in PetroChina's forming of the value chain of the natural gas market in the PRC. The Group is confident and capable of seizing development opportunities, with the practical cooperation with various partners and in respect of various types of capitals, and will make an all-out effort in creating the "golden terminal" of natural gas sales and promote the continual, rapid and healthy development of the natural gas industry in the PRC, thereby building up cleaner and more efficient natural gas resources for the economic, social development, ecological civilisation.

Increase market expansion to achieve growth in both sales volume and efficiency of natural gas retail business. The Group will strengthen cooperation with local governments, increase collaboration with local gas industry enterprises, give priority to high-quality, efficient and sustainable markets and projects, increase its business scale and market share expeditiously and fully promote the implementation of a number of key projects. The Group will also accelerate the operation of new projects and the orderly development of existing projects, continue to step up its efforts in the development of high-quality users as well as vigorously increase the income, reduce the expenditures and increase efficiency, in order to increase the profitability of the natural gas retail sales and to achieve increase in both sales volume and efficiency.

Accelerate the construction progress of strategic and major branch pipeline projects. The Group will persist in the integrated development of newly added branch pipeline projects and drive the development of downstream market, using the downstream market to support the natural gas sales of branch pipelines. During the year, the Group will commence the construction of Jintan-Jiangning branch pipeline and Jieyang branch pipeline, and commence the operations of 8 branch pipelines, including Yunnan Honghe branch pipeline, Guizhou Duyun Kaili branch pipeline, and Changsha Yiyang. The Group will also ensure that the projects including Jieyang natural gas pipeline, Xianyou-Yongchun-Dehua natural gas pipeline project, Hengyang-Yanling natural gas branch pipeline project, Jintan-Jiangning branch pipeline, and Haimen Linjiang natural gas supply project will be proceeded as planned.

Continue to promote LNG business integration. The Group will construct a whole industrial chain LNG liquid sales system with "Terminals and processing plants as base, self-operated stations and end-users as support, logistic optimisation as security, and tank distribution as an auxiliary" thereby focusing on exploring the potentials of LNG integrated operations. The Group will adhere to focusing on benefits, optimise the business operation mode of LNG processing plants, coordinate the balance in resource allocations, differentiate pricing strategies, and further improve the production load of LNG processing plants.

Promote in full force the expansion of sales and volume of the LPG retail business. The Group will strengthen predictions on markets, increase sales and purchases of LPG, accelerate the introduction of natural gas from Russia and the additional offshore import. The Group will select quality projects which will be put into operation as well as setup a standardised, safe and unified direct sales and distribution demonstration project, in order to increase retail development capabilities and efficiency. The Group will also extend its operations, and actively promote the gas supply pilot program for small storage tanks and the procurement and supply of chemical raw materials.

The Group will continue to adhere to the concepts of openness, inclusiveness and win-win cooperation, persist in high-quality development, make full use of its advantages in industrial structure, further advance in business integration as well as continuously enhance its asset efficiency and corporate value so as to strive to bring more returns to its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Kunlun Energy Company Limited (the "Company") and its subsidiaries (together, the "Group") continued to develop its business in LNG Processing and Terminal and Natural Gas Sales segments which recorded growth on varying extents during the period ended 30 June 2019 (the "Period"). Profit before income tax expense of the Group for the Period was approximately RMB7,673 million, representing an increase of 6.11% as compared with RMB7,231 million for the last period. Profit attributable to owners of the Company for the Period was approximately RMB3,143 million, representing an increase of 1.65% as compared with RMB3,092 million for the last period.

Revenue

Revenue for the Period was approximately RMB53,543 million, representing an increase of 7.96% as compared with amount of RMB49,593 million for the last period. The increase was mainly due to the expansion of natural gas business.

The Group's revenue was mainly derived from the Natural Gas Sales segment, LNG Processing and Terminal segment and Natural Gas Pipeline segment, which in aggregate accounted for 98.12% (same period of 2018: 98.10%) of the Group's total revenue amounting to approximately RMB52,536 million (same period of 2018: RMB48,651 million).

Other gains, net

Other gains, net for the Period was approximately RMB159 million, representing an increase of 50.00% as compared with amount of RMB106 million for the last period. The increase was mainly due to decrease in exchange loss resulted from depreciation of RMB against US$ to a lesser extent compared with the same period of last year.

Interest income

Interest income for the Period was approximately RMB189 million, representing an increase of 76.64% as compared with amount of RMB107 million for the last period. The increase was mainly due to the increase in average balance of interest-bearing financial assets including cash and cash equivalents and amounts due from related parties.

Purchases, services and others

Purchases, services and others were approximately RMB39,363 million for the Period, representing an increase of 8.67% as compared with amount of RMB36,223 million for the last period. The increase was mainly due to the increase in purchase volume of natural gas which was generally in line with the increase in sales of Natural Gas Sales segment.

Employee compensation costs

Employee compensation costs of the Group was approximately RMB2,295 million for the Period, representing an increase of 17.27% as compared with amount of RMB1,957 million for the last period. This increase was mainly due to the increase in average salary resulting from improved business performance as well as economic inflation during the Period.

Depreciation, depletion and amortisation

Depreciation, depletion and amortisation for the Period was approximately RMB3,134 million, representing an increase of 2.38% as compared with amount of RMB3,061 million for the last period. This was mainly due to the increase in property, plant and equipment arising from right-of-use assets recognised upon the adoption of HKFRS 16 during the Period.

Selling, general and administrative expenses

Selling, general and administrative expenses for the Period were approximately RMB1,345 million, representing an increase of 13.22% as compared with amount of RMB1,188 million for the last period. The increase was mainly due to the increase in loss allowance of accounts receivable and the rest of the increase was in line with the expansion of natural gas business.

Taxes other than income taxes

Taxes other than income taxes for the Period was approximately RMB214 million, representing an increase of 4.90% as compared with amount of RMB204 million for the last period. Taxes other than income taxes remained fairly stable during the Period.

Interest expenses

Interest expenses for the Period was approximately RMB563 million, representing a decrease of 2.09% as compared with amount of RMB575 million for the last period. Interest expenses remained fairly stable during the Period.

Total interest expenses for the Period was approximately RMB877 million of which RMB314 million was capitalised under construction-in-progress.

Share of profits less losses of associates

Share of profits less losses of associates for the Period was approximately RMB520 million, representing a decrease of 7.80%, as compared with amount of RMB564 million for the last period. The decrease was mainly due to the decrease in realised crude oil selling price during the Period that in turn led to the decrease in the shared operating result from CNPC-Aktobemunaigas Joint Stock Company ("Aktobe").

Share of profits less losses of joint ventures

Share of profits less losses of joint ventures for the Period increased by 155.07% to approximately RMB176 million (same period of 2018: RMB69 million). The increase was mainly due to the increase in sale volume of crude oil in Oman project during the Period.

Profit before income tax expense

Profit before income tax expense for the Period was approximately RMB7,673 million, representing an increase of 6.11% as compared with amount of RMB7,231 million for the last period.

Income tax expense

Income tax expense for the Period was approximately RMB2,404 million, representing an increase of 9.72% as compared with amount of RMB2,191 million for the last period. The effective tax rate (excluding joint ventures and associates) for the Period increased slightly to 34.46% (same period of 2018: 33.21%).

Profit for the Period and profit attributable to owners of the Company

The profit for the Period of the Group was approximately RMB5,269 million, representing an increase of 4.54% as compared with amount of RMB5,040 million for the last period. The profit attributable to owners of the Company for the Period was approximately RMB3,143 million, representing an increase of 1.65% as compared with amount of RMB3,092 million for the last period.

Liquidity and capital resources

As at 30 June 2019, the carrying value of total assets of the Group was approximately RMB139,596 million, representing a decrease of RMB991 million or 0.70% as compared with RMB140,587 million as at 31 December 2018.

The gearing ratio of the Group was 33.31% as at 30 June 2019 compared with 35.60% as at 31 December 2018, representing a decrease of 2.29 percentage points. It is computed by dividing the sum of interest-bearing borrowings, convertible bonds and lease liabilities of RMB36,657 million (31 December 2018: RMB38,744 million) by the total equity, interest-bearing borrowings, convertible bonds and lease liabilities of RMB110,039 million (31 December 2018: RMB108,838 million).

As at 30 June 2019, the Group has total borrowings of RMB32,656 million which will be repayable as follows:

	2019 ***RMB million***	31 December 2018 *RMB million*
Within one year	**8,695**	7,072
Between one to two years	**864**	9,176
Between two to five years	**17,639**	13,559
After five years	**5,458**	5,428
	32,656	35,235

The carrying amounts of the borrowings are denominated in RMB, US$, Hong Kong dollars, Japanese yen and Euro.

The cash and cash equivalents are held in RMB, US$, Hong Kong dollars and Thai Bahts.

The functional currency of the Company and most of its subsidiaries is RMB and the Company and most of its subsidiaries are exposed to the exchange gain/(loss) when the RMB is appreciated/depreciated against other currencies.

During the Period, no share option (same period of 2018: none) has been exercised by the senior executives of the Company as all share options were lapsed.

As at 30 June 2019, the Group had net current liabilities of RMB9,650 million. Notwithstanding the net current liabilities of the Group at 30 June 2019, the Group's consolidated interim financial statements have been prepared on a going concern basis because the directors of the Company (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 committed credit from China Petroleum Finance Company Limited amounting to RMB20 billion, of which RMB10.3 billion is undrawn as at 30 June 2019;

(ii) the Group expects to generate operating cash inflows in the future; and

(iii) the Directors consider that the Group could obtain financing from various sources of funding.

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

Use of Proceeds

Interest Paid

The Group paid interest of RMB805 million (same period of 2018: RMB1,001 million) during the Period.

Dividend Paid

2018 final dividend of RMB23.0 cents per share amounting to RMB1,831 million (2018: 2017 final dividend of RMB21.0 cents per share amounting to RMB1,742 million) was distributed to owners of the Company during the Period.

PLEDGE OF ASSETS

As at 30 June 2019, no short-term or long-term borrowings were secured by property, plant and equipment.

MATERIAL INVESTMENTS

Material investments of the Group are its investments in associates and in joint ventures.

The Group's major investment in associates are mainly in its Exploration and Production segment. The Group has invested in an associate, Aktobe, located in the Republic of Kazakhstan with an effective equity interest of 15.072%.

There is no single material joint venture which significantly affects the results and/or net assets of the Group.

EMPLOYEE

As at 30 June 2019, the Group had approximately 37,946 employees globally (excluding the employees under entrustment contracts) (same period of 2018: 38,608 employees). Remuneration package and benefits were determined in accordance with market terms, industry practice as well as the duties, performance, qualifications and experience of the employees.

INTERIM DIVIDEND

The Board of Directors has resolved not to recommend the payment of any interim dividend for the period ended 30 June 2019.

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 Period.

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 is of the view that the Company has complied with all the code provisions in the Code on Corporate Governance Practices during the Period.

REVIEW OF INTERIM FINANCIAL INFORMATION

Pursuant to paragraph 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), 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 unaudited interim financial report for the Period.

The unaudited consolidated interim financial information of the Group for the Period has been reviewed by the Audit Committee of the Company and has also been reviewed by the Company's auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity* issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders.

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 period ended 30 June 2019.

DETAILED INFORMATION OF INTERIM RESULTS

Detailed interim results containing the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be released on or before 19 September 2019 on the Stock Exchange's of website (www.hkex.com.hk) and the Company's website (www.kunlun.com.hk).

By the Order of the Board
KUNLUN ENERGY COMPANY LIMITED
Ling Xiao
Chairman

Hong Kong, 27 August 2019

As at the date of this announcement, the Board of Directors comprises Mr. Ling Xiao as the Chairman and Executive Director, Mr. Zhao Yongqi as the Chief Executive Officer and Executive Director, Mr. Zhao Zhongxun as Executive Director, Mr. Zhou Yuanhong as Executive Director, Mr. Miao Yong as Chief Financial Officer and Executive Director, and Mr. Li Kwok Sing Aubrey, Dr. Liu Xiao Feng, Mr. Sun Patrick and Mr. Tsang Yok Sing Jasper as Independent Non-Executive Directors.