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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 |                    |          |
|--|------------------------|--------------------|----------|
|  | 2023                   | 2022               | Change % |
| Total volume of Natural Gas Sales<br>(million cubic metres)                  | <b>49,285</b>          | 44,988             | 9.55     |
| Retail Gas Sales (million cubic metres)                                      | <b>30,312</b>          | 27,762             | 9.19     |
| Weighted Average Dollar Margin<br>(RMB/cubic metre)                          | <b>0.501</b>           | 0.502              | (0.20)   |
|  | <i>RMB'million</i>     | <i>RMB'million</i> |          |
| Revenue  | <b>177,354</b>         | 171,944            | 3.15     |
| Profit before income tax expense   | <b>12,593</b>          | 11,392             | 10.54    |
| Profit attributable to shareholders of the Company                           | <b>5,682</b>           | 5,228              | 8.68     |
| Core profit attributable to shareholders of the<br>Company ( <i>note 1</i> ) | <b>6,144</b>           | 6,281              | (2.18)   |
| EBITDA   | <b>17,675</b>          | 16,319             | 8.31     |
|  | <i>RMB'cent</i>        | <i>RMB'cent</i>    |          |
| Basic earnings per share   | <b>65.62</b>           | 60.38              | 8.68     |
| Core basic earnings per share ( <i>note 2</i> )                              | <b>70.96</b>           | 72.54              | (2.18)   |
| Dividend per share   | <b>28.38</b>           | 25.39              | 11.78    |

- 1 Core profit attributable to shareholders of the Company is defined as profit attributable to shareholders of the Company excluding impairment losses on property, plant and equipment, intangible assets, and exchange losses attributable to shareholders of the Company and its related tax effect.
- 2 Core basic earnings per share is calculated based on the core profit attributable to shareholders of the Company and weighted average number of ordinary shares in issue during the year.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

|   |      | 2023          | 2022          |
|---|------|---------------|---------------|
|   | Note | RMB'million   | RMB'million   |
| Revenue   | 3    | 177,354       | 171,944       |
| Other gains, net  |      | 903           | 62            |
| Interest income   |      | 870           | 859           |
| Purchases, services and others  |      | (151,091)     | (146,077)     |
| Employee compensation costs   |      | (5,970)       | (5,749)       |
| Depreciation, depletion and amortisation  |      | (4,992)       | (4,887)       |
| Impairment losses on property, plant and equipment  |      | (368)         | (500)         |
| Other selling, general and administrative expenses  |      | (3,656)       | (3,770)       |
| Taxes other than income taxes   |      | (542)         | (583)         |
| Interest expenses   | 4    | (960)         | (899)         |
| Share of profits less losses of:  |      |               |               |
| – Associates  |      | 466           | 525           |
| – Joint ventures  |      | 579           | 467           |
| <b>Profit before income tax expense</b>   | 5    | <b>12,593</b> | <b>11,392</b> |
| Income tax expense  | 6    | (3,338)       | (3,189)       |
| <b>Profit for the year</b>  |      | <b>9,255</b>  | <b>8,203</b>  |
| <b>Other comprehensive income:</b>  |      |               |               |
| Item that will not be reclassified to profit or loss:   |      |               |               |
| – Fair value gain/(loss) on financial assets at fair value through other comprehensive income |      | 33            | (238)         |
| Items that may be reclassified subsequently to profit or loss:                                |      |               |               |
| – Exchange differences on translation of financial statements, net of nil tax, of:            |      |               |               |
| – Subsidiaries  |      | (32)          | 50            |
| – Associates  |      | 5             | 8             |
| – Joint ventures  |      | 23            | 119           |
| <b>Other comprehensive income/(loss) for the year</b>   |      | <b>29</b>     | <b>(61)</b>   |
| <b>Total comprehensive income for the year</b>  |      | <b>9,284</b>  | <b>8,142</b>  |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2023

|  | <i>Note</i> | <b>2023</b><br><b>RMB'million</b> | 2022<br><i>RMB'million</i> |
|--|-------------|-----------------------------------|----------------------------|
| Profit for the year attributable to:   |             |                                   |                            |
| – Shareholders of the Company  |             | <b>5,682</b>                      | 5,228                      |
| – Non-controlling interests  |             | <b>3,573</b>                      | 2,975                      |
|  |             | <u><b>9,255</b></u>               | <u>8,203</u>               |
| Total comprehensive income for the year attributable to:   |             |                                   |                            |
| – Shareholders of the Company  |             | <b>5,675</b>                      | 5,200                      |
| – Non-controlling interests  |             | <b>3,609</b>                      | 2,942                      |
|  |             | <u><b>9,284</b></u>               | <u>8,142</u>               |
| Basic and diluted earnings per share for profit attributable to shareholders of the Company<br>( <i>RMB cent</i> ) | 7           | <u><b>65.62</b></u>               | <u>60.38</u>               |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

|   | <i>Note</i> | <b>2023</b><br><b>RMB'million</b> | 2022<br><i>RMB'million</i> |
|---|-------------|-----------------------------------|----------------------------|
| <b>Assets</b>   |             |                                   |                            |
| <b>Non-current assets</b>   |             |                                   |                            |
| Property, plant and equipment   |             | <b>68,032</b>                     | 69,534                     |
| Investments in associates   |             | <b>7,980</b>                      | 7,909                      |
| Investments in joint ventures   |             | <b>6,109</b>                      | 6,056                      |
| Intangible assets   |             | <b>1,755</b>                      | 1,849                      |
| Financial assets at fair value through other<br>comprehensive income        |             | <b>360</b>                        | 319                        |
| Other non-current assets  |             | <b>1,031</b>                      | 771                        |
| Deferred tax assets   |             | <b>1,054</b>                      | 1,115                      |
|   |             | <b>86,321</b>                     | 87,553                     |
| <b>Current assets</b>   |             |                                   |                            |
| Inventories   |             | <b>1,155</b>                      | 1,081                      |
| Accounts receivable   | 9           | <b>1,977</b>                      | 2,887                      |
| Prepayments and other current assets  |             | <b>8,478</b>                      | 7,890                      |
| Time deposits with maturities over three months                             |             | <b>18,235</b>                     | 19,439                     |
| Cash and cash equivalents   |             | <b>27,353</b>                     | 20,042                     |
|   |             | <b>57,198</b>                     | 51,339                     |
| <b>Total assets</b>   |             | <b>143,519</b>                    | 138,892                    |
| <b>Equity</b>   |             |                                   |                            |
| <b>Capital and reserves attributable to shareholders<br/>of the Company</b> |             |                                   |                            |
| Share capital   |             | <b>71</b>                         | 71                         |
| Retained earnings   |             | <b>31,427</b>                     | 28,095                     |
| Other reserves  |             | <b>31,951</b>                     | 31,742                     |
|   |             | <b>63,449</b>                     | 59,908                     |
| <b>Non-controlling interests</b>  |             | <b>22,334</b>                     | 20,794                     |
| <b>Total equity</b>   |             | <b>85,783</b>                     | 80,702                     |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***As at 31 December 2023*

|  | <i>Note</i> | <b>2023</b><br><b>RMB'million</b> | <b>2022</b><br><b>RMB'million</b> |
|--|-------------|-----------------------------------|-----------------------------------|
| <b>Liabilities</b>                           |             |                                   |                                   |
| <b>Current liabilities</b>                   |             |                                   |                                   |
| Accounts payable and accrued liabilities     | <i>10</i>   | <b>27,800</b>                     | 27,720                            |
| Income tax payable                           |             | <b>589</b>                        | 623                               |
| Other taxes payable                          |             | <b>516</b>                        | 546                               |
| Short-term borrowings                        |             | <b>5,464</b>                      | 5,287                             |
| Lease liabilities                            |             | <b>214</b>                        | 208                               |
|  |             | <b>34,583</b>                     | 34,384                            |
| <b>Non-current liabilities</b>               |             |                                   |                                   |
| Long-term borrowings                         |             | <b>19,027</b>                     | 19,794                            |
| Deferred tax liabilities                     |             | <b>1,870</b>                      | 1,858                             |
| Lease liabilities                            |             | <b>497</b>                        | 562                               |
| Other liabilities                            |             | <b>1,759</b>                      | 1,592                             |
|  |             | <b>23,153</b>                     | 23,806                            |
| <b>Total liabilities</b>                     |             | <b>57,736</b>                     | 58,190                            |
| <b>Total equity and liabilities</b>          |             | <b>143,519</b>                    | 138,892                           |
| <b>Net current assets</b>                    |             | <b>22,615</b>                     | 16,955                            |
| <b>Total assets less current liabilities</b> |             | <b>108,936</b>                    | 104,508                           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 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 2023, but is 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 is a collective term including 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 and the disclosure requirements of the Hong Kong Companies 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

Amended standards adopted by the Group

The following amended standards became applicable for the current reporting period:

- HKFRS 17: Insurance Contracts
- Amendments to HKAS 1 and HKFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to HKSA 8: Definition of Accounting Estimates
- Amendments to HKAS 12: International Tax Reform – Pillar Two Model Rules
- Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 Income Taxes require the recognition of deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities. The Group therefore changed its accounting policies as a result of adopting this amendment to HKAS 12. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2022. There was no impact on retained earnings on 1 January 2022.

The impact of applying these amendments on the consolidated financial information is summarised as follows:

|                          | 1 January<br>2022<br><i>RMB'million</i> | 31 December<br>2022<br><i>RMB'million</i> |
|--------------------------|---|---|
| Deferred tax assets      | 150                                     | 162                                       |
| Deferred tax liabilities | (150)                                   | (162)                                     |

Other than the above impact, none of these 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.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

**Effective for  
accounting periods  
beginning on or after**

|   |                  |
|---|------------------|
| Amendments to HKAS 1: Classification of Liabilities as Current or Non-current   | 1 January 2024   |
| Amendments to HKAS 1: Non-current Liabilities with Covenants  | 1 January 2024   |
| Amendments to HKAS 7 and HKFRS 7: Supplier Finance Arrangements   | 1 January 2024   |
| Amendments to HKFRS 16: Lease Liability in a Sale and Leaseback   | 1 January 2024   |
| Amendments to HKAS 21: Lack of Exchangeability  | 1 January 2025   |
| Amendments to HKFRS 10 and HKAS 28: Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

## 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 by the Group's most senior executive management and 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 oil and gas related activities and derives its revenue from its four operating segments: Natural Gas Sales, Sales of LPG, LNG Processing and Terminal and Exploration and Production.

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

The Group's most senior executive management and Executive Directors assess the performance of the operating segments based on each segment's profit/(loss) before income tax expense, and 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.

Corporate results, net, mainly refer to interest income earned from cash and cash equivalents, net exchange gains, 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 years ended 31 December 2023 and 2022 are as follows:

|   | Natural<br>Gas Sales<br><i>RMB'million</i> | Sales of<br>LPG<br><i>RMB'million</i> | LNG<br>Processing and<br>Terminal<br><i>RMB'million</i> | Exploration<br>and<br>Production<br><i>RMB'million</i> | Corporate<br><i>RMB'million</i> | Inter-company<br>adjustment<br><i>RMB'million</i> | Total<br><i>RMB'million</i> |
|---|--|---------------------------------------|---|--|---------------------------------|---|-----------------------------|
| <b>For the year ended 31 December 2023</b>  |  |                                       |   |  |                                 |   |                             |
| Gross revenue   | 142,887                                    | 26,896                                | 12,167  | 911  | -                               | -   | 182,861                     |
| Less: Inter-company adjustment  | (2,287)                                    | (95)                                  | (3,125)   | -  | -                               | -   | (5,507)                     |
| Revenue from external customers   | 140,600                                    | 26,801                                | 9,042   | 911  | -                               | -   | 177,354                     |
| Timing of revenue recognition   |  |                                       |   |  |                                 |   |                             |
| - At a point in time  | 136,961                                    | 26,801                                | 9,042   | 911  | -                               | -   | 173,715                     |
| - Overtime  | 3,639                                      | -                                     | -   | -  | -                               | -   | 3,639                       |
|   | 140,600                                    | 26,801                                | 9,042   | 911  | -                               | -   | 177,354                     |
| Segment results   | 7,605                                      | 553                                   | 3,629   | 95   | (334)                           | -   | 11,548                      |
| Share of profits less losses of:  |  |                                       |   |  |                                 |   |                             |
| - Associates  | 367  | -                                     | 25  | 74   | -                               | -   | 466                         |
| - Joint ventures  | 348  | -                                     | -   | 221  | 10                              | -   | 579                         |
| Profit/(loss) before income tax expense   | 8,320                                      | 553                                   | 3,654   | 390  | (324)                           | -   | 12,593                      |
| Segment results included:   |  |                                       |   |  |                                 |   |                             |
| - Interest income   | 640  | 1                                     | 118   | 21   | 599                             | (509)   | 870                         |
| - Depreciation, depletion and amortisation  | (3,533)                                    | (111)                                 | (1,079)   | (228)  | (41)                            | -   | (4,992)                     |
| - Interest expenses   | (755)                                      | (4)                                   | (494)   | -  | (216)                           | 509   | (960)                       |
| - Net exchange (losses)/gains   | (3)  | -                                     | -   | 7  | (144)                           | -   | (140)                       |
| <b>As at 31 December 2023</b>   |  |                                       |   |  |                                 |   |                             |
| Segment assets  | 82,071                                     | 5,059                                 | 18,498  | 1,332  | 21,041                          | -   | 128,001                     |
| Investments in associates   | 7,137                                      | -                                     | 453   | 390  | -                               | -   | 7,980                       |
| Investments in joint ventures   | 4,712                                      | -                                     | -   | 1,365  | 32                              | -   | 6,109                       |
| Additions to non-current segment assets during the year                                     | 4,315                                      | -                                     | 432   | 48   | 8                               | -   | 4,803                       |
| Additions to non-current segment assets through acquisition of a subsidiary during the year | 82   | -                                     | -   | -  | -                               | -   | 82                          |



|   | Natural<br>Gas Sales<br><i>RMB'million</i> | Sales of<br>LPG<br><i>RMB'million</i> | LNG<br>Processing and<br>Terminal<br><i>RMB'million</i> | Exploration<br>and<br>Production<br><i>RMB'million</i> | Corporate<br><i>RMB'million</i> | Inter-company<br>adjustment<br><i>RMB'million</i> | Total<br><i>RMB'million</i> |
|---|--|---------------------------------------|---|--|---------------------------------|---|-----------------------------|
| <b>For the year ended 31 December 2022</b>  |  |                                       |   |  |                                 |   |                             |
| Gross revenue   | 133,987                                    | 29,321                                | 12,810  | 2,286  | –                               | –   | 178,404                     |
| Less: Inter-company adjustment  | (2,095)                                    | (97)                                  | (4,268)   | –  | –                               | –   | (6,460)                     |
| Revenue from external customers   | 131,892                                    | 29,224                                | 8,542   | 2,286  | –                               | –   | 171,944                     |
| Timing of revenue recognition   |  |                                       |   |  |                                 |   |                             |
| – At a point in time  | 128,431                                    | 29,224                                | 8,542   | 2,286  | –                               | –   | 168,483                     |
| – Overtime  | 3,461                                      | –                                     | –   | –  | –                               | –   | 3,461                       |
|   | 131,892                                    | 29,224                                | 8,542   | 2,286  | –                               | –   | 171,944                     |
| Segment results   | 7,140                                      | 360                                   | 3,149   | 379  | (628)                           | –   | 10,400                      |
| Share of profits less losses of:  |  |                                       |   |  |                                 |   |                             |
| – Associates  | 367  | –                                     | 11  | 147  | –                               | –   | 525                         |
| – Joint ventures  | 319  | –                                     | –   | 140  | 8                               | –   | 467                         |
| Profit/(loss) before income tax expense   | 7,826                                      | 360                                   | 3,160   | 666  | (620)                           | –   | 11,392                      |
| Segment results included:   |  |                                       |   |  |                                 |   |                             |
| – Interest income   | 703  | 2                                     | 102   | 12   | 604                             | (564)   | 859                         |
| – Depreciation, depletion and amortisation  | (3,270)                                    | (89)                                  | (1,035)   | (454)  | (39)                            | –   | (4,887)                     |
| – Interest expenses   | (679)                                      | (5)                                   | (572)   | (1)  | (206)                           | 564   | (899)                       |
| – Net exchange gains/(losses)   | 6  | –                                     | –   | 13   | (608)                           | –   | (589)                       |
| <b>As at 31 December 2022</b>   |  |                                       |   |  |                                 |   |                             |
| Segment assets  | 77,939                                     | 4,586                                 | 18,643  | 2,270  | 20,038                          | –   | 123,476                     |
| Investments in associates   | 7,198                                      | –                                     | 399   | 312  | –                               | –   | 7,909                       |
| Investments in joint ventures   | 4,610                                      | –                                     | –   | 1,387  | 59                              | –   | 6,056                       |
| Additions to non-current segment assets<br>during the year  | 5,766                                      | 270                                   | 99  | 95   | –                               | –   | 6,230                       |
| Additions to non-current segment assets<br>through acquisition of subsidiaries<br>during the year | 348  | –                                     | –   | –  | –                               | –   | 348                         |

## Reconciliations of reportable segment profit and assets

|   | 2023<br><i>RMB'million</i> | 2022<br><i>RMB'million</i> |
|---|----------------------------|----------------------------|
| <b>Reportable segment profit</b>                                  |                            |                            |
| Profit before income tax expense                                  | 12,593                     | 11,392                     |
| Income tax expense  | <u>(3,338)</u>             | <u>(3,189)</u>             |
| Profit for the year   | <u><u>9,255</u></u>        | <u><u>8,203</u></u>        |
|   | 2023<br><i>RMB'million</i> | 2022<br><i>RMB'million</i> |
| <b>Reportable segment assets</b>                                  |                            |                            |
| Segment assets  | 128,001                    | 123,476                    |
| Investment in associates  | 7,980                      | 7,909                      |
| Investment in joint ventures                                      | 6,109                      | 6,056                      |
| Deferred tax assets   | 1,054                      | 1,115                      |
| Income tax recoverable  | 15                         | 17                         |
| Financial assets at fair value through other comprehensive income | <u>360</u>                 | <u>319</u>                 |
| Total assets  | <u><u>143,519</u></u>      | <u><u>138,892</u></u>      |

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

For the year ended 31 December 2023 and 2022, there was no single customer to whom the revenue exceeded 10% of the Group's revenue.

### 3. REVENUE

Revenue mainly represents revenue from the sales of natural gas, sales of LPG, LNG processing and terminal business, and sales of crude oil. Disaggregation of revenue from contracts with customers within the scope of HKFRS 15 by major products or service lines is as follows:

|  | <b>2023</b>           | 2022               |
|--|-----------------------|--------------------|
|  | <i>RMB'million</i>    | <i>RMB'million</i> |
| Disaggregated by major products or service lines   |                       |                    |
| – Sales of natural gas products                    | <b>140,600</b>        | 131,892            |
| – Sales of LPG                                     | <b>26,801</b>         | 29,224             |
| – Revenue from LNG processing and terminal service | <b>9,042</b>          | 8,542              |
| – Sales of crude oil                               | <b>911</b>            | 2,286              |
|  | <u><b>177,354</b></u> | <u>171,944</u>     |

The Group's revenue are substantially derived from the sales of goods to customers in the PRC and recognised at a point in time. The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales and service contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the sales or service contracts that had an original expected duration of one year or less.

Disaggregation of revenue from contracts with customers is disclosed in Note 2.

### 4. INTEREST EXPENSES

|   | <b>2023</b>        | 2022               |
|---|--------------------|--------------------|
|   | <i>RMB'million</i> | <i>RMB'million</i> |
| Interest expenses on:                             |                    |                    |
| Bank loans  | <b>566</b>         | 541                |
| Senior notes                                      | <b>140</b>         | 151                |
| Other loans, from:                                |                    |                    |
| – China Petroleum Finance Co., Ltd (“CP Finance”) | <b>257</b>         | 241                |
| Interests on lease liabilities                    | <u><b>32</b></u>   | <u>35</u>          |
|   | <b>995</b>         | 968                |
| Less: Amounts capitalised                         | <u><b>(35)</b></u> | <u>(69)</u>        |
|   | <u><b>960</b></u>  | <u>899</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 3.94% (2022: 3.84%) per annum for the year ended 31 December 2023.

## 5. PROFIT BEFORE INCOME TAX EXPENSE

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

|  | 2023<br><i>RMB'million</i> | 2022<br><i>RMB'million</i> |
|--|----------------------------|----------------------------|
| Auditors' remuneration   |                            |                            |
| – audit services   | 31                         | 23                         |
| – non-audit services   | 2                          | 2                          |
| Cost of inventories recognised as expense                          | <u>151,161</u>             | <u>146,357</u>             |
| Depreciation charge and depletion of property, plant and equipment |                            |                            |
| – owned assets   | 4,388                      | 4,352                      |
| – right-of-use assets  | 518                        | 445                        |
| Amortisation cost of   |                            |                            |
| – intangible assets  | <u>86</u>                  | <u>90</u>                  |
| Depreciation, depletion and amortisation                           | 4,992                      | 4,887                      |
| Impairment losses on property, plant and equipment                 | <u>368</u>                 | <u>500</u>                 |

## 6. INCOME TAX EXPENSE

|                     | 2023<br><i>RMB'million</i> | 2022<br><i>RMB'million</i> |
|---------------------|----------------------------|----------------------------|
| <b>Current tax</b>  |                            |                            |
| – PRC               | 3,165                      | 2,782                      |
| – Overseas          | <u>107</u>                 | <u>204</u>                 |
|                     | 3,272                      | 2,986                      |
| <b>Deferred tax</b> | <u>66</u>                  | <u>203</u>                 |
|                     | <u>3,338</u>               | <u>3,189</u>               |

In accordance with the relevant Mainland China income tax rules and regulations, the Mainland China corporate income tax rate applicable to the Group's subsidiaries in the Mainland China is principally 25% (2022: 25%). The operations of the Group in certain regions in the Mainland China are qualified for tax incentives in the form of a preferential income tax rates ranging from 15% to 20% (2022: 15% to 20%).

Hong Kong Profits Tax has not been provided for as the Group has no assessable profit subject to Hong Kong Profits Tax for the year (2022: Nil).

Income tax on overseas profits has been calculated on the estimated relevant assessable profit for the year 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 shareholders of the Company of approximately RMB5,682 million (2022: RMB5,228 million), and the weighted average number of ordinary shares in issue during the year ended 31 December 2023 of approximately 8,659 million shares (2022: 8,659 million shares).
- (b) Diluted earnings per share for the year ended 31 December 2023 and 2022 are the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

## 8. DIVIDEND ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

### (i) Dividends proposed to shareholders of the Company attributable to the year

|  | 2023<br><i>RMB'million</i> | 2022<br><i>RMB'million</i> |
|--|----------------------------|----------------------------|
| Proposed final dividend attributable to shareholders of the Company for 2023 ( <i>note (a)</i> ) | 2,457                      | –                          |
| Final dividend attributable to shareholders of the Company for 2022 ( <i>note (b)</i> )          | <u>–</u>                   | <u>2,198</u>               |

### (ii) Dividends payable to shareholders of the Company attributable to the previous financial year, approved and paid during the year

|   | 2023<br><i>RMB'million</i> | 2022<br><i>RMB'million</i> |
|---|----------------------------|----------------------------|
| Final dividend in respect of the previous financial year, approved and paid during the year | <u>2,198</u>               | <u>1,799</u>               |

#### Notes:

- (a) At the meeting on 25 March 2024, the Board of Directors proposed final dividend attributable to shareholders of the Company in respect of 2023 of RMB28.38 cents per share, amount to a total of approximately RMB2,457 million. The amount is based on approximately 8,659 million shares in issue as at 25 March 2024. The consolidated financial statements do not reflect this dividend payable as the final dividend was 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 2023 when it is approved at the 2024 Annual General Meeting.
- (b) Final dividend attributable to shareholders of the Company in respect of 2022 of RMB25.39 cents per share amounting to a total of approximately RMB2,198 million was approved by the shareholders in the Annual General Meeting on 31 May 2023. The amount is based on approximately 8,659 million shares in issue as at 28 March 2023 which was paid on 20 July 2023.

## 9. ACCOUNTS RECEIVABLE

|                     | 2023<br><i>RMB'million</i> | 2022<br><i>RMB'million</i> |
|---------------------|----------------------------|----------------------------|
| Accounts Receivable | 2,664                      | 3,674                      |
| Loss allowance      | <u>(687)</u>               | <u>(787)</u>               |
|                     | <u><b>1,977</b></u>        | <u><b>2,887</b></u>        |

### Ageing analysis

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:

|                        | 2023<br><i>RMB'million</i> | 2022<br><i>RMB'million</i> |
|------------------------|----------------------------|----------------------------|
| Within 3 months        | 1,386                      | 2,080                      |
| Between 3 to 6 months  | 66                         | 96                         |
| Between 6 to 12 months | 111                        | 108                        |
| Over 12 months         | <u>414</u>                 | <u>603</u>                 |
|                        | <u><b>1,977</b></u>        | <u><b>2,887</b></u>        |

The Group's revenue from rendering of terminal 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

|  | 2023<br><i>RMB'million</i> | 2022<br><i>RMB'million</i> |
|--|----------------------------|----------------------------|
| Accounts payable                             | 2,790                      | 3,112                      |
| Contract liabilities                         | 13,596                     | 12,621                     |
| Salaries and welfare payable                 | 381                        | 428                        |
| Accrued expenses                             | 7                          | 12                         |
| Dividend payable                             | 424                        | 133                        |
| Interest payable                             | 182                        | 170                        |
| Construction fee and equipment cost payables | 6,892                      | 7,551                      |
| Amounts due to related parties               |                            |                            |
| – Non-controlling interests                  | 1                          | 1                          |
| – Others                                     | 1                          | 83                         |
| Other payables                               | <u>3,526</u>               | <u>3,609</u>               |
|  | <u><b>27,800</b></u>       | <u><b>27,720</b></u>       |

The other payables were mainly retention monies for construction and the VAT element of advance receipts from customers.

As at 31 December 2023, the Group also had non-current contract liabilities of RMB28 million (2022: RMB98 million) which were included under non-current other liabilities and were expected to be recognised as revenue in over 12 months but less than 5 years.

The Group's contract liabilities represent primarily advances received from customers. In certain regions of the PRC, customers of the Group's city gas business are required to use integrated circuit cards and top up in advance before the balances are being deducted upon usage of natural gas. Depending on the market conditions and the customers' credit profile, the Group also requires advance from certain customers for sales of other natural gas products. These advance payments from customers are recognised as contract liabilities until the natural gas products are sold to the customers. During the year ended 31 December 2023, the amount of RMB12,621 million (2022: RMB11,984 million) recognised in contract liabilities at beginning of the year has substantially been recognised as revenue during the year.

The Group is a defendant in certain lawsuits as well as the named party in other proceeding. While the outcomes of such contingencies, lawsuits or other proceeding cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or financial performance of the Group.

### Ageing analysis

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

|                       | <b>2023</b>               | 2022               |
|-----------------------|---------------------------|--------------------|
|                       | <b><i>RMB'million</i></b> | <i>RMB'million</i> |
| Within 3 months       | <b>2,157</b>              | 1,874              |
| Between 3 to 6 months | <b>157</b>                | 164                |
| Over 6 months         | <b>476</b>                | 1,074              |
|                       | <b>2,790</b>              | 3,112              |

The typical credit period on purchase of goods is 90 days.

## CHAIRMAN’S STATEMENT

### Respected shareholders:

In 2023, while the global energy industry has gradually shaken off the haze of the once-in-a-century pandemic and geopolitical conflicts, the demand for natural gas returned to the track of positive growth. The effect of domestic macro policies continued to be released, and natural gas consumption recovered. The annual apparent consumption of the year amounted to 394,530 million cubic meters, representing a year-on-year increase of 7.6%. By adhering to the corporate mission of “Beautiful China of empower construction, brighten wonderful life of people”, the Group paid more attention to value creation, improved the governance system, and strove to improve the quality of development. With increases in both the volume and efficiency of its primary business and the steady layout of emerging businesses, the Group achieved strong performance in the capital markets, the high-quality development has reached a new high, enabling the Group to be recognised as a “benchmark enterprise” in the SASAC’s “Double-Hundred Enterprises” assessment.

### Overview of the Company’s performance

#### Financial performance

For the year ending 31 December 2023 (the “Year”), Kunlun Energy Company Limited and its subsidiaries realized a revenue of RMB177,354 million, a year-on-year increase of RMB5,410 million, or 3.1%. Profits before income tax was RMB12,593 million, a year-on-year increase of RMB1,201 million, or 10.5%. Profits attributable to shareholders amounted to RMB5,682 million, a year-on-year increase of RMB454 million, or 8.7%, and basic earnings per share stood at RMB65.62 cent. Core profits attributable to shareholders amounted to RMB6,144 million and core basic earnings per share amounted to RMB70.96 cents.

#### Operating Result

The **natural gas sales business** actively responded to market changes by continuously optimizing the allocation of resources and sales structure and implementing accurate marketing to increase the penetration rate and realize the growth in sales expansion. Also, it strived to develop city gas market and promoted the completion of quality projects. It brought about 12 new projects controlled by the Group of city gas projects.

During the Year, natural gas sales volume was 49,285 million cubic metres, representing a year-on-year increase of 9.6%, among which, retail gas sales volume was 30,312 million cubic metres, representing a year-on-year increase of 9.2%. The cumulative number of users reached 15.604 million, representing a year-on-year increase of 6.1%. The Natural Gas Sales business recorded a revenue of RMB140,600 million, representing a year-on-year increase of 6.6%.



The **LPG sales business** seized the favorable opportunity of economic recovery and increasing demand to further optimize the resource structure and expand the resource pipeline. The Company continued to optimize its marketing strategy, actively responded to changes in demand, and vigorously expanded the direct supply pipeline for the LPG industry. The Company will strengthen the safety risk investigation and management of key areas such as LPG depots, railway trucks and cylinders, and realize the two full-coverage of “household safety inspection and cylinder coding”, so as to ensure the safe, stable and controlled operation of the LPG business in 2023.

During the Year, LPG sales volume was 5.7677 million tonnes, representing a year-on-year increase of 2.7%. This business recorded a revenue of RMB26,801 million, representing a year-on-year decrease of 8.3%.

During the Year, in respect of the **LNG processing and terminal business**, The LNG terminals maintained secure and smooth production and operation, and achieved better-than-expected operation capacity and efficiency. Giving full play to the advantages of the integrated LNG industrial chain, the operating efficiency of LNG plants has been continuously improved, resulting in that 11 LNG plants made profits, and 4 LNG plants achieved loss reduction during the Year.

During the Year, LNG gasification and entrucking volume of Tangshan and Jiangsu LNG terminals amounted to 16,326 million cubic metres in total, representing a year-on-year increase of 3.1%. The average operation capacity of these two LNG terminals was 90.6%, representing a year-on-year increase of 2.7 percentage points. 15 LNG processing plants were put into operation during the Year, and the processing volume was 2,827 million cubic metres, representing a year-on-year increase of 44 million cubic metres. The average production capacity of 15 plants under continuous operation was 45.4%, representing a year-on-year increase of 1.1 percentage points.

During the Year, LNG Processing and Terminal business recorded a revenue of RMB9,042 million, representing a year-on-year increase of 5.9%.

During the Year, in respect of the **exploration and production business**, the exploration contracts for the Group’s Liaoning Oilfield and Peru Oilfield expired in February and October 2023, respectively. During the Year, the equity sales volume of crude oil was 9.21 million barrels, representing a year-on-year decrease of 1.84 million barrels or 16.7%. The average crude oil selling price decreased to US\$66.9/barrel from US\$77.5/barrel of last year. Sales revenue of crude oil was RMB911 million, representing a year-on-year decrease of 60.2%.

## Business Highlights

**The primary business maintained a strong growth momentum and all business segments achieved full profitability.** Focusing on enhancing the ability to create value and return to shareholders, we will speed up the reinforcement of shortcomings, forging the strengths and reinforcing the foundations, with the scale of customers exceeding 15.60 million. A total of 15 new projects including Changzhou Kunlun were put into production and consolidated, and retail sales volume increased by 9.2 percentage points year-on-year. The natural gas sales increased by 9.6% year-on-year, which the growth rate is significantly better than the industry level. We are actively docking with local governments to implement the price linkage mechanism, with 48% of the project companies achieving residential gas sales at a price using such mechanism and the purchase and sale price difference is reasonable and stable. The operation capacity of LNG terminals remained above 90%, and the LNG plants completed the performance guidance of “turning loss into profit within three years” ahead of schedule. The new LPG industrial direct supply users increased to 12. By exploring auction sales, the extra profit of civil terminals amounted to RMB405/ton. The operating cash flow is reasonable and abundant, and the basic earnings per share is RMB65.62 cents, with ROE increased to 9%, and enterprise value creation ability continued to improve.

**The development of gas and electricity and emerging businesses has been fully accelerated, and the momentum of transformation and development has been more abundant.** The Group grasps the opportunities from the integration of natural gas and the new energy industry, amplifies its advantages of resources and terminal networks, and accelerates the creation of new growth engines to form new competitive advantages. The sales in gas and electricity projects gradually increased. In Xinjiang, Hebei, Shandong and other regions, the Group has acquired 4.302 million kilowatts of locked new energy installed capacity indicators in total and built 25 new energy projects and 10 comprehensive energy projects in total. For value-added business, the Group focused on improving services quality, leading to a year-on-year increase of 21% in operating income. The multi-location and multi-vessel service scope of LNG refueling-at-sea business has been further expanded. The construction of strategic and forward-looking infrastructure projects proceeded in an orderly manner. The construction of export pipelines of Fujian LNG Station has started, the preliminary procedures for the Phase III supporting terminal project of Jiangsu LNG and the storage tank expansion project have been completed, and 6 branch pipelines were put into operation.

**The professional management system has been improved, and the governance capacity and level have been steadily improved.** Through comprehensively promoting the organizational system optimization and improvement of the special project with the focus of deepening the reform of the divisional system, the Group set up five business units, including city gas, LNG, LPG, gas and electricity and new energy, and Hong Kong (overseas), deepened the Amoeba Management Model, and made the profit center of each professional chain more prominent, and effectively stimulated the value creation ability and the potential of all employees. The Group vigorously implemented the information strengthening project, and further extended financial management to business front-end control and value creation. The Group have steadily carried out the upgrading and renovation of old pipelines and the upgrading and iteration of production management systems, significantly improved the level of real-time monitoring, rapid perception, system evaluation and joint disposal, and gradually transformed risk prevention and control from people and physical defense to technical defense.

**ESG concept is deeply integrated with production and management, and the brand value of the enterprise is constantly improved.** Always adhering to the service concept of “devoted to meeting customers’ demand with better-than-expected services to drive higher customer satisfaction”, the Group supports the improvement of the customer hierarchical management system, and customer survey satisfaction rate has increased to 99.5%. The Group actively builds a clean, low-carbon, safe and efficient supply system, and continuously improves the control of carbon emission. By 2023, the emission intensity of methane was reduced by 32% as compared with 2020, the emission intensity of carbon dioxide was reduced by 6% and achieved energy saving of 24 million tons of standard coal throughout the Year. The Group actively participates in social welfare, consumption assistance, rural revitalization, matching support and other cumulative investments of more than RMB16 million. The Group effectively responded to the concerns of the market, and the capital market has showed a strong performance. The Group has been selected into the “Hang Seng SCHK Central Enterprises ESG Leading Index” and other 12 indexes in batch, and the MSCI ESG rating has been maintained at BBB.

## **MARKET AND INDUSTRY ANALYSIS**

Looking forward to 2024, the global energy supply and demand pattern will be readjusted and rebalanced, and price volatility will return to a reasonable range. Domestic macro policy countercyclical and cross-cycle adjustments take effect. Under the guidance of the national “seeking progress while maintaining stability, promoting the stability with progress and building the new before discarding the old” policy, stable macro-economic growth will continue to consolidate the fundamentals of demand for clean energy, including natural gas. The implementation of a package of national major strategies, such as the construction of a new energy system, the construction of a beautiful China pilot zone, air quality improvement actions, and the layout of peak regulation for gas and electricity projects, will strongly promote the demand for clean and low-carbon natural gas, and the integration of natural gas and new energy has a broad prospect. It is expected that the growth rate of national natural gas consumption will be approximately 6% in 2024, with power generation gas remaining the leading position, and city gas and industrial gas growing rapidly.

## **CORPORATE STRATEGY AND FUTURE OUTLOOK**

Under the national goal of “dual carbon”, the construction of a new energy system has brought a rare development opportunity for the natural gas industry, and the Group is full of confidence to this year’s performance guidance and future development. We will seize all favorable opportunities and make use of all favorable conditions, strive to cope with the uncertainty of the changing situation with the certainty of steady development, adapt to the market situation to deepen the new structure of the organizational system, strengthen the transformation and develop new business formats based on our advantages. We expanded the new mode of service system based on customer needs, strived to achieve a sustainable development momentum of greener and safer in operation, better services and more efficient governance, and create returns for the majority of investors with solid business performance.

The Group will strive to build a marketing system that adapts to the competitive situation and continues to enhance its core competitiveness by focusing on adjusting structure and optimizing layout. The Group gives full play to the advantages of integration and regional layout, actively promotes the integration of “One City, One Gas Supplier” projects, accelerates the implementation of incremental market projects, vigorously develops high-end and efficient markets, and maintain a market size with steady growth, reasonable layout and stable benefits. We actively promote the local price linkage mechanism, improve the upstream and downstream cost transmission mechanism, and stabilize the reasonable profit margin of the city fuel project and continue to enhance value creativity. The Group will strive to build a diversified business system coordinated with the new energy system and broaden the road of green and low-carbon transformation with a focus of the integration of gas and new energy. By adhering to intelligent, high-end and green development, the Group jointly promotes carbon reduction, pollution reduction, green expansion and growth, effectively grasps the development initiative of industry cycle transformation, seizes the layout of photovoltaic, wind energy, geothermal, biomass and other new fields and new business model, and actively carries out the exploration of carbon sink, carbon trading, methane escape detection and other emerging businesses, realizing the deep transformation of the development model and the comprehensive reshaping of the business chain and value chain, and striving for achieving “multi-energy integration” and “new energy” installed capacity of one million kilowatts by 2025. The Group will strive to build an efficient operation system that is compatible with the development of modern industries, and accelerate the building of smart gas enterprises focusing on new quality productivity. The Group strengthens the ability of data intelligence, continues to promote the information reinforcement project, establishes the data management chain of the whole process, and achieves the accurate matching of resources and flow, markets and customers, funds and projects. The Group releases the amplification, superposition and multiplication effect of digital technology on enterprise development, and realizes information sharing, resource optimization, management penetration and efficiency improvement. The Group will strive to build a customer service system that matches the construction of a new energy system and accelerate the development of customer service capabilities focusing on competition and win-win. Always adhering to the corporate mission of “Beautiful China of empower construction, brighten wonderful life of people”, the Group stabilizes the position and seeks development with service, expands the market and promotes transformation with service, wins consensus and builds ecology with service and constantly improves customer experience, increases customer stickiness, expands service space, and promotes the healthy and sustainable development of enterprises. The Group will strive to build a modern governance system that matches high-quality development, and continuously enhances modern governance focusing on ESG management efficiency. The Group coordinates the positive interaction between high-quality development and high-level safety, effectively implements the three-year action plan for the special rectification of safety production, deepens the construction of source control and prevention mechanisms, and strives to create a safe gas enterprise that allows the government to rest assured and the people to rest assured. To promote the development of local economy and society and related industries with the high-quality development of enterprises and help rural revitalization, the Group effectively fulfils social responsibilities, and promotes the upgrading of ESG ratings.

## ACKNOWLEDGEMENT

In the new year, the Group will continue to anchor the vision of an internationally renowned and domestic first-class comprehensive supplier of green energy, accelerate the adjustment of structure, optimize the layout, improve quality and increase efficiency, work together with all sectors of society, deepen cooperative relations, expand cooperation areas, jointly create a sustainable development ecosystem of the industry, and reward shareholders and investors with more excellent performance.

By the Order of the Board

**Fu Bin**

*Chairman and Executive Director*

## MANAGEMENT DISCUSSION AND ANALYSIS

During the year, following the normalisation of operation of the economy and society of China, the upward trending in economy brought the demand of gas consumption in commerce and industry, power generation and other segment. The Group grasped the beneficial timing when the market rebounded to cope with multiple challenges such as the large fluctuation in market and increasing cost of resources, continue to optimise its resource allocation and innovative marketing strategies and methods in order to realise the continuous growth in main business. Profit before income tax expense was approximately RMB12,593 million, representing an increase of 10.5% as compared with RMB11,392 million for the last year. Profit attributable to shareholders of the Company for the Year was approximately RMB5,682 million, representing an increase of 8.7% as compared with RMB5,228 million for the last year. Core profit attributable to shareholders of the Company for the Year was approximately RMB6,144 million, representing a decrease of 2.2% as compared with RMB6,281 million for the last year.

### Revenue

Revenue for the Year was approximately RMB177,354 million, representing an increase of 3.1% as compared with the amount of RMB171,944 million for the last year. Due to the increase in sales volume and selling price of the natural gas, leading to an increase in the revenue of the Natural Gas Sales segment.

### Other gains, net

Other net gains for the Period was approximately RMB903 million (2022: RMB62 million). The increase were mainly due to the increase in government subsidy and decrease in exchange loss recognised as a result of slowdown in depreciation of RMB against USD and HKD during the Year.

### Purchases, services and others

Purchases, services and others for the Year were approximately RMB151,091 million, representing an increase of 3.4% as compared with amount of RMB146,077 million for the last year. The increase was mainly due to the increase in procurement volume for natural gas which was generally in line with the increase in revenue of Natural Gas Sales segment.

### Employee compensation costs

Employee compensation costs for the Year was approximately RMB5,970 million, representing an increase of 3.8% as compared with amount of RMB5,749 million for the last year. Employee compensation costs remained fairly stable throughout the Year, accounted for 3.37% of operating revenue, basically unchanged as compared with last year. The creativity and productivity of the employee continuously enhanced.



## **Depreciation, depletion and amortisation**

Depreciation, depletion and amortisation for the Year was approximately RMB4,992 million, representing an increase of 2.1% as compared with amount of RMB4,887 million for the last year. Depreciation, depletion and amortization remained fairly stable throughout the Year.

## **Other selling, general and administrative expenses**

Other selling, general and administrative expenses for the Year were approximately RMB3,656 million, representing a decrease of 3.0% as compared with amount of RMB3,770 million for the last year. The decrease was due to the Company's strict implementation of cost control.

## **Interest expenses**

Interest expenses for the Year was approximately RMB960 million, representing an increase of 6.8% as compared with amount of RMB899 million for the last year.

Total interest expenses for the Year was approximately RMB995 million, representing an increase of 2.8% as compared with amount of RMB968 million for the last year. The amount of RMB35 million interest expenses was capitalised under construction-in-progress, representing a decrease of 49.3% as compared with amount of RMB69 million for the last year.

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

Share of profits less losses of associates for the Year was approximately RMB466 million, representing a decrease of 11.2%, as compared with amount of RMB525 million for the last year. The decrease was mainly due to the decrease in the shared operating profits from CNPC-Aktobemunaigas Joint Stock Company (“**Aktobe**”), as a result of lower international crude oil price during the Year.

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

Share of profits less losses of joint ventures for the Year was approximately RMB579 million, representing an increase of 24.0%, as compared with RMB467 million for the last year. The increase was mainly due to the increase in the shared operating profits from Mazoon Petrogas (BVI) Limited, as a result of lower depletion expense of oil properties during the year.

## **Liquidity and capital resources**

As at 31 December 2023, the carrying value of total assets of the Group was approximately RMB143,519 million, representing an increase of RMB4,627 million or 3.3% as compared with RMB138,892 million as at 31 December 2022.

The gearing ratio of the Group was 22.71% as at 31 December 2023 compared with 24.26% as at 31 December 2022, representing a decrease of 1.55%. It is computed by dividing the sum of interest-bearing borrowings and lease liabilities of RMB25,202 million (2022: RMB25,851 million) by the sum of total equity, interest-bearing borrowings and lease liabilities of RMB110,985 million (2022: RMB106,553 million).

As at 31 December 2023, the Group has total borrowings of RMB24,491 million which will be repayable as follows:

|                           | <b>2023</b><br><i>RMB'million</i> | 2022<br><i>RMB'million</i> |
|---------------------------|-----------------------------------|----------------------------|
| Within one year           | <b>5,464</b>                      | 5,287                      |
| Between one to two years  | <b>7,810</b>                      | 2,906                      |
| Between two to five years | <b>3,883</b>                      | 9,591                      |
| After five years          | <b>7,334</b>                      | 7,297                      |
|                           | <b>24,491</b>                     | 25,081                     |

The functional currency of the Company and most of its subsidiaries is RMB. As such, the Group is exposed to exchange rate risks arisen from borrowings denominated in other currencies raised by the Company or its subsidiaries. The Group will incur exchange gain/loss from such foreign currency borrowings when RMB appreciates/depreciates against other currencies.

### **Pledge of Assets**

As at 31 December 2023, certain property, plant and equipment of the Group amounting to RMB818 million (2022: RMB958 million) were pledged to banks for loan facilities granted to the Group.

### **Material acquisitions and disposal**

The Group did not have any material acquisitions and disposals during the Year.

### **Material Investments**

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

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

### **Employee**

As at 31 December 2023, the Group had 27,138 employees globally, excluding the employees under entrustment contracts (2022: 30,916 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.



## **Contingent Liability**

The Group is a defendant in certain lawsuits as well as the named party in other proceeding. While the outcomes of such contingencies, lawsuits or other proceeding cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or financial performance of the Group.

## **DIVIDEND**

### **Dividend Policy**

The dividend policy of the Company allows shareholders to share the Company's profits and also enables the Company to retain sufficient reserves for its future development. Under the circumstances that the Company makes profits and has no effect on the Group's normal business operation, the Company intends to share its profits with its shareholders in the form of annual dividend, which shall be in a total distribution amount of not less than 25% of the Group's annual consolidated profit attributable to the shareholders of the Company, on the condition that it shall be subject to the following "Criteria".

Criteria:

1. When proposing the declaration of any dividends, the Board shall consider, among other things, the business conditions and strategies of the Company and its subsidiaries (the "**Group**"), the expected working capital needs and future expansion plans, surplus, contractual restrictions, actual and expected national financial conditions, macroeconomic conditions and other factors as the Board deems relevant.
2. The dividend rate will vary every year according to the above criterion and the Company will not assure the distribution of any specific amounts of dividend at any particular period or the distribution of dividends at any particular dividend yield.

### **Dividend Distribution Plan**

The Company has formulated a three-year dividend distribution plan for the financial years ended 31 December 2023 and ending 31 December 2024 and 2025 (the "**Three-Year Dividend Distribution Plan**"), the details of which are set out as follows:

- (i) The annual dividend payout ratio will gradually increase throughout the Three-Year Dividend Distribution Plan. The Company will strive to achieve an annual dividend amount of 45% of the Group's annual profit attributable to the shareholders of the Company for the financial year ending 31 December 2025; and
- (ii) Interim and final dividends will be declared (in total two times a year) for each of the financial years ending 31 December 2024 and 2025.

## **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.

## **Events after the Reporting Period**

Save as otherwise disclosed in this announcement, there was no other significant events that may affect the Group since the end of 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 C3 to the Rules Governing the Listing of Securities in The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its code of conduct regarding dealings in the Company's securities by Directors. 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 2023.

## **CORPORATE GOVERNANCE**

The Company is committed to the maintenance of stringent corporate governance practices and procedures to enhance investor confidence and the Company's accountability and transparency. The Company strives to maintain high corporate governance standards. The Board of Directors is of the view that the Company has complied with all the code provisions in the Corporate Governance Code set out in part 2 of Appendix C1 to the Listing Rules during the Year.

Pursuant to paragraph 45(6) of Appendix D2 to the Listing Rules, the Board 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 2023. The Audit Committee of the Company has also reviewed the annual results in conjunction with the Company's external auditor.

## **AUDIT COMMITTEE**

Pursuant to the Listing Rules, the Audit Committee of the Company, currently comprising three Independent Non-executive Directors, was established in December 1998.

Three meetings were held during the Year.

Written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted by the Board. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee of the Company has reviewed and confirmed the annual results for the year ended 31 December 2023.

## SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement of results have been agreed by the Group's auditor, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommends the payment of a final dividend ("**2023 Final Dividend**") of RMB28.38 cents per share (2022: RMB25.39 cents per share) or HK30.48 cents per share calculated at the exchange rate of RMB1.00: HKD1.0739, being the average of the mean exchange rate for the conversion of RMB against HKD as announced by the Hong Kong Association of Banks for the five business days immediately preceding 25 March 2024 (2022: HK28.71 cents per share calculated at the exchange rate of RMB1.00: HKD1.1306) to shareholders whose names appear on the Company's register of members (the "**Shareholders Register**") on 6 June 2024 (Thursday). The payment of the 2023 Final Dividend is subject to the approval of the shareholders at the annual general meeting of the Company to be held at Concord Room, 8th Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 30 May 2024 at 11:00 a.m. (the "**2024 AGM**"). The payment is expected to be made on 18 July 2024 (Thursday). The proposed 2023 Final Dividend amounted to a total of approximately RMB2,457 million and 2022 Final Dividend of RMB2,198 million was paid on 20 July 2023. By using final dividend per share divided by core basic earnings per share, the payout ratio for 2023 was approximately 40.00% (2022: 35.00%).

The proposed 2023 Final Dividend will be payable in cash to each shareholder in Hong Kong dollars ("**HKD**") unless an election is made to receive 2023 Final Dividend in Renminbi ("**RMB**").

Shareholders will be given the option to elect to receive all (but not part, save in the case of HKSCC Nominees Limited, which may elect to receive part of its entitlement in RMB) of the 2023 Final Dividend in RMB. If shareholders elect to receive all (but not part) of the 2023 Final Dividend in RMB, shareholders should complete a dividend currency election form, which is expected to be despatched to shareholders in mid-June 2024 as soon as practicable after the record date of 6 June 2024 (Thursday) to determine shareholders' entitlement to the proposed 2023 Final Dividend.

If an election is made by a shareholder to receive the 2023 Final Dividend in RMB in respect of all (but not part) of that shareholder's entitlement, the RMB dividend will be paid by cheques which are expected to be posted to the relevant shareholders by ordinary post on 18 July 2024 (Thursday) at the shareholders' own risk.

Shareholders who are minded to elect to receive the 2023 Final Dividend in RMB should note that (i) they should ensure that they have an appropriate bank account to which the RMB cheques for the 2023 Final Dividend can be presented for payment; and (ii) there is no assurance that the RMB cheques can be cleared without handling charges or delay in Hong Kong or that the RMB cheques will be honoured for payment upon presentation outside Hong Kong.

If any beneficial owners of shares of the Company which are registered in the name of a nominee (e.g. HKSCC Nominees Limited), trustee or registered holder in any other capacity elect to receive all (but not part) of the 2023 Final Dividend in RMB, they should make appropriate arrangements with such nominees, trustees or registered holders in order to effect the receipt of the 2023 Final Dividend in RMB. The Company shall not be responsible for any costs, taxes or duties associated therewith or arising therefrom and such costs will be borne solely by the beneficial owners of such shares of the Company. If no such arrangements are in place, such beneficial owners of shares of the Company (despite having elected to receive the 2023 Final Dividend in RMB) shall receive the 2023 Final Dividend in HKD.

If shareholders wish to receive the 2023 Final Dividend in HKD in the usual way, no additional action is required.

Shareholders should seek professional advice with their own tax advisors regarding any possible tax implications of the proposed dividend payment.

## **ANNUAL GENERAL MEETING**

The 2024 AGM will be held on 30 May 2024 (Thursday). The Notice of the 2024 AGM, which constitutes part of the circular to shareholders, will be sent to the shareholders together with the 2023 Annual Report. The Notice of the 2024 AGM and the proxy form will also be available on the websites of the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

## **CLOSURE OF SHAREHOLDERS REGISTER**

For the purposes of determining shareholders’ eligibility to attend and vote at the 2024 AGM, and entitlement to the 2023 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 2024 AGM:

|  |  |
|--|--|
| Latest time to lodge transfer documents for registration | 4:30 p.m.<br>on 24 May 2024<br>(Friday)  |
| Closure of Shareholders Register                         | from 27 May 2024<br>(Monday) to<br>30 May 2024<br>(Thursday)<br>(both dates inclusive) |
| Record date  | 30 May 2024<br>(Thursday)  |

(ii) For determining entitlement to the 2023 Final Dividend:

Latest time to lodge transfer documents for registration 4:30 p.m.  
on 4 June 2024  
(Tuesday)

Closure of Shareholders Register from 5 June 2024  
(Wednesday) to  
6 June 2024  
(Thursday)  
(both dates inclusive)

Record date 6 June 2024  
(Thursday)

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2024 AGM, and to qualify for the 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than the aforementioned latest time.

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

The Company's annual report containing all the information required by Appendix D2 to the Listing Rules and other applicable requirements will be published on the Company's and the Stock Exchange's websites in due course.

By the Order of the Board  
**KUNLUN ENERGY COMPANY LIMITED**  
**Fu Bin**  
*Chairman and Executive Director*

Hong Kong, 25 March 2024

*As at the date of this announcement, the Board of Directors comprises Mr. Fu Bin as the Chairman and Executive Director, Mr. Qian Zhijia as Chief Executive Officer and the Executive Director, Mr. Zhou Yuanhong as Executive Director, Mr. Gao Xiangzhong as Chief Financial Officer and Executive Director, and Dr. Liu Xiao Feng, Mr. Sun Patrick and Mr. Tsang Yok Sing Jasper as Independent Non-Executive Directors.*