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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)

REVISED ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS IN 2020 AND NEW MASTER AGREEMENT AND THE CONTINUING CONNECTED TRANSACTIONS IN 2021-2023

INTRODUCTION

The Group and CNPC entered into, among other things, (i) the Liaohe Contract in 1997; and (ii) the Existing Master Agreement in 2017. Under the Liaohe Contract, the Group procures from the CNPC Group on a continuing basis certain services and assistance such as personnel training, leasing of warehouses and terminal facilities and utilisation of transportation and communication facilities. The term of the Liaohe Contract runs 20 years from the date of commencement of commercial production and will expire on 31 December 2023. The Existing Master Agreement provides a framework for the Group to procure a range of products and services from the CNPC Group and vice versa, including but not limited to Oil and Gas Products, general products and services, engineering and construction services, production services, logistics support services, financial services, property leasing services and entrustment management services.

For the reasons set out in the paragraph headed "2. Background" below in this announcement, the Board considers that the Existing Annual Caps in respect of 2020 for certain categories of the Continuing Connected Transactions, namely the Relevant Categories, may not be able to satisfy the Group's requirements for the whole year. The Board therefore proposes that the Existing Annual Caps for the Relevant Categories in respect of 2020 be revised in order to cater for the Group's business needs for the year ending 31 December 2020.

In view of the anticipated expiry of the Existing Master Agreement on 31 December 2020, on 11 September 2020, the Company had entered into the conditional New Master Agreement with CNPC for the purpose of renewing the Continuing Connected Transactions contemplated under the Existing Master Agreement for the three years ending 31 December 2023. The New Master Agreement is conditional upon the approval by the Independent Shareholders in relation to (i) the entering into of the New Master Agreement and the transactions contemplated thereunder; (ii) the

Continuing Connected Transactions under Categories (a), (b), (c) and (d); and (iii) the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions for each of the three years ending 31 December 2023.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CNPC, the ultimate controlling shareholder of the Company, was deemed to be interested in 4,985,734,133 Shares, representing approximately 57.58% of the issued share capital of the Company. To the best of the Directors' knowledge, CNPC is entitled to control all voting rights in respect of its Shares as at the date of this announcement, and is a controlling shareholder and a connected person of the Company. Accordingly, the Continuing Connected Transactions under the Liaohe Contract, the Existing Master Agreement and the New Master Agreement constitute continuing connected transactions of the Company. As the applicable percentage ratios based on the Revised Annual Caps for the Relevant Categories of the Continuing Connected Transactions and the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions are greater than 5%, the Revised Annual Caps, the entering into of the New Master Agreement and the transactions contemplated thereunder, the Continuing Connected Transactions under Categories (a), (b), (c) and (d) and the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions for each of the three years ending 31 December 2023 are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements.

None of the Directors has a material interest in the Revised Annual Caps, entering into of the New Master Agreement and the transactions contemplated thereunder, the Continuing Connected Transactions and the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions. Accordingly, no Director was required to abstain from voting at the board meeting considering and approving the abovementioned matters.

Details of the Continuing Connected Transactions have been and will be included in the annual report and accounts of the Company in accordance with Rules 14A.71 and 14A.72 of the Listing Rules. In the event that the Liaohe Contract and/or the New Master Agreement are renewed or the terms thereof are materially varied, the Company will re-comply with the reporting, announcement and Independent Shareholders' approval pursuant to Rules 14A.35 to 14A.60 of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders, among other things, the Revised Annual Caps, the entering into of the New Master Agreement and the transactions contemplated thereunder, the Continuing Connected Transactions under Categories (a), (b), (c) and (d) and the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions for each of the three years ending 31 December 2023. First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

CNPC and its associates (including PetroChina) are required to abstain from voting on the resolutions in connection with the Revised Annual Caps, the entering into of the New Master Agreement and the transactions contemplated thereunder, the Continuing Connected Transactions under Categories (a), (b), (c) and (d) and the Proposed Annual Caps for each relevant type of the Non-Exempt Continuing Connected Transactions for each of the three years ending 31 December 2023.

SGM

The SGM will be held for the Independent Shareholders to consider, and if thought fit, to approve, among other things, the ordinary resolutions regarding:

(i) the Revised Annual Caps for the Relevant Categories of the Continuing Connected Transactions;

(ii) the entering into of the New Master Agreement and the transactions contemplated thereunder;

(iii) the Continuing Connected Transactions under Categories (a), (b), (c) and (d); and

(iv) the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions.

A circular containing, among other things, (i) further details of the Revised Annual Caps, the New Master Agreement, the Continuing Connected Transactions and the Proposed Annual Caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from First Shanghai containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the SGM, will be despatched by the Company to the Shareholders on or before 9 October 2020.

1. INTRODUCTION

The Group and CNPC entered into, among other things, (i) the Liaohe Contract in 1997; and (ii) the Existing Master Agreement in 2017. Under the Liaohe Contract, the Group procures from the CNPC Group on a continuing basis certain services and assistance such as personnel training, leasing of warehouses and terminal facilities and utilisation of transportation and communication facilities. The term of the Liaohe Contract runs 20 years from the date of commencement of commercial production and will expire on 31 December 2023. The Existing Master Agreement provides a framework for the Group to procure a range of products and services from the CNPC Group and vice versa, including but not limited to Oil and Gas Products, general products and services, engineering and construction services, production services, logistics support services, financial services, property leasing services and entrustment management services.

For the reasons set out in the paragraph headed "2. Background" below in this announcement, the Board considers that the Existing Annual Cap in respect of 2020 for certain categories of the Continuing Connected Transactions, namely the Relevant Categories, may not be able to satisfy the Group's requirements for the whole year. The Board therefore proposes that the Existing Annual Caps for the Relevant Categories in respect of 2020 be revised in order to cater for the Group's business needs for the year ending 31 December 2020.

In view of the anticipated expiry of the Existing Master Agreement on 31 December 2020, on 11 September 2020, the Company had entered into the conditional New Master Agreement with CNPC for the purpose of renewing the Continuing Connected Transactions contemplated under the Existing Master Agreement for the three years ending 31 December 2023. The New Master Agreement is conditional upon the approval by the Independent Shareholders in relation to (i) the entering into of the New Master Agreement and the transactions contemplated thereunder; (ii) the Continuing Connected Transactions under Categories (a), (b), (c) and (d); and (iii) the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions for each of the three years ending 31 December 2023.

2. BACKGROUND

When determining the Revised Annual Caps under the Existing Master Agreement and the Proposed Annual Caps under the New Master Agreement, the Board considers the following background information:

(a) A rising trend in the economy results in an increase in energy consumption

The economy of the PRC has been expanding in the past ten years with its GDP reaching more than RMB99.08 trillion in 2019[Note 1], with a 6.1% increase as compared to previous year, and an annual average growth rate of 7.6%. Albeit having suffered from a brief economic contraction in the first quarter of 2020 due to the COVID-19, the Chinese economy has started to recover in the second quarter of 2020 with an 11.5% increase in GDP as compared to the first quarter. It is expected to continue growing at a rate of 1% in 2020[Note 2], reaching an aggregate of RMB100 trillion in GDP.

Following the rapid economic development, the total energy consumption in the PRC continues to increase. The total energy consumption in 2019 was 4.86 billion tonnes of standard coal, with a 3.3% increase as compared to previous year, and an annual average growth rate of 3.85% as compared to the total energy consumption of 1.25 billion tonnes of standard coal in 2010[Note 1]. Given this trend, it is projected that the Chinese economy will continue to grow and prosper in the coming years and so will the demand for energy. It is expected that the total energy consumption will reach 6 billion tonnes of standard coal.

(b) Demand for natural gas has grown and will continue to increase in the future

In line with the economic development and energy structure reform of the PRC, natural gas has been playing an increasingly important role in the energy consumption structure of the PRC with its consumption volume as a percentage of the total energy consumption gradually increased from 5.7% in 2014 to 8.3% in 2019. This is supported by various PRC governmental policies and stimulus such as the "2014-2020 Strategic Action Plan for Energy Development" (《能源發展戰略行動計劃(2014-2020)》) and the "13th Five-Year Plan for Energy Development" (《能源發展「十三五」規劃(2016-2020)》), which indicated the direction towards development of the exploration, production and storage of natural gas and expansion in the consumption of natural gas in the urbanisation of cities, transport industry and power generation. Such policies have assisted with the growth in total natural gas consumption in the PRC from approximately 193 billion m^3 in 2015 to approximately 307 billion m^3 in 2019[Note 3]. Coupled with the PRC's strong position to return to a trajectory of rapid growth, it is expected that more than 130 billion m^3 per year of incremental gas demand will be added between 2019 and 2025[Note 4] and the demand for natural gas may reach 600 billion m^3 in 2030, whereas natural gas will constitute approximately 15% of the total primary energy consumption[Note 3]. Given the support of the governmental policies, the continuous energy structure reform and the wide downstream applications for natural gas in the industrial, commercial and residential industries, taking into account the PRC's growing economy, ongoing urbanization process and increasingly strict environmental regulations, the demand for natural gas as an alternative energy resource such as coal has grown and will continue to increase in the future.

Notes:

1. *According to the data extracted from the National Bureau of Statistics.*

2. *According to the data extracted from the International Monetary Fund.*

3. *According to the data extracted from the NDRC.*

4. *According to the data extracted from the International Energy Agency.*

(c) The Group is well positioned to expand its business on the backbone of the government's policies to develop the natural gas industry

Primarily engaged in the sales of natural gas, LNG processing, LNG terminal and transmission of natural gas in the PRC, the Company has taken steps to restructure and integrate its operations to expand its reach in the downstream sales of natural gas business. As disclosed in the Company's announcement dated 6 November 2018, 2019 interim report and 2019 annual report, the Company has benefited from the further streamlining of the natural gas sales management system of PetroChina and implementation of the Retail Sales of Natural Gas Business Strategy by 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 the Group's end-users business. As such, the sales volume of natural gas grew significantly in 2019 and the first half of 2020 when compared to the forecast made in 2017 since the Existing Annual Caps were approved by the Independent Shareholders at the special general meeting on 19 December 2017.

(d) Proactive acquisitions and expansion plans

Since 2019, the Group has completed more than 70 acquisitions relating to natural gas targets, including the acquisition of the equity interests in 17 gas projects of Jinhong Holding Group Co., Ltd. (金鴻控股集團股份有限公司), promoted the development of end-users utilization projects in different regions in the PRC and entered into a strategic cooperation agreement between PetroChina and the government of Heilongjiang Province. This has contributed to, together with the implementation of the Retail Sales of Natural Gas Business Strategy, the continuous success and business expansion of the Group in the first half of 2020 despite the outbreak of the COVID-19 that had caused, among other things, the industrial operations and production in the PRC being affected and a decrease in demand for natural gas. The Group had maintained its business growth and to facilitate and support its expansion, additional natural gas was procured from the CNPC Group in the six months ended 30 June 2020, which is shown by the historical transaction amount under category (a) of the Continuing Connected Transactions. Taking into account such steps taken by the Group recently to expand its market share and other possible corporate activities such as potential acquisition of gas projects in the future, the Group is prepared to ride on the economy's recovery and continuous growth and the national energy structure reform to expand its natural gas business.

3. REVISED ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS IN 2020

The announcement and circular of the Company dated 29 November 2017 and 1 December 2017, respectively, set out the Existing Annual Caps for each category of the Continuing Connected Transactions for each of the three years ending 31 December 2020, which were approved (where required) by the Independent Shareholders at the special general meeting of the Company held on 19 December 2017.

As a result of the abovementioned background information and the historical transaction amount of the Continuing Connected Transactions in the first half of 2020, the Board considers that the Existing Annual Cap in respect of 2020 for certain categories of the Continuing Connected Transactions, namely the Relevant Categories, may not be able to satisfy the Group's requirements for the whole year. The Board therefore proposes that the Existing Annual Caps for the Relevant Categories in respect of 2020 be revised in order to cater for the Group's business needs for the year ending 31 December 2020.

3.1 The Relevant Categories

The Existing Annual Caps for the Continuing Connected Transactions in 2020 of the following categories under the Existing Master Agreement (as categorised and disclosed in the circular of the Company dated 1 December 2017) are proposed to be revised:

(a) General products to be provided by the CNPC Group to the Group; and

(b) General services to be provided by the CNPC Group to the Group.

3.2 Existing Annual Caps, Historical Amounts and Revised Annual Caps

The table below sets out the Existing Annual Caps, the historical amounts for the two years ended 31 December 2019 and the six months ended 30 June 2020 for each category of the Continuing Connected Transactions and the Revised Annual Caps for the Relevant Categories of the Continuing Connected Transactions for the year ending 31 December 2020 proposed by the Board and to be considered and approved by the Independent Shareholders at the SGM:

Relevant Categories	Existing Annual Caps	Historical amount Note 1	Revised Annual Caps	Bases of determination of the Revised Annual Caps
(a) Provision of products by the CNPC Group to the Group	2018: RMB37,945 million 2019: RMB40,958 million 2020: RMB45,924 million	2018: RMB32,913 million 2019: RMB35,821 million Six months ended 30 June 2020: RMB27,599 million	2020: RMB78,575 million	The Board has considered (among other things) that the Non-Exempt Continuing Connected Transactions under this Category (a) will continue to be entered into on terms and conditions set out in the relevant implementation agreements and in the ordinary and usual course of business of the Group and on normal commercial terms, the relevant Existing Annual Caps, with reference to the historical and expected level of products charges paid by the Group to the CNPC Group under the Liaohe Contract and the Existing Master Agreement, the relevant pricing policy, the Relevant Market Price (a), the continuous economic growth in the PRC, the ongoing national energy structure reform to increase consumption of natural gas in the PRC, the implementation of the Retail Sales of Natural Gas Business Strategy since 2018 and the steps taken by the Company recently to expand its market share such as completion of more than 70 acquisitions relating to natural gas targets, including the acquisition of the equity interests in 17 gas projects of Jinhong Holding Group Co., Ltd. (金鴻控股集團股份有限公司), the strategic cooperation agreement entered into between PetroChina and the government of Heilongjiang Province, the Group's effort to promote the development of end-users utilization projects in different regions of the PRC, and other possible corporate activities such as potential acquisitions of gas projects in the future, thereby an expected growth of the Group and demand for the Oil and Gas Products would increase.

Relevant Categories	Existing Annual Caps	Historical amount Note 1	Revised Annual Caps	Bases of determination of the Revised Annual Caps
(b) Provision of services by the CNPC Group to the Group	2018: RMB11,495 million 2019: RMB9,428 million 2020: RMB8,507 million	2018: RMB4,432 million 2019: RMB9,410 million Six months ended 30 June 2020: RMB2,017 million	2020: RMB13,433 million	The Board has considered (among other things) that the Non-Exempt Continuing Connected Transactions under this Category (b) will continue to be entered into on terms and conditions set out in the relevant implementation agreements and in the ordinary and usual course of business of the Group and on normal commercial terms, the relevant Existing Annual Caps, with reference to the historical and expected level of products charges paid by the Group to the CNPC Group under the Liaohe Contract and the Existing Master Agreement, the relevant pricing policy, the Relevant Market Price (b), the continuous economic growth in the PRC, the ongoing national energy structure reform to increase consumption of natural gas in the PRC, the implementation of the Retail Sales of Natural Gas Business Strategy since 2018 and steps taken by the Company recently to expand its market share such as the completion of more than 70 acquisitions relating to natural gas targets, including the acquisition of the equity interests in 17 gas projects of Jinhong Holding Group Co., Ltd. (金鴻控股集團股份有限公司), the strategic cooperation agreement entered into between PetroChina and the government of Heilongjiang Province, the Group's effort to promote the development of end-users utilization projects in different regions in the PRC, and other possible corporate activities such as potential acquisitions of gas projects in the future, thereby the Group would have a greater demand for general services, such as engineering and construction services, financial services, data management services, storage space and logistics support services, from the CNPC Group to support the Group's business development.

Relevant Categories	Existing Annual Caps	Historical amount [Note 1]	Revised Annual Caps	Bases of determination of the Revised Annual Caps
				In addition, the transaction amounts in the first half of 2020 is proportionally less than the expected full year transaction amount as a number of the Group's construction projects were suspended as a result of the COVID-19, thereby reducing the demand for general services by the Group during the six months ended 30 June 2020. Besides, the transactions are more likely to take place in the second half of the year given the tendency of a higher demand of construction and engineering services in preparation of the higher demand of natural gas in winter for the colder weather. Upon the gradual recovery of the economy, the construction projects of the Group shall resume and demand for general services is expected to increase in the latter half of 2020 and accordingly, the Revised Annual Cap is proposed to accommodate the potential transactions with the CNPC Group arising therefrom.
among which:				
(b)(vii)(i) Deposit services [Note 2]	2018: RMB158 million 2019: RMB156 million 2020: RMB155 million	2018: RMB78 million 2019: RMB156 million Six months ended 30 June 2020: RMB154 million	2020: RMB2,437 million	In line with the general expansion in business and development of the Group, taking into account the historic cash flow and deposit levels of the Group, the Revised Annual Caps is proposed to enable the Group to deposit with the CNPC Group the additional cash generated from its business development.
(b)(vii)(ii) Loans [Note 3]	2018: RMB1,976 million 2019: RMB1,978 million 2020: RMB1,979 million	2018: RMB1,022 million 2019: RMB844 million Six months ended 30 June 2020: RMB342 million	2020: RMB1,000 million	With reference to the historical transaction amounts, the Group considers that the revised annual cap for the loans for the year ending 31 December 2020 can better reflect actual usage.

Notes:

1. *The historical amounts for the two years ended 31 December 2019 represent audited figures extracted from the 2018 annual report and 2019 annual report of the Company. The historical amounts for the six months ended 30 June 2020 represent unaudited figures extracted from the management accounts of the Company.*

2. *The relevant figures represent the maximum daily outstanding balance of deposits placed or to be placed by the Group with the CNPC Group (including interest accrued thereon).*

3. *The relevant figures represent the interest in relation to loans and financial products to be provided to the Group by the CNPC Group.*

3.3 Disclosure and Independent Shareholders' Approval

As the applicable percentage ratios based on the Revised Annual Caps for the Relevant Categories of Continuing Connected Transactions in 2020 are greater than 5%, the Revised Annual Caps are subject to reporting, annual review, announcement and the Independent Shareholders' approval requirements.

The Company will seek the Independent Shareholders' approval at the SGM for the Revised Annual Caps on the condition that (i) the annual amount of each of the Relevant Categories for the year ending 31 December 2020 shall not exceed the Revised Annual Caps; and (ii) the above continuing connected transactions will be entered into in the ordinary course of business of the Group and are on normal commercial terms or on terms no less favourable than terms available to the Group from independent third parties, and the above continuing connected transactions will be entered into in accordance with the relevant agreements and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will comply with the relevant provisions of the Listing Rules in relation to the Relevant Categories of the Continuing Connected Transactions.

4. THE NEW MASTER AGREEMENT

The Company and CNPC entered into the New Master Agreement on 11 September 2020 for the purpose of renewing the Continuing Connected Transactions for the three years ending 31 December 2023. The principal terms of the New Master Agreement are set out below:

Date : 11 September 2020

Parties : (1) The Company

(2) CNPC

Duration : Three years commencing from 1 January 2021 to 31 December 2023. The parties agreed that subject to the applicable laws and regulations, including but not limited to the Listing Rules, the term of the New Master Agreement can be further renewed upon agreement by the parties in writing.

The terms of the New Master Agreement were negotiated on arm's length basis between the Group and CNPC. Pursuant to the New Master Agreement, the CNPC Group agreed to provide to the Group and the Group agreed to provide to the CNPC Group a range of products and services including but not limited to Oil and Gas Products, general products and services, engineering and construction services, production services, logistics support services, financial services, property leasing services and entrustment management services from time to time, which shall expire on 31 December 2023.

Further, if the term of an individual implementation agreement extends beyond 31 December 2023 (being the expiry date of the New Master Agreement), the Company shall re-comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Rules 14A.35 to 14A.60 of the Listing Rules and/or any other applicable Listing Rules at the relevant time.

The effectiveness of the New Master Agreement is conditional upon the approval by the Independent Shareholders at the SGM in relation to (i) the entering into of the New Master Agreement and the transactions contemplated thereunder; (ii) the Continuing Connected Transactions under Categories (a), (b), (c) and (d); and (iii) the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions for each of the three years ending 31 December 2023, and shall become effective on 1 January 2021 and expire on 31 December 2023.

5. CONTINUING CONNECTED TRANSACTIONS IN 2021-2023

The Group and CNPC entered into, among other things, (i) the Liaohe Contract in 1997; and (ii) the Existing Master Agreement in 2017. Under the Liaohe Contract, the Group procures from the CNPC Group on a continuing basis certain services and assistance such as personnel training, leasing of warehouses and terminal facilities and utilisation of transportation and communication facilities. The term of the Liaohe Contract runs 20 years from the date of commencement of commercial production and will expire on 31 December 2023. The Existing Master Agreement provides a framework for the Group to procure a range of products and services from the CNPC Group and vice versa, including but not limited to Oil and Gas Products, general products and services, engineering and construction services, production services, logistics support services, financial services, property leasing services and entrustment management services. The Existing Master Agreement will expire on 31 December 2020.

In view of the anticipated expiry of the Existing Master Agreement on 31 December 2020, the Company announced that on 11 September 2020 that it had entered into the New Master Agreement with CNPC for the purpose of renewing the Continuing Connected Transactions contemplated under the Existing Master Agreement for the three years ending 31 December 2023. Pursuant to the New Master Agreement and the Liaohe Contract, members of the CNPC Group and members of the Group shall enter into individual implementation agreements in respect of each type of product or service setting out detailed terms and conditions for providing such products and services. The pricing shall always be subject to the New Master Agreement and the Liaohe Contract and the payment terms, including the credit period and the settlement method, will be specified in each individual implementation agreement.

The Continuing Connected Transactions mainly comprise:

(a) General products to be provided by the CNPC Group to the Group;

(b) General services to be provided by the CNPC Group to the Group, including:

  (i) Engineering and construction services

  (ii) Production services

  (iii) Logistics support services

  (iv) Property leasing services

  (v) Amenities services

  (vi) Social and ancillary services

  (vii) Financial services

  (viii) Entrustment management services;

(c) General products to be provided by the Group to the CNPC Group; and

(d) General services to be provided by the Group to the CNPC Group, including:

  (i) Production services

  (ii) Logistics support services

  (iii) Property leasing services

  (iv) Entrustment management services.

Financial Assistance

Pursuant to Rule 14A.90 of the Listing Rules, loans and other financial assistance to be provided by the CNPC Group to the Group, being financial assistance provided by a connected person for the benefit of the Group on normal commercial terms (or better to the listed issuer) where no security over the assets of the Group is granted in respect thereof, is fully exempt from the Independent Shareholders' approval, annual review and all disclosure requirements set out in Chapter 14A of the Listing Rules.

Non-exempt Continuing Connected Transactions

Accordingly, save as the loan services under Category (b)(vii) financial services to be provided by the CNPC Group to the Group, the other Continuing Connected Transactions contemplated under the Liaohe Contract and the New Master Agreement are Non-Exempt Continuing Connected Transactions. The applicable percentage ratios based on the Proposed Annual Caps for the respective Non-Exempt Continuing Connected Transactions are greater than 5%, as such the Non-Exempt Continuing Connected Transactions for the three years ending 31 December 2023 are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements.

5.1 Details of the Continuing Connected Transaction

Set out below are further details of the New Master Agreement and the Liaohe Contract:

5.1.1 Categories of Continuing Connected Transactions

(i) Category (a) – Provision of general products by the CNPC Group to the Group

(A) Liaohe Contract

The Liaohe Contract was approved by the Independent Shareholders at the special general meeting of the Company held on 23 February 1998 and details of the Liaohe Contract were set out in the circular to the Shareholders dated 6 February 1998. The salient details of the Liaohe Contract are set out below:

Date : 30 December 1997, as amended and modified from time to time

Parties : (1) Beckbury, a wholly-owned subsidiary of the Company;

(2) PetroChina, a non-wholly-owned subsidiary of CNPC; and

(3) CNPC (only in respect of the supervisory functions as representative of the PRC Government).

Duration : 20 years from the date of commencement of commercial production and will expire on 31 December 2023

Synopsis : The Liaohe Contract is an oil production sharing agreement in relation to the development and production of crude oil in the Leng Jiapu Oilfield, Liaoning, the PRC. Pursuant to the Liaohe Contract, the Group and the CNPC Group hold 70% and 30% participating interests respectively. The Group is responsible for 70% of the operation cost incurred in connection with oil production in certain areas within the Leng Jiapu Oilfield as specified in the Liaohe Contract (the "**Liaohe Contract Area**"). The Group is entitled to 70% of the oil production generated from the Liaohe Contract Area.

In accordance with the Liaohe Contract, the CNPC Group shall provide the Group with a variety of general products such as natural gas, refined oil products, chemical products and other related and similar products, whereas no crude oil will be provided.

In connection with the Liaohe Contract, the Group has also entered into the Leng Jiapu Entrustment Contract with the CNPC Group, whereby the CNPC Group was entrusted to be the operator under the Liaohe Contract. Pursuant to the Leng Jiapu Entrustment Contract, the Group shall pay the CNPC Group a support fee representing 30% of the aggregate salary and welfare expenses paid to the personnel of the joint development department. The joint development department was established pursuant to the Leng Jiapu Entrustment Contract and is responsible for carrying out the contractual responsibilities of the CNPC Group under the Leng Jiapu Entrustment Contract.

(B) The New Master Agreement

Pursuant to the New Master Agreement, the CNPC Group agreed to provide the following general products to the Group:

(i) equipment, materials, supplies and other products required for petroleum and natural gas exploration and production; and

(ii) crude oil, natural gas, refined oil products, chemical products and other related or similar products.

(C) Pricing Policy

The pricing for such general products (other than crude oil) to be provided by the CNPC Group to the Group under the Liaohe Contract and the New Master Agreement shall be fair and reasonable and based on the following general principles: adopt government-prescribed prices where available, or if no government-prescribed prices are available, the price to be paid by the Group to the CNPC Group (the "**Relevant Market Price (a)**") shall not exceed the best price among all the prices as offered by all the independent third parties in the relevant market or nearby market in the ordinary course of business ("**Best Market Price (a)**"). If the CNPC Group provides the relevant general products to the Group at a price lower than the Best Market Price (a) in such markets, such lower price shall be the Relevant Market Price (a).

The pricing for crude oil to be provided by the CNPC Group to the Group under the New Master Agreement shall be determined with reference to the prevailing market price of similar grade crude oil in an arm's length transaction with reference to the trend of the international oil prices. In 2016, the NDRC has published the Administrative Measures for Oil Prices pursuant to which the crude oil prices in the PRC shall be driven by market prices. The trend of the international oil prices is generally subject to various prevailing market conditions, such as market supply and demand, and macroeconomic conditions. The parties will take into account the benchmark crude oil assessment, including the Brent and West Texas Intermediate (WTI) benchmark prices, in determining the pricing of the crude oil to be supplied and purchased under the Continuing Connected Transactions.

As part of the Group's internal approval and monitoring procedures relating to the transactions with the CNPC Group, the Group will obtain quote from, or compare the terms and conditions of the products (including the pricing terms) offered by, other independent product suppliers before it decides to engage the CNPC Group for the relevant products, taking into account various factors including the type, quantity and quality of the products, the suitability of the products for the Group's business needs, and the expected time required for the product delivery.

(ii) Category (b) – Provision of general services by the CNPC Group to the Group

(A) Liaohe Contract

Pursuant to the Liaohe Contract, the Group procures from the CNPC Group on a continuing basis certain services and assistance such as personnel training, leasing of warehouses and terminal facilities and utilisation of transportation and communication facilities.

(B) The New Master Agreement

Pursuant to the New Master Agreement, the CNPC Group agreed to provide the following general services to the Group:

(i) engineering and construction services including geological surveying, drilling, well cementing, logging, mud logging, well testing, downhole operations, oilfield construction (and installation), engineering and design, project management and supervision, equipment repairing and maintenance, equipment antiseptic testing, technical know-how (such as patent, know-how and software relating to the captioned services) and information services, design, engineering and construction (including installation) of facilities such as natural gas pipelines, LNG terminals, LNG processing plants, gas stations and other related or similar services;

(ii) production services including data management and filing services, asset leasing, environmental sanitation, repair and upgrade of equipment, transportation, maintenance of access road and other related or similar services;

(iii) logistics support services including procurement agency, quality inspection, storage and delivery and other related or similar services;

(iv) property leasing services, including but not limited to office building leasing, commercial building leasing, warehouses and other related or similar services;

(v) amenities services, including but not limited to property management, training centers, guest houses, staff canteen and other related or similar services;

(vi) social and ancillary services, including but not limited to security services, education, hospitals, public transport, urban infrastructure, comprehensive social services and other related or similar services;

(vii) financial services, including but not limited to loans and deposit services and the associated interest incomes and expenses, guarantees, entrustment services and other financial services; and

(viii) entrustment management services, including but not limited to managing certain aspects in relation to their shareholders' rights and their day-to-day management and operation and other similar management services.

(C) Pricing Policy

The pricing for such general services to be provided by the CNPC Group to the Group under the New Master Agreement shall be fair and reasonable and based on the following general principles:

(i) adopt government-prescribed prices where available, or if no government-prescribed prices are available, the price to be paid by the Group to the CNPC Group (the "**Relevant Market Price (b)**") shall not exceed the best price among all the prices as offered by all the independent third parties in the relevant market or nearby market in the ordinary course of business ("**Best Market Price (b)**"). If the CNPC Group provides the relevant general services to the Group at a price lower than the Best Market Price (b) in such markets, such lower price shall be the Relevant Market Price (b); and

(ii) in respect of Category (b)(vii), the financial services to be provided to the Group by the CNPC Group:

(a) the deposits to be placed by the Group with the CNPC Group and loans to be provided to the Group by the CNPC Group will bear interest rates which are no less favorable than the prevailing rate as prescribed by the PBoC and CBIRC and/or offered by the CNPC Group, and will be on similar terms and conditions as would apply to similar deposits and loans made by other independent customers of the CNPC Group; and

(b) the fees and charges for other financial services and products provided by the CNPC Group will be determined by arm's length basis negotiation between the parties and based on normal commercial terms, and shall not be higher than the rates applicable to other independent customers of the CNPC Group.

As part of the Group's internal approval and monitoring procedures relating to the transactions with the CNPC Group, the Group will obtain quote from, or compare the terms and conditions of the services (including the pricing terms) offered by, other independent service providers before it decides to engage the CNPC Group for the relevant services, taking into account various factors including the nature of the services, the service quality, the expected time required for the service delivery, and in terms of the financial services, the competitiveness of the rates and fees offered or charged to the Group.

(iii) Category (c) – Provision of general products by the Group to the CNPC Group

(A) Liaohe Contract

Pursuant to the Liaohe Contract, the Group has the right to sell and deliver its share of oil production from Leng Jiapu Oilfield to a destination of its choice, except for destinations which infringe the political interests of the PRC. However, given the relatively close proximity between the Leng Jiapu Oilfield and the processing plants of the CNPC Group, transportation costs and prevailing oil prices, the potential purchaser of the entire share of oil production attributable to the Group from Leng Jiapu Oilfield is highly likely to be the CNPC Group.

Since the entering into of the Liaohe Contract in 1997, the Company has sold its entire share of oil production from the Leng Jiapu Oilfield to the CNPC Group and the Board intends to continue this arrangement. There is no contractual obligation upon the CNPC Group to purchase the Group's share of the oil production from the Leng Jiapu Oilfield although, from a commercial perspective, the Board expects that the CNPC Group will continue to accept all deliveries. The products provided by the Group to the CNPC Group under the Liaohe Contract are primarily crude oil.

(B) The New Master Agreement

Pursuant to the New Master Agreement, the Group agreed to provide the CNPC Group with a range of general products, including crude oil, natural gas, refined oil products, chemical products and other related and similar products.

The Group provides such general products to the CNPC Group primarily due to geographical consideration. The Group provides such general products to the CNPC Group in regions or areas where they do not have the necessary infrastructure/facilities to produce or supply such products, and vice versa. In view of the strengths and scope of CNPC's business activities, the Company considers that providing products to the CNPC Group could enhance the growth of the natural gas business of the Group.

(C) Pricing Policy

The pricing for such general products (other than crude oil) to be provided by the Group to the CNPC Group under the New Master Agreement shall be fair and reasonable and based on the following general principles: adopt government-prescribed prices where available, or if no government-prescribed prices are available, the price to be charged by the Group to the CNPC Group (the "**Relevant Market Price (c)**") shall not be lower than the best price among all the prices as offered by the Group to all the independent third parties in the relevant market or nearby market in the ordinary course of business ("**Best Market Price (c)**"). If the CNPC Group agrees to purchase from the Group the relevant general products at a price higher than the Best Market Price (c) in such markets, such higher price shall be the Relevant Market Price (c).

The pricing for crude oil to be provided by the Group to the CNPC Group under the share of the oil production from the Leng Jiapu Oilfield under the Liaohe Contract and the New Master Agreement shall be determined by reference to the prevailing market price of similar grade crude oil in an arm's length transaction with reference to the trend of the international oil prices. In 2016, the NDRC has published the Administrative Measures for Oil Prices pursuant to which the crude oil prices in the PRC shall be driven by market prices. The trend of the international oil prices is generally subject to various prevailing conditions, such as the market supply and demand, and macroeconomic conditions. The parties will take in account the benchmark crude oil assessment, including the Brent and West Texas Intermediate (WTI) benchmark prices, in determining the pricing of the crude oil to be supplied and purchased under the Continuing Connected Transactions.

(iv) *Category (d) – Provision of general services by the Group to the CNPC Group*

(A) The New Master Agreement

The Group provides certain general services to the CNPC Group under the New Master Agreement. Pursuant to the New Master Agreement, the Group agreed to provide the following general services to the CNPC Group:

(i) production services such as natural gas pipeline transmission services, LNG processing services, LNG uploading, gasification and entrucking services, data management and filing services, asset leasing, environmental sanitation, install, repair and upgrade of equipment, transportation, maintenance of access roads and other related or similar services;

(ii) logistics support services including procurement agency, quality inspection, storage and delivery and other related or similar services;

(iii) lease services including leasing of certain offices, commercial building, warehouses and other related or similar services; and

(iv) entrustment management services, including but not limited to managing certain aspects in relation to their shareholders' rights and their day-to-day management and operation and other similar management services.

Each of the Group and the CNPC Group provides such general services to each other mainly due to geographical consideration. The Group provides general services to the CNPC Group in regions or areas where they do not have the necessary infrastructure/facilities to produce or supply such general services, and vice versa.

In view of the strengths and scope of CNPC's business activities, the Company considers that by providing general services to the CNPC Group could bring a strong favourable support to the Company's business activities and facilitate the Group's business operations.

(B) Pricing Policy

The pricing for such general services to be provided by the Group to the CNPC Group under the New Master Agreement shall be fair and reasonable and based on the following general principles: adopt government-prescribed prices where available, or if no government-prescribed prices are available, the price to be charged by the Group to the CNPC Group (the "**Relevant Market Price (d)**") shall not be lower than the best price among all the prices as offered by the Group to all the independent third parties in the relevant market or nearby market in the ordinary course of business ("**Best Market Price (d)**"). If the CNPC Group agrees to engage the Group for the relevant general services at a price higher than the Best Market Price (d) in such markets, such higher price shall be the Relevant Market Price (d).

The relevant market as referred to in the pricing policy of the Continuing Connected Transactions under the above categories primarily means the market comprised by a group or a category of goods or services which, so long as the market conditions allow, the Group deems to have a relatively close substitution relationship within a certain geographical area based on various factors including the origin, characteristics, competition and use of the services or goods involved.

5.1.2 General Principles, Price and Terms of the Continuing Connected Transactions under the New Master Agreement

The transactions under the New Master Agreement are subject to the following general principles:

(i) in respect of the products and services to be provided to the Group by the CNPC Group, the products and services shall be of good quality and the price of the products and services shall be fair and reasonable and shall be no less favourable than those (i) offered by the CNPC Group to independent third parties; and (ii) offered by independent third parties to the Group, for similar products and services;

(ii) in respect of the products and services to be provided to the CNPC Group by the Group, the products and services shall be of good quality and the price of the products and services shall be fair and reasonable and shall be no less favourable than those (i) offered by the Group to independent third parties; and (ii) offered by independent third parties to the CNPC Group, for similar products and services;

(iii) the Group and the CNPC Group shall enter into individual implementation agreements in relation to each type of product and service setting out detailed terms and conditions for the provision of such products and services, and shall comply with the Listing Rules; and

(iv) the Group and the CNPC Group agreed that all transactions under the New Master Agreement shall be conducted in accordance with the principles of orderly competitions, and that high quality and reasonable cost shall prevail. The Group and the CNPC Group also agreed to purchase the products and services to be provided by the other party, if the quality and relevant general products and services are of the same quality and conditions.

For further details on the internal control measures and procedures for ensuring the implementation of the relevant pricing policies, please refer to the paragraph headed "5. Continuing Connected Transactions in 2021-2023 – 5.3 Measures of Internal Control" in this announcement.

5.1.3 Other Rights and Obligations under the New Master Agreement

Other Rights

The Group and the CNPC Group both have the rights to request the other party to deliver the products and services, and are entitled to receive the payments for the provision of the relevant products and services in accordance with the New Master Agreement.

The Group and the CNPC Group also have the rights to prepare detailed supply plans in accordance with the demand of such products and services of the other party pursuant to the New Master Agreement.

The Group and the CNPC Group both retain the rights to purchase such products or services under the New Master Agreement from third parties where the products or services offered by such third parties are considered by the Group or the CNPC Group to be superior to those offered by the CNPC Group or the Group.

So long as the CNPC Group or the Group is able to supply the products and services required by the Group or the CNPC Group in accordance with the New Master Agreement, the CNPC Group and the Group may supply such products and services to other third parties.

Other Obligations

The Group and the CNPC Group both have the obligations to prepare the detailed supply plans in accordance with the demand of such products and services of the other party pursuant to the New Master Agreement.

The Group and the CNPC Group shall both procure that their respective branch companies, subsidiaries, and controlled entities shall enter into implementation agreements in accordance with the terms and conditions of the New Master Agreement. As the implementation agreements executed, and to be executed pursuant to the New Master Agreement, are simply further elaborations on the provision of products and services under the New Master Agreement, they do not constitute new categories of continuing connected transactions.

The Group and the CNPC Group shall supply to the other party with products and services of high quality, and shall pay the other party for the provision of the relevant products and services in accordance with the New Master Agreement.

The Group and the CNPC Group both agreed to compensate the other party for any loss arising from any breach by the CNPC Group or the Group of the New Master Agreement or of any implementation agreements.

5.2 Existing Annual Caps, Historical Amounts and Proposed Annual Caps

5.2.1 Background

The announcement and circular of the Company dated 29 November 2017 and 1 December 2017, respectively, set out the Existing Annual Caps for each category of the Continuing Connected Transactions for each of the three years ending 31 December 2020, which were approved (where required) by the Independent Shareholders at the special general meeting of the Company held on 19 December 2017. The Existing Annual Caps for the year ending 31 December 2020 for the Continuing Connected Transactions are proposed to be revised as set out in this announcement. Taking into consideration the reasons set out in the paragraph headed "2. Background" in this announcement, in particular the continuous economic growth in the PRC, the ongoing national energy structure reform to increase consumption of natural gas in the PRC, the implementation of the Retail Sales of Natural Gas Business Strategy since 2018, steps taken by the Company recently to expand its market share and other possible corporate activities in the future, it is expected that the Group will continue to grow and the volume of Continuing Connected Transactions would increase considerably in the following years. Accordingly, the Board proposes (i) the following Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions listed below which will serve as the maximum annual value of the Non-Exempt Continuing Connected Transactions for each of the three years ending 31 December 2023; and (ii) to seek the approval of the Independent Shareholders at the SGM on the Continuing Connected Transactions and the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions for each of the three years ending 31 December 2023.

The table below sets out the Existing Annual Caps, the historical amounts for the two years ended 31 December 2019 and the six months ended 30 June 2020 for each category of the Continuing Connected Transactions and the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions for the three years ending 31 December 2023:

Categories	Existing Annual Caps *Note 1*	Historical amount *Note 1*	Proposed Annual Caps	Bases of determination of the Proposed Annual Caps *Note 2*
(a) Provision of products by the CNPC Group to the Group	2018: RMB37,945 million 2019: RMB40,958 million 2020: RMB45,924 million (proposed to be revised to RMB78,575 million) *Note 3*	2018: RMB32,913 million 2019: RMB35,821 million Six months ended 30 June 2020: RMB27,599 million	2021: RMB97,639 million 2022: RMB117,757 million 2023: RMB141,641 million	The Board has considered (among other things) that the Non-Exempt Continuing Connected Transactions under this Category (a) will continue to be entered into on terms and conditions set out in the relevant implementation agreements and in the ordinary and usual course of business of the Group and on normal commercial terms, the relevant Existing Annual Caps, with reference to the historical and expected level of products charges paid by the Group to the CNPC Group under the Liaohe Contract, the Existing Master Agreement and the New Master Agreement, the relevant pricing policy, the Relevant Market Price (a), the continuous economic growth in the PRC, the ongoing national energy structure reform to increase consumption of natural gas in the PRC, the implementation of the Retail Sales of Natural Gas Business Strategy since 2018 and steps taken by the Company recently to expand its market share such as the completion of more than 70 acquisitions relating to natural gas targets, including the acquisition of the equity interests in 17 gas projects of Jinhong Holding Group Co., Ltd. (金鴻控股集團股份有限公司), the strategic cooperation agreement entered into between PetroChina and the government of Heilongjiang Province, the Group's effort to promote the development of end-users utilization projects in different regions in the PRC, and other possible corporate activities such as potential acquisitions of gas projects in the future, thereby an expected growth of the Group and demand for the Oil and Gas Products would increase considerably in the following years.

Categories	Existing Annual Caps *Note 1*	Historical amount *Note 1*	Proposed Annual Caps	Bases of determination of the Proposed Annual Caps *Note 2*
(b) Provision of services by the CNPC Group to the Group	2018: RMB11,495 million 2019: RMB9,428 million 2020: RMB8,507 million (proposed to be revised to RMB13,433 million) *Note 3*	2018: RMB4,432 million 2019: RMB9,410 million Six months ended 30 June 2020: RMB2,017 million	2021: RMB14,290 million 2022: RMB15,237 million 2023: RMB16,466 million	The Board has considered (among other things) that the Non-Exempt Continuing Connected Transactions under this Category (b) will continue to be entered into on terms and conditions set out in the relevant implementation agreements and in the ordinary and usual course of business of the Group and on normal commercial terms, the Existing Annual Caps, with reference to the historical and expected level of services charges paid by the Group to the CNPC Group under the Liaohe Contract, the Existing Master Agreement and the New Master Agreement, the relevant pricing policy and the Relevant Market Price (b) In light of the continuous economic growth in the PRC, the ongoing national energy structure reform to increase consumption of natural gas in the PRC, the implementation of the Retail Sales of Natural Gas Business Strategy since 2018 and steps taken by the Company recently to expand its market share such as the completion of more than 70 acquisitions relating to natural gas targets, including the acquisition of the equity interests in 17 gas projects of Jinhong Holding Group Co., Ltd. (金鴻控股集團股份有限公司), the strategic cooperation agreement entered into between PetroChina and the government of Heilongjiang Province, the Group's effort to promote the development of end-users utilization projects in different regions in the PRC, and other possible corporate activities such as potential acquisitions of gas projects in the future, the corresponding demand of the Company's capital investment and cash management would increase and the Group would have a greater demand for general services, such as engineering and construction services, financial services, data management services, storage space and logistics support services, from the CNPC Group to support the Group's future business development.

Categories	Existing Annual Caps *Note 1*	Historical amount *Note 1*	Proposed Annual Caps	Bases of determination of the Proposed Annual Caps *Note 2*
among which:				
(b)(vii)(i) Deposit services *Note 4*	2018: RMB158 million 2019: RMB156 million 2020: RMB155 million (proposed to be revised to RMB2,437 million) *Note 3*	2018: RMB78 million 2019: RMB156 million Six months ended 30 June 2020: RMB154 million	2021: RMB2,828 million 2022: RMB3,219 million 2023: RMB3,610 million	The Board has considered (among other things) that the deposit services to be provided by the CNPC Group to the Group will continue to be entered into in the ordinary and usual course of business of the Group and on normal commercial terms, the Existing Annual Caps, with reference to the historical cash flow and levels of deposits and the competitive interest rates offered by CNPC Finance and other financial institutions. In order to optimize the cash flow management and capital efficiency of the Group and the CNPC Group, CNPC Finance and other financial institutions provide certain financial services to the Group. The Group is of the view that the Proposed Annual Cap is in line with the development of the business of the Group, and is determined based on principles of fairness and reasonableness. The interest rate of the deposits available to the Group from the CNPC Group shall not be less than (i) the minimum interest rate prescribed by PBoC; and (ii) the interest rate available to the Group from other commercial banks. In addition, the Existing Annual Caps (excluding the Revised Annual Caps for 2020) for the deposit services were determined with reference to the then relevant percentage ratios of the Company on an annual basis, which were set to be less than 5% and were therefore by themselves exempted from the Independent Shareholders' approval requirement pursuant to Rule 14A.76 of the Listing Rules. In light of the Group's recent development and business expansion plans, the Board considers it beneficial to the Company and the Shareholders as a whole to increase the annual cap for deposit services.

Categories	Existing Annual Caps *Note 1*	Historical amount *Note 1*	Proposed Annual Caps	Bases of determination of the Proposed Annual Caps *Note 2*
(b)(vii)(ii) Loan *Note 5*	2018: RMB1,976 million 2019: RMB1,978 million 2020: RMB1,979 million (proposed to be revised to RMB1,000 million) *Note 3*	2018: RMB1,022 million 2019: RMB844 million Six months ended 30 June 2020: RMB342 million	2021: RMB1,100 million 2022: RMB1,200 million 2023: RMB1,300 million	The Board has considered (among other things) that loans will continue to be provided by the CNPC Group to the Group in the ordinary and usual course of business of the Group and on normal commercial terms, the Existing Annual Caps, with reference to the historic amounts and potential opportunities for corporate actions by the Group. The loans to be provided by the CNPC Group may enable the Group to have sufficient funding for possible corporate activities such as potential acquisitions of gas projects in the future. CNPC Finance provides loans and offers convenient, efficient and security which is no less favourable than other commercial banks in the market. In addition, the interest rate of the loans to be granted by the CNPC Group to the Group shall not be higher than (i) the maximum interest rate prescribed by the PBoC; and (ii) the interest rate charged against the Group by other commercial banks in respect of the same type of loans.
(b)(vii)(iii) Others *Note 6*	2018: RMB16 million 2019: RMB16 million 2020: RMB16 million	2018: nil 2019: nil Six months ended 30 June 2020: nil	2021: RMB16 million 2022: RMB16 million 2023: RMB16 million	The Board has considered (among other things) that certain other financial services, such as guarantees and entrustment services, may be provided by the CNPC Group to the Group in the ordinary and usual course of business of the Group and on normal commercial terms, the Existing Annual Caps, with reference to the potential opportunities for corporate actions by the Group.

Categories	Existing Annual Caps *Note 1*	Historical amount *Note 1*	Proposed Annual Caps	Bases of determination of the Proposed Annual Caps *Note 2*
(c) Provision of products by the Group to the CNPC Group	2018: RMB7,217 million 2019: RMB7,959 million 2020: RMB8,409 million	2018: RMB4,477 million 2019: RMB5,653 million Six months ended 30 June 2020: RMB2,036 million	2021: RMB8,891 million 2022: RMB9,494 million 2023: RMB10,296 million	The Board has considered (among other things) that the Non-Exempt Continuing Connected Transactions under this Category (c) will continue to be entered into on terms and conditions set out in the relevant implementation agreements and in the ordinary and usual course of business of the Group and on normal commercial terms, the Existing Annual Caps, with reference to the historical and expected level of products provided by the Group to the CNPC Group under the Laohe Contract, the Existing Master Agreement and the New Master Agreement, the relevant pricing policy, the Relevant Market Price (c), the continuous economic growth in the PRC, the ongoing national energy structure reform to increase consumption of natural gas in the PRC, the general business development of the CNPC Group, the implementation of the Retail Sales of Natural Gas Business Strategy since 2018 and steps taken by the Company recently to expand its market share such as the completion of more than 70 acquisitions relating to natural gas targets, including the acquisition of the equity interests in 17 gas projects of Jinhong Holding Group Co., Ltd. (金鴻控股集團股份有限公司), the strategic cooperation agreement entered into between PetroChina and the government of Heilongjiang Province, the Group's effort to promote the development of end-users utilization projects in different regions in the PRC, and other possible corporate activities such as potential acquisitions of gas projects in the future, together with the wider geographical coverage of the Group's business and implementation of the "gas in substitution of oil" strategy to transform its core business from crude oil to natural gas, the Group has expanded its natural gas downstream capabilities and it is expected that the supply of products (such as city gas) by the Group to the CNPC Group will substantially increase.

Categories	Existing Annual Caps *Note 1*	Historical amount *Note 1*	Proposed Annual Caps	Bases of determination of the Proposed Annual Caps *Note 2*
(d) Provision of services by the Group to the CNPC Group	2018: RMB16,547 million 2019: RMB18,740 million 2020: RMB21,244 million	2018: RMB16,058 million 2019: RMB16,486 million Six months ended 30 June 2020: RMB7,700 million	2021: RMB18,975 million 2022: RMB19,385 million 2023: RMB19,763 million	The Board has considered (among other things) that the Non-Exempt Continuing Connected Transactions under this Category (d) will continue to be entered into on terms and conditions set out in the relevant implementation agreements and in the ordinary and usual course of business of the Group and on normal commercial terms, the Existing Annual Caps, with reference to the historical and expected level of services provided by the Group to the CNPC Group under the Existing Master Agreement and the New Master Agreement, the relevant pricing policy, and the Relevant Market Price (d). In light of the continuous economic growth in the PRC, the ongoing national energy structure reform to increase consumption of natural gas in the PRC, and general business development and expansion of the CNPC Group, it is anticipated that the demand for the various services provided by the Group relating to natural gas pipelines transmissions, LNG terminals and LNG processing plants will increase.

Notes:

1. *The historical amounts for the two years ended 31 December 2019 represent audited figures extracted from the 2018 annual report and 2019 annual report of the Company. The historical amounts for the six months ended 30 June 2020 represent unaudited figures extracted from the management accounts of the Company.*

2. *The differences between the Existing Annual Caps (including the Revised Annual Caps where appropriate), the historical amounts and the Proposed Annual Caps arise mainly because both the Company and the CNPC Group are large enterprises, with a large scale and transaction volumes. Since the Proposed Annual Caps for the Non-exempt Continuing Connected Transactions are for three years, it is difficult for the Company to anticipate all the possible contingencies accurately during the period. As such, the Company makes sufficient estimations taking into consideration commercially feasible plans when applying for the relevant Proposed Annual Caps.*

3. *The figures represent the Existing Annual Caps for the year ending 31 December 2020, which are proposed to be revised to the Revised Annual Caps, details of which are set out in the paragraph headed "3. Revised Annual Caps for the Continuing Connected Transactions in 2020" in this announcement.*

4. *The relevant figures represent the maximum daily outstanding balance of deposits placed or to be placed by the Group with the CNPC Group (including interest accrued thereon).*

5. *The relevant figures of the Existing Annual Caps and historical amounts represent the interest in relation to the loans and financial products provided or to be provided by the CNPC Group to the Group that constitute or would constitute Non-Exempt Continuing Connected Transactions, such as loans and financial products provided by the CNPC Group to entities jointly held by the Group and the CNPC Group whereas the figures in respect of the Proposed Annual Caps represent only the relevant interests but exclude the principal amount. As financial assistance received by the Group from the CNPC Group is fully exempt if it is conducted on normal commercial terms or better and is not secured by assets of the Group under Rule 14A.90 of the Listing Rules, loans and financial products provided or to be provided by the CNPC Group to the Company and/or its wholly-owned subsidiaries or entities not jointly held with the CNPC Group are excluded from this table.*

6. *This refers to all financial services other than deposit services, loans and financial products provided or to be provided by the CNPC Group to the Group under Category (b) of the Continuing Connected Transactions. The relevant figures represent the maximum service fees and commissions for other financial products and services provided or to be provided by the CNPC Group to the Group.*

As such, the Board is of the view that the Proposed Annual Caps for each category of the Non-Exempt Continuing Connected Transactions are in line with the estimated development of the business of the Group, and are determined based on normal commercial terms in the ordinary and usual course of business of the Group, and they are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

5.3 Measures of Internal Control

The Group has implemented a set of comprehensive internal control policies to ensure the Continuing Connected Transactions and the pricing policies of the relevant products and services thereunder are proceeded on the basis of normal commercial terms in the ordinary and usual course of business of the Group, and that they are fair and reasonable and in the interests of the Group and the Shareholders as a whole. In order to ensure that the actual pricing of the relevant products and services will be set in accordance with the pricing policies under the Liaohe Contract and/or the New Master Agreement, the Group shall initiate feasibility study, focus on the return rates and conduct public tender prior to entering into the individual agreements. In particular, the Group will:

(i) review, from time to time, the terms offered by the independent third parties and compare with the terms of each of the Continuing Connected Transactions (including but not limited to the transactions under the New Master Agreement upon approval by the Independent Shareholders in the SGM) to ensure that they are no less favourable than those offered by the independent third parties.

For the purposes of ascertaining the Relevant Market Prices, in respect of the procurement of products and services from the CNPC Group, the procurement teams of the Group are mainly responsible for obtaining quotation from the independent third parties, and are required to obtain quotation from, or compare the terms and conditions offered by, at least two other independent third parties before the Group decides to enter into the relevant procurement transactions with CNPC Group. In addition, before entering into the procurement transactions, the Group shall implement various measures (including on-site visits, sample tests and other quality control checks on the natural gas, refined oil products, chemical products and other related products, equipment, materials and other supplies to be supplied by the CNPC Group and the other independent third parties) to ensure such products, equipment, materials and other supplies meet the applicable national standards imposed by the PRC regulations and satisfy the Group's business needs.

Similarly, in respect of the provision of products and services by the Group, the sales teams of the Group are mainly responsible for comparing the terms and conditions (including the pricing terms, the quantity of the sales and the delivery requirements) offered by the Group to at least two other independent third parties before the Group decides to enter into the relevant product sales or service provision transactions with CNPC Group. The procurement and sales teams of the Group will not propose to enter into such transactions with the CNPC Group if the relevant terms are less favourable than those offered by independent third parties.

Unless the aforesaid procedures and requirements have been fulfilled and approved by the relevant departmental manager, no individual agreement will be entered into between the Group and the CNPC Group;

(ii) review, from time to time, the international oil prices and the terms offered by independent third parties to ensure the terms offered by the CNPC Group are no less favourable than those offered by the independent third parties. In particular, the sales team is responsible for monitoring the international oil prices, including the Brent and WTI benchmark prices, every ten days, before the Group decides to enter into the transaction with CNPC Group.

(iii) review, from time to time, the information of similar products, services or properties in the same regions or areas from various market reports, independent agents and/or terms applicable to the customers or tenants of the CNPC Group, including the independent third parties;

(iv) review, from time to time, the prices, deposit rates, loan rates and services charge fees quoted from the counterparties with the terms from other independent third parties to ensure that the most favourable terms are obtained, and the transactions will be reported to the head of the finance department of the Group for approval; and

(v) in respect of the financial services, further consider:

(a) for deposit services, the interest rate of the deposits available to the Group from the CNPC Group shall not be less than (i) the minimum interest rate prescribed by PBoC; and (ii) the interest rate available to the Group from other commercial banks;

(b) for loan services, the interest rate of the loans to be granted by the CNPC Group to the Group shall not be higher than (i) the maximum interest rate prescribed by the PBoC; and (ii) the interest rate charged against the Group by other commercial banks in respect of the same type of loans; and

(c) for entrustment services and other financial services which the CNPC Group may from time to time offer, the fee which CNPC Group will charge the Group for the further financial services (i) will comply with any requirements of PBoC and CBIRC in respect of the charges for the same type of financial services; and (ii) will not exceed the fees charged by other commercial banks to the Group or the fees charged by the CNPC Group to other members of the Group in respect of the same type of financial services.

The finance team is responsible for reviewing the prescribed rates published by the PBoC and CBIRC on a quarterly basis, and will generally obtain quotation, or compare the terms and conditions offered by, at least two other commercial banks before the Group decides to enter into the relevant financial service transactions with CNPC Group.

6. REASONS FOR AND BENEFITS OF THE PROPOSED CONTINUING CONNECTED TRANSACTIONS

The Company is an enterprise whose business operations primarily focus on investing in natural gas business as well as petroleum up-stream businesses that generate stable income. CNPC, on the other hand, is an enterprise whose business operations cover a broad spectrum of upstream and downstream activities, domestic marketing and international trade, technical services, and equipment manufacturing and supply. CNPC is a major producer and supplier of petrochemical products. CNPC is also involved in the provision of operational services and technical support in such areas as geophysical prospecting, well-drilling, logging, well-testing, downhole operations, oilfield surface facilities construction, pipeline construction, refining and petrochemical projects, and manufacturing and supply of petroleum equipment.

In view of the strengths and scope of CNPC's business activities and the strong favourable support that such Continuing Connected Transactions would bring to the Company's business activities, the Board considers it to be beneficial to the Company to continue carrying out the Continuing Connected Transactions with the CNPC Group as these transactions have facilitated and are expected to continue to facilitate the operation and growth of the Group's business. The Board also notes the long smooth cooperation history between the Company and CNPC in relation to such transactions.

In particular, by receiving financial services from the CNPC Group, the Group is able to receive highly efficient financial services both domestically and abroad as:

(i) CNPC Finance is the internal settlement, fund raising and financing and capital management platform of CNPC. CNPC provides deposit and other financial services to the Group through CNPC Finance and other financial institutions;

(ii) CNPC Finance lowered the costs of the Group through various mechanisms, such as providing more efficient internal settlement, and the loan process is convenient, timely and efficient. Furthermore, CNPC Finance utilizes its status as member of the China Foreign Exchange Trading Centre (中國外匯交易中心) to develop businesses in the settlement, sales and conversion of foreign currency, which saved the Group a considerable amount in foreign exchange costs; and

(iii) CNPC Finance is under the supervision of the CBIRC as a major domestic non-bank financial institution, and has achieved the regulatory requirements as determined by regulatory indicators over the years. As at the end of 2019, CNPC Finance has total assets of RMB490,453 million and achieved an income of RMB9,672 million and a net profit of RMB7,926 million, occupying a leading position among domestic counterparts.

Accordingly, the Company considers that due to familiarity with the business and operation of the Group, the service provided by CNPC Finance is generally no less favourable to the market level in terms of price and quality, and with high efficiency, more convenience and lower transaction costs. In particular, CNPC's undertaking to act as the payer of last resort for CNPC Finance provides better security of funds as compared to external banks.

Further, the Continuing Connected Transactions will be entered into and conducted in the ordinary and usual course of business on normal commercial terms that are fair and reasonable, and the Directors (including the independent non-executive Directors) are of the view that it is in the interests of the Company and the Shareholders as a whole to carry on the Continuing Connected Transactions. The Directors are of the view that the terms and conditions and the Proposed Annual Caps of the Non-Exempt Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

7. INFORMATION ON THE GROUP AND OTHER PARTIES

(a) Information on the Group

The Company is an investment holding company. The principal activities of its subsidiaries, associates and joint ventures are the sales of natural gas, LNG processing, LNG terminal and transmission of natural gas in the PRC, and the exploration and production of crude oil and natural gas in the PRC, the Republic of Kazakhstan, the Sultanate of Oman, the Republic of Peru, the Kingdom of Thailand and the Republic of Azerbaijan.

(b) Information on CNPC

CNPC is the controlling shareholder of the Company. CNPC is a petroleum and petrochemical conglomerate that was formed in the wake of the restructuring launched by the State Council to restructure the predecessor of CNPC, China National Petroleum Company* (中國石油天然氣集團公司). CNPC is also a state-authorised investment corporation and state-owned enterprise. CNPC is an integrated energy corporation with businesses covering oil and gas exploration and development, refining and petrochemical, oil product marketing, oil and gas storage and transportation, oil trading, engineering and technical services and petroleum equipment manufacturing.

(c) Information on PetroChina

PetroChina and its subsidiaries mainly engage in petroleum and natural gas-related activities, including (i) the exploration, development, production and sales of crude oil and natural gas; (ii) the refining, transportation, storage and marketing of crude oil and petroleum products; (iii) the production and sales of basic petrochemical products, derivative chemical products and other petrochemical products; and (iv) the transmission of natural gas, crude oil and refined oil, and the sales of natural gas.

8. LISTING RULES IMPLICATIONS

As at the date of this announcement, CNPC, the ultimate controlling shareholder of the Company, was deemed to be interested in 4,985,734,133 Shares, representing approximately 57.58% of the issued share capital of the Company. To the best of the Directors' knowledge, CNPC is entitled to control all voting rights in respect of its Shares as at the date of this announcement, and is a controlling shareholder and a connected person of the Company. Accordingly, the Continuing Connected Transactions under the Liaohe Contract, the Existing Master Agreement and the New Master Agreement constitute continuing connected transactions of the Company. As the applicable percentage ratios based on the Revised Annual Caps for the Relevant Categories of the Continuing Connected Transactions and the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions are greater than 5%, the Revised Annual Caps, the entering into of the New Master Agreement and the transactions contemplated thereunder, the Continuing Connected Transactions under Categories (a), (b), (c) and (d) and the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions for each of the three years ending 31 December 2023 are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements.

None of the Directors has a material interest in the Revised Annual Caps, entering into of the New Master Agreement and the transactions contemplated thereunder, the Continuing Connected Transactions and the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions. Accordingly, no Director was required to abstain from voting at the board meeting considering and approving the abovementioned matters.

Details of the Continuing Connected Transactions have been and will be included in the annual report and accounts of the Company in accordance with Rules 14A.71 and 14A.72 of the Listing Rules. In the event that the Liaohe Contract and/or the New Master Agreement are renewed or the terms thereof are materially varied, the Company will re-comply with the reporting, announcement and Independent Shareholders' approval pursuant to Rules 14A.35 to 14A.60 of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders, among other things, the Revised Annual Caps, the entering into of the New Master Agreement and the transactions contemplated thereunder, the Continuing Connected Transactions under Categories (a), (b), (c) and (d) and the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions for each of the three years ending 31 December 2023. First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

CNPC and its associates (including PetroChina) are required to abstain from voting on the resolutions in connection with the Revised Annual Caps, the entering into of the New Master Agreement and the transactions contemplated thereunder, the Continuing Connected Transactions under Categories (a), (b), (c) and (d) and the Proposed Annual Caps for each relevant type of the Non-Exempt Continuing Connected Transactions for each of the three years ending 31 December 2023.

9. SGM

The SGM will be held for the Independent Shareholders to consider, and if thought fit, to approve the ordinary resolutions regarding, among other things:

(i) the Revised Annual Caps for the Relevant Categories of the Continuing Connected Transactions;

(ii) the entering into of the New Master Agreement and the transactions contemplated thereunder;

(iii) the Continuing Connected Transactions under Categories (a), (b), (c) and (d); and

(iv) the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions.

A circular containing, among other things, (i) further details of the Revised Annual Caps, the New Master Agreement, the Continuing Connected Transactions and the Proposed Annual Caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from First Shanghai containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the SGM, will be despatched by the Company to the Shareholders on or before 9 October 2020.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beckbury"	Beckbury International Limited, a company incorporated with limited liability in the British Virgin Islands and a wholly-owned subsidiary of the Company
"Board"	the board of directors of the Company
"Category" or "Categories"	the categories of the Continuing Connected Transactions
"CBIRC"	the China Banking and Insurance Regulatory Commission(中國銀行保險監督管理委員會)
"CNPC"	China National Petroleum Corporation* (中國石油天然氣集團有限公司, formerly known as 中國石油天然氣集團公司), a state-owned enterprise established under the laws of the PRC
"CNPC Finance"	China Petroleum Finance Company Limited* (中油財務有限責任公司), owned as to 40% by CNPC, 32% by PetroChina and 28% by CNPC Capital Company Limited* (中國石油集團資本有限責任公司) as at the date of this announcement
"CNPC Group"	CNPC and its subsidiaries, but excluding members of the Group
"Company"	Kunlun Energy Company Limited, a company incorporated with limited liability in Bermuda and the shares of which are listed on the Stock Exchange
"connected person"	has the meaning ascribed to it under the Listing Rules
"Continuing Connected Transactions"	the continuing connected transactions which have been and will continue to be entered into between the Group and the CNPC Group, details of which are set out in this announcement
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"COVID-19"	the contagious respiratory illness caused by a newly identified coronavirus

"Director(s)"	director(s) of the Company
"Existing Annual Caps"	the existing maximum aggregate annual values of the Continuing Connected Transactions for each of the three years ending 31 December 2020 as set out in the announcement and circular of the Company dated 29 November 2017 and 1 December 2017, respectively, and proposed to be revised as set out in this announcement
"Existing Master Agreement"	the master agreement dated 29 November 2017 entered into between the Company and CNPC regarding the provision by the CNPC Group to the Group and by the Group to the CNPC Group, of a range of products and services from time to time, and shall expire on 31 December 2020
"GDP"	gross domestic product
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Board Committee"	the independent committee of the Board, comprising Dr. Liu Xiao Feng, Mr. Sun Patrick and Mr. Tsang Yok Sing Jasper, being all the independent non-executive Directors of the Company, established for the purpose of, among other things, advising the Independent Shareholders in respect of the Revised Annual Caps, the entering into of the New Master Agreement and the transactions contemplated thereunder, the Non-Exempt Continuing Connected Transactions and the relevant Proposed Annual Caps
"Independent Financial Adviser" or "First Shanghai"	First Shanghai Capital Limited, a licensed corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity as defined under the Securities and Futures Ordinance and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps, the entering into of the New Master Agreement and the transactions contemplated thereunder, the Non-Exempt Continuing Connected Transactions and the relevant Proposed Annual Caps
"Independent Shareholders"	the Shareholders other than CNPC and its associates (including PetroChina)

"Leng Jiapu Entrustment Contract"	the entrustment contract dated 21 March 1998 entered into between Beckbury and the CNPC Group concerning the operation of the Liaohe Contract, as amended or supplemented from time to time
"Leng Jiapu Oilfield"	the Leng Jiapu Oilfield in Liaohe, Liaoning Province, the PRC, part of which is being developed by the Group pursuant to the Liaohe Contract
"Liaohe Contract"	the Leng Jiapu Area Petroleum Contract dated 30 December 1997 entered into between CNPC and Beckbury, and where the context requires, includes the Leng Jiapu Entrustment Contract. All the rights and obligations (other than the supervisory functions related to CNPC's role as representative of the PRC Government) of CNPC under the Liaohe Contract were novated to PetroChina on 8 October 2001
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"NDRC"	National Development and Reform Commission of the PRC
"New Master Agreement"	the master agreement dated 11 September 2020 entered into between the Company and CNPC regarding the provision by the CNPC Group to the Group and by the Group to the CNPC Group, of a range of products and services from time to time, which shall come into effect on 1 January 2021 for a term of three years
"Non-Exempt Continuing Connected Transactions"	the Continuing Connected Transactions apart from the loan services under Category (b)(vii)(ii), as set out in the paragraph headed "5. Continuing Connected Transactions in 2021-2023" in this announcement
"Oil and Gas Products"	such crude oil, natural gas, refined oil products, chemical products and other ancillary or similar products provided by the CNPC Group to the Group from time to time under the new category of additional products and services set out in the supplemental agreement dated 25 March 2009 to the master agreement entered into between the Company and CNPC regarding certain former Continuing Connected Transactions, amending certain terms of, and renewing, such master agreement for the three years ended 31 December 2011
"PBoC"	the People's Bank of China

"PetroChina"	PetroChina Company Limited, a joint stock limited company incorporated in the PRC, which shares are listed on the Shanghai Stock Exchange and the Stock Exchange with American Depositary Receipts listed on the New York Stock Exchange. PetroChina is a non-wholly owned subsidiary of CNPC and the controlling shareholder of the Company holding approximately 54.38% of the total issued share capital of the Company as at the date of this announcement
"PRC"	the People's Republic of China, which, for the purposes of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Proposed Annual Caps"	the proposed respective annual caps for each category of the Non-Exempt Continuing Connected Transactions for each of the three years ending 31 December 2023
"Relevant Categories"	the relevant categories of the Continuing Connected Transactions the annual caps of which for the year ending 31 December 2020 are proposed to be revised
"Relevant Market Prices"	collectively, the Relevant Market Price (a), the Relevant Market Price (b), the Relevant Market Price (c) and the Relevant Market Price (d) in respect of the Continuing Connected Transactions as described in the paragraph headed "5. Continuing Connected Transactions in 2021-2023 – 5.1 Details of the Continuing Connected Transactions" in this announcement
"Retail Sales of Natural Gas Business Strategy"	the Group's business and development strategy regarding the expansion of its retail sales of natural gas business under a management policy of its controlling shareholder, PetroChina, in late 2018. Pursuant to such new strategy, PetroChina's wholesale and retail sales of natural gas businesses shall operate separately whereby PetroChina will undertake natural gas wholesale business whereas the retail sales business to the end-user markets will be operated by the Group, further details of which have been set out in the announcement of the Company dated 6 November 2018 and the paragraph headed "2. Background" in this announcement
"Revised Annual Caps"	the proposed respective revised annual caps for the Relevant Categories of Continuing Connected Transactions for the year ending 31 December 2020
"RMB"	Renminbi, the lawful currency of the PRC

"SGM"	a special general meeting of the Company proposed to be convened for the Independent Shareholders to consider and, if deemed appropriate, approve, among other things, the Revised Annual Caps, the entering into of the New Master Agreement and the transactions contemplated thereunder, the Continuing Connected Transactions under Categories (a), (b), (c) and (d), and the Proposed Annual Caps for each relevant type of the Non-Exempt Continuing Connected Transactions
"Shareholder(s)"	holder(s) of the Shares
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"%"	per cent.

Notes:

1. *For the purpose of this announcement, unless otherwise indicated, the exchange rate at RMB0.8816 = HK$1.00 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged.*

2. *If there is any discrepancy or inconsistency between the Chinese names of the PRC entities and their English translations in this announcement, the Chinese version shall prevail.*

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

Hong Kong, 11 September 2020

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. Zhou Yuanhong as Executive Director, Mr. Miao Yong 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.

* *For identification purpose only*