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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)

CONNECTED TRANSACTION ESTABLISHMENT OF PARTNERSHIP

ESTABLISHMENT OF PARTNERSHIP

The Board is pleased to announce that the Resolution on the Investment and Establishment of an Equity Investment Fund by a Wholly-owned Subsidiary of the Company — CNPC Shennan Oil Technology Development Co., Ltd. (《關於公司全資子公司海南中油深南石油技術開發有限公司投資設立股權投資基金的議案》) was approved on 12 April 2021, pursuant to which Hainan CNPC (a wholly-owned subsidiary of the Company, as a limited partner) entered into the Partnership Agreement with Guolian Fund (as a general partner), Sino-Reclamation Investment (as a limited partner) and Sichuan Huasheng (as a limited partner) in relation to the formation of the Partnership for the purpose of establishing the Fund to invest in Sichuan Huasheng, which is mainly engaged in natural gas end-user business and other energy businesses.

The aggregated scale of the Partnership is RMB5,020,000,000, of which RMB2,259,000,000, RMB5,020,000, RMB2,560,200,000 and RMB195,780,000 is contributed by Hainan CNPC, Guolian Fund, Sino-Reclamation Investment and Sichuan Huasheng, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CNPC, the ultimate controlling shareholder of the Company, is deemed to hold 4,985,734,133 Shares, accounting for approximately 57.58% of the Company's issued share capital. To the best of the Directors' knowledge, as at the date of this announcement, CNPC has control over all of the voting rights vested in the Shares held by it and is the controlling shareholder and connected person of the Company. Guolian Fund and Sichuan Huasheng, a general partner and a limited partner of the Partnership, respectively, are both related parties of CNPC, and therefore connected persons of the Company. As such, the transaction in respect of the Partnership Agreement will constitute a connected transaction for the Company as defined in Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the contribution to the establishment of the Partnership calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules exceeds 0.1% but is less than 5%, the establishment of the Partnership is subject to the reporting and announcement requirements, but exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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Salient Terms of the Partnership Agreement

The rights and obligations of each partner shall be governed by the Partnership Agreement, the salient terms of which are summarised as follows:

Name of the Partnership

Guolian Zhongrong (Chengdu) Equity Investment Fund (Limited Partnership) (國聯中蓉(成都)股權投資基金合夥企業(有限合夥))

Parties and Capital Contribution

Nature	Name	Payment	Capital contribution (RMB million)	Percentage
General partner, fund manager and executive partner	Guolian Fund	Cash	5.02	0.10%
Limited partner	Hainan CNPC	Cash	2,259.00	45.00%
Limited partner	Sino-Reclamation Investment	Cash	2,560.20	51.00%
Limited partner	Sichuan Huasheng	Cash	<u>195.78</u>	<u>3.90%</u>
		Total	<u>5,020.00</u>	<u>100.0%</u>

Term of Operation of the Partnership

The initial term of operation of the Partnership shall be five years which can be extended or terminated early by the partners at the partners' meeting, provided that the term shall be extended for a period of no less than five years each time.

Purpose of the Partnership

The Partnership is established to invest in Sichuan Huasheng, which is mainly engaged in natural gas end-user business and other energy businesses, by acquiring 51% of the net asset or equity of Sichuan Huasheng by way of public tender at the assets and equity exchange center, so as to acquire 51% equity interest of the company. The executive partner of the Fund shall perform its duty in a diligent manner to create lucrative return for all partners. The Fund has not entered into any agreement in respect of the public tender or the transactions contemplated thereunder, and the Fund may or may not succeed in its acquisition of 51% of the net asset or equity of Sichuan Huasheng by way of public tender.

Business Scope of the Partnership

The business scope of the Fund includes investment, investment management and asset management (as approved by the registration authorities).

Fund Management Fee

As consideration for the provision of management and other services to the Fund by Guolian Fund as the executive partner, Guolian Fund in its capacity as the executive partner is entitled to charge the Fund management fee. The management fee shall be provided for as at 31 December of every year during the term of the Partnership and on the termination date of the Partnership (the "Provision Date of Management Fee"), and

be charged to project investment income according to profit distribution of the invested target company and paid prior to the date on which the profit is distributed. The management fee payable by the Fund under the Partnership Agreement shall be:

Fund management fee = (fee base x management fee rate x days charged)/actual number of days of the year

Notes:

1. The fee base represents the paid-in capital contribution to the Fund under the Partnership Agreement; Should there be any change in the paid-in capital contribution, the fee base shall be aggregated according to different time slots during which the changes occurred
2. The management fee rate is 0.6% per annum
3. Days charged represents the number of days from (but excluding) the previous Provision Date of Management Fee to (including) the present Provision Date of Management Fee

Investment Decision Committee

The executive partner shall establish an investment decision committee with respect to the Fund's investment affairs which shall consist of five members, and Guolian Fund shall be entitled to nominate two members (one director and one member) and also three external expert members.

Profit Distribution

Profit from investment shall be distributed to all partners of the Fund according to the rule of principal before profit. The executive partner may distribute the excess profit as agreed in the Partnership Agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is determined to seize the development opportunities of the natural gas market in China, with an aim to promote full development of its natural gas end-user business. Through the entering into of the Partnership Agreement, the Group shall have access to the resources of all parties and investment experience of Guolian Fund. The Group's operations in the industry can be expanded through the investment in Sichuan Huasheng, which is mainly engaged in natural gas end-user business and other energy businesses, via the Fund. In addition, the Group could also benefit from the synergy among these investees, and gain the growth potential and financial return from the profit contributed by the Fund.

The terms of the Partnership Agreement were reached after arm's length negotiation among the parties. The Directors (including independent non-executive Directors) are of the opinion that this transaction is conducive to the development of the Group's business and in the interest of the Company and its Shareholders as a whole. There is no detriment to the interests of the Company and minority shareholders, nor impact on the Company's independence.

INFORMATION ON THE PARTIES

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, sales of liquefied petroleum gas and LNG processing and terminal business 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.

Hainan CNPC

Hainan CNPC, a wholly-owned subsidiary of the Company, is primarily engaged in the production and sale of gas.

Guolian Fund

Guolian Fund, a private equity investment fund management company incorporated in China in 2012, is primarily engaged in investments in energy industrial chain and is registered with the Asset Management Association of China. Guolian Fund is owned as to approximately 38.46% by Kunlun Trust Co., Ltd. and approximately 30.77% by each of Dinghui Equity Investment Management (Tianjin) Co., Ltd. and Shanghai Puxing Energy Limited. The ultimate beneficial owners of Kunlun Trust Co., Ltd. are CNPC and the State-Owned Assets Supervision Administration of Tianjin Economic-Technological Development Area, therefore Guolian Fund is a connected person of the Company. To the best knowledge, information and belief of the Directors of the Company having made reasonable enquiries, Dinghui Equity Investment Management (Tianjin) Co., Ltd. and Shanghai Puxing Energy Limited and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Sino-Reclamation Investment

Sino-Reclamation Investment is a limited liability company established in China on 8 December 2020, primarily engaged in investment advisory, investment consultation, venture capital investment advisory and other businesses. Sino-Reclamation Investment is wholly-owned by Sino-Reclamation Fund Group Limited (中墾基金集團有限公司). To the best knowledge, information and belief of the Directors of the Company having made reasonable enquiries, both Sino-Reclamation Investment and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Sichuan Huasheng

Sichuan Huasheng, formerly known as Sichuan Huasheng Oil Industry and Trading Development Co., Ltd. (四川華盛石油工貿實業開發總公司), was founded by the Labor Union of Sichuan Petroleum Administration Bureau (四川石油管理局工會) in 1993. Sichuan Huasheng and its subsidiaries currently serve as an integrated energy service company primarily engaged in the sales of natural gas, whose main business includes natural gas end-user business. It has established business presence in Sichuan and Chongqing and the surrounding areas. The supervisory authority of Sichuan Huasheng is Sichuan Petroleum Administration Co., Ltd. (四川石油管理局有限公司), whose ultimate beneficial owner is CNPC, thus Sichuan Huasheng is a connected person of the Company.

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None of the Directors has a material interest in the transaction contemplated under the Partnership Agreement. Accordingly, no Directors were required to abstain from voting at the board meeting considering and approving the abovementioned matters.

DEFINITIONS

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

“Board”	the board of directors of the Company
“CNPC”	China National Petroleum Corporation, the controlling shareholder of the Company and a joint stock company incorporated in the PRC with limited liability
“Company”	Kunlun Energy Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Guolian Fund”	Guolian Industrial Investment Fund Management (Beijing) Limited (國聯產業投資基金管理(北京)有限公司)
“Hainan CNPC”	CNPC Shennan Oil Technology Development Co., Ltd. (海南中油深南石油技術開發有限公司), a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Partnership” or “Fund”	Guolian Zhongrong (Chengdu) Equity Investment Fund (Limited Partnership) (國聯中蓉(成都)股權投資基金合夥企業(有限合夥))
“Partnership Agreement”	the Limited Partnership Agreement entered into among Guolian Fund, Hainan CNPC, Sino-Reclamation Investment and Sichuan Huasheng for the establishment of the Partnership

“PRC” or “China”	the People’s Republic of China (for the purposes of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company with par value of HK\$0.01 each
“Shareholder(s)”	the holder(s) of Share(s) of the Company
“Sichuan Huasheng”	Sichuan Huasheng Oil Industry Development Co., Ltd. (四川華盛石油實業開發總公司)
“Sino-Reclamation Investment”	Sino-Reclamation (Shenzhen) Investment Development Co., Ltd. (中壘(深圳)投資發展有限公司)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	percent

By order of the Board
Kunlun Energy Company Limited
Xie Mao
Company Secretary

Hong Kong, 13 April 2021

As at the date of this announcement, the Board comprises Mr. Fu Bin as the Chairman and executive Director, Mr. Qian Zhijia as 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.