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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)

VOLUNTARY ANNOUNCEMENT

DISPOSAL OF INTERESTS RELATING TO THE K&K OIL FIELDS

This announcement is made by the Company on a voluntary basis.

AGREEMENT

The Board announces that on 17 September 2021, the Vendors and the Purchaser entered into the Agreement in relation to the Disposal. The transaction in respect of the Agreement is subject to customary closing conditions, including approval from the State Oil Company of Azerbaijan Republic. Upon Completion, the Company and CNPC shall cease to hold any interests in the K&K Oil Fields, including the equity interest in the Target Company.

INFORMATION ON THE VENDORS

Vendor A is an indirect non-wholly owned subsidiary of CNPC (a controlling shareholder of the Company) and is therefore a connected person of the Company. Vendor A is primarily established to hold 25% interest in the K&K Oil Fields, including 25% of the equity interest of the Target Company.

Vendor B is a wholly-owned subsidiary of the Company and is primarily established to hold 25% interest in the K&K Oil Fields, including 25% of the equity interest of the Target Company. On the other hand, 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.

INFORMATION ON THE PURCHASER

The Purchaser is an oil and gas development and production company incorporated and registered in the Republic of Azerbaijan which is mainly engaged in the development of onshore and shallow water oil and gas projects.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

INFORMATION ON THE K&K OIL FIELDS AND THE TARGET COMPANY

The K&K Oil Fields are located in the Republic of Azerbaijan. The Target Company is established in the Cayman Islands which is the operating company of the K&K Oil Fields.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board is of the view that the Company's disposal of its overall interests in the K&K Oil Fields, which is part of the historic upstream business segment of the Group, may (i) assist the Group in better allocating and utilizing its resources to focus on the development of its natural gas end-user business; and (ii) enhance the Group's financial flexibility and resources to further expand its natural gas end-user business as there will be a cash inflow arising from the Disposal.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement, which have been reached after arm's length negotiations among the parties, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are below 5%, the Disposal is not a notifiable transaction under Chapter 14 of the Listing Rules.

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. As such, the Disposal will constitute a connected transaction for the Company as defined in Chapter 14A of the Listing Rules. As each of the applicable percentage ratios in respect of the Disposal is less than 0.1%, the Disposal under the Agreement falls within the de minimis threshold under Rule 14A.76(1)(a) of the Listing Rules and is fully exempt from

the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. This announcement is made by the Company on a voluntary basis.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement entered into between the Vendors and the Purchaser on 17 September 2021 in relation to the Disposal;
“Board”	the board of Directors;
“CNPC”	中國石油天然氣集團有限公司 (China National Petroleum Corporation*), a state-owned enterprise established under the laws of the PRC;
“Company”	Kunlun Energy Company Limited, a company incorporated with limited liability in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	the completion of the Disposal as contemplated under the Agreement;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal”	the proposed disposal of 50% interest in the K&K Oil Fields, including 50% of the equity interest of the Target Company from the Vendors to the Purchaser;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“K&K Oil Fields”	The Kursangi and Karabagli Oil Fields located in the Republic of Azerbaijan;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	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);

“Purchaser”	GL Investment LLC, a company incorporated and registered in the Republic of Azerbaijan;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Salyan Oil Limited, a company incorporated in the Cayman Islands which is held as to 25.0%, 25.0% and 50.0% by Vendor A, Vendor B and the State Oil Company of Azerbaijan Republic immediately prior to Completion;
“Vendor A”	CNPC International (Kura) Ltd., an indirect non-wholly owned subsidiary of CNPC;
“Vendor B”	Fortunemate Assets Limited, a wholly-owned subsidiary of the Company;
“Vendors”	Vendor A and Vendor B;
“%”	per cent.

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

Hong Kong, 17 September 2021

As at the date of this announcement, the Board of the Company 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.