KUNLUN ENERGY COMPANY LIMITED
(incorporated in Bermuda with limited liability)
昆 侖 能 源 有 限 公 司

(Stock Code: 00135.HK)

NEW MASTER AGREEMENT AND THE CONTINUING CONNECTED TRANSACTIONS IN 2024-2026

INTRODUCTION

The Group and CNPC entered into, among other things, the Existing Master Agreement in 2020. 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 technology services, production services, logistics supply, financial services, property leasing services and entrustment management services.

In view of the anticipated expiry of the Existing Master Agreement on 31 December 2023, on 14 September 2023, 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 2026. 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; (ii) the Non-Exempt Continuing Connected Transactions; and (iii) the Proposed Annual Caps for each of the three years ending 31 December 2026.

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 New Master Agreement constitute continuing connected transactions of the Company. As the applicable percentage ratios based on the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions are greater than 5%, the entering into of the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps for each of the three years ending 31 December 2026 are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements.

None of the Directors has a material interest in the entering into of the New Master Agreement and the transactions contemplated thereunder, the Continuing Connected Transactions and the Proposed Annual Caps. Accordingly, no Director was required to abstain from voting at the board meeting considering and approving the abovementioned matters. However, as Mr. Fu Bin is a supervisor of PetroChina, he voluntarily abstained 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 New Master Agreement is 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 entering into of the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps for each of the three years ending 31 December 2026. VBG Capital 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 resolution in connection with the entering into of the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps for each of the three years ending 31 December 2026.

SGM

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

(i) the entering into of the New Master Agreement;

(ii) the Non-Exempt Continuing Connected Transactions; and

(iii) the Proposed Annual Caps.

A circular containing, among other things, (i) further details of the New Master Agreement, the Non-Exempt 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 VBG Capital 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 6 October 2023.

1. INTRODUCTION

The Group and CNPC entered into, among other things, the Existing Master Agreement in 2020. 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 technology services, production services, logistics supply, financial services, property leasing services and entrustment management services.

In view of the anticipated expiry of the Existing Master Agreement on 31 December 2023, on 14 September 2023, 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 2026. 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; (ii) the Non-Exempt Continuing Connected Transactions; and (iii) the Proposed Annual Caps for each of the three years ending 31 December 2026.

2. BACKGROUND

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

The market conditions and trend of natural gas and the Group's development plan in the next three years

The potential for development of the industry will be further unlocked. The economy in the PRC is experiencing wave-like development and tortuous progress, and the fundamentals of long-term improvement have not changed. With the continuous efforts of macro policies, the potential for development of the industry will be further unlocked under the joint promotion of industrial policies such as special rectification of urban gas safety, the integration of "one enterprise for one city" for urban gas and linkage of natural gas prices.

Under the dual carbon vision, the natural gas consumption in the PRC will continue to grow rapidly in the next 10 to 15 years. Carbon neutrality will accelerate the revolutionary reshaping of the energy system in the PRC pursuant to the basic law of world energy evolution. With the target of carbon neutrality, the proportion of non-fossil energy will increase from 16% at present to more than 80% in 2060. As a long-term partner of renewable energy, natural gas will help solve the intermittent and volatile issues of new energy. It is expected that demand for natural gas consumption will continue to grow rapidly in the next 10 to 15 years, and will enter a stagnant phase of peak from 2035 to 2040, with a peak level of 620 to 650 billion m^3.

Fully leverage on the core advantages to enhance the core competitiveness. As low-carbon clean energy, natural gas plays a key supporting role in the process of energy system transformation, upgrading and iterative evolution and it is still a strategic opportunity to consolidate the natural gas business for a period of time in the future. The Group will firmly grasp the opportunity "window", continue to focus on the high-quality development of natural gas business, and continuously optimize the business structure and layout, thus improving the operating level and the profitability capability of the core business. The Group will expand and refine the gas business, deepen the development of users in the operating areas of existing urban gas projects, and vigorously promote the sales expansion and efficiency enhancement of the stock market; deepen joint venture cooperation with local gas enterprises, focus on breaking through cooperation with major companies, major cities and large projects, seize the opportunity of "one enterprise for one city", and integrate regional end-user market; coordinate the development of the liquefied national gas ("**LNG**") industrial chain, fully leverage on the advantages of integration to effectively develop the natural gas utilization business in the transportation field, build an industrial chain based on LNG terminals and factories, supported by internal and external terminal filling stations, and build a liquid sales radiation network based on vehicle and ship customers, strive to enhance the profitability capability, and build a liquid industrial chain as a new profit growth point. The Group will optimize the layout of LNG terminals, accelerate the construction of terminals in the Yangtze River Delta and southeast coastal areas and other regions at the far end of pipeline supply, complete the expansion of the third phase of LNG terminals in Jiangsu and construction of a new LNG terminal in Fujian, scientifically allocate LNG resources, and improve the operating efficiency of the terminals. The Group will accelerate the construction of supporting branch lines, fully leverage on the role of branch lines in "expanding the market and driving the end-user market", coordinate the potential for development, market competition and conditions of pipeline network, and focus on promoting the construction of branch lines in major areas in combination with the needs of end-user business planning. The Group will also actively develop conventional new energy business, deepen strategic cooperation with power enterprises and power grid enterprises, strengthen internal coordination, fully promote the acquisition of installed capacity indicators for new energy projects, and accelerate the construction of clean alternative projects such as distributed photovoltaic and differential pressure power generation. The Group will lead the trend of the industry by accelerating the cultivation of new business forms, piloting research on multi-energy supply such as wind, solar, gas, hydrogen and geothermal and energy storage in large energy-using units such as trade pilot areas, industrial parks, centralized buildings, and precise coupling with needs such as cooling, heat, electricity and heating at the user end, improving energy efficiency, and reserving cutting-edge technologies.

3. THE NEW MASTER AGREEMENT

The Company and CNPC entered into the New Master Agreement on 14 September 2023 for the purpose of renewing the Continuing Connected Transactions for the three years ending 31 December 2026. The principal terms of the New Master Agreement are set out below:

Date:	14 September 2023
Parties:	(1) The Company
	(2) CNPC
Duration:	Three years commencing from 1 January 2024 to 31 December 2026. 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 technology services, production services, logistics supply, financial services, property leasing services and entrustment management services from time to time, which shall expire on 31 December 2026.

Further, if the term of an individual implementation agreement extends beyond 31 December 2026 (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; (ii) the Non-Exempt Continuing Connected Transactions; and (iii) the Proposed Annual Caps for each of the three years ending 31 December 2026, and shall become effective on 1 January 2024 and expire on 31 December 2026.

4. CONTINUING CONNECTED TRANSACTIONS IN 2024-2026

The Group and CNPC entered into, among other things, the Existing Master Agreement in 2020. 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 technology services, production services, logistics supply, financial services, property leasing services and entrustment management services. The Existing Master Agreement will expire on 31 December 2023.

In view of the anticipated expiry of the Existing Master Agreement on 31 December 2023, the Company announced that on 14 September 2023 that it 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 2026. Pursuant to the New Master Agreement, 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 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 technology services

    (ii) Production services

    (iii) Logistics supply

(iv) Living support services

(v) Social services

(vi) Financial services (including (i) Deposit Services, (ii) Loan, and (iii) Others);

(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 supply

(iii) Property leasing services

(iv) Entrustment management services.

Financial Services

As all of the percentage ratios applicable to each Category of the financial services including Category (b)(vi)(i) Deposit Services, (b)(vi)(ii) Loan and (b)(vi)(iii) Others to be provided by the CNPC Group to the Group are less than 5%, such financial services are exempted from the Independent Shareholders' approval requirement but are subject to the reporting and announcement requirements.

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 for the financial services under Category (b)(vi) to be provided by the CNPC Group to the Group, the other Continuing Connected Transactions contemplated under 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 2026 are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements.

4.1 Details of the Continuing Connected Transaction

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

4.1.1 Categories of Continuing Connected Transactions

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

(A) 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.

(B) Pricing Policy

The pricing for such general products (other than crude oil) 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: 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) 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 technology services, including geophysical prospecting, drilling, well cementing, mud logging, logging, oil testing, downhole operations, oilfield construction (including construction and installation), refinery construction (including construction and installation), engineering and design, project management and supervision, equipment repairing and maintenance, equipment antiseptic testing and research, technical services (such as patent, know-how and computer software relating to the captioned services), information services, public engineering (such as oil regions, factory roads, municipal facilities, civil construction and public facilities), risk operation services and other related or similar products or services.

(ii) Production services, including water supply, electricity supply, gas supply, heat supply, communications, fire protection, security, books information, partial filing storage, asset leasing, environmental sanitation in factory and mining areas, mechanical maintenance, machining, transportation, road maintenance and other related or similar products or services.

(iii) Logistics supply, including procurement agency, quality inspection, storage, delivery and other related or similar products or services.

(iv) Living support services, including property management, training centers, guest houses, staff canteens, bath management and other related or similar services.

(v) Social services, including community security services, hospitals, childcare services, cultural promotion (including TV stations, radio stations and newspapers), public transport, municipal facilities (including roads, cities and mining greening), retirement management, re-employment service center, integrated services and other related or similar services.

(vi) Financial services, including RMB and foreign exchange deposit and loan business, interest expenses and income, guarantee, and other financial services that CNPC engaged in through its subordinate CNPC Finance and other financial institutions according to relevant requirements.

(B) 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)(vi), 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 NAFR 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) 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 natural gas, LNG, compressed natural gas, liquefied petroleum gas, refined oil products, chemical products, other integrated energy 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.

(B) Pricing Policy

The pricing for such general products 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).

(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 including natural gas pipeline transmission services, LNG processing, LNG uploading, gasification, storage and entrucking and other services, data management and filing services, asset leasing, environmental sanitation in factory and mining areas, install, repair and upgrade of equipment, transportation, maintenance of access roads and other related or similar services;

(ii) logistics supply 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.

4.1.2 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 "4. Continuing Connected Transactions in 2024-2026 – 4.3 Measures of Internal Control" in this announcement.

4.1.3 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 provide products and services of quality pursuant to the requirements of New Master Agreement and the detailed supply plans in accordance with the demand of such products and services of the other party.

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 of the Company.

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.

4.2 Existing Annual Caps, Historical Amounts and Proposed Annual Caps

4.2.1 Background

The announcement and circular of the Company dated 11 September 2020 and 5 October 2020, respectively, set out the Existing Annual Caps for each category of the Continuing Connected Transactions for each of the three years ending 31 December 2023, which were approved (where required) by the Independent Shareholders at the special general meeting of the Company held on 27 October 2020. The Existing Annual Caps for the Continuing Connected Transactions will expire on 31 December 2023. 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 2026; and (ii) to seek the approval of the Independent Shareholders at the SGM on the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps for each of the three years ending 31 December 2026.

The table below sets out the Existing Annual Caps, the historical amounts for the two years ended 31 December 2022 and the six months ended 30 June 2023 for each category of the Continuing Connected Transactions and the Proposed Annual Caps for the three years ending 31 December 2026:

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	2021: RMB97,639 million 2022: RMB117,757 million 2023: RMB141,641 million	2021: RMB73,193 million 2022: RMB109,667 million Six months ended 30 June 2023: RMB58,993 million	2024: RMB172,726 million 2025: RMB215,045 million 2026: RMB265,360 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, with reference to the historical and expected level of products charges paid by the Group to the CNPC Group under the Existing Master Agreement and the New Master Agreement, the relevant pricing policy, the Relevant Market Price (a), positive macro policies have been implemented in the PRC to expand domestic demand, promote infrastructure construction, accelerate the construction of modern industrial systems in fields such as new energy and promote the green transformation of development mode, thus maintaining the economic growth in a reasonable range. The demand in the domestic natural gas market will further increase as the domestic demand for natural gas will continue to recover. With the steady recovery of the economy and the acceleration of the low-carbon transformation, the demand for natural gas will maintain steady growth in the last two years of the "14th Five-Year Plan". And the steps taken by the Company recently to expand its market share will give full play to the strengths of natural gas industrial chain integration and complete infrastructure features. The Group will continue to work diligently and pursue further business development in existing market areas to enhance natural gas utilisation rate, improve the cooperation and efficient development of the urban gas integrated market, accelerate the connection of industrial and commercial users, enlarge the scale of integrated energy business, comprehensively improve the customer service capabilities and deeply implement the "advanced version" of quality and efficiency, thus promoting the growth in both sales volume and efficiency of natural gas. Thereby it is expected that the Group will grow and its 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	2021: RMB14,290 million 2022: RMB15,237 million 2023: RMB16,466 million	2021: RMB4,670 million 2022: RMB4,580 million Six months ended 30 June 2023: RMB2,005 million	2024: RMB11,932 million 2025: RMB14,534 million 2026: RMB14,972 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, with reference to the historical and expected level of services charges paid 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 (b), positive macro policies have been implemented in the PRC to expand domestic demand, promote infrastructure construction, accelerate the construction of modern industrial systems in fields such as new energy and promote the green transformation of development mode, thus maintaining the economic growth in a reasonable range. The demand in the domestic natural gas market will further increase as the domestic demand for natural gas will continue to recover. With the steady recovery of the economy and the acceleration of the low-carbon transformation, the demand for natural gas will maintain steady growth in the last two years of the "14th Five-Year Plan". And the steps taken by the Company recently to expand its market share will give full play to the strengths of natural gas industrial chain integration and complete infrastructure features. The Group will continue to work diligently and pursue further business development in existing market areas to enhance natural gas utilisation rate, improve the cooperation and efficient development of the urban gas integrated market, accelerate the connection of industrial and commercial users, enlarge the scale of integrated energy business, comprehensively improve the customer service capabilities and deeply implement the "advanced version" of quality and efficiency, thus promoting the growth in both sales volume and efficiency of natural gas. For instance, the construction and development of the construction project of LNG Terminal in Fujian* (福建 LNG 接收站項目) and new energy and integrated energy projects, as well as other potential 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 technology services, financial services, data management services, storage space and logistics supply, 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)(vi)(i) Deposit services Note 3	2021: RMB2,828 million 2022: RMB3,219 million 2023: RMB3,610 million	2021: RMB1,803 million 2022: RMB2,440 million Six months ended 30 June 2023: RMB1,502 million	2024: RMB2,403 million 2025: RMB2,403 million 2026: RMB2,403 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, 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.
(b)(vi)(ii) Loan Note 4	2021: RMB1,100 million 2022: RMB1,200 million 2023: RMB1,300 million	2021: RMB373 million 2022: RMB240 million Six months ended 30 June 2023: RMB183 million	2024: RMB350 million 2025: RMB370 million 2026: RMB390 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, with reference to the historical 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)(vi)(iii) Others Note 5	2021: RMB16 million 2022: RMB16 million 2023: RMB16 million	2021: nil 2022: nil Six months ended 30 June 2023: nil	2024: RMB82 million 2025: RMB93 million 2026: RMB105 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, 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	2021: RMB8,891 million 2022: RMB9,494 million 2023: RMB10,296 million	2021: RMB4,447 million 2022: RMB4,572 million Six months ended 30 June 2023: RMB2,234 million	2024: RMB10,399 million 2025: RMB12,496 million 2026: RMB14,900 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 Existing Master Agreement and the New Master Agreement, the relevant pricing policy, the Relevant Market Price (c), positive macro policies have been implemented in the PRC to expand domestic demand, promote infrastructure construction, accelerate the construction of modern industrial systems in fields such as new energy and promote the green transformation of development mode, thus maintaining the economic growth in a reasonable range. The demand in the domestic natural gas market will further increase as the domestic demand for natural gas will continue to recover. With the steady recovery of the economy and the acceleration of the low-carbon transformation, the demand for natural gas will maintain steady growth in the last two years of the "14th Five-Year Plan". And the steps taken by the Company recently to expand its market share will give full play to the strengths of natural gas industrial chain integration and complete infrastructure features. The Group will continue to work diligently and pursue further business development in existing market areas to enhance natural gas utilisation rate, improve the cooperation and efficient development of the urban gas integrated market, accelerate the connection of industrial and commercial users, enlarge the scale of integrated energy business, comprehensively improve the customer service capabilities and deeply implement the "advanced version" of quality and efficiency, thus promoting the growth in both sales volume and efficiency of natural gas. The wider geographical coverage of the Group's business and implementation of focusing its core business on natural gas sales, the Group has expanded its natural gas downstream capabilities and it is expected that the supply of products (such as urban 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	2021: RMB18,975 million 2022: RMB19,385 million 2023: RMB19,763 million	2021: RMB6,891 million 2022: RMB4,478 million Six months ended 30 June 2023: RMB2,032 million	2024: RMB9,644 million 2025: RMB11,524 million 2026: RMB13,645 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, 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 LNG terminals and LNG processing plants will increase.

Notes:

1. The historical amounts for the two years ended 31 December 2022 represent audited figures extracted from the 2021 annual report and 2022 annual report of the Company. The historical amounts for the six months ended 30 June 2023 represent unaudited figures extracted from the management accounts of the Company.

2. The differences between the Existing Annual Caps, 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 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).

4. 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.

5. 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 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.

4.3 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 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 the 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 the 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 the 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;

(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;

(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 NAFR 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; and

(d) The finance team is responsible for reviewing the prescribed rates published by the PBoC and NAFR 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.

(vi) the Company will impose control on the actual transaction amount of the Continuing Connected Transactions and focus on controlling the individual amount of each Category of Continuing Connected Transactions;

(vii) the Company's audit department shall regularly conduct internal assessments on the internal control measures every year to ensure that the internal control measures in respect of connected transactions remain complete and effective;

(viii) the independent non-executive Directors shall conduct annual review on the Continuing Connected Transactions and provide annual confirmations in the annual reports of the Company on whether the Continuing Connected Transactions are conducted (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; (iii) according to the relevant agreements the terms of which are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and

(ix) The external auditors of the Company shall report on the Continuing Connected Transactions every year and issue a letter to the Board in respect of the Continuing Connected Transactions in accordance with the Listing Rules.

5. 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, drilling, well cementing, mud logging, logging, oil 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 NAFR as a major domestic non-bank financial institution, and has achieved the regulatory requirements as determined by regulatory indicators over the years. As at 30 June 2023, the cash on hand and at the People's Bank of China of CNPC Finance was approximately RMB11.40 billion and the lending to banks and other financial institutions of CNPC Finance was approximately RMB236.28 billion, the total assets of CNPC Finance was approximately RMB632.64 billion. For the six months ended 30 June 2023, CNPC Finance achieved a revenue of approximately RMB4.74 billion, a net interest income of approximately RMB3.35 billion, a profit of approximately RMB3.48 billion and a net profit after tax of approximately RMB3.03 billion, which is in 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 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. 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, 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 and the Kingdom of Thailand.

(b) Information on CNPC

CNPC is the controlling shareholder of the Company. CNPC is a super large 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* (中國石油天然氣總公司). CNPC is also a state-authorised investment corporation and state-owned enterprise. CNPC is an integrated energy corporation with businesses covering domestic and foreign exploration and development of oil, gas and new energy, marketing of refining, petrochemical and new materials, maintenance and service, capital and finance.

(c) Information on PetroChina

PetroChina and its subsidiaries principally engages in, among other things, the exploration, development, transmission, production and sales of crude oil and natural gas, and new energy business; the refining of crude oil and petroleum products; the production and sales of basic and derivative chemical products and other chemical products, and new material business; the marketing and trading business of refined products and non-oil products, and the transportation and sales of natural gas.

7. 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 New Master Agreement constitute continuing connected transactions of the Company. As the applicable percentage ratios based on the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions are greater than 5%, the entering into of the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps for each of the three years ending 31 December 2026 are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements.

None of the Directors has a material interest in the entering into of the New Master Agreement and the transactions contemplated thereunder, the Continuing Connected Transactions and the Proposed Annual Caps. Accordingly, no Director was required to abstain from voting at the board meeting considering and approving the abovementioned matters. However, as Mr. Fu Bin is a supervisor of PetroChina, he voluntarily abstained 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 New Master Agreement is 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 entering into of the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps for each of the three years ending 31 December 2026. VBG Capital 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 resolution in connection with the entering into of the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps for each of the three years ending 31 December 2026.

8. SGM

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

(i) the entering into of the New Master Agreement;

(ii) the Non-Exempt Continuing Connected Transactions; and

(iii) the Proposed Annual Caps.

A circular containing, among other things, (i) further details of the New Master Agreement, the Non-Exempt 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 VBG Capital 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 6 October 2023.

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
"Board"	the board of directors of the Company
"Category" or "Categories"	the categories of the Continuing Connected Transactions
"CNPC"	China National Petroleum Corporation* (中國石油天然氣集團有限公司, formerly known as China National Petroleum Company* (中國石油天然氣總公司)), 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* (中國石油集團資本股份有限公司) 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
"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 2023 as set out in the announcement and circular of the Company dated 11 September 2020 and 5 October 2020, respectively, and proposed to be revised as set out in this announcement
"Existing 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, and shall expire on 31 December 2023
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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 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 "VBG Capital"	VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the entering into of the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps

"Independent Shareholders"	the Shareholders other than CNPC and its associates (including PetroChina)
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"NAFR"	National Administration of Financial Regulation of PRC
"NDRC"	National Development and Reform Commission of the PRC
"New Master Agreement"	the master agreement dated 14 September 2023 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 2024 for a term of three years
"Non-Exempt Continuing Connected Transactions"	the Continuing Connected Transactions apart from the financial services under Category (b)(vi), as set out in the paragraph headed "4. Continuing Connected Transactions in 2024-2026" 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 Master Agreement
"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. 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, the Macau Special Administrative Region 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 2026
"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 "4. Continuing Connected Transactions in 2024-2026 – 4.1 Details of the Continuing Connected Transactions" in this announcement
"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 entering into of the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps
"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 RMB0.9181 = 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
Fu Bin
Chairman

Hong Kong, 14 September 2023

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

* *For identification purpose only*