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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

TRANSFER OF EQUITY INTERESTS IN THE TARGET SUBSIDIARIES

SALE AND PURCHASE AGREEMENTS

The Board is pleased to announce that on 28 June 2024, each of the Vendor Subsidiaries and PetroChina entered into the Sale and Purchase Agreements, pursuant to which, each of the Vendor Subsidiaries has agreed to sell and PetroChina has agreed to purchase the equity interests in the Target Subsidiaries, namely 60% equity interests in Zhejiang Xinjie, 60% equity interests in Kunlun Yongchang, and 51% equity interests in Gangkou Energy held by the Vendor Subsidiaries namely, Xinjiang Xinjie, SD Kunlun, PetroChina Kunlun, respectively, at a consideration of RMB19,023,960 (subject to adjustments as detailed in the section headed “**(1) The Zhejiang Xinjie SPA**” in this announcement), RMB33,944,700, and RMB24,774,627, respectively. Upon completion of the Disposals, the Vendor Subsidiaries will no longer hold any equity interests in the Target Subsidiaries and the Target Subsidiaries will cease to be subsidiaries of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSALS

The Board is of the view that the Disposals will enable the Group to better allocate and utilize its resources to focus on its principal activities of distribution and sales of LPG and urban gas, with a target to enhance the Group’s market share and business efficiency. Therefore, the Board is of the view that the Disposals will benefit the Company and the Shareholders as a whole.

IMPLICATIONS OF LISTING RULES

As at the date of this announcement, PetroChina Hong Kong holds 4,708,302,133 Shares of the Company, representing 54.38% of the issued share capital of the Company. PetroChina Hong Kong is in turn wholly owned by PetroChina. Thus, PetroChina is the controlling Shareholder and a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Disposals contemplated under the Sale and Purchase Agreements constitute connected transactions under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all entered into or completed within a 12-month period or are otherwise related. PetroChina is the purchaser for all Sale and Purchase Agreements entered into by the Vendor Subsidiaries respectively, and the Disposals under each of the Sale and Purchase Agreements are of the same nature, therefore they shall be aggregated. As the highest applicable percentage ratio of the Disposals exceeds 0.1% but is less than 5%, the Disposals are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempted from the independent Shareholders' approval requirement.

The Sale and Purchase Agreements have been approved by the Board. As at the date of this announcement, none of the Directors has any material interest in the Disposals. As such, none of the Directors is required to abstain from voting at the Board meeting approving the Sale and Purchase Agreements and the Disposals contemplated thereunder.

INTRODUCTION

The Board is pleased to announce that on 28 June 2024, each of the Vendor Subsidiaries entered into the following agreements with PetroChina in respect of the Disposals:

1. the sale and purchase agreement between PetroChina and Xinjiang Xinjie, pursuant to which, Xinjiang Xinjie has agreed to sell and PetroChina has agreed to purchase the 60% equity interests in Zhejiang Xinjie held by Xinjiang Xinjie at an initial consideration of RMB19,023,960 (the “**Initial Consideration**”) (subject to adjustments as detailed in the section headed “**(1) The Zhejiang Xinjie SPA**” in this announcement) (the “**Zhejiang Xinjie SPA**”);
2. the sale and purchase agreement between PetroChina and SD Kunlun, pursuant to which, SD Kunlun has agreed to sell and PetroChina has agreed to purchase the 60% equity interests in Kunlun Yongchang held by SD Kunlun at a consideration of RMB33,944,700 (the “**Kunlun Yongchang SPA**”); and
3. the sale and purchase agreement between PetroChina and PetroChina Kunlun, pursuant to which, PetroChina Kunlun has agreed to sell and PetroChina has agreed to purchase the 51% equity interests in Gangkou Energy held by PetroChina Kunlun at a consideration of RMB24,774,627 (the “**Gangkou Energy SPA**”).

Upon completion of the Disposals, the Vendor Subsidiaries will no longer hold any equity interests in the Target Subsidiaries and the Target Subsidiaries will cease to be subsidiaries of the Company.

The principal business of the Target Subsidiaries is as below:

Zhejiang Xinjie is principally engaged in investments in gas station business.

Kunlun Yongchang is principally engaged in gas station operation business.

Gangkou Energy is principally engaged in gas station operation business.

The major terms of the Sale and Purchase Agreements are set out below:

(1) THE ZHEJIANG XINJIE SPA

1. Date

28 June 2024

2. Parties

- (a) Purchaser: PetroChina
- (b) Vendor: Xinjiang Xinjie
- (c) Disposal target: Zhejiang Xinjie

3. Initial Consideration and Basis of Determination

The Initial Consideration payable by PetroChina to Xinjiang Xinjie is RMB19,023,960, which was determined upon arm's length basis between PetroChina and Xinjiang Xinjie, taking into account the audited net asset value of Zhejiang Xinjie as at 30 June 2023.

The Initial Consideration is subject to further adjustment by (i) 60% of the difference between the net asset value of Zhejiang Xinjie as at 30 June 2023 and that as at the date of the Zhejiang Xinjie Completion (as defined below) (the “**Adjusted Portion**”), and (ii) deducting certain operational costs of Zhejiang Xinjie agreed to be borne by Xinjiang Xinjie (the “**Deduction Portion**”). Upon the foregoing adjustments, the final consideration payable by PetroChina shall be no less than 90% of the Initial Consideration, and no more than 110% of the Initial Consideration.

4. Payment of Consideration

The consideration will be settled by PetroChina in cash in the following schedule:

- (a) 30% of the Initial Consideration will be payable within 30 business days after signing the Zhejiang Xinjie SPA;
- (b) 40% of the Initial Consideration, after adjustment according to the Adjusted Portion will be payable upon the Zhejiang Xinjie Completion (as defined below); and
- (c) the remaining 30% of the Initial Consideration, minus the Deduction Portion, will be payable within 30 days after the second anniversary of the Zhejiang Xinjie Completion (as defined below).

5. Conditions Precedent

The completion of the disposal of Zhejiang Xinjie to PetroChina (the “**Zhejiang Xinjie Completion**”) is conditional upon the fulfilment of certain conditions precedents within 30 days of signing of the Zhejiang Xinjie SPA, which include, among others:

- (a) the representations and warranties given by Xinjiang Xinjie and Zhejiang Xinjie under the Zhejiang Xinjie SPA remaining true, accurate and not misleading;
- (b) there being no breach of the Zhejiang Xinjie SPA by Xinjiang Xinjie and Zhejiang Xinjie;
- (c) any pending action, arbitration, claim or investigation against Zhejiang Xinjie shall be disclosed and the liabilities from the foregoing being clearly delineated between PetroChina and Xinjiang Xinjie; and
- (d) there being no outstanding tax or tax penalties payable by Zhejiang Xinjie nor violation of national tax laws and regulations of PRC by Zhejiang Xinjie.

6. Completion

The Zhejiang Xinjie Completion will take place upon fulfilment of the conditions precedent in accordance with the Zhejiang Xinjie SPA.

Upon the Zhejiang Xinjie Completion, Xinjiang Xinjie will not hold any equity interests in Zhejiang Xinjie and Zhejiang Xinjie will cease to be a subsidiary of the Company.

(2) THE KUNLUN YONGCHANG SPA

1. Date

28 June 2024

2. Parties

- (a) Purchaser: PetroChina
- (b) Vendor: SD Kunlun
- (c) Disposal target: Kunlun Yongchang

3. Consideration and Basis of Determination

The consideration payable by PetroChina to SD Kunlun is RMB33,944,700, which was determined upon arm’s length basis between PetroChina and SD Kunlun, taking into account the audited net asset value of Kunlun Yongchang as at 31 August 2023.

4. Payment of Consideration

The consideration will be settled by PetroChina in cash as a one-off payment within 60 days after the Kunlun Yongchang Completion (as defined below).

5. Conditions Precedent

The completion of the disposal of Kunlun Yongchang to PetroChina (the “**Kunlun Yongchang Completion**”) is conditional upon the fulfilment of certain conditions precedents, which include, among others:

- (a) the completion of the filing with the local market regulation departments in the PRC regarding the disposal of Kunlun Yongchang;
- (b) Kunlun Yongchang cancelling the capital contribution certificate issued to SD Kunlun and issuing the same to PetroChina; and
- (c) Kunlun Yongchang and SD Kunlun informing PetroChina of all information which might affect the ownership of PetroChina upon the Kunlun Yongchang Completion, and handing over documents as required under the Kunlun Yongchang SPA to PetroChina, including but not limited to the business license, company seals, account books and minutes of board and shareholders’ meetings.

6. Completion

The Kunlun Yongchang Completion will take place on the date of fulfilment of the conditions precedent.

Upon the Kunlun Yongchang Completion, SD Kunlun will not hold any equity interests in Kunlun Yongchang and Kunlun Yongchang will cease to be a subsidiary of the Company.

(3) THE GANGKOU ENERGY SPA

1. Date

28 June 2024

2. Parties

- (a) Purchaser: PetroChina
- (b) Vendor: PetroChina Kunlun
- (c) Disposal target: Gangkou Energy

3. Consideration and Basis of Determination

The consideration payable by PetroChina to PetroChina Kunlun is RMB24,774,627, which was determined upon arm's length basis between PetroChina and PetroChina Kunlun, taking into account the audited net asset value of Gangkou Energy as at 31 August 2023.

4. Payment of Consideration

The consideration will be settled by PetroChina in cash as a one-off payment within 60 days after the Gangkou Energy Completion (as defined below).

5. Conditions Precedent

The completion of the disposal of Gangkou Energy to PetroChina (the "**Gangkou Energy Completion**") is conditional upon the fulfilment of certain conditions precedents, which include, among others:

- (a) the completion of the filing with the local market regulation departments in the PRC regarding the disposal of Gangkou Energy;
- (b) Gangkou Energy cancelling the capital contribution certificate issued to PetroChina Kunlun and issuing the same to PetroChina; and
- (c) PetroChina Kunlun and Gangkou Energy informing PetroChina of all information which might affect the ownership of PetroChina upon the Gangkou Energy Completion, and handing over documents of Gangkou Energy to PetroChina, including but not limited to the business license, company seals, account books and minutes of board and shareholders' meetings.

6. Completion

The Gangkou Energy Completion will take place on the date of fulfilment of the conditions precedent.

Upon the Gangkou Energy Completion, PetroChina Kunlun will not hold any equity interests in Gangkou Energy and Gangkou Energy will cease to be a subsidiary of the Company.

BUSINESS AND FINANCIAL INFORMATION OF TARGET SUBSIDIARIES

Key Shareholding and Business Information of the Target Subsidiaries

Zhejiang Xinjie

Zhejiang Xinjie is a company incorporated in the PRC with limited liability. As at the date of this announcement, Zhejiang Xinjie is held as to 60% equity interests by Xinjiang Xinjie, a wholly-owned subsidiary of the Company, and as to 40% equity interests by Jindi United Energy Group Co., Ltd.* (金帝聯合能源集團股份有限公司), an independent third party of the Company. Zhejiang Xinjie is principally engaged in investments in gas station business.

Kunlun Yongchang

Kunlun Yongchang is a company incorporated in the PRC with limited liability. As at the date of this announcement, Kunlun Yongchang is held as to 60% equity interests by SD Kunlun, a wholly-owned subsidiary of the Company, and as to 40% equity interests by Qingdao Yongchang Industrial Group Co., Ltd.* (青島永昌實業集團有限公司) an independent third party of the Company. Kunlun Yongchang is principally engaged in gas station operation business.

Gangkou Energy

Gangkou Energy is a company incorporated in the PRC with limited liability. As at the date of this announcement, Gangkou Energy is held as to 51% equity interests by PetroChina Kunlun, a wholly-owned subsidiary of the Company, and as to 49% equity interests by Qingdao Qinggang Tongda Energy Co., Ltd.* (青島青港通達能源有限公司), an independent third party of the Company. Gangkou Energy is principally engaged in gas station operation business.

Key Financial Information of the Target Subsidiaries

Set out below is the audited financial information of each of the Target Subsidiaries prepared in accordance with China Standards on Auditing for Chinese Certified Public Accountants for the two years ended 31 December 2023 were as follows:

Zhejiang Xinjie

	For the year ended 31 December	
	2022	2023
	<i>(RMB in thousands)</i>	
Net loss before taxation	5,699	252
Net loss after taxation	5,681	222

The audited net asset value of Zhejiang Xinjie as at 31 December 2023 is RMB39,811,042.

Kunlun Yongchang

	For the year ended 31 December	
	2022	2023
	<i>(RMB in thousands)</i>	
Net profit before taxation	5,403	6,990
Net profit after taxation	3,465	4,978

The audited net asset value of Kunlun Yongchang as at 31 December 2023 is RMB32,731,774.

Gangkou Energy

	For the year ended 31 December	
	2022	2023
	<i>(RMB in thousands)</i>	
Net profit before taxation	4,364	5,812
Net profit after taxation	3,082	3,954

The audited net asset value of Gangkou Energy as at 31 December 2023 is RMB31,831,689.

REASONS FOR AND BENEFITS OF THE DISPOSALS AND USE OF PROCEEDS

The Board is of the view that the Disposals will enable the Group to better allocate and utilize its resources to focus on its principal activities of distribution and sales of LPG and urban gas, with a target to enhance the Group's market share and business efficiency. Therefore, the Board is of the view that the Disposals will benefit the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the view that (i) the Disposals are on normal commercial terms or better; (ii) the terms and conditions of the Disposals are fair and reasonable; and (iii) the Disposals are in the interest of the Company and Shareholders as a whole.

It is intended that the net proceeds from the Disposals after deducting the expenses in relation to the Disposals be utilised for expansion of the comprehensive natural gas terminal application business of the Group.

FINANCIAL EFFECTS OF THE DISPOSALS

It is currently expected that the Group will record a gain of approximately RMB 23.0 million, being the difference between the consideration and the investments costs injected by the Company to the Target Subsidiaries. Subject to audit and completion of the Disposal, the actual amount of gain or loss on the Disposal to be recognized by the Group may vary. Upon completion of the Disposals, the Company will cease to hold any equity interests in the Target Subsidiaries and each of the Target Subsidiaries will cease to be a subsidiary of the Company and their financial results will no longer be consolidated into the Company's consolidated financial statements.

IMPLICATIONS OF LISTING RULES

As at the date of this announcement, PetroChina Hong Kong holds 4,708,302,133 Shares of the Company, representing 54.38% of the issued share capital of the Company. PetroChina Hong Kong is in turn wholly owned by PetroChina. Thus, PetroChina is the controlling Shareholder and a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Disposals contemplated under the Sale and Purchase Agreements constitute connected transactions under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all entered into or completed within a 12-month period or are otherwise related. PetroChina is the purchaser for all Sale and Purchase Agreements entered into by the Vendor Subsidiaries respectively, and the Disposals under each of the Sale and Purchase Agreements are of the same nature, therefore they shall be aggregated. As the highest applicable percentage ratio of the Disposals exceeds 0.1% but is less than 5%, the Disposals are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempted from the independent Shareholders' approval requirement.

The Sale and Purchase Agreements have been approved by the Board. As at the date of this announcement, none of the Directors has any material interest in the Disposals. As such, none of the Directors is required to abstain from voting at the Board meeting approving the Sale and Purchase Agreements and the transactions contemplated thereunder.

GENERAL INFORMATION

Information on the Group

The Company acts as an investment holding company. The principal activities of its subsidiaries, associates and joint ventures are urban gas distribution, liquefied natural gas (“LNG”) processing and transportation, LPG sales, integrated energy and new energy. The Company is currently involved in crude oil exploration and production activities in the Republic of Kazakhstan, the Sultanate of Oman and the Kingdom of Thailand.

Information on PetroChina

PetroChina and its subsidiaries principally engage in 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.

Information on the Target Subsidiaries

The Target Subsidiaries are non-wholly owned subsidiaries of the Company before completion of the Disposals. For the details of the principal business of the Target Subsidiaries, please refer to the section headed “Business and Financial Information of Target Subsidiaries” in this announcement.

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
“Company”	Kunlun Energy Company Limited (stock code: 00135.HK), 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
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposals”	the disposal of the equity interests held by the Vendor Subsidiaries in the Target Subsidiaries to PetroChina
“Gangkou Energy”	Shandong Gangkou Energy Co., Ltd.* (山東港口能源有限公司) is a company incorporated in the PRC with limited liability and is held as to 51% equity interests by PetroChina Kunlun as at the date of this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kunlun Yongchang”	Qingdao Kunlun Yongchang Energy Co., Ltd.* (青島昆侖永昌能源有限公司) is a company incorporated in the PRC with limited liability and is held as to 60% equity interests by SD Kunlun as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PetroChina”	PetroChina Company Limited, the controlling shareholder of the Company, a joint stock company limited by shares incorporated in the PRC, the H Shares and A Shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively
“PetroChina Hong Kong”	PetroChina Hong Kong Limited is a company incorporated in Hong Kong with limited liability, and is a wholly-owned subsidiary of PetroChina and a controlling Shareholder of the Company
“PetroChina Kunlun”	PetroChina Kunlun Gas Co., Ltd.* (中石油昆侖燃氣有限公司) is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“PRC”	the People's Republic of China, excluding, for the purposes of this announcement only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SD Kunlun”	Kunlun Energy Investment Shandong Company Limited* (昆侖能源投資(山東)有限公司) is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Share(s)”	the ordinary shares in the Company with par value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Shares
“Sale and Purchase Agreements”	collectively, the Zhejiang Xinjie SPA, Kunlun Yongchang SPA and Gangkou Energy SPA, each as defined in the section headed “Introduction” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Target Subsidiaries”	collectively Kunlun Yongchang, Gangkou Energy and Zhejiang Xinjie
“Vendor Subsidiaries”	collectively, SD Kunlun, PetroChina Kunlun and Xinjiang Xinjie
“Xinjiang Xinjie”	Xinjiang Xinjie Co., Ltd.* (新疆新捷能源有限公司) is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Zhejiang Xinjie”	Zhejiang Xinjie PetroChina Natural Gas Utilization Co., Ltd.* (浙江新捷中油天然氣利用有限公司) is a company incorporated in the PRC with limited liability and is held as to 60% equity interests by Xinjiang Xinjie as at the date of this announcement

By Order of the Board
Kunlun Energy Company Limited
Fu Bin
Chairman

Hong Kong, 28 June 2024

* For identification purposes only

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. Gao Xiangzhong as Chief Financial Officer and Executive Director, Ms. Lyu Jing as Non-Executive Director, and Dr. Liu Xiao Feng, Mr. Sun Patrick and Mr. Tsang Yok Sing Jasper as Independent Non-Executive Directors.