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If you have sold or transferred all your shares in Kunlun Energy Company Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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)

**(1) REVISED ANNUAL CAP FOR
THE CONTINUING CONNECTED TRANSACTIONS IN 2026
(2) NEW MASTER AGREEMENT AND
THE CONTINUING CONNECTED TRANSACTIONS IN 2027–2029
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



建泉融資有限公司
VBG Capital Limited

A letter from the Board is set out on pages 6 to 43 of this circular and a letter from the Independent Board Committee, containing its recommendation to the Independent Shareholders, is set out on pages 44 to 45 of this circular. A letter from the Independent Financial Adviser, VBG Capital Limited, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 46 to 66 of this circular.

A notice of the SGM to be held at Taishan Room, Level 5, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Central Hong Kong on 23 October 2026, Friday at 10:00 a.m., is set out on pages SGM-1 to SGM-2 of this circular. A proxy form for use by the shareholders of the Company at the SGM is enclosed with this circular. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the proxy form enclosed in accordance with the instructions printed thereon and return it to the principal office of the Company at 39th Floor, 118 Connaught Road West, Hong Kong or the Company's branch registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event not later than 48 hours before the time for holding the SGM or adjourned meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM should you so wish.

7 October 2026

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DEFINITIONS

In this circular, 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 Transaction
“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 wholly state-owned limited liability company 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 Latest Practicable Date
“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 the Letter from the Board in this circular
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company

* For identification purpose only

DEFINITIONS

“Existing Annual Caps” or “Existing Annual Cap”	the existing maximum aggregate annual values of the Continuing Connected Transactions for each of the three years ending 31 December 2026 as set out in the announcement and circular of the Company dated 14 September 2023 and 13 October 2023, respectively, and proposed to be revised as set out in the announcement of the Company dated 22 September 2026 and this circular
“Existing 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, and shall expire on 31 December 2026
“Government-prescribed Prices”	the prices set by the relevant national or local governments (including the central government, local governments, etc.) or other regulatory authorities. In respect of energy products such as natural gas, liquefied natural gas and liquefied petroleum gas, as well as service products such as LNG receiving terminal regasification fees, the relevant Government-Prescribed Prices are mainly stipulated by the National Development and Reform Commission (NDRC) and the provincial and municipal Development and Reform Commissions and other pricing authorities
“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
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Sun Patrick, Mr. Tsang Yok Sing Jasper and Mr. Kwok Chi Shing, being all the independent non-executive Directors of the Company, established for the purpose of, among other things, advising the Independent Shareholders in respect of the Revised Annual Cap, 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

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“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 SFO and to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Cap, 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)
“Latest Practicable Date”	5 October 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Market Prices”	the Market Prices in respect of the Continuing Connected Transactions as described in the paragraph headed “Letter from the Board – 5. Continuing Connected Transactions in 2027–2029 – 5.1 Details of the Continuing Connected Transactions” in this circular
“NAFR”	National Administration of Financial Regulation of PRC
“NDRC”	National Development and Reform Commission of PRC
“New Master Agreement”	the master agreement dated 22 September 2026 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 2027 for a term of three years
“Non-Exempt Continuing Connected Transactions”	the Continuing Connected Transactions apart from the financial services under Category (b)(vii), as set out in the paragraph headed “Letter from the Board – 5. Continuing Connected Transactions in 2027–2029” in this circular
“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

DEFINITIONS

“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 54.62% of the total issued share capital of the Company as at the Latest Practicable Date
“PRC”	the People’s Republic of China, which, for the purposes of this circular 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 2029
“Revised Annual Cap”	the proposed revised annual cap for Category (c) of Continuing Connected Transactions for the year ending 31 December 2026
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company proposed to be convened and held on 23 October 2026 for the Independent Shareholders to consider and, if deemed appropriate, approve, among other things, the Revised Annual Cap, the entering into of the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps for each relevant Non-Exempt Continuing Connected Transaction
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“substantial shareholder” has the meaning ascribed to it under the Listing Rules

“%” per cent.

Notes:

1. For the purpose of this circular, unless otherwise indicated, conversion of HK\$ and RMB is calculated at the exchange rate of HK\$1 to RMB0.8651. The exchange rate is for illustrative purpose only and does not constitute a representation or assurance that any amount has been, could have been, or may be exchanged at this or any other rate at all.
2. If there is any discrepancy or inconsistency between the Chinese names of the PRC entities and their English translations in this circular, the Chinese version shall prevail.

LETTER FROM THE BOARD



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

(Stock Code: 00135.HK)

Executive Directors:

Mr. Liu Guohai (*Chairman*)
Mr. He Yongli (*Chief Executive Officer*)

Non-Executive Directors:

Ms. Lyu Jing
Mr. Qi Zhenzhong

Independent Non-Executive Directors:

Mr. Sun Patrick
Mr. Tsang Yok Sing Jasper
Mr. Kwok Chi Shing

Registered office:

Richmond House
12 Par-la-Ville Road
Hamilton HM 08
Bermuda

Principal office in Hong Kong:

39th Floor
118 Connaught Road West
Hong Kong

7 October 2026

To the Shareholders

Dear Sir or Madam,

**(1) REVISED ANNUAL CAP FOR
THE CONTINUING CONNECTED TRANSACTIONS IN 2026
(2) NEW MASTER AGREEMENT AND
THE CONTINUING CONNECTED TRANSACTIONS IN 2027–2029
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 22 September 2026 in relation to the Revised Annual Cap, the Continuing Connected Transactions, the New Master Agreement and the Proposed Annual Caps.

The Group and CNPC entered into, among other things, the Existing Master Agreement in 2023. The Existing Master Agreement provides a framework for the Group to procure a range of products and services from the CNPC Group and vice versa, including but not limited to Oil and Gas Products, general products and services, engineering technology services, production services, logistics supply, financial services, property leasing services and entrustment management services.

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For the reasons set out in the paragraph headed “3. Revised Annual Cap for the Continuing Connected Transactions in 2026” below in this circular, the Board considers that the Existing Annual Cap in respect of 2026 for Category (c) of the Continuing Connected Transactions may not be able to satisfy the Group’s requirements for the whole year. The Board therefore proposes that the Existing Annual Cap for the Category (c) in respect of 2026 be revised in order to cater for the Group’s business needs for the year ending 31 December 2026.

In view of the anticipated expiry of the Existing Master Agreement on 31 December 2026, the Company announced in its announcement dated 22 September 2026 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 2029. 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 2029.

The purposes of this circular, among other things, are:

- (i) to provide you with further details of the Revised Annual Cap, the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps;
- (ii) to provide you with a letter from the Independent Board Committee to the Independent Shareholders in respect of the Revised Annual Cap, 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 2029;
- (iii) to provide you with a letter of advice from VBG Capital containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Cap, 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 2029; and
- (iv) to set out the notice of the SGM.

2. BACKGROUND

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

The Company’s principal businesses include the downstream sales and distribution of natural gas in the PRC, liquefied natural gas (“LNG”) processing and sales, and liquefied petroleum gas (“LPG”) marketing. CNPC Group is the largest domestic oil and gas producer and supplier, with outstanding advantages in natural gas supply security and price competitiveness. The Company itself does not engage in natural gas production in the PRC, and carrying out the

LETTER FROM THE BOARD

above businesses requires procurement of natural gas and LPG resources from CNPC Group. The companies under CNPC Group also need to use natural gas, LNG or LPG products, and the Company engages in the business of selling and supplying these products to such companies.

The Company also engages in the construction and operation of LNG terminals. CNPC Group is one of the major domestic LNG importers. The Company provides unloading, storage and transportation and outbound delivery services for LNG imported by CNPC Group.

CNPC Group is a large-scale integrated energy enterprise with strong capabilities in petroleum engineering, construction, information services, logistics supply, financial services, social services and other areas, and is able to provide the Company with quality products and services in these areas.

As clean energy, natural gas consumption in the PRC will continue to grow at a relatively fast pace for a long period of time in the future. The Company will seize market opportunities, especially in the transportation sector where the opportunity for gas consumption growth. Leveraged on the operating synergies with CNPC Group, the Company will accelerate the development of its principal businesses. The overall amount of the Continuing Connected Transactions between the Company and CNPC Group will also increase over the next three years. Meanwhile, with the implementation of integrated operations for gas station business, CNPC Group's demand for products of the natural gas end-user business will grow significantly.

3. REVISED ANNUAL CAP FOR THE CONTINUING CONNECTED TRANSACTIONS IN 2026

The announcement and circular of the Company dated 14 September 2023 and 13 October 2023, respectively, set out the Existing Annual Caps for each category of the Continuing Connected Transactions for each of the three years ending 31 December 2026, which were approved (where required) by the Independent Shareholders at the special general meeting of the Company held on 16 November 2023.

As a result of the background information set out in section 2 above and the historical transaction amount of the Continuing Connected Transactions in the first half of 2026, the Board considers that the Existing Annual Cap in respect of 2026 for Category (c) of the Continuing Connected Transactions may not be able to satisfy the Group's requirements for the whole year. The Board therefore proposes that the Existing Annual Cap for Category (c) in respect of 2026 be revised in order to cater for the Group's business needs for the year ending 31 December 2026.

3.1 Category (c): Existing Annual Caps, Historical Amounts and Revised Annual Cap

The Existing Annual Cap for the Continuing Connected Transactions in 2026 of Category (c) under the Existing Master Agreement (as categorised and disclosed in the circular of the Company dated 13 October 2023), i.e. provision of products by the Group to the CNPC Group, is proposed to be revised.

LETTER FROM THE BOARD

The table below sets out the Existing Annual Caps, the historical amounts for the two years ended 31 December 2025 and the six months ended 30 June 2026 for Category (c) of the Continuing Connected Transactions and the Revised Annual Cap for the year ending 31 December 2026 proposed by the Board and to be considered and approved by the Independent Shareholders at the SGM:

Category	Existing Annual Caps	Historical amounts (Note 1)	Revised Annual Cap	Basis of determination of the Revised Annual Cap
(c) Provision of products by the Group to the CNPC Group (Note 2)	2024: RMB10,399 million 2025: RMB12,496 million 2026: RMB14,900 million	2024: RMB9,937 million 2025: RMB12,013 million Six months ended 30 June 2026: RMB11,607 million (Note 3)	2026: RMB42,967 million	The Revised Annual Cap for the provision of products by the Group to the CNPC Group was determined with reference to the historical transactions and transaction amounts of products provided by the Group to the CNPC Group, the expected business development of the Group with the CNPC Group, and possible fluctuations in the domestic market prices of natural gas, LNG, compressed natural gas, LPG, other energy products and other related and similar products. The Group is of the view that the adjustment to the Revised Annual Cap is in line with the expected business development of the Group and is determined on a fair and reasonable basis.

LETTER FROM THE BOARD

Category	Existing Annual Caps	Historical amounts (Note 1)	Revised Annual Cap	Basis of determination of the Revised Annual Cap
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The differences between the annual caps for 2024–2025 and the historical transaction amounts, and the reasons for preparing the Revised Annual Cap, are mainly due to that both the Group and the CNPC Group are large enterprises with a relatively large scale and size, and given that the Proposed Annual Caps for the Continuing Connected Transactions are set for a term of three years, it is difficult for the Group to accurately predict all contingencies that may arise during the period. In light of business development needs, the primary considerations for this application for adjustment are as follows: (1) the CNPC Group's demand for LNG and products of the natural gas end-user business has increased significantly after CNPC Group's launching of the integrated gas station business leveraged on the operating synergies (Note 4); (2) the Group is promoting mutual reinforcement between its natural gas and LPG businesses, increasing natural gas supply to refining and chemical enterprises, and expanding LPG resources and supply scale through measures such as increased imports. In the second half of this year, the Group plans to substantially increase natural-gas supply to the CNPC Group's refining and chemical enterprises in order to free up LPG resources for the Group's own sales. As the bulk of the incremental deliveries has been scheduled for the fourth quarter, natural-gas sales to the CNPC Group are expected to increase significantly in the fourth quarter; (3) with the transformation and development of the new energy business, the Group's natural gas and electricity, new energy, and integrated energy businesses have experienced rapid growth (Note 5); and (4) the situation in the Middle East has caused significant fluctuations in international and domestic oil and gas prices. Brent crude oil prices stood at approximately US\$100 per barrel (representing an increase of about 160% year-on-year), while the North-East Asia JKM spot price reached approximately US\$26 per MMBtu (up approximately 236% year-on-year). Both benchmarks are expected to remain elevated through the fourth quarter. Domestic LNG ex-factory prices and LPG prices have also risen significantly, increasing by approximately 160% and 130% year-on-year, respectively. Geopolitical tensions have not only driven up transaction prices but have also substantially increased the absolute value of the transactions. In addition to the above primary considerations, a reasonable contingency buffer of approximately 10–15% has been reserved on the baseline amount to cover delivery scheduling, seasonal demand and price volatility. Based on actual business development, changes in oil and gas market prices, and the demand from CNPC Group, the Group has increased the Revised Annual Cap.

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Notes:

1. The historical amounts for the two years ended 31 December 2025 represent audited figures extracted from the 2024 annual report and 2025 annual report of the Company. The historical amounts for the six months ended 30 June 2026 represent unaudited figures extracted from the management accounts of the Company.
2. The products provided by the Group to the CNPC Group mainly include natural gas, LNG, CNG, LPG, refined products, chemical products, other comprehensive energy products and related/similar products. Although the Company does not engage in natural-gas production in the PRC, it owns and operates LNG receiving terminals, LNG plants, natural-gas pipeline transportation, storage and loading facilities, and possesses the capability to process, liquefy, transport and sell natural gas, LPG and other energy products after procuring them from the CNPC Group and other third-party suppliers. The Group's supply capacity is underpinned by long-term procurement entitlements, the processing capacity of its LNG receiving terminals and LNG plants, pipeline transportation capacity and contracted commodity volumes, and does not rely on self-produced natural gas. At the same time, the CNPC Group itself produces natural gas and also has demand for natural gas. However, natural gas is produced at gas fields, while end users include refining plants, gas stations and other enterprises. Given the mismatch in time and location between production and end use, the Group is required to provide transportation, storage and marketing services. The Group's purchases from the CNPC Group (one category of the Continuing Connected Transactions) and its sales of products to the CNPC Group therefore constitute back-to-back commercial matching arrangements. Pricing, production scheduling and delivery terms on both the procurement and sales sides are separately negotiated on arm's-length commercial terms.

In assessing the adequacy and reasonableness of the Group's supply capacity, the Board has reviewed all relevant categories of the Continuing Connected Transactions for 2026, including:

- (1) Procurement of energy resources from the CNPC Group: the approved annual cap for 2026 is RMB265,360 million, and the actual transaction amount for the first half of 2026 was RMB83,290 million. The contracted procurement volumes under this category form part of the resource base for the Group's product sales to the CNPC Group.
- (2) Provision of energy products to the CNPC Group: the approved annual cap for 2026 is RMB14,900 million, and the actual transaction amount for the first half of 2026 was RMB11,607 million.
- (3) Provision of services to the CNPC Group (e.g. natural-gas pipeline transportation, LNG processing, LNG loading/unloading, regasification, storage and loading, etc.): the approved annual cap for 2026 is RMB13,645 million, and the actual transaction amount for the first half of 2026 was RMB3,743 million. These supporting service transactions secure the transportation, processing and operational infrastructure required for product delivery.

The projected maximum annual sales amount to the CNPC Group under the revised annual cap (RMB42,967 million) is controlled within the total resources that the Group is entitled to procure from the CNPC Group and third parties under effective contracts, and does not involve any over-commitment beyond the Group's contracted resources and logistics capacity. The Directors are of the view that the Group has sufficient resources, processing capacity and logistics arrangements to fulfil the expected sales obligations under the revised annual cap.

LETTER FROM THE BOARD

3. As of the date of this circular, the aggregate transaction amount under Category (c) of the Existing Master Agreement has not exceeded the relevant Existing Annual Cap for 2026. In addition, the latest transaction amounts under other categories of the Existing Master Agreement have also not exceeded their corresponding Existing Annual Cap for 2026.
4. In 2025, the Group reached an integrated gas-station business arrangement with the CNPC Group, under which, in principle, all LNG required by the CNPC Group's gas stations will be supplied by the Group. This arrangement aims to fully utilise the processing potential of the Group's LNG plants while ensuring the security of natural-gas supply to the CNPC Group's gas stations. Implementation is being rolled out progressively once the necessary conditions (including the Revised Annual Cap under the Existing Master Agreement) are in place. Affected by this arrangement, the Group's LNG sales volume in the first half of 2026 already grew 29.7 % year-on-year and still has very substantial further growth potential. The Group is planning to increase LNG supply to the CNPC Group's gas stations significantly and as quickly as possible, thereby driving a substantial full-year increase in the volume of LNG supplied by the Group to the CNPC Group. Increasing LNG supply to the CNPC Group's gas stations will markedly raise the Group's LNG sales volume and LNG-plant utilisation rates, and will play an important role in improving the Group's operating results.
5. With the transformation and development of new-energy businesses, the Group's natural-gas power, new-energy and comprehensive-energy businesses have grown rapidly. To support business development, the number of the Group's comprehensive new-energy projects has been increasing year by year, continuously expanding the scale of the Group's comprehensive-energy business with the CNPC Group.

3.2 Disclosure and Independent Shareholders' Approval

As the applicable percentage ratios based on the Revised Annual Cap for Category (c) of the Continuing Connected Transactions in 2026 are greater than 5%, the Revised Annual Cap is subject to reporting, annual review, announcement and the Independent Shareholders' approval requirements.

The Company will seek the Independent Shareholders' approval at the SGM for the Revised Annual Cap on the condition that (i) the annual amount of Category (c) for the year ending 31 December 2026 shall not exceed the Revised Annual Cap; and (ii) the above continuing connected transactions will be entered into in the ordinary course of business of the Group and are on normal commercial terms or on terms no less favourable than terms available to the Group from independent third parties, and the above continuing connected transactions will be entered into in accordance with the relevant agreements and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will comply with the relevant provisions of the Listing Rules in relation to Category (c) of the Continuing Connected Transactions.

LETTER FROM THE BOARD

4. THE NEW MASTER AGREEMENT

The Company and CNPC entered into the New Master Agreement on 22 September 2026 for the purpose of renewing the Continuing Connected Transactions for the three years ending 31 December 2029. The principal terms of the New Master Agreement are set out below:

Date	:	22 September 2026
Parties	:	(1) The Company (2) CNPC
Duration	:	Three years commencing from 1 January 2027 to 31 December 2029. 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 2029.

Further, if the term of an individual implementation agreement extends beyond 31 December 2029 (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, as well as obtain the consent of the competent regulatory authorities.

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 2029, and shall become effective on 1 January 2027 and expire on 31 December 2029.

LETTER FROM THE BOARD

5. CONTINUING CONNECTED TRANSACTIONS IN 2027–2029

The Group and CNPC entered into, among other things, the Existing Master Agreement in 2023. The Existing Master Agreement provides a framework for the Group to procure a range of products and services from the CNPC Group and vice versa, including but not limited to Oil and Gas Products, general products and services, engineering technology services, production services, logistics supply, financial services, property leasing services and entrustment management services. The Existing Master Agreement will expire on 31 December 2026.

In view of the anticipated expiry of the Existing Master Agreement on 31 December 2026, the Company announced in its announcement dated 22 September 2026 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 2029. 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) Property leasing services
 - (v) Living support services
 - (vi) Social services
 - (vii) Financial services (including (i) Deposit Services, (ii) Loan, and (iii) Others);

LETTER FROM THE BOARD

- (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)(vii)(i) Deposit Services, (b)(vii)(ii) Loan and (b)(vii)(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)(vii) 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 2029 are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements.

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5.1 Details of the Continuing Connected Transaction

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

5.1.1 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) crude oil, natural gas, refined oil products, chemical products and other related or similar products; and
- (ii) equipment, materials, supplies and other products required for petroleum and natural gas exploration and production.

(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 the 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 shall not exceed the market price among all the prices as offered by all the independent third parties in the relevant market or nearby market (the “**Market Price**”). If no Market Price is available, the CNPC Group shall provide the relevant general products to the Group at an agreed price. For the determination of such agreed price, the operating entities of the Group and CNPC Group generally negotiate in advance the costs of the products and services to be provided. At the same time, the Group has established a cost-estimation centre composed of experienced technical experts responsible for formulating cost standards for certain engineering and technical services provided by CNPC Group. In formulating such cost standards and reviewing the agreed prices, the cost-estimation centre will, where applicable, take into account industry cost benchmarks, quotations obtained from not less than two independent third parties and the actual costs of comparable recent projects. The Group also applies cost-control measures at different project stages, including investment estimates, design estimates, construction drawing budgets, interim settlements and final settlements, with particular focus on independent price enquiries for equipment and materials. These measures provide an objective

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basis for the parties' arm's length negotiation and help ensure that the agreed prices are fair and reasonable and reflect the actual cost levels of the relevant projects.

After the relevant products or services have been provided, the Group's internal auditors will review the actual costs calculated by CNPC Group by reference to the prior negotiation results or the cost standards formulated by the cost-estimation centre. Settlement and payment will only be made after the internal auditors have approved the review. Such agreed prices are fair and reasonable and on normal commercial terms or better because (i) they are determined through prior negotiation or independent expert cost standards; (ii) they are subject to post-transaction verification by internal audit; and (iii) the overall terms are confirmed by the independent non-executive directors and the external auditors to be no less favourable than those available from independent third parties.

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 benchmark price, 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.

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(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 – 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 relating to the captioned services), public engineering (such as oil regions, factory roads, municipal facilities, civil construction and public facilities), risk operation services and other related or similar services.
- (ii) Production services – water supply, electricity supply, gas supply, heat supply, communications and information technology services (including computer software services), fire protection, security, books information, partial filing storage, asset leasing, environmental sanitation in factory and mining areas, mechanical maintenance, machining, transportation, maintenance of access roads, scientific research services and other related or similar services.
- (iii) Logistics supply – procurement agency, quality inspection, storage, delivery and other related or similar services.
- (iv) Living support services – the provision of property management, training centers, guest houses, staff canteens and other related or similar services.
- (v) Social services – 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.

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- (vi) Financial services – 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 the 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 shall not exceed the Market Price. If no Market Price is available, the CNPC Group shall provide the relevant general services to the Group at an agreed price. For the details of the determination of such agreed price, please refer to the paragraph headed “Letter from the Board – 5. Continuing Connected Transactions in 2027–2029 – 5.1 Details of the Continuing Connected Transaction – 5.1.1 Categories of Continuing Connected Transactions – (i) Category (a) – Provision of general products by the CNPC Group to the Group – (B) Pricing Policy” in this circular; and
- (ii) in respect of Category (b)(vii), the financial services to be provided to the Group by the CNPC Group:
 - (a) the deposits to be placed by the Group with the CNPC Group and loans to be provided to the Group by the CNPC Group will bear interest rates which are no less favorable than the prevailing rate as prescribed by the PBoC and 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.

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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, LPG, 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 the 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 shall not be lower than the Market Price. If no Market Price is available, the Group shall provide the relevant general products to the CNPC Group at an agreed price. For the details of the determination of such agreed price, please refer to the paragraph headed "Letter from the Board – 5. Continuing Connected Transactions in 2027–2029 – 5.1 Details of the Continuing Connected Transaction – 5.1.1 Categories of Continuing Connected Transactions – (i) Category (a) – Provision of general products by the CNPC Group to the Group – (B) Pricing Policy" in this circular.

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(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 – natural gas pipeline transmission, LNG processing, LNG uploading, gasification, storage and entrucking and other services, books information, partial filling storage, asset leasing, environmental sanitation in factory and mining areas, mechanical maintenance, machining, transportation, maintenance of access roads, water supply, electricity supply, gas supply, heat supply and other related or similar services;
- (ii) logistics supply – procurement agency, quality inspection, storage and delivery and other related or similar services;
- (iii) property leasing services – leasing of certain offices, commercial building, warehouses and other related or similar services; and
- (iv) entrustment management services – 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.

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.

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(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 the 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 shall not be lower than the Market Price. If no Market Price is available, the Group shall provide the relevant general services to the CNPC Group at an agreed price. For the details of the determination of such agreed price, please refer to the paragraph headed “Letter from the Board – 5. Continuing Connected Transactions in 2027–2029 – 5.1 Details of the Continuing Connected Transaction – 5.1.1 Categories of Continuing Connected Transactions – (i) Category (a) – Provision of general products by the CNPC Group to the Group – (B) Pricing Policy” in this circular.

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

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

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

- (i) in respect of the products and services to be provided to the Group by the CNPC Group, the products and services shall be of good quality and the price 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 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;

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- (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 “Letter from the Board – 5. Continuing Connected Transactions in 2027–2029 – 5.3 Measures of Internal Control” in this circular.

5.1.3 Other Rights and Obligations under the New Master Agreement

Other Rights

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

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

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

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

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Other Obligations

The Group and the CNPC Group both have the obligations to provide products and services of quality in accordance with the requirements of New Master Agreement and the demand plan for products and services provided by 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.

5.2 Existing Annual Caps, Historical Amounts and Proposed Annual Caps

5.2.1 Background

The announcement and circular of the Company dated 14 September 2023 and 13 October 2023, respectively, set out the Existing Annual Caps for each category of the Continuing Connected Transactions for each of the three years ending 31 December 2026, which were approved (where required) by the Independent Shareholders at the special general meeting of the Company held on 16 November 2023. The Existing Annual Caps for the Continuing Connected Transactions will expire on 31 December 2026. 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 2029; 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 2029.

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The table below sets out the Existing Annual Caps, the historical amounts for the two years ended 31 December 2025 and the six months ended 30 June 2026 for each category of the Continuing Connected Transactions and the Proposed Annual Caps for the three years ending 31 December 2029:

Categories	Existing Annual Caps ^{Note 1}	Historical amount ^{Note 1}	Proposed Annual Caps ^{Note 2}	Bases of determination of the Proposed Annual Caps ^{Note 2}
(a) Provision of products by the CNPC Group to the Group	2024: RMB172,726 million 2025: RMB215,045 million 2026: RMB265,360 million	2024: RMB130,282 million 2025: RMB144,256 million Six months ended 30 June 2026: RMB83,290 million	2027: RMB291,896 million 2028: RMB321,086 million 2029: RMB353,194 million	The Proposed Annual Cap for the provision of products by the CNPC Group to the Group was determined with reference to the historical transactions and transaction amounts of products provided by the CNPC Group to the Group, the expected business development of the Group with the CNPC Group, and possible fluctuations in the international and the domestic market prices of oil and natural gas and other related and similar products, and the quantities of crude oil, natural gas, LNG, compressed natural gas and LPG required. In particular, the following factors relating to natural gas, being the principal product involved in the transactions under the Category (a), have been taken into account by the Group in determining the Proposed Annual Caps for Category (a): (i) Growth in natural-gas procurement volume: In forecasting procurement volumes for the next three years, the Group has taken into account the expansion of energy-supply arrangements with the CNPC Group. LNG procurement volume is expected to grow by 200% in 2026. The overall expected transaction volume in 2026 is 7% higher than the corresponding historical year. Incorporating the “15th Five-Year Plan”, the Group expects average annual growth in natural-gas procurement volume of 5%–8% over the next three years. (ii) Changes in bulk-commodity benchmark prices: Energy commodity prices in 2026 are significantly higher than in historical periods. International agencies forecast that the average Brent crude oil price will rise by approximately 35%–40% compared with historical levels, while the North-East Asia JKM spot price is expected to rise by 48%–64% under extreme-risk scenarios. The rise in energy commodity prices is expected to increase the natural-gas transaction amount by 10%. Taking into account geopolitical uncertainties, the Group expects average annual growth in benchmark prices of 4%–5% over the next three years.

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Categories	Existing Annual Caps ^{Note 1}	Historical amount ^{Note 1}	Proposed Annual Caps ^{Note 2}	Bases of determination of the Proposed Annual Caps ^{Note 2}
				(iii) The Group expects to add 12 new city-gas projects in 2026, with an incremental sales capacity of 1.8 billion m³ that is projected to be fully released in the fourth quarter. (iv) A reasonable contingency buffer of 10%–15% is applied to the expected baseline transaction amount to cover delivery scheduling, seasonal demand and price volatility. The Group is of the view that the adjustment to the Proposed Annual Cap is in line with the expected business development of the Group and is determined on a fair and reasonable basis. The reasons for the differences between the annual caps for 2024–2025 and the historical transaction amounts, and between the Proposed Annual Cap and the historical transaction amounts for 2024, 2025 and the first half of 2026, are mainly due to that both the Group and the CNPC Group are large enterprises with a relatively large scale and size, and given that the Proposed Annual Caps for the Continuing Connected Transactions are set for a term of three years, it is difficult for the Group to accurately predict all contingencies that may arise during the period, and, therefore, we have made sufficient estimates based on commercially feasible plans when applying for the Proposed Annual Cap. Details mainly include: (1) the purchase prices of natural gas and the Brent crude oil price have a relatively large impact on this category of connected transactions, and due to geopolitical and other factors, their future uncertainties are far greater than other factors; (2) the Group's planned purchase volumes for its principal businesses under the "15th Five-Year Plan" were taken into account in the calculation; and (3) the Group and the CNPC Group and their respective subsidiaries are mostly located in the same regions, and in order to save logistics costs and improve efficiency, the CNPC Group will provide products to the Group, but due to changes in market conditions, changes in the supply from the CNPC Group and the competition from independent third parties in the market, the products actually purchased by the Group from the CNPC Group may be lower than expected. The Group increased the Proposed Annual Cap based on the crude oil and natural gas prices in the first half of the year, future market changes and domestic market demand conditions.

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Categories	Existing Annual Caps ^{Note 1}	Historical amount ^{Note 1}	Proposed Annual Caps ^{Note 2}	Bases of determination of the Proposed Annual Caps ^{Note 2}
(b) Provision of services by the CNPC Group to the Group	2024: RMB11,932 million	2024: RMB2,552 million	2027: RMB11,234 million	The Proposed Annual Cap for the provision of services by the CNPC Group to the Group was determined with reference to the completed transactions and transaction amounts of engineering technology services, deposit services and financial services previously provided by the CNPC Group to the Group, and the expected business development of the Group.
	2025: RMB14,534 million	2025: RMB2,151 million	2028: RMB15,317 million	
	2026: RMB14,972 million	Six months ended 30 June 2026: RMB1,841 million	2029: RMB12,452 million	

The Group is of the view that the adjustment to the Proposed Annual Cap is in line with the expected business development of the Group and is determined on a fair and reasonable basis.

The reasons for the differences between the annual caps for 2024–2025 and the historical transaction amounts, and between the Proposed Annual Cap and the historical transaction amounts for 2024, 2025 and the first half of 2026, are mainly due to that both the Group and the CNPC Group are large enterprises with a relatively large scale and size, and given that the Proposed Annual Caps for the Continuing Connected Transactions are set for a term of three years, it is difficult for the Group to accurately predict all contingencies that may arise during the period, and, therefore, we have made sufficient estimates based on commercially feasible plans when applying for the Proposed Annual Cap, and has taken into account the production and operation plans of the Group. Details mainly include: (1) the CNPC Group has relatively strong competitiveness in the industry, with advantages in talent, technology and cost. When making the cap forecast, the Group must consider the possibility that the CNPC Group may participate in all projects, but due to the different circumstances of different projects, in practice the CNPC Group may not be able to participate in all of them; and (2) taking into account factors such as the Group's Fujian LNG terminal and other projects that are all under construction will be completed and put into operation at different stages, the Group intends to determine the estimated annual caps for each year in a flexible and prudent manner in respect of the amount of engineering technology services to be procured from the CNPC Group.

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Categories	Existing Annual Caps ^{Note 1}	Historical amount ^{Note 1}	Proposed Annual Caps ^{Note 2}	Bases of determination of the Proposed Annual Caps ^{Note 2}
among which: (b)(vii)(i) Deposit services ^{Note 3}	2024: RMB2,403 million	2024: RMB672 million	2027: RMB2,611 million	The Proposed Annual Cap for the provision of deposit services by the CNPC Group to the Group (aggregate amount of deposits and interest) was determined with reference to the expected business development of the Group, the Group's historical cash flow and deposit amounts, and the relevant interest rates offered by financial institutions.
	2025: RMB2,403 million	2025: RMB595 million	2028: RMB2,611 million	
	2026: RMB2,403 million	Six months ended 30 June 2026: RMB503 million	2029: RMB2,611 million	

In order to achieve optimal cash flow management and improve capital efficiency of the Group, the financial institutions under the CNPC Group provide comprehensive financial services to the Group.

The Group is of the view that the Proposed Annual Cap is in line with the business development of the Group and is determined on a fair and reasonable basis.

Unless otherwise provided by laws and regulations, RMB deposit interest rates shall be determined in accordance with the relevant provisions of the market-based interest rate pricing self-discipline mechanism under the guidance of the People's Bank of China, and shall not be lower than the deposit interest rates offered by major commercial banks for the same term under comparable conditions; foreign currency deposit interest rates shall be determined by the parties through negotiation based on market conditions with reference to market interest rates.

The reasons for the differences between the annual caps for 2024-2025 and the historical transaction amounts, and between the Proposed Annual Cap and the historical transaction amounts for 2024, 2025 and the first half of 2026, are mainly due to that both the Group and the CNPC Group are large enterprises with a relatively large scale and size, and given that the Proposed Annual Caps for the Continuing Connected Transactions are set for a term of three years, it is difficult for the Group to accurately predict all possible contingencies that may arise during the period, and, therefore, we have made sufficient estimates based on commercially feasible plans when applying for the Proposed Annual Cap. Details mainly considering the Group's expected future business development and the need for centralised and coordinated management of funds of its subsidiaries, the Proposed Annual Cap has been slightly increased as compared with the historical transaction amounts.

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Categories	Existing Annual Caps ^{Note 1}	Historical amount ^{Note 1}	Proposed Annual Caps ^{Note 2}	Bases of determination of the Proposed Annual Caps ^{Note 2}	
(b)(vii)(ii) Loan ^{Note 4}	2024: RMB350 million	2024: RMB275 million	2027: RMB390 million	The Proposed Annual Cap for the loan services provided by the CNPC Group to the Group was determined with reference to the business development and financing needs of the Group and the acquisition opportunities that may arise from time to time in the domestic market. The Group is of the view that the provision of financial services by the CNPC Group to the Group enables the Group to have sufficient funds for its future business development and acquisitions. The reasons for the differences between the annual caps for 2024–2025 and the historical transaction amounts, and between the Proposed Annual Cap and the historical transaction amounts for 2024, 2025 and the first half of 2026, are mainly due to that the Group needs to deal with the acquisition opportunities that may arise from time to time in the domestic market. Once the Group determines to make an acquisition, the amount of acquisition funds required is often substantial. Taking into account the commercially feasible plans, the actual situation of the Group in the past three years and the cash flow position of the Group, the Proposed Annual Cap is the same as the annual caps of previous years.	
	2025: RMB370 million	2025: RMB271 million	2028: RMB390 million		
	2026: RMB390 million	Six months ended 30 June 2026: RMB110 million	2029: RMB390 million		
(b)(vii)(iii) Others ^{Note 5}	2024: RMB82 million	2024: RMB0 million	2027: RMB0 million	Given that fees for other related services in the past have been included in the scope of loan services and that the historical amounts were minimal, this application does not include the annual cap for such services.	
	2025: RMB93 million	2025: RMB0 million	2028: RMB0 million		
	2026: RMB105 million	Six months ended 30 June 2026: RMB0 million	2029: RMB0 million		

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Categories	Existing Annual Caps ^{Note 1}	Historical amount ^{Note 1}	Proposed Annual Caps ^{Note 2}	Bases of determination of the Proposed Annual Caps ^{Note 2}
(c) Provision of products by the Group to the CNPC Group	2024: RMB10,399 million	2024: RMB9,937 million	2027: RMB49,332 million	The Proposed Annual Cap for the provision of products by the Group to the CNPC Group was determined with reference to the historical transactions and transaction amounts of products provided by the Group to the CNPC Group, the expected business development of the Group with the CNPC Group, possible fluctuations in the domestic market prices of natural gas, LNG, compressed natural gas, LPG, other energy products and other related and similar products. Based on the forecast transaction amount for the year ending 31 December 2026, the Proposed Annual Caps for Category (c) have been determined after taking into account:
	2025: RMB12,496 million	2025: RMB12,013 million	2028: RMB57,998 million	
	2026: RMB14,900 million (proposed to be revised to RMB42,967 million) ^{Note 6}	Six months ended 30 June 2026: RMB11,607 million ^{Note 7}	2029: RMB69,598 million	
				(i) Growth in demand for LNG and natural-gas terminal products driven by business synergy with the CNPC Group. Since 2025 the Group has entered into an integrated gas-station business arrangement with the CNPC Group under which, in principle, all LNG required by the CNPC Group's gas stations will be supplied by the Group. According to the "15th Five-Year Plan", sales volume to the CNPC Group is projected to grow at an average annual rate of approximately 20% during 2027–2029.
				(ii) Mutual promotion of natural-gas and LPG businesses and expansion of supply scale to the CNPC Group's refining and chemical enterprises. Taking into account the elevated and volatile international crude-oil and domestic oil-and-gas prices resulting from the 2026 Middle-East situation, and using 2026 natural-gas and LPG prices as the base, prices are expected to rise to 110% over the next three years.
				(iii) Growth expectations for new-energy, natural-gas power and comprehensive-energy businesses. With the transformation and development of new-energy businesses, the Group's natural-gas power, new-energy and comprehensive-energy businesses have grown rapidly. Based on the "15th Five-Year Plan", the Group forecasts average growth of 110%–115% for these businesses during 2027–2029.
				(iv) A reasonable contingency buffer of 10%–15% is applied to the expected baseline transaction amount to cover delivery scheduling, seasonal demand and price volatility.

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Categories	Existing	Historical	Proposed
	Annual Caps ^{Note 1}	amount ^{Note 1}	Annual Caps ^{Note 2}
	Bases of determination of the Proposed Annual Caps^{Note 2}		
	The Group is of the view that the adjustment to the Proposed Annual Cap is in line with the expected business development of the Group and is determined on a fair and reasonable basis. The reasons for the differences between the annual caps for 2024–2025 and the historical transaction amounts, and between the Proposed Annual Cap and the historical transaction amounts for 2024, 2025 and the first half of 2026, are mainly due to that both the Group and the CNPC Group are large enterprises with a relatively large scale and size, and given that the Proposed Annual Caps for the Continuing Connected Transactions are set for a term of three years, it is difficult for the Group to accurately predict all possible contingencies that may arise during the period, and, therefore, we have made sufficient estimates based on commercially feasible plans when applying for the Proposed Annual Cap. Details mainly include: (1) the demand for LNG and products of the natural gas end-user business driven by the coordinated business development of the CNPC Group; (2) the Group's efforts to promote mutual reinforcement between its natural gas and LPG businesses, which impact the scale of natural gas and LPG supply to CNPC Group's refining and chemical enterprises; (3) considering the Group's planned sales volume for its principal businesses under the "15th Five-Year Plan"; and (4) the Group's expected growth in the new energy, natural gas power and integrated energy businesses over the next three years. The Group also increased the Proposed Annual Cap based on the actual situation, future market changes and the CNPC Group's demand.		

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Categories	Existing Annual Caps ^{Note 1}		Historical amount ^{Note 1}	Proposed Annual Caps ^{Note 2}		Bases of determination of the Proposed Annual Caps ^{Note 2}
	2024	2025		2027	2028	
(d) Provision of services by the Group to the CNPC Group	RMB9,644 million	RMB11,524 million	2024: RMB8,449 million	2027: RMB15,010 million	2028: RMB16,581 million	The Proposed Annual Cap for the provision of services by the Group to the CNPC Group was determined with reference to the historical transactions and transaction amounts of services provided by the Group to the CNPC Group, mainly including LNG processing, LNG gasification, storage and entrucking and other services, the expected business development of the Group with the CNPC Group.
	2026: RMB13,645 million		Six months ended 30 June 2026: RMB3,743 million	2029: RMB18,306 million		The Proposed Annual Caps for Category (d) have been determined after taking into account:
						(i) Category (d) mainly covers gasification, loading and tolling services provided to the CNPC Group by the Group's two existing LNG receiving terminals (Jiangsu LNG Terminal and Jingtang LNG Terminal), the newly constructed Fujian LNG Terminal (expected to commence operation in 2027) and other LNG terminals currently under negotiation. The Fujian LNG Terminal is expected to commence operation in 2027.
						(ii) During the "15th Five-Year Plan" period, the Group's receiving capacity is expected to increase to 150%. Incorporating the "15th Five-Year Plan", pipeline transmission volume is expected to grow at an average annual rate of 15%.
						(iii) After leveraging business synergies with the CNPC Group to conduct integrated gas-station operations, the CNPC Group's demand for LNG and natural-gas terminal products has increased substantially. Increasing LNG supply to the CNPC Group's gas stations will significantly raise the utilisation of the Group's LNG plants. During 2027-2029, and in line with the Group's "15th Five-Year Plan", continuous connected transactions relating to tolling services at the Group's LNG plants are projected to grow at an average annual rate of approximately 20% in both volume and revenue.
						(iv) A reasonable contingency buffer of 10%-15% is applied to the expected baseline transaction amount to cover delivery scheduling, seasonal demand and price volatility.

LETTER FROM THE BOARD

Categories	Existing Annual Caps ^{Note 1}	Historical amount ^{Note 1}	Proposed Annual Caps ^{Note 2}	Bases of determination of the Proposed Annual Caps ^{Note 2}

The Group is of the view that the adjustment to the Proposed Annual Cap is in line with the expected business development of the Group and is determined on a fair and reasonable basis.

The reasons for the differences between the annual caps for 2024–2025 and the historical transaction amounts, and between the Proposed Annual Cap and the historical transaction amounts for 2024, 2025 and the first half of 2026, are mainly due to that both the Group and the CNPC Group are large enterprises with a relatively large scale and size, and given that the Proposed Annual Caps for the Continuing Connected Transactions are set for a term of three years, it is difficult for the Group to accurately predict all possible contingencies that may arise during the period, and, therefore, we have made sufficient estimates based on commercially feasible plans when applying for the Proposed Annual Cap, and have taken into account the production and operation plans of the Group. Details mainly include: (1) the gasification and entrucking services of LNG terminals, among which the Fujian LNG terminal is expected to commence operation in 2027; and (2) considering an appropriate increase year by year in light of the business development under the Group's "15th Five-Year Plan". The Group also increased the Proposed Annual Cap based on the actual situation, future market changes and domestic market demand conditions.

Notes:

1. The historical amounts for the two years ended 31 December 2025 represent audited figures extracted from the 2024 annual report and 2025 annual report of the Company. The historical amounts for the six months ended 30 June 2026 represent unaudited figures extracted from the management accounts of the Company.
2. As compared with the historical transaction amounts, the Proposed Annual Caps primarily reflect the combined effect of the volume growth resulting from the expansion of supply arrangements, the upward trend in benchmark prices of commodities, and the delivery of new projects in 2026. The Board is of the view that it is necessary to reserve a reasonable fluctuation buffer to cope with potential changes in seasonal fluctuations, demand, and scheduling. The Proposed Annual Caps are determined based on the foreseeable maximum transaction volume and price fluctuation range for the year 2026, rather than referencing the historical transaction levels actually incurred in past periods. The increase in the Proposed Annual Caps compared to historical transactions stems from the expanded scale of auxiliary material supply and the procurement demand for new equipment. The forecasts incorporate the full-year impact of the new project arrangements taking effect in 2026, alongside a prudent buffer reserved for transaction volume fluctuations.
3. The differences between the Existing Annual Caps (including the Revised Annual Cap where appropriate), the historical amounts and the Proposed Annual Caps arise mainly because both the Company and the CNPC Group are large enterprises, with a large scale and transaction volumes. Since the Proposed Annual Caps for the Non-exempt Continuing Connected Transactions are for three years, it is difficult for the Company to anticipate all the possible contingencies accurately during the period. As such, the Company makes sufficient estimations taking into consideration commercially feasible plans when applying for the relevant Proposed Annual Caps.

LETTER FROM THE BOARD

4. The relevant figures represent the maximum daily outstanding balance of deposits placed or to be placed by the Group with the CNPC Group (including interest accrued thereon).
5. The relevant figures of the Existing Annual Caps and historical amounts represent the interest in relation to the loans and financial products provided or to be provided by the CNPC Group to the Group that constitute or would constitute Non-Exempt Continuing Connected Transactions, such as loans and financial products provided by the CNPC Group to entities jointly held by the Group and the CNPC Group whereas the figures in respect of the Proposed Annual Caps represent only the relevant interests but exclude the principal amount. As financial assistance received by the Group from the CNPC Group is fully exempt if it is conducted on normal commercial terms or better and is not secured by assets of the Group under Rule 14A.90 of the Listing Rules, loans and financial products provided or to be provided by the CNPC Group to the Company and/or its wholly-owned subsidiaries or entities not jointly held with the CNPC Group are excluded from this table.
6. This refers to all financial services other than deposit services, loans and financial products provided or to be provided by the CNPC Group to the Group under Category (b) of the Continuing Connected Transactions. The relevant figures represent the maximum service fees and commissions for other financial products and services provided or to be provided by the CNPC Group to the Group.
7. The figure represents the Existing Annual Cap for the year ending 31 December 2026, which is proposed to be revised to the Revised Annual Cap, details of which is set out in the paragraph headed “3. Revised Annual Cap for the Continuing Connected Transactions in 2026” in this circular.
8. As of the date of this circular, the aggregate transaction amount under Category (c) of the Existing Master Agreement has not exceeded the relevant Existing Annual Cap for 2026.

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.

5.3 Measures of Internal Control

The Group has implemented a set of comprehensive internal control policies to ensure the Continuing Connected Transactions and the pricing policies of the relevant products and services thereunder are proceeded on the basis of normal commercial terms in the ordinary and usual course of business of the Group, and that they are fair and reasonable and in the interests of the Group and the Shareholders as a whole. In order to ensure that the actual pricing of the relevant products and services will be set in accordance with the pricing policies under the 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.

LETTER FROM THE BOARD

For the purposes of ascertaining the 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 department, no individual agreement will be entered into between the Group and the CNPC Group.

In relation to the determination of the Market Price, the Group has adopted the following specific internal control procedures:

Commodity category

Natural gas is an important bulk commodity. When the CNPC Group sells natural gas to all downstream users, it implements a publicly available pricing mechanism that is uniform for all users. Therefore, when the Group procures natural gas from the CNPC Group, it follows the same price mechanism published by the CNPC Group to the Group and to all other users. When the Group sells natural gas to its downstream users, it likewise applies a uniform pricing mechanism, so that the CNPC Group, when procuring natural gas from the Group, also obtains a fair pricing mechanism. On the procurement side, the wholesale-end price policy is uniformly applied; on the sales side, government pricing/government-guided price documents are implemented.

LETTER FROM THE BOARD

Engineering category

For projects that are legally required to be tendered, open tendering is adopted for supplier selection. A tender control price is set during the tender process. The bidders submit quotations below the limit price. After comprehensive technical and economic review, the list of winning candidates is determined, and the first-ranked candidate is selected as the successful bidder in principle. The pricing model is the market price generated through competition.

For engineering projects that are legally exempt from tendering or for which non-tendering selection is permitted, competitive negotiation or similar methods are used. Invited parties are in principle required to quote below the control price. After competitive negotiation, the lowest-quoting party is selected as the successful contractor. The pricing model is the market price generated through competition.

In addition, all operating entities of the Company shall comply with the Company's tendering and bidding management measures. For products or services whose transaction amounts reach the specific thresholds prescribed under such measures, all operating entities shall determine their suppliers through tendering (implemented by a tender committee composed of randomly selected internal and external experts). For products or services whose transaction amounts fall below the prescribed thresholds, market prices are obtained through negotiated procurement, enquiry-and-comparison procurement or similar methods, and the supplier is finally determined on the basis of the quotation levels of the participants and other relevant factors.

This basis of determination ensures that the prices charged to/by the Group are fair and reasonable because:

- (i) competitive quotations are obtained from independent third parties
 - (ii) selection is made through formal tendering or comparative evaluation; and
 - (iii) the entire process is subject to review by internal audit and independent non-executive directors, ensuring that the prices are no less favourable than those available from independent third parties.
- (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 benchmark price, every ten days, before the Group decides to enter into the transaction with the CNPC Group;

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- (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; and
 - (c) 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 from, 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 the 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

LETTER FROM THE BOARD

- (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.

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

As the largest domestic oil and gas supplier and a large-scale integrated energy enterprise, the CNPC Group has provided the Company with reliable supply of natural gas, LPG and other commodities at fair prices, as well as sound services in engineering construction and other areas over the past three years. The synergy between the businesses of both parties is evident. The Board is of the view that it is beneficial to the Company to continue carrying out the Continuing Connected Transactions with the CNPC Group, as such 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 the CNPC Group 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 Trade System (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;
- (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 31 December 2025, the cash on hand and at the People's Bank of China of CNPC Finance was approximately RMB15,402 million and the lending to banks and other financial institutions of CNPC Finance was approximately RMB227,490 million, the total assets of CNPC Finance was approximately RMB534,295 million. For the twelve months ended 31 December 2025, CNPC Finance achieved a revenue of approximately RMB13,702 million, a net interest income of approximately RMB5,180 million, a profit of approximately RMB6,856 million and a net profit after tax of approximately RMB5,611 million, which is in a leading position among domestic counterparts;

LETTER FROM THE BOARD

- (iv) The balance of loans provided by CNPC Finance to the Group generally exceeded the balance of deposits the Group made with CNPC Finance. As at 31 December 2024 and 31 December 2025, the balance of the Group's deposits with CNPC Finance was RMB672 million and RMB595 million, representing 1.5% and 1.3% of the total deposits of the Group respectively; as at 31 December 2024 and 31 December 2025, the balance of loans provided by CNPC Finance to the Group was RMB8,627 million and RMB10,113 million, representing 36.8% and 48.8% of the total balance of loans respectively;
- (v) In order to ensure the normal operation and management of CNPC Finance, CNPC has made relevant undertakings, among other things: (a) CNPC has undertaken not to abuse its rights as a shareholder of CNPC Finance, interfere in the daily business of CNPC Finance or harm the legitimate rights and interest of CNPC Finance and its other shareholders in any way; (b) CNPC has undertaken not to engage in any irregular or improper connected transactions with CNPC Finance, pursue any connected transactions superior than those of similar conditions with other shareholders of CNPC Finance and non-connected persons or obtain any improper benefits using its influence on the operation and management of CNPC Finance; and (c) CNPC has undertaken to establish an effective risk isolation mechanism to prevent the transmission and transfer of risks among CNPC, CNPC Finance and other connected institutions;
- (vi) CNPC has also undertaken to act as the payer of last resort for CNPC Finance, i.e., CNPC has undertaken that in case of emergency where CNPC Finance has difficulties making payments, CNPC will increase the capital of CNPC Finance in accordance with the actual needs for the purpose of permitting payments to be made, which provides better security of funds as compared to external banks. As at 30 June 2026, the cash at bank and on hand of CNPC was approximately RMB280,428 million (excluding the cash at bank and on hand of the Group); and
- (vii) CNPC Finance has also undertaken that it has established a compliant and comprehensive risk governance framework and full-scope risk and financial management systems to safeguard the security of deposits; CNPC Finance will ensure that the Group's deposits placed with it will be given priority for use in providing settlement, loan and other financial services to the Group, and will endeavor to meet the Group's funding requirements.

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 pricing 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.

LETTER FROM THE BOARD

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.

7. INFORMATION ON THE GROUP AND OTHER PARTIES

(a) Information on the Group

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

(b) Information on CNPC

CNPC is the controlling shareholder of the Company. CNPC is a petroleum and petrochemical conglomerate that was formed in the wake of the restructuring launched by the State Council to restructure the predecessor of CNPC, China National Petroleum Company* (中國石油天然氣總公司). CNPC is also a wholly state-owned limited liability company. CNPC is an integrated energy and chemical industry 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 is a joint stock limited company incorporated on 5 November 1999 under the Company Law of the PRC as a result of the restructuring of CNPC. PetroChina's H shares (i.e. the overseas listed foreign shares in PetroChina's share capital, with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars) and A shares (i.e. the PRC listed domestic shares in PetroChina's share capital, with a nominal value of RMB1.00 each, which are traded in RMB) are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively.

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

* For identification purpose only

LETTER FROM THE BOARD

marketing and trading business of refined products and non-oil products; and the transportation and sales of natural gas.

8. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CNPC, the ultimate controlling shareholder of the Company, was deemed to be interested in 4,853,086,133 Shares, representing approximately 56.30% 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 Latest Practicable Date, 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 Revised Annual Cap for Category (c) of the Continuing Connected Transactions and the Proposed Annual Caps for the Non-Exempt Continuing Connected Transactions are greater than 5%, the Revised Annual Cap, 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 2029 are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements.

None of the Directors has a material interest in the Revised Annual Cap, 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. Liu Guohai is the deputy chief economist of PetroChina Company Limited and executive director of PetroChina Natural Gas Marketing Company, Mr. He Yongli is the general manager and safety director of PetroChina Natural Gas Marketing Company, Mr. Qi Zhenzhong is the full-time external director of companies under CNPC, while Ms. Lyu Jing is the senior legal advisor of CNPC, they have 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 requirements pursuant to Rules 14A.35 to 14A.60 of the Listing Rules, as well as obtain the consent of the competent regulatory authorities.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders, among other things, the Revised Annual Cap, 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 2029. VBG Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

CNPC and its associates (including PetroChina) are required to abstain from voting on the resolution in connection with the Revised Annual Cap, 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 2029.

9. SGM

9.1 SGM

The notice convening the SGM to be held at Taishan Room, Level 5, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Central Hong Kong on 23 October 2026, Friday at 10:00 a.m., at which the following resolution will be proposed for the Independent Shareholders to consider, and, if thought fit, to approve, with or without modifications as ordinary resolution:

- (i) the Revised Annual Cap of the Continuing Connected Transactions;
- (ii) the entering into of the New Master Agreement;
- (iii) the Non-Exempt Continuing Connected Transactions; and
- (iv) the Proposed Annual Caps,

is set out on pages SGM-1 to SGM-2 of this circular.

9.2 Closure of the Company's register of members

For the purposes of determining the Independent Shareholders' eligibility to attend and vote at the SGM, the register of members of the Company will be closed from 20 October 2026 (Tuesday) to 23 October 2026 (Friday) (both days inclusive), during which period no transfer of Shares of the Company will be registered. The record date for entitlement to attend and vote at the SGM is on 23 October 2026, Friday. To be eligible to attend and vote at the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 16 October 2026 (Friday).

9.3 Proxy

A proxy form for use at the SGM is enclosed. If you intend to appoint proxy to attend the SGM, you are requested to complete the proxy form and return it to the Company's principal office at 39th Floor, 118 Connaught Road West, Hong Kong or the Company's branch registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for

LETTER FROM THE BOARD

holding the SGM or adjourned meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting at the SGM if you so wish.

The Company would like to inform the Independent Shareholders that the Listing Rules require any vote of the Shareholders (attending in person or by proxy) at a general meeting must be taken by poll and the chairman of the SGM will, pursuant to the Bye-laws of the Company, demand a poll vote on the resolution to be proposed at the SGM accordingly. On a poll, every Independent Shareholder who is present in person or by proxy shall have one vote for every Share of which he is a holder.

10. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 44 to 45 of this circular which contains its recommendation to the Independent Shareholders in relation to the Revised Annual Cap, 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 2029. Your attention is also drawn to the letter of advice from VBG Capital set out on pages 46 to 66 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Revised Annual Cap, the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps for each of the three years ending 31 December 2029, and the principal factors and reasons taken into account in arriving at its recommendation.

The Independent Board Committee, having taken into account the advice of VBG Capital, is of the opinion that the Revised Annual Cap, 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 2029 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and are on normal commercial terms and in the ordinary course of business of the Company. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions in respect of the Revised Annual Cap, 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 2029 to be proposed at the SGM.

11. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
On behalf of the Board of
Kunlun Energy Company Limited
Liu Guohai
Chairman

LETTER FROM INDEPENDENT BOARD COMMITTEE



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

(Stock Code: 00135.HK)

7 October 2026

To the Independent Shareholders

Dear Sir or Madam,

**(1) REVISED ANNUAL CAP FOR
THE CONTINUING CONNECTED TRANSACTIONS IN 2026
AND
(2) NEW MASTER AGREEMENT AND
THE CONTINUING CONNECTED TRANSACTIONS IN 2027–2029**

We refer to the circular dated 7 October 2026 of the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the (1) the Revised Annual Cap in respect of the Continuing Connected Transactions; (2) the entering into of the New Master Agreement; (3) the Non-Exempt Continuing Connected Transactions; and (4) Proposed Annual Caps for each of the three years ending 31 December 2029, details of which are set out in the section headed “Letter from the Board” in the Circular to the Shareholders. VBG Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same matters. A copy of the letter from VBG Capital containing its advice is set out in the section headed “Letter from VBG Capital” of the Circular.

Having taken into account the advice of VBG Capital, we consider that (1) the Revised Annual Cap in respect of the Continuing Connected Transactions; (2) the entering into of the New Master Agreement; (3) the Non-Exempt Continuing Connected Transactions; and (4) the Proposed Annual Caps for each of the three years ending 31 December 2029 are (A) fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (B) on normal commercial terms and in the ordinary course of business of the Company. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be

LETTER FROM INDEPENDENT BOARD COMMITTEE

proposed at the SGM to approve the Revised Annual Cap in respect of the Continuing Connected Transactions, 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 2029 as set out in the notice of the SGM to be held on 23 October 2026.

Yours faithfully,

Independent Board Committee

Sun Patrick Tsang Yok Sing Jasper Kwok Chi Shing

Independent Non-Executive Directors

LETTER FROM VBG CAPITAL

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Cap, the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps for the purpose of inclusion in this circular.



建泉融資有限公司
VBG Capital Limited

Suites 707–709, 7/F.
12 Taikoo Wan Road
Hong Kong

7 October 2026

*To: The independent board committee and the independent shareholders
of Kunlun Energy Company Limited*

Dear Sirs,

**REVISED ANNUAL CAP
FOR THE CONTINUING CONNECTED TRANSACTIONS IN 2026
AND
NEW MASTER AGREEMENT AND
THE CONTINUING CONNECTED TRANSACTIONS IN 2027–2029**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Cap, the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 7 October 2026 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Capitalized terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular unless the context requires otherwise.

The Group and CNPC entered into, among other things, the Existing Master Agreement in 2023. The Existing Master Agreement provides a framework for the Group to procure a range of products and services from the CNPC Group and vice versa, including but not limited to the Oil and Gas Products, general products and services, engineering technology services, production services, logistics supply, financial services, property leasing services and entrustment management services.

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For the reasons being set forth in this letter of advice, the Directors consider that the Existing Annual Cap in respect of 2026 for Category (c) of the Continuing Connected Transactions may not be able to satisfy the Group's requirements for the whole year. The Directors therefore propose such Existing Annual Cap to be revised in order to cater for the Group's business needs for the year ending 31 December 2026.

Moreover, in view of the anticipated expiry of the Existing Master Agreement on 31 December 2026, the Company entered into the conditional New Master Agreement with CNPC on 22 September 2026 for the purpose of renewing the Continuing Connected Transactions contemplated under the Existing Master Agreement for the three years ending 31 December 2029.

According to the Letter from the Board, the Non-Exempt Continuing Connected Transactions constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Revised Annual Cap, the New Master Agreement, the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps are therefore subject to the reporting, announcement, circular and independent shareholders' approval requirements.

The Independent Board Committee comprising Messrs. Sun Patrick, Mr. Tsang Yok Sing Jasper and Mr. Kwok Chi Shing (all being the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Revised Annual Cap, the New Master Agreement and the Proposed Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Non-Exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Revised Annual Cap, the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps at the SGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders of the Company or any of their associates. We consider ourselves independent to form our opinion in respect of the Revised Annual Cap, the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps.

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BASIS OF OUR OPINION

In formulating our opinion with regard to the Revised Annual Cap, the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Company (including but not limited to those contained or referred to in the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Company were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the Circular. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Company in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the independent financial adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, the CNPC Group, PetroChina or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the New Master Agreement and the Non-Exempt Continuing Connected Transactions. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources but we did not conduct any independent investigation into the accuracy and completeness of such information.

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Shareholders should note that as the Revised Annual Cap as well as the Proposed Annual Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2029, and they do not represent forecasts of revenues or costs to be recorded from the New Master Agreement and the Non-Exempt Continuing Connected Transactions. Consequently, we express no opinion as to how closely the actual revenues and costs to be recorded under the New Master Agreement and the Non-Exempt Continuing Connected Transactions will correspond with the Revised Annual Cap as well as the Proposed Annual Caps.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Revised Annual Cap, the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Non-Exempt Continuing Connected Transactions

Information on the Group

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and joint ventures are the sales of natural gas, sales of liquefied petroleum gas (LPG) and liquefied natural gas (LNG) processing and terminal business in the PRC, and the exploration and production of crude oil and natural gas in the Republic of Kazakhstan, the Sultanate of Oman and the Kingdom of Thailand.

The table below depicts the key audited consolidated financial information of the Group for the two years ended 31 December 2025 as extracted from the annual report of the Company for the year ended 31 December 2025:

	For the year ended 31 December 2025 RMB million	For the year ended 31 December 2024 RMB million
Revenue	193,979	187,046
– Sales of natural gas products	159,824	152,090
– Sales of LPG	25,091	25,601
– LNG processing and terminal service	8,918	9,184
– Sales of crude oil	146	171
Total comprehensive income for the year	8,446	9,478

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As depicted by the table above, the Group recorded a slight increase in total revenue of approximately 3.7% from approximately RMB187,046 million for the year ended 31 December 2024 to approximately RMB193,979 million for the year ended 31 December 2025, and the Group enjoyed substantial total comprehensive income of approximately RMB8,446 million for the year ended 31 December 2025. During the last two years under review, the sales of natural gas products had been the largest revenue contributor to the Group, over 80% of the Group's revenue were coming from this source.

Information on CNPC

As extracted from Letter from the Board, CNPC, the controlling shareholder of the Company, is a wholly state-owned limited liability company. It is an integrated energy and chemical industry 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.

Reasons for and possible benefits of the Non-Exempt Continuing Connected Transactions

As represented by the Directors, as the largest domestic oil and gas supplier and a large-scale integrated energy enterprise, the CNPC Group has provided the Company with reliable supply of natural gas, LPG and other commodities at fair prices, as well as sound services in engineering construction and other areas over the past three years. The synergy between the businesses of both parties is evident. The Directors are of the view that it is beneficial for the Company to continue carrying out the Continuing Connected Transactions with the CNPC Group, as such transactions have facilitated and are expected to continue to facilitate the operation and growth of the Group's business. The Directors also note the long smooth cooperation history between the Company and the CNPC Group in relation to such transactions.

In light of that (i) the Group and the CNPC Group have established long cooperative relationship for mutual provision of products and services; (ii) the CNPC Group is familiar with the product and service requirements of the Group; (iii) the revenue transactions under the Existing Master Agreement have generated considerable income to the Group; and (iv) the Non-Exempt Continuing Connected Transactions are indispensable to the Group's principal business given the CNPC Group's wide spectrum of business activities and its leading position within the natural gas and oil industry, we are of the opinion that the Non-Exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

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2. Principal terms of the New Master Agreement

The Company and CNPC entered into the New Master Agreement on 22 September 2026 for the purpose of renewing the Continuing Connected Transactions for the three years ending 31 December 2029. Summarized below are the principal terms of the New Master Agreement as extracted from the Letter from the Board:

Date: 22 September 2026

Parties: (a) CNPC; and
(b) the Company.

Term: Three years commencing from 1 January 2027 to 31 December 2029. 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.

Categories of the Non-Exempt Continuing Connected Transactions: *Category (a) – Provision of general products by the CNPC Group to the Group, which comprise:*

- (i) crude oil, natural gas, refined oil products, chemical products and other related or similar products; and
- (ii) equipment, materials, supplies and other products required for petroleum and natural gas exploration and production.

Category (b) – Provision of general services by the CNPC Group to the Group, which comprise:

- (i) engineering technology services;
- (ii) production services;
- (iii) logistics supply;
- (iv) living support services;
- (v) social services; and
- (vi) financial services.

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Category (c) – Provision of general products by the Group to the CNPC Group, which comprise:

- (i) natural gas;
- (ii) LNG;
- (iii) compressed natural gas;
- (iv) LPG;
- (v) refined oil products;
- (vi) chemical products; and
- (vii) other integrated energy products and other related and similar products.

Category (d) – Provision of general services by the Group to the CNPC Group, which comprise:

- (i) production services;
- (ii) logistics supply;
- (iii) property leasing services; and
- (iv) entrustment management services.

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Pricing policy:

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

The pricing for such general products (other than crude oil) to be provided by the CNPC Group to the Group shall be fair and reasonable and based on the following general principles: adopt the 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 shall not exceed the market price among all the prices as offered by all the independent third parties in the relevant market or nearby market, i.e. the Market Price. If no Market Price is available, the CNPC Group shall provide the relevant general products to the Group at an agreed price. For the determination of such agreed price, the operating entities of the Group and the CNPC Group generally negotiate in advance the costs of the products or services (as the case may be) to be provided. The Group has established a cost-estimation centre consisting of experienced technical experts who are responsible for formulating cost standards taking into account industry cost benchmarks, quotations obtained from not less than two independent third parties and the actual costs of comparable recent projects etc. After the relevant products or services (as the case may be) have been provided, the Group's internal auditors will review the actual costs calculated by the CNPC Group or the Group (as the case may be) with reference to the prior negotiation results or the cost standards formulated by the cost-estimation centre. Settlement and payment will only be made after the internal auditors have approved the review.

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The pricing for crude oil to be provided by the CNPC Group to the Group 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 published the Administrative Measures for Oil Prices pursuant to which the crude oil prices in the PRC shall be driven by market prices. The parties will take into account the benchmark crude oil assessment, including the Brent benchmark price, in determining the pricing of the crude oil to be supplied and purchased under the Continuing Connected Transactions.

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

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

- (i) adopt the 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 shall not exceed the market price among all the prices as offered by all the independent third parties in the relevant market or nearby market, i.e. the Market Price. If no Market Price is available, the CNPC Group shall provide the relevant general services to the Group at an agreed price (for details, please refer to the disclosure under “*Category (a) – Provision of general products by the CNPC Group to the Group*” above); and

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(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.

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

The pricing for such general products to be provided by the Group to the CNPC Group shall be fair and reasonable and based on the following general principles: adopt the 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 shall not be lower than the market price among all the prices as offered by the Group to all the independent third parties in the relevant market or nearby market, i.e. the Market Price. If no such Market Price is available, the Group shall provide the relevant general products to the CNPC Group at an agreed price (for details, please refer to the disclosure under “*Category (a) – Provision of general products by the CNPC Group to the Group*” above).

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

The pricing for such general services to be provided by the Group to the CNPC Group shall be fair and reasonable and based on the following general principles: adopt the 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 shall not be lower than the market price among all the prices as offered by the Group to all the independent third parties in the relevant market or nearby market, i.e. the Market Price. If no Market Price is available, the Group shall provide the relevant general services to the CNPC Group at an agreed price (for details, please refer to the disclosure under “*Category (a) – Provision of general products by the CNPC Group to the Group*” above).

In connection with the aforesaid pricing basis under the New Master Agreement, we noted that prices of the general products (other than crude oil) and services shall in the first place be determined based on the Government Prescribed Prices; and as for crude oil, prices shall be determined taking into account the Brent benchmark price. Considering the fact that the Government Prescribed Prices are legitimate while the Brent benchmark price is objective market price reference for the entire natural gas and oil industry, we consider such pricing basis to be fair and reasonable. In situation where no Government Prescribed Prices are available, we noted that prices of the relevant product and/or service shall not be less favourable than the Market Price. We also consider such pricing basis to be beneficial to the Group. When there is no Market Price, the agreed price will be adopted. We concur with the Directors that the agreed price is fair and reasonable and on normal commercial terms because: (i) it is determined through prior negotiation or independent expert cost standards; (ii) it is subject to post-transaction verification by the Group’s internal auditors; and (iii) the overall terms are confirmed by the independent non-executive Directors and the external auditors of the Company to be no less favourable than those available from independent third parties.

For our due diligence purpose, we have requested and obtained (i) five random samples of the historical invoices/contracts between the Group (as recipient) and other independent third parties (as provider); and (ii) five random samples of the historical invoices/contracts between the Group (as recipient) and the CNPC Group (as provider) in respect of products and services transacted under each of Categories (a) & (b) from 2024 to 2026 which were similar in nature to the extent where possible; and similarly for each of Categories (c) & (d), we have requested and obtained of (i) five random samples of the historical invoices/contracts between the Group (as provider) and other independent third parties (as recipient); and (ii) five random samples of the historical invoices/contracts between the Group (as provider) and the CNPC Group (as recipient) for products and services transacted from 2024 to 2026 which were similar in nature to the extent where

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possible. We consider the said transactions records to be fair and representative given that they were chosen by us randomly and they covered each of Categories (a) to (d) during the term of the Existing Master Agreement. Upon review and comparison of those transaction records, we noted that their principal terms such as price determination basis and payment terms were largely similar, and the price offered to/by the Group by/to the CNPC Group (as the case may be) was no less favourable.

Additionally, as we understand that the Company has set up a series of tendering and bidding management measures with regard to engineering projects, we have further requested and obtained three walk-through samples of the tender documents of the Group for projects that are legally required to be tendered and three walk-through samples for projects that are legally exempt from tendering or of which non-tendering selection is permitted. We consider the said walk-through samples to be fair and representative given that they were chosen by us randomly and they covered engineering projects (both required or did not require tender) conducted during the term of the Existing Master Agreement from 2024 to 2026. Upon review of those walk-through samples, we noted that the Group has adhered to the relevant tendering and bidding measures under which (i) for projects that required tender, the first-ranked candidate determined by comprehensive review was selected as the successful bidder; and (ii) for projects that did not require tender, the lowest-quoting candidate was selected as the successful contractor after competitive negotiations.

With the above being the case, we concur with the Directors that the terms of the New Master Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. The Revised Annual Cap and the Proposed Annual Caps

The table below illustrates the actual transaction amounts of Continuing Connected Transactions for the three years ended 31 December 2025 and the six months ended 30 June 2026, the Existing Annual Caps for 2026, the Revised Annual Cap together with the Proposed Annual Caps under the New Master Agreement:

	Actual transaction amounts				The Existing Annual Caps	The Revised Annual Cap	The Proposed Annual Caps		
	For the year ended 31 December 2023	For the year ended 31 December 2024	For the year ended 31 December 2025	For the six months ended 30 June 2026	For the year ending 31 December 2026	For the year ending 31 December 2026	For the year ending 31 December 2027	For the year ending 31 December 2028	For the year ending 31 December 2029
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Category (a)	119,317	130,282	144,256	83,290	265,360	Not applicable	291,896	321,086	353,194
Category (b)	3,281	2,552	2,151	1,841	14,972	Not applicable	11,234	15,317	12,452
Category (c)	5,320	9,937	12,013	11,607	14,900	42,967	49,332	57,998	69,598
Category (d)	4,552	8,449	9,645	3,743	13,645	Not applicable	15,010	16,581	18,306

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Our assessment on the Revised Annual Cap and the Proposed Annual Caps

(i) Comparison with historical actual transactions

To assess the fairness and reasonableness of the Revised Annual Cap and the Proposed Annual Caps, firstly, we have evaluated the trend of movement of the actual transaction amounts of Continuing Connected Transactions in recent years and compared them with the Revised Annual Cap and the Proposed Annual Caps:

(a) with respect to the Proposed Annual Caps for Category (a):

From the table above, it is noted that the actual amounts of Category (a) transactions enlarged by an average of around 10% in a row for two consecutive years from 2023 to 2025. Based on the actual amount of Category (a) transactions for the first half of 2026, the annualized amount of Category (a) transactions in 2026 would further increase by approximately 15% as compared to 2025, thereby utilizing the relevant Existing Annual Cap by over 60%. Given the persistent expansion as just mentioned, the Proposed Annual Caps for Category (a), which demonstrate a year-on-year increase of approximately 10%, are fair and reasonable estimation of the future transaction amounts. In particular, we noted that in estimating its procurement volumes for the next three years, the Group has taken into account the expansion of energy supply arrangements with the CNPC Group. LNG procurement volume is expected to grow by around 200% in 2026. The overall expected transaction volume in 2026 is around 7% higher than the corresponding historical year. In accordance with the rollout plan we obtained from the Company, a total of twelve new projects is expected to be added in 2026, of which the establishment of nine have begun progressively in the second half of 2026, releasing an estimated additional sales capacity of approximately 1.8 billion cubic meters. Incorporating also the “15th Five-Year Plan”, the Group expects an average annual growth in natural gas procurement volume of around 5% to 8% over the next three years. It is noted that such estimated growth is substantiated by the growing volume of natural gas procurement of the Group from 2024 to 2025.

(b) with respect to the Proposed Annual Caps for Category (b):

From the table above, it is noted that the Proposed Annual Caps for Category (b) represent a considerable increment as compared to the actual amounts of Category (b) transactions from 2023 to 2025. Hence, we have further enquired into the Directors and obtained breakdown of such Proposed Annual Caps' calculation. Referring to the calculation, a large proportion of the Proposed Annual Caps is to cater for the possible provision of engineering and construction services by the CNPC Group to the Group. Upon our enquiry with the Directors, we understand that the Group is carrying out a number of large-scale upgrading, transformation and regular projects, including but not

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limited to the Fujian LNG Terminal and other new energy and integrated energy projects. We noted that the Proposed Annual Caps for the possible provision of engineering and construction services by the CNPC Group to the Group were estimated with reference to the future development plan of the Group, the expected development schedule and the gradual completion and commissioning of projects at different stages, with each year's estimates made flexibly and prudently based on the expected actual project amount. Such determination basis is justifiable given the CNPC Group's wide spectrum of business activities and its leading position within the natural gas and oil industry and that the CNPC Group is familiar with the service requirements of the Group. The CNPC Group is also one of the few companies in the PRC capable of providing design, construction and development (including installation) of high-quality natural gas pipelines, LNG terminals, LNG processing plants, gas stations and other facilities, as well as other related engineering technology services.

(c) with respect to the Revised Annual Cap and Proposed Annual Caps for Category (c):

From the table above, it is noted that both the Revised Annual Cap and the Proposed Annual Caps for Category (c) represent a considerable increment as compared to the actual amounts of Category (c) transactions from 2023 to 2025. Hence, we have further enquired into the Directors regarding the basis for the Revised Annual Cap and obtained breakdown of the Proposed Annual Caps' calculation. As advised by the Directors, the Group reached an integrated gas station business arrangement with the CNPC Group, under which, in principle, all LNG required by the CNPC Group's gas stations will be supplied by the Group. This arrangement aims to fully utilize the processing potential of the Group's LNG plants while ensuring the security of natural gas supply to the CNPC Group's gas stations. According to the "15th Five-Year Plan", sales volume to the CNPC Group is projected to grow at an average annual rate of approximately 20% during 2027 to 2029. This arrangement will be rolled out progressively once the necessary conditions (including the Revised Annual Cap under the Existing Master Agreement being approved by the Independent Shareholders) are in place. As a result of the launch of such gas station integrated business of CNPC, the Group's LNG sales volume in the first half of 2026 already grew by around 30% year-on-year and still has very substantial further growth potential. The Group is planning to increase LNG supply to the CNPC Group's gas stations significantly and as quickly as possible, which will lead to a substantial full-year increase in the volume of LNG supplied by the Group to the CNPC Group.

At the same time, the Group has encouraged mutual promotion of natural gas and LPG businesses, enlarged natural gas supply for refining enterprises, and enlarged LPG resources and supply scale through expanded imports. Referring to the collaboration proposal and the related project implementation status we

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obtained from the Company in this regard, it is noted that in the second half of 2026, the Group plans to substantially increase natural gas supply to the CNPC Group's refining and chemical enterprises in order to free up LPG resources for the Group's own sales. As the bulk of incremental deliveries is scheduled to take place in the fourth quarter of 2026, natural gas sales to the CNPC Group are expected to increase significantly in the fourth quarter of 2026.

According to the Directors, to support business development, the number of the Group's comprehensive new energy projects has been increasing year by year, continuously expanding the scale of the Group's comprehensive energy business with the CNPC Group. Following such transformation and development of the new energy business, the Group's natural gas power, new energy, and comprehensive energy businesses have experienced rapid growth. Based on the "15th Five-Year Plan", the Group forecasts average growth of around 110% to 115% for these businesses during 2027 to 2029.

Coupled with the recent rapid increase in market prices of natural gas and related products (for details, please refer to the paragraph headed "The robust rise in international oil and gas product prices which has driven up prices of the Oil and Gas Products in 2026" in the latter part of this letter of advice), the Existing Annual Cap in respect of 2026 for Category (c) shall not be able to satisfy the Group's requirements for the whole year. Accordingly, the Revised Annual Cap was proposed.

On the other hand, referring to the calculation of the relevant Proposed Annual Caps, the Group continued to expect that among the various general products to be provided by the Group to the CNPC Group, natural gas will constitute the largest proportion. In line with (i) the steady economic growth in the PRC; (ii) the ongoing national energy structure reform to increase consumption of natural gas in the PRC; (iii) the expected strong business advancement of the CNPC Group as a result of which sales volume to the CNPC Group is projected to grow at an average annual rate of around 20% during 2027 and 2029; (iv) the continuous expansion of scale of the Group's comprehensive energy business with the CNPC Group due to the increasing number of the Group's comprehensive new energy projects year by year to support business development; and (v) the mutual promotion of natural gas and LPG businesses and expansion of supply scale to the CNPC Group's refining and chemical enterprises, the Group's future sales of natural gas to the CNPC Group would be showing a persistent increasing pattern. At the same time, the Directors also expected that prices of natural gas and related products may remain at a high level in the midst of the existing political turmoil (for details, please refer to the paragraph headed "The robust rise in international oil and gas product prices which has driven up prices of the Oil and Gas Products in 2026" in the latter part of this letter of advice).

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(d) with respect to the Proposed Annual Caps for Category (d):

From the table above, it is noted that the actual amounts of Category (d) transactions enlarged extensively by approximately 85.6% from 2023 to 2024. Thereafter, the actual transaction amounts continued to illustrate a significant year-on-year growth of approximately 14% in 2025. Given the persistent expansion as just mentioned, the Proposed Annual Caps for Category (d), which demonstrate a year-on-year increase of around 10%, are fair and reasonable estimation of the future transaction amounts. In particular, we noted that Category (d) mainly covers gasification, loading and tolling services provided to the CNPC Group by the Group's two existing LNG receiving terminals (namely the Jiangsu LNG Terminal and Jingtang LNG Terminal), the newly constructed Fujian LNG Terminal (expected to commence operation in 2027) and other LNG terminals currently under negotiation. Leveraging on the business synergies with the CNPC Group to conduct integrated gas station operations, it is expected that the CNPC Group's demand for LNG and natural gas terminal products will continue to grow in the next three years.

As further advised by the Directors, during the "15th Five-Year Plan" period, the Group's receiving capacity is expected to enlarge to 150%; pipeline transmission volume is expected to increase at an average annual rate of around 15%; and transactions relating to tolling services at the Group's LNG plants are projected to grow at an average annual rate of around 20% in both volume and revenue.

(ii) *Further analysis and research regarding the basis of determination*

After analyzing the basis of determination of the Revised Annual Cap and the Proposed Annual Caps, we noted that there are several critical factors affecting the Company's estimations, namely (i) the existing operations and future expansion blueprint of the Group; (ii) the latest development and prospects of the natural gas and oil industry of the PRC; and (iii) the robust rise in international oil and gas product prices which has driven up prices of the Oil and Gas Products in 2026. Thus, we have further studied the Group's business and future development plan, and researched for related market information to assess the fairness and reasonableness of the Revised Annual Cap and the Proposed Annual Caps in depth:

The Group's existing operations and future expansion blueprint

As aforementioned, the principal activities of the Group are the sales of natural gas, sales of LPG and LNG processing and terminal business in the PRC, and the exploration and production of crude oil and natural gas in the Republic of Kazakhstan, the Sultanate of Oman and the Kingdom of Thailand.

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As advised by the Directors, in 2025, the Company maintained a dual focus on tapping the potential of the existing market and co-developing incremental opportunities for the natural gas business. The customer base of the Group increased to approximately 17.2 million. The Company continued to promote end-user price pass-through, achieving a 69% residential gas price pass-through rate, an increase of approximately 8.3 percentage points year-on-year. The sales mix was continuously optimized, with industrial gas volumes maintaining rapid growth, accounting for approximately 77.7% of retail gas sales, a year-on-year increase of approximately 2.8 percentage points. Total natural gas sales reached approximately 59.3 billion cubic meters, a year-on-year increase of approximately 9.4%, with retail gas sales reaching approximately 33.5 billion cubic meters.

Concurrently, by extending the industrial chain and enhancing the value chain, the LNG processing and terminal business is gradually growing into the second profit growth pole. LNG sales achieved a milestone breakthrough, with annual sales volume surpassing 10 billion cubic meters. The total send-out volume from the two terminals of the Group in Jiangsu and Tangshan reached a record high of approximately 16.5 billion cubic meters. The annual processing volume of LNG plants was approximately 3.7 billion cubic meters, a year-on-year increase of approximately 5.3%, with an average operation capacity of approximately 67.2%, being the highest level in history. The offshore LNG refuelling business successively entered the Guangdong and Hong Kong markets, achieving a normalized upgrade from offshore anchorage bunkering to terminal bunkering for LNG marine fuel in Hong Kong waters. The refuelling volume reached 176,600 tonnes, a year-on-year increase of approximately 60.7%. On the other hand, the Company also continuously expanded resource channels and intensified resource procurement and sales efforts, thereby achieving annual LPG sales of approximately 6.1 million tonnes, a year-on-year increase of approximately 6.3%. Significant efforts were put to develop direct industrial supply customers, adding eight new customers, and the direct LPG industrial supply sales volume increased by approximately 23.4% year-on-year.

Closely aligned with the national strategy for building a new energy system, the Company has actively developed the gas power, new energy, and integrated energy businesses. The Group accumulated shareholdings in 19 operational natural gas power generation projects, with a total installed capacity of approximately 12.9 million kilowatts, a year-on-year increase of approximately 18.7%. Twelve integrated energy projects were put into operation, with a total installed capacity of 629,000 kilowatts, up by approximately 20.9% year-on-year. 107 distributed photovoltaic projects were commissioned, with a total installed capacity of 20,800 kilowatts, representing a significant year-on-year increase of approximately 53.5%.

China's natural gas development

Based on our independent research, as referred to in the China Natural Gas Development Report (2026) published by the National Energy Administration in July 2026, in 2025, the national natural gas consumption increased by approximately 1.9% year-on-year, accounting for approximately 8.8% of total primary energy consumption, basically the same as the previous year. By sector, urban gas consumption and power generation gas consumption increased by approximately 6.9% and 5.3%, respectively, year-on-year.

China's natural gas trunk pipeline network system has continued to improve, with primary natural gas pipeline capacity exceeding 400 billion cubic meters, and natural gas pipeline transmission capacity achieving a leap forward. The total length of long-distance natural gas pipelines nationwide reached 134,000 kilometers, and the total length of new pipelines was around 6,000 kilometers. The nationwide LNG reception capacity has increased to around 170 million tonnes. Built gas storage capacity accounts for approximately 12.6% of natural gas consumption. Several key national natural gas infrastructure projects have been completed and put into operation, marking milestones in industry development. These major advances have effectively enhanced the flexibility of resource coordination and allocation nationwide, thereby further improving the layout of the "one national network".

Driven by both economic recovery and energy transition, China's natural gas consumption is expected to grow continuously in 2026. By 2026, China's natural gas consumption is expected to reach 435 billion cubic meters. Looking ahead to the "15th Five-Year Plan" period, under the "dual carbon" goals, it is expected that natural gas, as a clean and low-carbon transition energy source, will maintain stable growth in total consumption before 2030. By around 2030, China's natural gas consumption scale is expected to reach 550 billion cubic meters, and the consumption structure will continue to optimize. Natural gas pipelines and infrastructure will continue to accelerate construction, with onshore pipeline imports capacity reaching 114 billion cubic meters per year, LNG receiving stations handling capacity reaching 200 million tonnes per year, and natural gas reserves accounting for over 13% of the national consumption.

Prospects of the natural gas and oil industry leveraging on government's support

Effective from August 2024, the 《天然氣利用管理辦法》 ("**Natural Gas Utilization Management Measures**") guides the optimization of natural gas utilization. Priority is given to developing new high-tech natural gas utilization models for safe and efficient utilization, such as urban gas, gas source implementation and economically sustainable natural gas peak-shaving power stations, interruptible industrial users, LNG vehicles and ships, integrated oil, gas, electricity, and hydrogen supply projects, and terminal natural gas hydrogen-blending projects.

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Effective from January 2025, the 《中華人民共和國能源法》 (“**Energy Law of the People’s Republic of China**”) provides a legal framework of clear requirements for development of the natural gas industry. The law aims to increase efforts in natural gas resource exploration and development, enhance domestic supply assurance capabilities, strengthen infrastructure construction and protection, promote the construction of unified national natural gas trading market, and improve the gas storage peak-shaving and emergency response system. The law also revises the management measures for special funds for clean energy development while continuing support for extraction and utilization of unconventional natural gas such as coalbed methane (coal mine gas), shale gas, and tight gas.

Effective from January 2026, the 《石油天然氣基礎設施規劃建設與運營管理辦法》 (“**Measures for the Planning, Construction, and Operation Management of Oil and Natural Gas Infrastructure**”) encourages and supports research, development, demonstration, promotion, application, and industrialization of major technologies, equipment, and related new materials for petroleum and natural gas infrastructure, as well as the application of advanced information technologies such as artificial intelligence in infrastructure construction and operation. The measures further establishes and improves the supportive policies of industry, finance, and government procurement in order to stimulate business entities and social capital to participate and invest in oil and natural gas infrastructure development.

The robust rise in international oil and gas product prices which has driven up prices of the Oil and Gas Products in 2026

As a matter of fact, the outbreak of war in Middle East since late-February 2026 has substantially affected the global supply of crude oil and consequently its market price. In this relation, based on our independent research, with reference to a report titled “Commodity Markets Outlook” published by the World Bank Group in April 2026 (the “**Report**”), attacks on energy infrastructure and shipping disruptions in the Strait of Hormuz, which handles about 35% of global seaborne crude oil trade, have triggered the largest oil supply shock on record. During the period from January 2026 to March 2026, the quarterly average price of Brent oil was US\$80.5 per barrel, up substantially by approximately 26.4% from the quarterly average of US\$63.7 per barrel during the last quarter of 2025. From April 2026 to June 2026, the quarterly average price of Brent oil further soared by approximately 29.7% to US\$104.4 per barrel. Concurrently, the quarterly average of the natural gas index also jumped from 101.9 during the last quarter of 2025 to 130.3 in the first quarter of 2026. From April 2026 to June 2026, the quarterly average of the natural gas index remained at a high level of 119.2.

With both oil and natural gas prices having soared due to supply shortfalls, average energy prices are forecasted to increase by 24% in 2026. If disruptions in

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the Middle East prove more protracted or severe than assumed, Brent oil prices in 2026 could average at US\$95 to US\$115 per barrel.

Based on the Report, oil-price volatility during periods of rising geopolitical risk is roughly twice as high as during calmer periods. A geopolitically driven 1% decline in oil production would push oil prices up by an average of 11.5%.

(iii) Conclusion

Taking into account all the factors above, specifically (i) the Revised Annual Cap and the Proposed Annual Caps are justifiable estimations as compared to the actual transaction amounts of the Continuing Connected Transactions in recent years; (ii) the continuous rapid growth of the Group's business; (iii) the positive outlook of China's natural gas and oil industry; and (iv) the recent rise in prices of the Oil and Gas Products and related products and the future uncertainties in the midst of political conflict, in a turbulent environment, purchasing products and services from the CNPC Group is appropriate for the Company, as it can provide users with relatively stable gas sources and supply prices, we concur with the Directors that the Revised Annual Cap and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

4. Internal control and compliance with the Listing Rules

As referred to in the Letter from the Board, the Group has adopted a series of internal control measures to supervise the Non-Exempt Continuing Connected Transactions.

In addition, the Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the total amounts of the Non-Exempt Continuing Connected Transactions must be restricted by the Revised Annual Cap and the Proposed Annual Caps; (ii) terms of the New Master Agreement must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the New Master Agreement must be included in the Company's subsequent published annual reports and financial accounts. As also stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide annually a letter to the Board confirming, among other things, that the Non-Exempt Continuing Connected Transactions are carried out in accordance with the terms under the New Master Agreement and the relevant pricing policies of the Company in all material respects, and the Revised Annual Cap and the Proposed Annual Caps are not being exceeded. In the event that the total amounts of the Non-Exempt Continuing Connected Transactions exceed the Revised Annual Cap or the Proposed Annual Caps, or that there is any material amendment to the terms of the New Master Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

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For our due diligence purpose, we have requested and obtained (i) the annual review opinion regarding the Continuing Connected Transactions from the independent non-executive Directors; and (ii) the annual confirmation letter regarding the Continuing Connected Transactions from the auditors of the Company. We noted from the said opinion/confirmation letter that under the internal control measures of the Group, the Non-Exempt Continuing Connected Transactions are subject to regular supervision by the senior management as well as the external auditors of the Company.

With the internal control measures of the Group and the stipulated requirements for continuing connected transaction of the Listing Rules in place, the Non-Exempt Continuing Connected Transactions will be monitored and hence the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Revised Annual Cap, the New Master Agreement and the Proposed Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Non-Exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Revised Annual Cap, the New Master Agreement, the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Managing Director

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 21 years of experience in corporate finance.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes the particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

2.1 Interests in the Company

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors, the chief executive of the Company nor their associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company; or which (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company or the Stock Exchange, and none of the Directors, nor their spouse or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right since 31 December 2025 (being the date of the Company's latest published audited accounts).

2.2 Competing Business

Save as otherwise disclosed below, as at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a businesses which competes or may compete with the businesses of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

Name of Director	Name of company	Nature of interest	Nature of competing
Liu Guohai	PetroChina Natural Gas Marketing Company	Executive director	Marketing of natural gas
He Yongli	PetroChina Natural Gas Marketing Company	General manager	Marketing of natural gas

2.3 Additional Disclosure of Interest

There was no transaction, arrangement or contract subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the businesses of the Group.

Save as disclosed herein, none of the Directors, directly or indirectly, has had any interest in any assets which had since 31 December 2025 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the register of substantial shareholders maintained under section 336 of the SFO, showed that the Company has been notified of the following interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and the chief executive of the Company.

Name	Number of Shares		Percentage of the total number of Shares in issue
	Direct Interest	Indirect Interest	
PetroChina Hong Kong Ltd. ("PetroChina Hong Kong") ⁽¹⁾	4,708,302,133 (L)	–	54.62%
PetroChina Company Limited ("PetroChina") ⁽¹⁾	–	4,708,302,133 (L)	54.62%
Fairy King Investments Ltd. ⁽²⁾	144,784,000 (L)	–	1.68%
CNPC International Ltd. ("CNPCI") ⁽²⁾	–	144,784,000 (L)	1.68%
China National Oil and Gas Exploration and Development Corporation ("CNODC") ⁽²⁾	–	144,784,000 (L)	1.68%
China National Petroleum Corporation ("CNPC") ⁽¹⁾⁽²⁾	–	4,853,086,133 (L)	56.30%

Notes:

- (1) PetroChina Hong Kong is wholly-owned by PetroChina, which is in turn owned as to 82.28% by CNPC. Accordingly, CNPC is deemed to have interest in the 4,708,302,133 (L) shares held by PetroChina Hong Kong.
- (2) Based on the Disclosure of Interests Online (DION) System of the Stock Exchange, Fairy King Investments Ltd. is a wholly-owned subsidiary of CNPCI, which in turn is wholly-owned by CNODC, which is in turn owned as to 100.00% by CNPC. Accordingly, CNPC is deemed to have interest in the 144,784,000 (L) shares held by Fairy King Investments Ltd.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had any interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed directors had any existing service contract or proposed service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2025 (being the date to which the latest published audited financial statements of the Company have been made up) and up to the Latest Practicable Date.

6. QUALIFICATION AND CONSENT OF EXPERT

VBG Capital is a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. VBG Capital has given and has not withdrawn its written consent to the issue of this circular with its letter included in the form and context in which it is included. As at the Latest Practicable Date, VBG Capital did not have any shareholding in any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for securities in any member of the Group. VBG Capital did not, directly or indirectly, have any interest in any assets which had since 31 December 2025 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Xie Mao. Mr. Xie Mao was appointed as the Company Secretary in December 2020. He has been appointed as the secretary to the Board since May 2016 and is affiliated person of the Hong Kong Institute of Chartered Secretaries.

- (b) The registered office of the Company is at Richmond House, 12 Par-la-Ville Road, Hamilton HM 08, Bermuda.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) All references to times in this circular refer to Hong Kong times.
- (e) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published and displayed on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kunlun.com.hk) for a period of 14 days from the date of this circular (both days inclusive):

- (i) the New Master Agreement.

NOTICE OF SGM



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

(Stock Code: 00135.HK)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (“SGM”) of Kunlun Energy Company Limited (the “Company”) will be held at Taishan Room, Level 5, Island Shangri-La, Hong Kong, Pacific Place, Supreme Court Road, Central Hong Kong on 23 October 2026, Friday at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as ordinary resolution:

1. To consider and approve the resolution in relation to the Revised Annual Cap for the Continuing Connected Transactions in 2026, in particular:
 - (a) the Revised Annual Cap for the Continuing Connected Transactions in 2026 be and are hereby approved; and
 - (b) any one director of the Company to do any acts and things deemed by him to be necessary or expedient in order to give effect to and implement the Revised Annual Cap for the Continuing Connected Transaction in 2026.
2. To consider and approve the resolution in relation to the Continuing Connected Transactions for the three years ending 31 December 2029 and relevant authorisations, in particular:
 - (a) the entering into of the New Master Agreement be and is hereby approved, ratified and confirmed;
 - (b) the Non-Exempt Continuing Connected Transactions be and are hereby approved;
 - (c) the Proposed Annual Caps for the three years ending 31 December 2029 be and are hereby approved; and
 - (d) any one director (if execution under the common seal of the Company is required, any two directors) of the Company be and is/are hereby authorised for and on behalf of the Company to sign, and where required, to affix the common seal of the Company to any documents, instruments or agreements, and to do any acts and things deemed by him to be necessary or expedient in order to give effect to and implement the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps for the three years ending 31 December 2029.

NOTICE OF SGM

CLOSURE OF THE COMPANY'S REGISTER OF MEMBERS

For the purposes of determining the Independent Shareholders' eligibility to attend and vote at the SGM, the register of members of the Company will be closed from 20 October 2026 (Tuesday) to 23 October 2026 (Friday) (both days inclusive), during which period no transfer of Shares of the Company will be registered. The record date for entitlement to attend and vote at the SGM is on 23 October 2026, Friday. To be eligible to attend and vote at the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 16 October 2026 (Friday).

By Order of the Board
Xie Mao
Company Secretary

Hong Kong, 7 October 2026

Notes:

1. Unless otherwise defined, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 7 October 2026 relating to, among other things, the Revised Annual Cap, the New Master Agreement and the Proposed Annual Caps.
2. At the SGM, the Chairman of the Meeting will put the above resolution to the vote by way of a poll. On a poll, every Shareholder who is present in person or by proxy shall have one vote for every Share of which he is the holder.
3. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his/ her stead. A proxy need not be a member of the Company. **Completion and return of the proxy form will not preclude a member from attending and voting in person at the meeting or any adjourned meeting should he so wish.**
4. To be valid, the proxy form, together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's principal office at 39th Floor, 118 Connaught Road West, Hong Kong or the Company's branch registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (as the case may be). The form of proxy must be completed strictly in accordance with the instructions set out therein.
5. CNPC and its associates (including PetroChina) will abstain from voting in respect of the resolution set out above.

As at the date of this notice, the Board comprises Mr. Liu Guohai as the Chairman and Executive Director, Mr. He Yongli as the Chief Executive Officer and Executive Director, Ms. Lyu Jing and Mr. Qi Zhenzhong as Non-Executive Directors, and Mr. Sun Patrick, Mr. Tsang Yok Sing Jasper and Mr. Kwok Chi Shing as Independent Non-Executive Directors.