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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)

**ANNOUNCEMENT  
IN RELATION TO LETTER OF INTENT ON INTEGRATION  
ENTERED INTO BETWEEN THE COMPANY AND PETROCHINA**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board is pleased to announce that, for the purpose of avoiding the horizontal competition with PetroChina, improving the synergy in business operations and enhancing the competitiveness of the Company in the market of end-user distribution of natural gas and comprehensive utilization, the Company entered into the LOI on Integration with PetroChina on 25 November 2015, which set out the preliminary intent of Integration between the Company and Kunlun Gas. The parties may achieve the Integration by way of acquisition of the equity interests or assets of Kunlun Gas by the Company or other forms of integration. The form and terms of Integration are under discussion between the parties. Shareholders and potential investors of the Company should rely on the definitive agreement to be entered into between the Company and PetroChina (if any).

In order to achieve the objective of the Integration and ensure a smooth Integration, as a part of the transitional arrangement during the period commencing on the date of the execution of the LOI on Integration and ending on the date of completion of the Integration, the Company and PetroChina will establish a joint work team to discuss and handle the issues in relation to the Integration.

As at the date of this announcement, PetroChina holds 4,708,302,133 Shares in the Company, representing approximately 58.33% of the issued share capital of the Company. In addition, China National Petroleum Corporation, the controlling shareholder of PetroChina, indirectly holds 277,432,000 Shares in the Company, representing 3.43% of the issued share capital of the Company. Accordingly, China National Petroleum Corporation, as the ultimate controlling shareholder of the Company, will be deemed to have interests in 4,985,734,133 Shares of the Company, representing approximately 61.76% of the issued share capital of the Company. Kunlun Gas is a wholly-owned subsidiary of PetroChina.

Depending on the form and scope of the Integration, the Integration, if materialized, may constitute a notifiable transaction of the Company under the Listing Rules. In addition, as each of PetroChina and Kunlun Gas is a connected person of the Company, the Integration, if materialized, may constitute a connected transaction of the Company. Depending on the form and scope of the Integration, the compliance with the requirements of notification, announcement and approval by special general meeting under Chapter 14A of the Listing Rules may be required. Upon the materialization of the Integration, the Company shall, pursuant to the provisions of the Listing Rules, publish announcement, despatch circular and convene special general meeting to approve the Integration (if required) in due course.

**As the Integration is subject to uncertainties, the Integration may or may not be completed eventually. Holders of securities and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

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## **LOI on Integration**

The Board is pleased to announce that, for the purpose of avoiding the horizontal competition with PetroChina, improving the synergy in business operations and enhancing the competitiveness of the Company in the market of natural gas end-user distribution and comprehensive utilization, the Company entered into the LOI on Integration with PetroChina on 25 November 2015, which set out the preliminary intent of Integration between the Company and Kunlun Gas. The parties may achieve the Integration by way of acquisition of the equity interests or assets of Kunlun Gas by the Company or other forms of integration. The Company and PetroChina will endeavour to achieve the Integration, and complete the approval/filing procedures necessary for the Integration within reasonable time. The form and terms of Integration are under discussion between the parties. Shareholders and potential investors of the Company should rely on the definitive agreement to be entered into between the Company and PetroChina (if any).

### ***Integration arrangement***

In order to achieve the objective of the Integration and ensure a smooth Integration, as a part of the transitional arrangement during the period commencing on the date of the execution of the LOI on Integration and ending on the date of completion of the Integration, the Company and PetroChina will establish a joint work team, whose duties and responsibilities are limited to issues in relation to the implementation of the Integration, which include the discussion and finalization of detailed implementation plan for the Integration, and, preserving the business and financial independence of the Company and Kunlun Gas, the coordination of businesses of the Company and Kunlun Gas and other issues deemed by the Company and PetroChina as advisable to facilitate the Integration.

In the event of any new business opportunity in the market of end-user distribution of natural gas and comprehensive utilization during the term of LOI on Integration, the Company shall coordinate its planning, development and implementation and decide the entity which will implement relevant project.

### ***Term***

The LOI on Integration shall become effective upon its execution by the Company and PetroChina and shall be valid within 24 months thereafter or within an extended period accepted by the Company and PetroChina in writing. The LOI on Integration shall terminate immediately upon the occurrence of any of the following circumstances:

- (i) the LOI on Integration expires, and the Company and PetroChina do not agree on its extension; or
- (ii) the Company and PetroChina agree to terminate in writing.

### ***Exclusivity***

During the period commencing on the date when the LOI on Integration becomes effective and ending on any of the following circumstances (whichever is earlier):

- (i) the Company and PetroChina enter into a definitive agreement in respect of the Integration; or

(ii) the LOI on Integration terminates,

none of the Company, PetroChina and their respective Directors, supervisors (if applicable), senior management or employees may seek, solicit other person to seek or accept any proposal, consultation or offer which conflict with the Integration, or negotiate or enter into with any other persons any agreement or memorandum of understanding which conflicts with the Integration.

### ***Conditions for Integration***

The Integration is subject to the final determination by the Company and PetroChina on the form and scope of integration, consideration, payment of consideration and payment schedule and satisfaction of conditions precedent including obtaining the approvals from the Chinese authorities. The form and terms of Integration are currently under discussion. Shareholders and potential investors of the Company should rely on the definitive agreement to be entered into between the Company and PetroChina (if any).

## **INFORMATION ON THE COMPANY**

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

## **INFORMATION ON PETROCHINA**

PetroChina and its subsidiaries mainly engage in petroleum and natural gas-related activities, including (i) the exploration, development, production and sale of crude oil and natural gas; (ii) the refining, transportation, storage and marketing of crude oil and petroleum products; (iii) the production and sale of basic petrochemical products, derivative chemical products and other petrochemical products; and (iv) the transmission of natural gas, crude oil and refined products, and the sale of natural gas.

## **INFORMATION ON KUNLUN GAS**

Kunlun Gas is a wholly-owned subsidiary of PetroChina. Kunlun Gas mainly engages in natural gas related activities, including (i) sale, transportation and storage of compressed natural gas, liquefied petroleum gas; (ii) wholesale of feed gas, sale of propylene, propane and butane; (iii) sale of chemical products and light industrial materials; (iv) technology development, technical consulting and technology services relating to gas products; and (v) investment in city gas projects.

## **REASONS FOR INTEGRATION**

Due to historical reasons, the businesses of Kunlun Gas and the Company are to a certain extent overlapped. In addition, Kunlun Gas is a specialized company of PetroChina focusing on operation of city gas business. Therefore, the Integration of the Company and Kunlun Gas will avoid the horizontal competition with PetroChina, consolidate the end-user business of natural gas and improve the synergy in business operations, increase profit growth, improve the integrated operational efficiency and economic benefits of end-user business of natural gas and enhance the development strength of the Company.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, PetroChina holds 4,708,302,133 Shares in the Company, representing approximately 58.33% of the issued share capital of the Company. In addition, China National Petroleum

Corporation, the controlling shareholder of PetroChina, indirectly holds 277,432,000 Shares in the Company, representing 3.43% of the issued share capital of the Company. Accordingly, China National Petroleum Corporation as the ultimate controlling shareholder of the Company will be deemed to have interests in 4,985,734,133 Shares of the Company, representing approximately 61.76% of the issued share capital of the Company. Kunlun Gas is a wholly-owned subsidiary of PetroChina.

Depending on the form and scope of the Integration, the Integration, if materialized, may constitute a notifiable transaction of the Company under the Listing Rules. In addition, as each of PetroChina and Kunlun Gas is a connected person of the Company, the Integration, if materialized, may constitute a connected transaction of the Company. Depending on the form and scope of the Integration, the compliance with the provisions on notification, announcement and approval by special general meeting under Chapter 14A of the Listing Rules may be required. Upon the materialization of the Integration, the Company shall, pursuant to the provisions of the Listing Rules, duly make announcement, despatch circular and convene special general meeting to approve the Integration (if required).

**As the Integration is subject to uncertainties, the Integration may or may not be completed eventually. Holders of securities and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“Company”	means Kunlun Energy Company Limited (Stock Code: 00135.HK), a company incorporated with limited liability in Bermuda and the shares of which are listed on the Stock Exchange;
“Directors”	means directors of the Company;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Integration”	means the proposed transaction between the Company and PetroChina in relation to the integration with Kunlun Gas;
“Kunlun Gas”	means PetroChina Kunlun Gas Co., Ltd, a limited liability company incorporated in the PRC, and a wholly-owned subsidiary of PetroChina;
“Listing Rules”	means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“LNG”	means liquefied natural gas;
“LOI on Integration”	means the letter of intent on Integration entered into by and between the Company and PetroChina on 25 November 2015;
“PetroChina”	means PetroChina Company Limited (Stock Code: 00857.HK), a joint stock limited company incorporated in the PRC, whose shares are listed on the Shanghai Stock Exchange and the Stock Exchange with American Depositary Receipts listed on the New York Stock Exchange;

“PRC” means the People’s Republic of China;  
“Shares” means the shares of the Company;  
“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and  
“%” per cent.

By Order of the Board  
**KUNLUN ENERGY COMPANY LIMITED**  
**Wu Enlai**  
*Chairman*

Hong Kong, 25 November 2015

*The Board of Directors as at the date of this announcement comprises of Mr Wu Enlai as the Chairman and Executive Director, Mr Zhao Yongqi as the Chief Executive Officer and Executive Director, Mr Zhang Bowen as the President and Executive Director, Mr Cheng Cheng as the Senior Vice President and Executive Director and Dr Lau Wah Sum, Mr Li Kwok Sing Aubrey and Dr Liu Xiao Feng as Independent Non-Executive Directors.*