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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)**

**PLACING OF EXISTING SHARES  
AND  
SUBSCRIPTION OF NEW SHARES**

**Lead Global Coordinator**

**Deutsche Bank** 

**Placing Agents**

**Deutsche Bank** 

 **CICC**  
中金香港证券



**BofA Merrill Lynch**

**Morgan Stanley**

 **UBS**

On 3 April 2012, the Vendor, the Lead Global Coordinator, the Placing Agents and the Company entered into the Placing and Subscription Agreement whereby (i) the Vendor has appointed the Placing Agents as agents and underwriters, and each Placing Agents have agreed to act as the agents for the Vendor during the Placing Period to procure purchasers for, or failing which to purchase themselves as principals on a fully underwritten basis, 800,000,000 Sale Shares held by the Vendor, representing approximately 11.07% of the issued share capital of the Company as at the date of the Placing and Subscription Agreement at the Placing Price of

HK\$13.10 per Sale Share; and (ii) the Vendor has conditionally agreed to subscribe for 800,000,000 Subscription Shares at the Subscription Price of HK\$13.10 per Subscription Share.

The Subscription Shares will be issued and allotted pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 8 June 2011. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

The Placing Price represents (i) a discount of approximately 7.62 % to the closing price of HK\$14.18 per Share as quoted on the Stock Exchange on 2 April 2012 being the Last Trading Day; (ii) a discount of approximately 5.14% to the average closing price of approximately HK\$13.81 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to and including the Last Trading Day; and (iii) a discount of approximately 5.07% to the average closing price of approximately HK\$13.80 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to and including the Last Trading Day.

The Sale Shares represent (i) approximately 11.07% of the existing issued share capital of the Company of 7,228,408,303 Shares as at the date of this announcement; and (ii) approximately 9.96% of the issued share capital of the Company to be enlarged by the issue and allotment of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares).

On the basis that both the Placing and the Subscription proceed to completion according to the terms of the Placing and Subscription Agreement, the gross proceeds and the net proceeds from the Subscription will be approximately HK\$10.48 billion and approximately HK\$10.25 billion respectively. The Company intends to use the net proceeds of the Subscription for working capital to further develop its LNG business through the implementation of its "Gas in Substitution of Oil" strategy.

## **THE PLACING AND SUBSCRIPTION AGREEMENT**

### **Date**

3 April 2012

### **Parties**

The Vendor, the Lead Global Coordinator, the Placing Agents and the Company.

### **Vendor**

The Vendor is a controlling shareholder (as defined in the Listing Rules) of the Company. As at the date of the Placing and Subscription Agreement, the Vendor beneficially owns 4,708,302,133 Shares, representing approximately 65.14% of the issued share capital of the Company as at the date of this announcement. The Vendor is an indirect wholly-owned subsidiary of PetroChina Company Limited, a joint stock limited company incorporated in the PRC under the laws of the PRC, the shares of which are listed on the Stock Exchange. PetroChina Company Limited is in turn controlled by China National Petroleum Corporation. China National Petroleum Corporation, through the Vendor and another of its indirect wholly-owned subsidiary, is interested in 4,985,734,133 Shares, representing approximately 68.97% of the issued share capital of the Company.

## **Placing Agents**

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Placing Agents and its ultimate beneficial owners are (i) third parties independent of, and not connected with, nor acting in concert with the Vendor; and (ii) independent of the Company and connected persons of the Company.

## **PLACING OF EXISTING SHARES UNDER THE PLACING AND SUBSCRIPTION AGREEMENT**

### **The Placing**

The Vendor has appointed the Placing Agents as agents and underwriters, and each Placing Agent has agreed to act as the agents for the Vendor during the Placing Period to procure purchasers for, or failing which to purchase themselves as principals on a fully underwritten basis, 800,000,000 Sale Shares held by the Vendor, representing approximately 11.07% of the issued share capital of the Company as at the date of the Placing and Subscription Agreement at the Placing Price.

### **Placees**

It is expected that the Sale Shares will be placed to no less than six placees who will be independent individual, corporate, institutional or other professional investors selected and procured by the Placing Agents for the placing of the Sale Shares. So far as the Company is aware, such Placees and their ultimate beneficial owners will be third parties independent of and will not be acting in concert with the Vendor, and the Placees and their ultimate beneficial owners are not connected persons of the Company and are independent of and not connected with the Company.

So far as the Company is aware, the Company currently does not anticipate that any of the Placees will become a substantial shareholder of the Company upon completion of the Placing.

### **Number of Sale Shares**

A total of 800,000,000 Sale Shares, which will be placed by the Placing Agents on a fully underwritten basis, represent (i) approximately 11.07% of the existing issued share capital of the Company of 7,228,408,303 Shares as at the date of this announcement; and (ii) approximately 9.96% of the issued share capital of the Company to be enlarged by the Subscription (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares).

### **Placing Price**

The Placing Price of HK\$13.10 per Sale Share represents (i) a discount of approximately 7.62% to the closing price of HK\$14.18 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 5.14% to the average closing price of approximately HK\$13.81 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to and including the Last Trading Day and (iii) a discount of approximately 5.07% to the average closing price of approximately HK\$13.80 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to and including the Last Trading Day.

The Placing Price was determined with reference to the recent trading price of the Shares and was negotiated on an arm's length basis between the Vendor, the Company, the Lead Global Coordinator and the Placing Agents. The Directors consider that the terms of the Placing and the Placing Price are on normal commercial terms and are fair and reasonable based on the

current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

### **Rights attached to the Sale Shares**

The Sale Shares will be sold free from all Encumbrances and together with all rights attaching to them as at the Trade Date, including the right to receive all dividends declared, made or paid on the Sale Shares at any time on or after the Trade Date, including the final dividend declared by the Company for the year ended 31 December 2011 of 22.0 HK cents per Share, which dividend is subject to approval by the Shareholders at the annual general meeting of the Company to be held on 16 May 2012.

### **Completion of the Placing**

Completion of the Placing is expected to take place on 10 April 2012, being the second business day after the Trade Date, or such other date as the Vendor and the Lead Global Coordinator may agree in writing.

### **THE SUBSCRIPTION UNDER THE PLACING AND SUBSCRIPTION AGREEMENT**

Under the Placing and Subscription Agreement, the Vendor has conditionally agreed to subscribe for 800,000,000 Subscription Shares at the Subscription Price of HK\$13.10 per Subscription Share.

### **The Subscription Price**

The Subscription Price is HK\$13.10 per Subscription Share, which is the same as the Placing Price.

### **Number of Subscription Shares**

The Company has agreed to allot and issue and the Vendor has agreed to subscribe for 800,000,000 Subscription Shares which are equivalent to the number of Sale Shares to be sold by the Vendor under the Placing and Subscription Agreement, all of which will be subscribed by the Vendor. The number of Subscription Shares will represent (i) approximately 11.07% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.96% of the issued share capital of the Company to be enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares).

### **Ranking of the Subscription Shares**

The Subscription Shares, when fully paid and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of issue of the Subscription Shares and in particular will rank in full for all dividends and other distributions declared made or paid at any time after the Trade Date, including the final dividend declared by the Company for the year ended 31 December 2011 of 22.0 HK cents per Share, which dividend is subject to approval by the Shareholders at the annual general meeting of the Company to be held on 16 May 2012.

## **Conditions of the Subscription**

Completion of the Subscription is conditional upon:

- (a) completion of the Placing having occurred pursuant to the terms of the Placing and Subscription Agreement; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, all the Subscription Shares (and such listing and permission not being subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares).

In the event that the above conditions are not fulfilled within 14 days after the date of the Placing and Subscription Agreement or such later date as may be agreed between the Company and the Vendor subject to compliance with all applicable requirements in relation to connected transactions under the Listing Rules, the obligations and liabilities of the Vendor and the Company under the Subscription shall be null and void.

## **Completion of the Subscription**

Completion of the Subscription is expected to take place on the second Business Day after the date upon which the last of the conditions set out above to be satisfied shall have been so satisfied (provided that it shall take place on a date no later than a date falling 14 days after the date of the Placing and Subscription Agreement) or such other time and/or date as the Vendor and the Company may agree in writing subject to compliance with all applicable requirements in relation to connected transactions under the Listing Rules.

If the Subscription is not completed within 14 days after the date of Placing and Subscription Agreement, it will constitute a connected transaction under the Listing Rules and is subject to compliance with the requirements under Chapter 14A of the Listing Rules, including the issue of a separate announcement and approval of the independent Shareholders of the Subscription.

## **General Mandate to issue and allot new Shares**

The Subscription Shares will be issued and allotted pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 8 June 2011. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

A maximum of 990,804,702 Shares can be issued and allotted as of the date of this announcement under the general mandate mentioned above. Save for the 800,000,000 Subscription Shares, no Shares have been issued under the general mandate as of the date of this announcement since it was granted on 8 June 2011.

## **Application for listing**

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal, in the Subscription Shares to be issued pursuant to the Subscription.

## **LOCK-UP UNDERTAKINGS**

In order to induce the Placing Agents to enter into the Placing and Subscription Agreement:

- (a) The Vendor undertakes to the Placing Agents that (except for the sale of the Sale Shares pursuant to the Placing) for a period of 90 days from the Closing Date, it will not and will procure that none of its nominees and companies controlled by it will:

- (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the Subscription Shares) or any interests therein beneficially owned or held by the Vendor or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests; or
- (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares,

whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise; or

- (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above,

unless with the prior written unanimous consent of the Placing Agents; and

- (b) The Company undertakes to the Placing Agents, and the Vendor undertakes to the Placing Agents to procure, that for a period of 90 days from the Closing Date, the Company will not, except for the Subscription Shares and save pursuant to (1) the terms of any employee share option schemes of the Company or (2) any outstanding subscription warrants or (3) any bonus or scrip dividend or similar arrangements which provide for the allotment of Shares in lieu of the whole or part of a dividend on Shares of the Company in accordance with its bye-laws or (4) any conversion of outstanding convertible bonds or notes or (5) any agreement to issue shares entered into in connection with any transaction, which agreement has been announced prior to the date of the Placing and Subscription Agreement),

- (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares; or
- (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above; or
- (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above,

unless with the prior written unanimous consent of the Placing Agents.

## **TERMINATION**

The Placing Agents may terminate the Placing and Subscription Agreement by giving notice in writing to the Vendor and the Company, if at any time prior to 8:30 a.m. (Hong Kong time) on the Closing Date:

- (a) there develops, occurs or comes into force:
  - (i) any new law or regulation or any change or development involving a prospective change in existing laws or regulations which in the unanimous opinion of the Placing Agents (and in consultation with the Vendor and the Company) has or is

- (ii) any change in local, national or international monetary, economic, financial, political or military conditions, securities market conditions or currency exchange rates or exchange controls which in the unanimous opinion of the Placing Agents (and in consultation with the Vendor and the Company) is or likely to be materially adverse to the success of the Placing; or
  - (iii) a general moratorium on commercial banking activities in Hong Kong, the PRC, London or New York declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong, the PRC, the United Kingdom or the United States; or
  - (iv) any outbreak or escalation of hostilities or act of terrorism involving Hong Kong, the PRC, the United Kingdom, the European Union or the United States or the declaration by Hong Kong, the PRC, the United Kingdom, the European Union or the United States of a national emergency or war; or
  - (v) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange, the Shanghai Stock Exchange, the London Stock Exchange, the New York Stock Exchange or Nasdaq due to exceptional financial circumstances or otherwise at any time prior to the Closing Date; or
- (b) (i) any breach of any of the representations, warranties and undertakings by the Company and/or the Vendor set out in the Placing and Subscription Agreement comes to the knowledge of any of the Placing Agents or any event occurs or any matter arises on or after the date of the Placing and Subscription Agreement and prior to the Closing Date which if it had occurred or arisen before the date hereof would have rendered any of such representations, warranties and undertakings untrue or incorrect in any material respect; (ii) or there has been a breach of, or failure to perform, any other provision of the Placing and Subscription Agreement on the part of the Vendor and/or the Company; where (in any case mentioned in (i) and (ii) above) such breach or failure to perform would, in the unanimous of the Placing Agents (and in consultation with the Vendor and Company), is materially adverse to the success of the Placing; or
- (c) there is any such adverse change, or development involving a prospective adverse change, in the condition, results of operations or prospects, management, business, stockholders' equity or in the financial or trading position of the Company or the Group as a whole which in the unanimous opinion of the Placing Agents (and in consultation with the Vendor and the Company) is materially adverse to the success of the Placing.

## **REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS**

The Directors consider that the Placing and the Subscription under the Placing and Subscription Agreement provide an opportunity to raise capital from the market to further develop its LNG business through the implementation of its "Gas in Substitution of Oil" strategy. This will also allow the Company to be in a position to capture future expansion and acquisition growth opportunities as and when they arise. Accordingly, the Directors consider the Placing and Subscription are in the interests of the Company and the Shareholders taken as a whole.

On the basis that all 800,000,000 Sale Shares are sold such that 800,000,000 Subscription Shares are subscribed by the Vendor under the Placing and Subscription, the gross proceeds from the Subscription will be HK\$10.48 billion and the net proceeds of the Subscription will amount to approximately HK\$10.25 billion after deduction of the relevant commission and

expenses. The Company intends to use the net proceeds of the Subscription for working capital to further develop its LNG business through the implementation of its "Gas in Substitution of Oil" strategy. Accordingly, the Placing and the Subscription are in the interest of the Company and its shareholders as a whole.

Based on such estimated net proceeds, the net proceeds raised per Share upon the completion of the Subscription will be approximately HK\$12.81 per Share.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities during the twelve months immediately before the date of this announcement.

## EFFECTS OF THE PLACING AND THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE

The following table illustrates (1) the existing shareholding structure as at the date of this announcement; (2) the shareholding structure immediately after completion of the Placing but before the Subscription (on the basis that all Sale Shares are sold); and (3) the shareholding structure immediately after completion of the Placing and the Subscription (on the basis that all Sale Shares are sold); on the assumption that (a) there will be no other change to the share capital of the Company between the date of this announcement and the completion of the Subscription save for the issue of the Subscription Shares; and (b) the Placees do not and will not hold any Shares other than the Sale Shares.

	As at the date of this announcement		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	Approx.		Approx.		Approx.	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Vendor (Note 1) .....	4,708,302,133	65.14	3,908,302,133	54.07	4,708,302,133	58.65
Fairy King Investments Ltd. (Note 2) .....	277,432,000	3.83	277,432,000	3.83	277,432,000	3.46
Directors	70,000,000	0.97	70,000,000	0.97	70,000,000	0.87
Placees (Note 3) .....	—	—	800,000,000	11.07	800,000,000	9.96
Public shareholders (excluding the Placees) .....	2,172,674,170	30.06	2,172,674,170	30.06	2,172,674,170	27.06
<b>Total .....</b>	<b>7,228,408,303</b>	<b>100.00</b>	<b>7,228,408,303</b>	<b>100.00</b>	<b>8,028,408,303</b>	<b>100.00</b>

Notes:

- (1) The Vendor is an indirect wholly-owned subsidiary of PetroChina Company Limited, a joint stock limited company incorporated in the PRC under the laws of the PRC, the shares of which are listed on the Stock Exchange. PetroChina Company Limited is in turn owned as to 86.51% by China National Petroleum Corporation.
- (2) Fairy King Investments Ltd. is a wholly-owned subsidiary of CNPC International Ltd., which in turn is wholly owned by China National Oil and Gas Exploration and Development Corporation, which is in turn owned as to 100% by China National Petroleum Corporation.
- (3) The Placees and their ultimate beneficial owners will be third parties independent of and will not be acting in concert with of the Vendor, and the Placees and their ultimate beneficial owners are not connected persons of the Company and are independent of and not connected with any of the Company and its connected persons.



As disclosed in the above shareholding table, immediately after completion of the Placing and the Subscription, a minimum of 25% of the then issued share capital of the Company will be in public hands.

## **INFORMATION REGARDING THE COMPANY**

The Company acts as an investment holding company. The principal activities of the Group 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, the Azerbaijan Republic and the Republic of Indonesia, and the sale of natural gas, LNG processing and terminal and transmission of natural gas in the PRC.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

<b>"Business Day(s)"</b>	any day (excluding a Saturday and Sunday) on which banks are generally open for business in Hong Kong;
<b>"Closing Date"</b>	two Business Days after the Trade Date or such other date as the Vendor and the Lead Global Coordinator may agree in writing;
<b>"Company"</b>	Kunlun Energy Company Limited, a company incorporated with limited liability in Bermuda and the shares of which are listed on the Stock Exchange;
<b>"connected person(s)"</b>	has the meaning given to that term in the Listing Rules;
<b>"Directors"</b>	directors of the Company;
<b>"Encumbrance"</b>	liens, charges and encumbrances, claims, options, security interests, equities and other third party rights (including rights of pre-emption) of any nature whatsoever;
<b>"Group"</b>	the Company and its subsidiaries;
<b>"HK\$"</b>	Hong Kong dollars, the lawful currency of Hong Kong;
<b>"Hong Kong"</b>	the Hong Kong Special Administrative Region of the PRC;
<b>"Last Trading Day"</b>	2 April 2012, being the last trading day for the Shares before the date of this announcement;
<b>"Lead Global Coordinator"</b>	Deutsche Bank AG, Hong Kong Branch, being the lead global coordinator of the Placing and one of the Placing Agents;
<b>"Listing Rules"</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>"Placee(s)"</b>	any professional, institutional or other investor procured by the Placing Agents to subscribe for any Sale Shares pursuant to the obligations under the Placing and Subscription Agreement;
<b>"Placing"</b>	the placing of 800,000,000 Sale Shares pursuant to the terms and conditions of the Placing and Subscription Agreement;

<b>"Placing Agents"</b>	Deutsche Bank AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited, Merrill Lynch Far East Limited, Morgan Stanley & Co. International plc, and UBS AG, Hong Kong Branch;
<b>"Placing and Subscription Agreement"</b>	the Placing and Subscription Agreement dated 3 April 2012 entered into among the Vendor, the Lead Global Coordinator, the Placing Agents and the Company in relation to the Placing and the Subscription;
<b>"Placing Period"</b>	the period commencing upon the execution of this Agreement and terminating at 8:30 a.m. (Hong Kong time) on 3 April 2012 (or such later time and date as the Vendor, the Company and the Placing Agents may agree in writing)
<b>"Placing Price"</b>	HK\$13.10 per Sale Share;
<b>"PRC"</b>	the People's Republic of China;
<b>"Sale Shares(s)"</b>	800,000,000 existing Shares beneficially owned by the Vendor and to be placed under the Placing and Subscription Agreement;
<b>"SFC"</b>	Securities and Futures Commission;
<b>"Share(s)"</b>	the ordinary share(s) of HK\$0.01 each in the share capital of the Company;
<b>"Shareholder(s)"</b>	holder(s) of the Shares;
<b>"Stock Exchange"</b>	The Stock Exchange of Hong Kong Limited;
<b>"Subscription"</b>	the subscription for the Subscription Shares by the Vendor pursuant to the terms and conditions of the Placing and Subscription Agreement;
<b>"Subscription Price"</b>	HK\$13.10 per Subscription Share which is equal to the Placing Price;
<b>"Subscription Shares"</b>	800,000,000 new Shares to be issued by the Company under the Subscription;
<b>"substantial shareholder"</b>	has the meaning ascribed to it under the Listing Rules;
<b>"Trade Date"</b>	the date when the sale of the Sale Shares shall be reported as a crosstrade to the Stock Exchange which shall be (i) 3 April 2012 or, (ii) if dealings in the Shares on the Stock Exchange are suspended at all times on 3 April 2012, the first day on which dealings resume and the cross-trade can be reported to the Stock Exchange in accordance with its rules, or such other date as the Vendor and the Placing Agents may agree in writing;
<b>"Vendor"</b>	Sun World Limited, a company incorporated in the British Virgin Islands, a controlling shareholder of the Company;

"United States" or "US"

the United States of America, including its territories and dependencies, any state of the United States and the District of Columbia; and

"%"

per cent.

By Order of the Board

**Kunlun Energy Company Limited**

**Lau Hak Woon**

*Company Secretary*

Hong Kong, 3 April 2012

*As at the date of this announcement, the board of directors of the Company comprises Mr. Li Hualin as Chairman 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*