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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

UPDATE ON THE XINJIANG CONTRACT

Reference is made to the announcement dated 7 November 2014 and the circular dated 11 November 2014 (the "**Circular**") of Kunlun Energy Company Limited (the "**Company**"), in relation to, among other things, the Continuing Connected Transactions (as defined in the Circular). Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as defined in the Circular.

The Board would like to inform its Shareholders that the current production period under the Xinjiang Contract will expire on 31 August 2016.

Having considered: (i) the sharp drop in international oil prices over the past year; (ii) gradual decline in the production volume under the Xinjiang Contract; and (iii) the positioning of the Company to be a platform for the investment, financing and operation of natural gas distribution and comprehensive utilisation business, the Board does not consider it to be in the interest of the Company and its shareholders as a whole to make further investment under the Xinjiang Contract. As such, the current production period under the Xinjiang Contract will not be further extended upon its expiry.

By Order of the Board
Kunlun Energy Company Limited
Huang Weihe
Chairman

Hong Kong, 27 May 2016

As at the date of this announcement, the Board comprises Mr. Huang Weihe as the Chairman and Executive Director, Mr. Wu Enlai as the Executive Director, Mr. Zhao Yongqi as the Chief Executive Officer and Executive Director, Mr. Zhao Zhongxun as Executive Director, Mr. Ding Shilu as Executive Director, Mr. Zhang Yaoming as Executive Director, and Dr. Lau Wah Sum, Mr. Li Kwok Sing Aubrey, Dr. Liu Xiao Feng and Mr. Sun Patrick as Independent Non-Executive Directors.