延長石油國際有限公司
YANCHANG PETROLEUM INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 00346)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The board (the "Board") of directors (the "Director(s)") of Yanchang Petroleum International Limited (the "Company") (formerly known as Sino Union Energy Investment Group Limited) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Notes	**12 months ended 31 December 2012** *HK$'000*	9 months ended 31 December 2011 *HK$'000*
Turnover	*4*	**7,572,880**	512,210
Cost of sales		**(7,530,644)**	(478,856)
Gross profit		**42,236**	33,354
Other revenue	*4*	**4,790**	650
Other gains and losses	*5*	**(52,003)**	18,064
Selling and distribution costs		**(2,787)**	(4,784)
Administrative expenses		**(51,511)**	(38,915)
Equity-settled share option expenses		**(183)**	(145,561)
Loss from operating activities	*6*	**(59,458)**	(137,192)
Finance costs	*7*	**(16,010)**	(1,631)
Loss before taxation		**(75,468)**	(138,823)
Taxation	*8*	**(1,785)**	(5,465)
Loss for the year/period		**(77,253)**	(144,288)

	Notes	12 months ended 31 December 2012 HK$'000	9 months ended 31 December 2011 HK$'000
Other comprehensive income			
Exchange differences on translating foreign operations		**1,562**	3,038
Gain arising from revaluation of property, plant and equipment before reclassification to investment properties		**370**	–
Other comprehensive income for the year/period, net of tax		**1,932**	3,038
Total comprehensive loss for the year/period		**(75,321)**	(141,250)
(Loss)/profit attributable to:			
Owners of the Company		**(77,656)**	(149,335)
Non-controlling interests		**403**	5,047
		(77,253)	(144,288)
Total comprehensive (loss)/profit attributable to:			
Owners of the Company		**(76,840)**	(146,959)
Non-controlling interests		**1,519**	5,709
		(75,321)	(141,250)
Loss per share			
Basic, HK cents	*10*	**(1.13)**	(2.34)
Diluted, HK cents	*10*	**(1.13)**	(2.34)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	Notes	31 December 2012 HK$'000	31 December 2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**142,463**	143,875
Prepaid lease payments		**20,949**	21,247
Investment properties		**34,697**	39,652
Intangible assets		**285,334**	316,693
Exploration and evaluation assets	*11*	**8,572,971**	8,546,675
Available-for-sale investment	*12*	**196,072**	73,950
Goodwill		**51,418**	51,418
		9,303,904	9,193,510
Current assets			
Inventories		**76,299**	106,054
Trade receivables	*13*	**–**	46
Prepayments, deposits and other receivables		**265,178**	31,643
Pledged deposits		**–**	49,300
Cash and bank balances		**634,146**	29,485
		975,623	216,528
Total assets		**10,279,527**	9,410,038
EQUITY			
Capital and reserves			
Share capital		**162,911**	130,911
Reserves		**9,444,557**	8,741,714
Equity attributable to owners of the Company		**9,607,468**	8,872,625
Non-controlling interests		**95,256**	93,737
Total equity		**9,702,724**	8,966,362

	Notes	**31 December 2012** **HK$'000**	31 December 2011 HK$'000
LIABILITIES			
Current liabilities			
Trade, bills and other payables	*14*	**270,788**	120,288
Tax payable		**8,314**	23,314
Promissory note		**–**	84,654
Borrowings		**212,820**	129,995
		491,922	358,251
Non-current liability			
Deferred taxation		**84,881**	85,425
Total liabilities		**576,803**	443,676
Total equity and liabilities		**10,279,527**	9,410,038
Net current assets/(liabilities)		**483,701**	(141,723)
Total assets less current liabilities		**9,787,605**	9,051,787

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial assets and financial liabilities that are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

During the 9 months ended 31 December 2011, the financial year end date of the Company was changed from 31 March to 31 December. Accordingly, the corresponding amounts shown for the consolidated financial statements and related notes cover the 9 months period from 1 April 2011 to 31 December 2011 and therefore may not be comparable with the amounts shown for the current year.

Pursuant to the special resolution passed at the annual general meeting of the Company held on 25 May 2012, the English name of the Company was changed from "Sino Union Energy Investment Group Limited" to "Yanchang Petroleum International Limited" and "延長石油國際有限公司" as its secondary name to replace "中聯能源投資集團有限公司" was effective from 29 May 2012.

The consolidated financial statements are presented in HK dollars and rounded to the nearest thousand (HK$'000), unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The accounting policies adopted in the consolidated financial statements for the year ended 31 December 2012 are consistent with those followed in the preparation of the Group's consolidated statements for the period from 1 April 2011 to 31 December 2011 except as described below.

In the current year, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA which are effective for the Group's financial period beginning 1 January 2012. A summary of the new HKFRSs are set out as below:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax — Recovery of Underlying Assets

The application of the above new HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements 2009–2011 Cycle[2]
HKFRS 1 (Amendments)	Government Loans[2]
HKFRS 7 (Amendments)	Disclosure — Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 9 & HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[4]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 10, HKFRS 11 & HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities — Transition Guidance[2]
HKFRS 13	Fair Value Measurement[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[3]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[3]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of assessing the potential impact of the above new HKFRSs upon initial application but is not yet in a position to state whether the above new HKFRSs will have a significant impact on the Group's result of operations and financial position.

3. **SEGMENT INFORMATION**

The Group's operating and reportable segments are as follows:

(a) the supply and procurement operation segment involves trading and distribution of oil related products; and

(b) the oil and gas exploration, exploitation and operation segment involves oil and gas exploration, exploitation and operation. For the 12 months ended 31 December 2012 and the 9 months ended 31 December 2011, this segment did not generate any revenue or profit to the Group.

Segment revenue and results

	Supply and procurement operation		**Oil and gas exploration, exploitation and operation**		**Consolidated**	
	12 months ended 31 December 2012	9 months ended 31 December 2011	**12 months ended 31 December 2012**	9 months ended 31 December 2011	**12 months ended 31 December 2012**	9 months ended 31 December 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**7,572,880**	512,210	**–**	–	**7,572,880**	512,210
Segment results	**20,330**	26,744	**(3,945)**	(8,064)	**16,385**	18,680
Other revenue					**4,790**	650
Equity-settled share option expenses					**(183)**	(145,561)
Gain on derecognition of a subsidiary					**14,809**	–
Loss on sale of equity interest on available-for-sale investment					**(26,378)**	–
Net gain on disposal of subsidiaries					**–**	19,954
Reimbursement of share option expenses					**–**	4,050
Investment property written off					**(3,105)**	–
Fair value change on investment properties					**(2,879)**	(390)
Impairment of intangible assets					**(34,450)**	(5,550)
Unallocated corporate expenses					**(28,447)**	(29,025)
Loss from operating activities					**(59,458)**	(137,192)
Finance costs					**(16,010)**	(1,631)
Loss before taxation					**(75,468)**	(138,823)
Taxation					**(1,785)**	(5,465)
Loss for the year/period					**(77,253)**	(144,228)

Revenue reported was generated from external customers. There were no inter-segment sales for the year (for the 9 months ended 31 December 2011: Nil).

Segment results represent the profit earned/(loss incurred) by each segment without allocation of other revenue and corporate expenses including staff costs, finance costs, equity-settled share option expenses, gain on derecognition of a subsidiary, loss on sale of equity interest on available-for-sale investment, investment property written off, fair value changes on investment properties and impairment of intangible assets. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Supply and procurement operation		**Oil and gas exploration, exploitation and operation**		**Consolidated**	
	31 December 2012	31 December 2011	**31 December 2012**	31 December 2011	**31 December 2012**	31 December 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**931,650**	692,828	**8,846,214**	8,709,141	**9,777,864**	9,401,969
Unallocated assets					**501,663**	8,069
Total assets					**10,279,527**	9,410,038
Segment liabilities	**562,763**	343,754	**7,734**	1,672	**570,497**	345,426
Unallocated liabilities					**6,306**	98,250
Total liabilities					**576,803**	443,676

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate financial assets;
- all liabilities are allocated to reportable segments other than corporate financial liabilities.

Other segment information

	Supply and procurement operation		**Oil and exploration, exploitation and operation**		**Unallocated**		**Consolidated**	
	12 months ended 31 December 2012	9 months ended 31 December 2011	**12 months ended 31 December 2012**	9 months ended 31 December 2011	**12 months ended 31 December 2012**	9 months ended 31 December 2011	**12 months ended 31 December 2012**	9 months ended 31 December 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Depreciation	**5,115**	669	**1,503**	271	**407**	541	**7,025**	1,481
Amortisation	**502**	82	**20**	15	**–**	–	**522**	97
Capital expenditure	**5,812**	369	**642**	278	**28**	714	**6,482**	1,361

Revenue from major products and services

The Group's revenue from its major products and services were from trading and distribution of oil related products.

Geographical information

The Group operates in three principal geographical areas — the People's Republic of China (the "PRC"), Hong Kong and Madagascar.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		**Non-current assets**	
	12 months ended 31 December 2012	9 months ended 31 December 2011	**31 December 2012**	31 December 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**7,572,880**	512,210	**525,617**	475,172
Hong Kong	**–**	–	**581**	53,534
Madagascar	**–**	–	**8,777,706**	8,664,804
	7,572,880	512,210	**9,303,904**	9,193,510

Information about major customer

Included in revenues arising from trading and distribution of oil related products of HK$5,155,008,000 for the year (for the 9 months ended 31 December 2011: HK$368,250,000) are revenues arose from the Group's largest customer which account for 68% (for the 9 months ended 31 December 2011: 72%) of the Group's total revenue.

4. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Group's turnover and other revenue are as follows:

	12 months ended 31 December 2012	9 months ended 31 December 2011
	HK$'000	*HK$'000*
Turnover		
Sale and distribution of oil related products	**7,572,880**	512,210
Other revenue		
Bank interest income	**2,579**	339
Rental income	**2,210**	311
Others	**1**	–
	4,790	650

5. OTHER GAINS AND LOSSES

	12 months ended 31 December 2012 *HK$'000*	9 months ended 31 December 2011 *HK$'000*
Gain on derecognition of a subsidiary	**14,809**	–
Net gain on disposal of subsidiaries	**–**	19,954
Reimbursement of share option expenses	**–**	4,050
Fair value change on investment properties	**(2,879)**	(390)
Impairment loss of intangible assets	**(34,450)**	(5,550)
Loss on sale of equity interest on available-for-sale investment	**(26,378)**	–
Investment property written off	**(3,105)**	–
	(52,003)	18,064

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	12 months ended 31 December 2012 *HK$'000*	9 months ended 31 December 2011 *HK$'000*
Cost of inventories sold	**7,530,644**	478,856
Auditors' remuneration	**1,000**	1,000
Depreciation of property, plant and equipment	**7,025**	1,481
Amortisation of prepaid lease payments	**522**	97
Minimum lease payments under operating leases of rented premises	**5,095**	3,304
Loss on disposal of property, plant and equipment	**983**	184
Staff costs (including Directors' remuneration)		
— Salaries and wages	**11,494**	8,380
— Pension scheme contributions	**121**	122
Equity-settled share option expenses	**183**	145,561

7. FINANCE COSTS

	12 months ended 31 December 2012 *HK$'000*	9 months ended 31 December 2011 *HK$'000*
Interest expenses on bank borrowings wholly repayable within five years	**16,010**	1,631

8. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits in Hong Kong for the year (for the 9 months ended 31 December 2011: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	12 months ended 31 December 2012	9 months ended 31 December 2011
	HK$'000	*HK$'000*
Current taxation		
Charge for the year/period — Overseas	**3,357**	5,659
Deferred taxation		
Credit for the year/period	**(1,572)**	(194)
Total tax charged for the year/period	**1,785**	5,465

9. DIVIDENDS

The Directors do not recommend payment of any dividends for the year (for the 9 months ended 31 December 2011: Nil).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	12 months ended 31 December 2012	9 months ended 31 December 2011
	HK$'000	*HK$'000*
Loss		
Loss attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(77,656)**	(149,355)

	12 months ended 31 December 2012	9 months ended 31 December 2011
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**6,857,048**	6,369,619

Diluted loss per share for the year was the same as the basic loss per share. The Company's outstanding share options were not included in the calculation of diluted loss per share because the effect of the Company's outstanding share options was anti-dilutive.

11. EXPLORATION AND EVALUATION ASSETS

	HK$'000
Cost	
At 1 April 2011	12,238,815
Additions arising from jointly controlled operation	64,919
At 31 December 2011 and 1 January 2012	12,303,734
Additions arising from jointly controlled operation	26,296
At 31 December 2012	12,330,030
Impairment	
At 1 April 2011, 31 December 2011 and 1 January 2012 and 31 December 2012	3,757,059
Carrying amount	
At 31 December 2012	**8,572,971**
At 31 December 2011	8,546,675

Notes:

(i) The exploration and evaluation assets represent the oil and gas exploration, exploitation and operations rights and profit sharing rights (the "Exploration Rights") at the Oilfield Block 2104 and the Oilfield Block 3113 in Madagascar, onshore sites for oil and gas exploration, exploitation and operation, and expenditure paid for provision of services on activities relating to evaluation of the technical feasibility and commercial viability of extracting oil and gas in the Oilfield Block 2104 and the Oilfield Block 3113.

(ii) The Group entered into an investment and co-operation agreement with Shaanxi Yanchang Petroleum (Group) Co., Limited ("Yanchang Petroleum"), the ultimate holding company of the Company, and ECO Energy (International) Investments Limited ("ECO") on exploration, exploitation and operation in the Oilfield Block 3113. Pursuant to the investment and co-operation agreement, the capital investment of the Oilfield Block 3113 shall be contributed by the Group, Yanchang Petroleum and ECO.

(iii) The Group has adopted HKFRS 6 *Exploration for and Evaluation of Mineral Resources* and HKAS 36 *Impairment of Assets* which require the Group to assess any impairment at each reporting date. The Directors are of the opinion that no further impairment of exploration and evaluation assets was required for the 12 months ended 31 December 2012 and the 9 months ended 31 December 2011.

(iv) The Group is required to assess at each reporting date any indicator that a previously recognised impairment loss no longer exists or has decreased. If there is such an indication, management should estimate the recoverable amount and determine whether any impairment reversal is appropriate.

(v) The Directors are of the opinion that the current oil price movements do not result in an impairment or a reversal of impairment for the long-life Exploration Rights in the Oilfield Block 2104 and the Oilfield Block 3113.

12. AVAILABLE-FOR-SALE INVESTMENT

	31 December 2012 *HK$'000*	31 December 2011 *HK$'000*
Unlisted investment, equity securities	**196,072**	73,950

As at 31 December 2011, the Group originally held 10% of the equity interests of Gold Grand Investment Limited ("Gold Grand"), a company established in Madagascar, at cost of HK$73,950,000.

On 6 January 2012, the Group and Jubilee Star Holdings Limited ("Jubilee Star"), an independent third party of the Group, entered into an agreement to acquire further 30% equity interests in Gold Grand. Pursuant to the agreement, the total consideration for the acquisition was HK$333,060,000 which was satisfied by issuing 300,000,000 shares of the Company (the share price of the Company at the completion date was HK$0.495) and a non-interest bearing promissory note (the "Promissory Note") of principal amount of RMB150,000,000 (approximately of HK$184,560,000) with maturity of 6 months. After further acquisition of 30% equity interests in Gold Grand, the Group was beneficially interested in 40% of the equity interests in Gold Grand.

Later on, the Group and Jubilee Star entered into a supplemental agreement on 31 May 2012 and agreed that the Promissory Note of principal amount of RMB150,000,000 was fully redeemed by the Company while the equity interests acquired by the Group in Gold Grand was amended from 30% to 11%. The cost of the disposed 19% equity interests in Gold Grand was HK$210,938,000. As a result, there was a loss of HK$26,378,000 arising on sale of available-for-sale investment.

The Board does not believe that the Group is able to exercise significant influence over Gold Grand, as the remaining equity interests were held by one shareholder, who also manages the day-to-day operations of Gold Grand. Therefore, the investment in Gold Grand was not classified as investment in an associate during the year.

Please refer to the Company's announcement dated on 10 January 2012 and 31 May 2012 for the details of the transactions.

13. TRADE RECEIVABLES

Trade receivables, which generally have credit terms of 30 days (31 December 2011: 30 days), are recognised and carried at the original invoiced amount less provision for impairment loss. It is the Group's policy to provide full impairment loss for all receivables over 1 year because based on historical experience such receivables are past due beyond 1 year are generally not recoverable. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2012 *HK$'000*	31 December 2011 *HK$'000*
0 to 30 days	**–**	46

Based on past experience, the Directors believe that no impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. There is no trade receivables which are past due at the end of the reporting period but not impaired. The Group does not hold any collaterals or other credit enhancements over these balances.

14. TRADE, BILLS AND OTHER PAYABLES

	31 December 2012	31 December 2011
	HK$'000	*HK$'000*
Trade payables	**–**	264
Bills payables	**–**	98,600
Deposit received in advance from wholesale customers	**250,467**	12,015
Other payables	**20,321**	9,409
	270,788	120,288

An aged analysis of the trade payables at the end of the reporting period, based on invoice date, is as follows:

	31 December 2012	31 December 2011
	HK$'000	*HK$'000*
0 to 30 days	**–**	264

As at 31 December 2012 and 2011, the trade payables are non-interest-bearing and have an average credit period on purchases of one to three months.

BUSINESS REVIEW

Strategic restructuring of the Company

To cope with the business strategy of the Group and to achieve a stable long-term development, the board of the Company had been restructured in April 2012. The Company had invited elites from Yanchang Petroleum to join the Board, so as to enhance the expertise and ability of the Board and facilitate the operation and development of the Group's oil and gas business.

Meanwhile, Yanchang Petroleum had decided to take the Company as the platform for its international business development, and agreed to the change of company name from "Sino Union Energy Investment Group Limited" to "Yanchang Petroleum International Limited", with a view to obtain brand advantage.

In addition, during the year, the Company had placed 1.3 billion new shares of the Company to Yanchang Petroleum at HK$0.51 per share, the proceeds raised of HK$663 million would significantly strengthen the financial position of the Group and provide funding for the continuous development of the Group's core business. As such, the shareholding of Yanchang Petroleum in the Company had increased from approximately 16.33% to approximately 29.69%, representing approximately 2.418 billion shares, making it the single largest shareholder of the Company.

In 2012, the Company had completed the restructuring of the Board, the change of company name and placement of 1.3 billion new shares. On one hand the abovementioned signifies that Yanchang Petroleum has taken control of the Company, while on the other marks an important milestone of international business development both for the Company and Yanchang Petroleum.

Exploration works in the oilfield blocks of Madagascar

As the exploration of the three wells (namely SKL-2n, BKM-1 and BKM-2) in the Oilfield Block 3113 of Madagascar was completed last year, the results of which indicate satisfactory oil and gas shows, an additional RMB95 million though the Oilfield 3113 Management Committee would be injected into the Oilfield Block 3113 in 2012 to start two exploration projects, namely the non-seismic geophysical exploration and the well-testing of the above three wells. The non-seismic geophysical exploration project covered 3,547 kilometer squares, the result of which indicates a complex abnormal area of several hundred kilometer squares, representing the possible presence of oil and gas, such data are being analyzed. The well-testing of SKL-2n was completed in October 2012, such data are being analyzed. The perforated layer (U. Sakamena) of BKM-1 well-testing was completed in November 2012, data from which are being analyzed. Meanwhile, the testing of a new layer had begun. As for the Oilfield Block 2104, the Company will commence the non-seismic geophysical exploration such as the aeromagnetic test as soon as possible in 2013.

Refined oil business

While stepping up its efforts in exploring oil and gas assets overseas, the Company at the same time actively pursue the refined oil business homebound. Last year, the Group completed the acquisition of Henan Yanchang Petroleum Sales Co., Limited ("Henan Yanchang"), and Yanchang Petroleum agrees to supply refined oil at favourable pricing terms and ensures a stable and sufficient refined oil supply to Henan Yanchang. Leveraging on the continuous support from Yanchang Petroleum, the refined oil business in the PRC has grown rapidly, achieved economies of scale and contributed stable returns and cash flows to the Group. In 2012, Henan Yanchang had achieved annual sales target of 800,000 tonnes refined oil. With the support from Yanchang Petroleum in terms of policy and resources, Henan Yanchang will continue to expand the scale of its refined oil business, improve operating efficiency and profitability in 2013.

OUTLOOK

The acquisition of overseas oil and gas assets has been one of the core strategies of the Company. The Company will actively pursue possible overseas acquisition opportunities, among which oil and gas projects in politically stable regions and those already in operation would be the primary targets of the Company. Further, the Company will dedicate its effort to commence international crude oil trading business and a breakthrough in the commencement of such business is expected in 2013.

Year 2013 is the first year after the strategic restructuring of the Company and under the control of Yanchang Petroleum. Under the strong support from Yanchang Petroleum, the Company will steadily move forward the exploration works in Madagascar; expand the scale of Henan refined oil business; actively seek overseas acquisition opportunity of oil and gas projects already in operation and manifest breakthroughs; and strive to launch international crude oil trading business in order to increase the operating cash flow of the Group, making the Company an international competitive energy enterprise.

FINANCIAL REVIEW

Highlights on Financial Results

	12 months ended 31 December 2012 *HK$'000*	9 months ended 31 December 2011 *HK$'000*	Percentage Increase/ (Decrease) %
Turnover	**7,572,880**	512,210	1,378%
Gross profit	**42,236**	33,354	27%
Gross profit margin	***0.6%***	*6.5%*	
Other revenue, gains and losses	**(47,213)**	18,714	(352%)
Selling and distribution costs	**(2,787)**	(4,784)	(42%)
Administrative expenses	**(51,511)**	(38,915)	32%
Equity-settled share option expenses	**(183)**	(145,561)	(100%)
Finance costs	**(16,010)**	(1,631)	882%
Taxation	**(1,785)**	(5,465)	(67%)
Loss for the year/period	**(77,253)**	(144,288)	(46%)
Basic loss per share, HK cents	**(1.13)**	(2.34)	(52%)

Turnover and Gross Profit

For the year under review, the Group's operating segments comprised: (i) storage, transportation, supply and procurement of oil related products and (ii) oil and gas exploration, exploitation and operation. All the turnover of the Group was derived from trading and distribution of oil related products business in the PRC for year ended 31 December 2012.

The Group recorded sales of HK$7,572,880,000 for the year under review which increased by 15 times as compared to HK$512,210,000 for the 9 months ended 31 December 2011. The increase mainly came from the growth of refined oil business in Henan Province of the PRC. Under the circumstances of high volume sales with slim margin, despite the overall gross profit margin for refined oil dropped from the last period of 6.5% to the current year of 0.6%, the Henan refined oil business contributed gross profit of HK$42,236,000 to the Group for the year under review, an increase of 27% as compared to HK$33,354,000 of the last period, and as to refined oil business realised a segmented profit of HK$20,330,000.

Other Revenue, Gains and Losses

In addition to the profit from trading and distribution of refined oil, there were other net loss of HK$47,213,000 recorded for the year under review which was mainly the aggregate effect of: (i) the one-off loss on disposal of 19% interests in the industrial development district project in Madagascar amounted to HK$26,378,000; (ii) the impairment of HK$34,450,000 on an intangible asset regarding the petroleum related business licence in Madagascar; and (iii) the gain on derecognition of a subsidiary amounted to HK$14,809,000.

Selling and Distribution Costs

Selling and distribution costs reduced from the last period of HK$4,784,000 to the current year of HK$2,787,000 due to mainly the saving on commission and handling expenses.

Administrative Expenses

Administrative expenses includes remuneration of Directors, wages, office rents, depreciation and administrative costs for listing. The increase in administrative expenses amounted to HK$12,596,000 for the year under review was mainly attributable to the inclusion of administrative expenses incurred by the refined oil business in Henan Province acquired by the Group in the last year.

Equity-settled Share Option Expenses

Equity-settled share option expenses had been significantly decreased by HK$145,378,000 to HK$183,000. The huge share option expenses of the last period, which was merely a non-cash accounting charge, incurred mainly in respect of 1 billion share options granted to Yanchang Petroleum in June 2011.

Finance Costs

Finance costs of HK$16,010,000 were interest expenses incurred for bills and bank borrowings from Henan Yanchang for running its refine oil business in the PRC, which was in line with the growth of the sales.

Taxation

Tax expenses mainly represented the provision for the PRC enterprise income tax on the profit earned from refined oil business of Henan Yanchang during the year and the drop in such tax expenses was brought about by the write-back of over-provision of previous period.

Loss for the year

In the absence of the huge share option expenses, the loss of the Group substantially reduced by 46% from last period of HK$144,288,000 to the current year of HK$77,253,000. The basic loss per share had been reduced from last period of HK$2.34 cents to HK$1.13 cents for the current year.

Highlights on Financial Position

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000	Percentage Increase/ (Decrease) %
Property, plant and equipment	**142,463**	143,875	(1%)
Goodwill	**51,418**	51,418	–
Prepaid lease payments	**20,949**	21,247	(1%)
Investment properties	**34,697**	39,652	(13%)
Intangible assets	**285,334**	316,693	(10%)
Exploration and evaluation assets	**8,572,971**	8,546,675	0.3%
Available-for-sale investment	**196,072**	73,950	165%
Prepayments, deposits and other receivables	**265,178**	31,643	738%
Inventories	**76,299**	106,054	(28%)
Cash and bank balances	**634,146**	29,485	2051%
Trade and other payables	**270,788**	120,288	125%
Borrowings	**212,820**	129,995	64%

Property, Plant and Equipment

Property, plant and equipment consisted of buildings, fixtures and furniture, equipment, plant and machineries, motor vehicles and construction-in-progress, most of which belonging to Henan Yanchang. There was no material acquisition or disposal of property, plant and equipment during the year ended 31 December 2012.

Goodwill

Resulting from the acquisition of 70% interests in Henan Yanchang in November 2011, a goodwill of HK$51,418,000 arising on consolidation was recorded. Since no impairment subsequent to the acquisition had been made during the year, the amount of such goodwill stated the same as at 31 December 2011.

Prepaid Lease Payments

Prepaid lease payments represented the leasehold lands in Madagascar and the PRC owned by the Group. The decrease of HK$298,000 in prepaid lease payments represented the amortisation made during the year under review.

Investment Properties

Investment properties comprised (i) gas stations and properties in the PRC from Henan Yanchang either leased out in return of receiving rental income or hold for capital appreciation, and (ii) a land hold for capital appreciation in Madagascar. The amount of investment properties decreased by HK$4,955,000 was mainly attributable to the impairment valuation of relevant assets during the year ended 31 December 2012.

Intangible Assets

During the year under review, the intangible asset of HK$34,450,000 regarding the petroleum related business licence in Madagascar had been impaired. The intangible assets amounted to HK$285,334,000 as at 31 December 2012 represented the valuation and recognition of a supply agreement signed with Yanchang Petroleum which enables Henan Yanchang to have stable and sufficient supply of refined oil in PRC.

Exploration and Evaluation Assets

Exploration and evaluation assets represented the valuation of the Group's investment in the Oilfield Block 2104 and the Oilfield Block 3113 in Madagascar and the addition of HK$26,296,000 represented non-seismic geophysical exploration and well-testing costs put into the Oilfield Block 3113 through the Oilfield Block 3113 Management Committee.

Available-for-sale Investment

Available-for-sale investment represented the 21% equity interests in Gold Grand held by the Group, a company has a freehold land and also holds a business operation right grant by the government of Madagascar in relation to the development of industrial park for the provision of processing, production and sales of relevant energy and utilities businesses.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables mainly represented prepayments made for purchase of refined oil by Henan Yanchang for its refined oil business and funds deposited in the Oilfield Block 3113 Management Committee for the development of the Oilfield Block 3113. The significant increase of prepayments, deposits and other receivables in the amount of HK$233,535,000 was mainly due to the increase of prepayments made for the purchase of refined oil as a result of rapid business growth in Henan Yanchang during the year.

Inventories

Inventories represented refined oil held in oil storage tanks of Henan Yanchang in the PRC as at 31 December 2012.

Cash and Bank Balances

The increase in cash and bank balances at 31 December 2012 was mainly due to HK$663,000,000 raised by the Company through a placement of 1.3 billion new shares of the Company at HK$0.51 each to Yanchang Petroleum during the year.

Trade and Other Payables

The increase in trade and other payables by HK$150,500,000 represented mainly the increase in receipt-in-advance made by the customers as result of rapid growth of refined oil business during the year.

Borrowings

There were increased in bank loans drawdown by Henan Yanchang to finance its rapid refined oil business growth in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

The Group funded its operation mainly by its internal resources together with bank borrowings for the year ended 31 December 2012.

	As at 31 December 2012	As at 31 December 2011
	HK$'000	*HK$'000*
Current assets	**975,623**	216,528
Total assets	**10,279,527**	9,410,038
Current liabilities	**491,922**	358,251
Total liabilities	**576,803**	443,676
Total equity	**9,702,724**	8,966,362
Gearing ratio	**5.9%**	4.9%
Current ratio	**198%**	60%

The Group had outstanding bank borrowings of HK$211,820,000 under Henan Yanchang as at 31 December 2012 (31 December 2011: HK$123,249,000). The Group has obtained bank facilities of RMB610,000,000 (equivalent to approximately HK$760,060,000) from banks in the PRC. As at the year end, the Group had cash and bank balances of HK$634,146,000 (31 December 2011: HK$29,485,000). In view of ample cash on hand together with the available bank facilities, the Group has sufficient working capital to finance its business operation.

Measured on the basis of total liabilities as a percentage of total equity, the gearing ratio of the Group remained in a low and healthy level of 5.9% as at the year ended 31 December 2012 (31 December 2011: 4.9%). The current ratio of the Group increased to 198% as at 31 December 2012 (31 December 2011: 60%), measured on the basis of current assets as a percentage of current liabilities, reflected the Group maintained a high level of financial liquidity.

TREASURY MANAGEMENT AND POLICIES

The Group adopts a prudent approach for its cash management and risk control. The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates.

Cash has been generally placed in short-term deposits denominated in Hong Kong dollar, US dollar and Renminbi. The Group has obtained bank facilities and borrowings with stable interest rates. The Group does not foresee any significant interest rate risks. Since the Group's transactions and investment are mostly denominated in Hong Kong dollar, United Stated dollar and Renminbi, the Group does not anticipate any material foreign exchange exposures and risks.

During the year under review, no hedging transactions related to foreign exchange had been made, proper steps will be taken when the management considers appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS

On 6 January 2012, the Group and Jubilee Star, an independent third party, entered into an agreement for the acquisition of 30% equity interests in Gold Grand. Pursuant to the agreement, 300,000,000 shares of the Company at HK$0.716 each and the promissory note in the principal amount of RMB150,000,000 have been issued to satisfy the consideration. Later on, the Group and Jubilee Star entered into a supplemental agreement on 31 May 2012 and agreed that the said promissory note was fully redeemed by the Company while the equity interests acquired by the Group in Gold Grand was amended from 30% to 11%. Together with the previously acquired 10% equity interests from Jubilee Star in December 2011, the Group then holds 21% equity interests in Gold Grand. Gold Grand has a freehold land and also holds a business operation right grant by the government of Madagascar in relation to the development of industrial district for the provision of processing, production and sales of relevant energy and utilities businesses in Madagascar.

Save as the aforesaid, the Group had no other material acquisitions and disposals for the year ended 31 December 2012.

SIGNIFICANT INVESTMENTS

Save as the acquisitions mentioned above, the Group did not hold any significant investments during the year ended 31 December 2012.

CAPITAL COMMITMENT

As at 31 December 2012, the Group had committed to pay the balances of a sub-pipeline construction fees amounted to HK$2,050,000 (31 December 2011: HK$788,000).

Save as the aforesaid, the Group did not have any other material commitments as at 31 December 2012.

PLEDGE OF ASSETS

As at 31 December 2012, none of the Group's assets had been pledged for granting the bank borrowings.

As at 31 December 2011, certain machineries, land and buildings of Henan Yanchang had been pledged in favour of a bank in the PRC for granting a loan of RMB20,000,000.

CONTINGENT LIABILITY

As at 31 December 2012, the Group did not have any significant contingent liabilities (31 December 2011: Nil).

LITIGATION

As at 31 December 2012, the Group had no litigation.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the Group's total number of staff was around 70 (31 December 2011: 90). Salaries of employees are maintained at a competitive level with total staff costs (excluding the equity-settled share-based payments) for the year ended 31 December 2012 amounted to HK$11,616,000 (2011: HK$8,502,000). Remuneration policy is based on principle of equality, motivation, performance and prevailing market practice and remuneration packages are normally reviewed on an annual basis. Other staff benefits including provident fund, medical insurance coverage and share option scheme are offered to the employees. During the year, no share options were granted to the eligible participants under the Company's share option scheme and there were outstanding share options of 12,000,000 as at 31 December 2012 (31 December 2011: 12,000,000).

DIVIDENDS

The Board does not recommend the payment of any dividends for the year ended 31 December 2012 (31 December 2011: Nil).

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieve a high standard of corporate governance practices and procedures with a view to enhance the management of the Company as well as to safeguard the interests of the shareholders as a whole in terms of transparency, independence, accountability, responsibilities and fairness. The Board will review and improve the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective Board to optimise return for the shareholders.

In the opinion of the Board, the Company had complied with the code provisions set out in the former Code on Corporate Governance Practices (the "Former CG Code") in Appendix 14 of the Listing Rules throughout the period from 1 January 2012 to 31 March 2012, except for the following deviations:

1. code provision A.2.1 of the Former CG Code provides that the roles and responsibilities of chairman ("Chairman") and chief executive officer ("CEO") should be separate. During the three months ended 31 March 2012, Dr. Zhuo Ze Fan ("Dr. Zhuo") assumed the roles of both the Chairman of the Board and the CEO of the Company. Dr. Zhuo has substantial experience in commerce, investments, mergers and acquisitions covering a wide range of businesses which include petroleum, chemical and metal mining, and owns several patents of device and was granted various awards and prizes in the PRC that is essential to fulfilling the role of the Chairman. At the same time, Dr. Zhuo has the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the CEO in the day-to-day management of the Group. During the three months ended 31 March 2012, the Board was composed of eight executive directors (including the Chairman) and three independent non-executive Directors with a balance of skills and experience appropriate for the requirements of the Group. The Board at that time considered that there was no need to segregate the roles of the Chairman and the CEO as the balance of power and authority was already ensured by the said Board structure. The Board considered that the combination of the roles of the Chairman and the CEO which were performed by the same individual (i.e. Dr. Zhuo) would be beneficial to the overall corporate performance of the Group.

2. code provision A.4.1 of the Former CG Code provides that the non-executive directors should be appointed for a specific term. Messrs. Leung Ting Yuk and Ng Wing Ka, the independent non-executive Directors, were not appointed for a specific term but they are subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

3. code provision A.4.2 of the Former CG Code provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In accordance with the Bye-laws of the Company, any Director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting ("AGM") of the Company and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancy seldom happens and duration between appointment to fill casual vacancy and the immediate following AGM of the Company is less than one year and is considered to be short.

The Company had also complied with the code provisions set out in the Corporate Governance Code (the "Revised CG Code") (which amended the Former CG Code and took effect on 1 April 2012) in Appendix 14 of the Listing Rules throughout the period from 1 April 2012 to 31 December 2012, except for the following deviations:

1. code provision A.2.1 of the Revised CG Code provides that the roles and responsibilities of Chairman and CEO should be separate. On 1 April 2012, Dr. Zhuo resigned from the positions of both the Chairman of the Board and the CEO of the Company whereas Mr. Zhang Kaiyong was appointed as an executive Director and the Chairman of the Board,

but no CEO was being appointed to fill the position pending the appointment of a suitable candidate. On 10 April 2012, Mr. Ren Yansheng was appointed as an executive Director and the CEO of the Company, and the said code provision A.2.1 has been complied with since then.

2. code provision A.4.1 of the Revised CG Code provides that the non-executive directors should be appointed for a specific term. Mr. Ng Wing Ka, an independent non-executive Director, was not appointed for a specific term but he is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

   Following the execution of a formal appointment letter as independent non-executive Director between the Company and Mr. Leung Ting Yuk ("Mr. Leung") on 1 April 2012, Mr. Leung was appointed for a terms of two years commencing from 1 April 2012 but he is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

3. code provision A.4.2 of the Revised CG Code provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Details and reasons of the deviation of the said code provision are the same as disclosed above regarding the deviation of the code provision A.4.2 of the Former CG Code.

4. code provision A.6.7 of the Revised CG Code provides that independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. One of the independent non-executive Directors, Mr. Leung Ting Yuk, was unable to attend the annual general meeting of the Company held on 25 May 2012 due to other ad hoc business engagements. Besides, the three independent non-executive Directors, Mr. Leung Ting Yuk, Mr. Ng Wing Ka and Mr. Sun Liming, were unable to attend the special general meeting of the Company held on 12 October 2012 due to other ad hoc business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code regarding its Directors' securities transactions on the Company's shares.

Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standards as set out in the Model Code as their code of conduct regarding Directors' securities transactions with the Company throughout the year ended 31 December 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee currently comprises the three independent non-executive Directors, namely Mr. Leung Ting Yuk, Mr. Ng Wing Ka and Mr. Sun Liming. Mr. Leung Ting Yuk is the chairman of the Audit Committee. The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management the internal control and financial reporting matters. The Audit Committee has reviewed the results of the Group for the year ended 31 December 2012.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement for the year ended 31 December 2012 is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.yanchangpetroleum.com). The Company's annual report for 2012 will be despatched to the shareholders of the Company and available on the above websites in due course.

ANNUAL GENERAL MEETING

The 2013 AGM of the Company will be held on Thursday, 6 June 2013 and the notice of the 2013 AGM of the Company will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 4 June 2013 to 6 June 2013 (both days inclusive), during which period, no transfer of share(s) will be registered. In order to qualify for attending the AGM of the Company to be held on 6 June 2013, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration, not later than 4:00 p.m. on 3 June 2013.

By Order of the Board
Yanchang Petroleum International Limited
Zhang Kaiyong
Chairman

Hong Kong, 28 March 2013

Executive Directors:

Mr. Zhang Kaiyong *(Chairman)*
Dr. William Rakotoarisaina *(Vice Chairman)*
Mr. Ren Yansheng *(Chief Executive Officer)*
Mr. Hui Bo *(Vice President)*
Mr. Shen Hao
Mr. Feng Da Wei
Mr. Yang Jie
Mr. To Kwan

Independent Non-Executive Directors:

Mr. Ng Wing Ka
Mr. Leung Ting Yuk
Mr. Sun Liming
Dr. Mu Guodong