



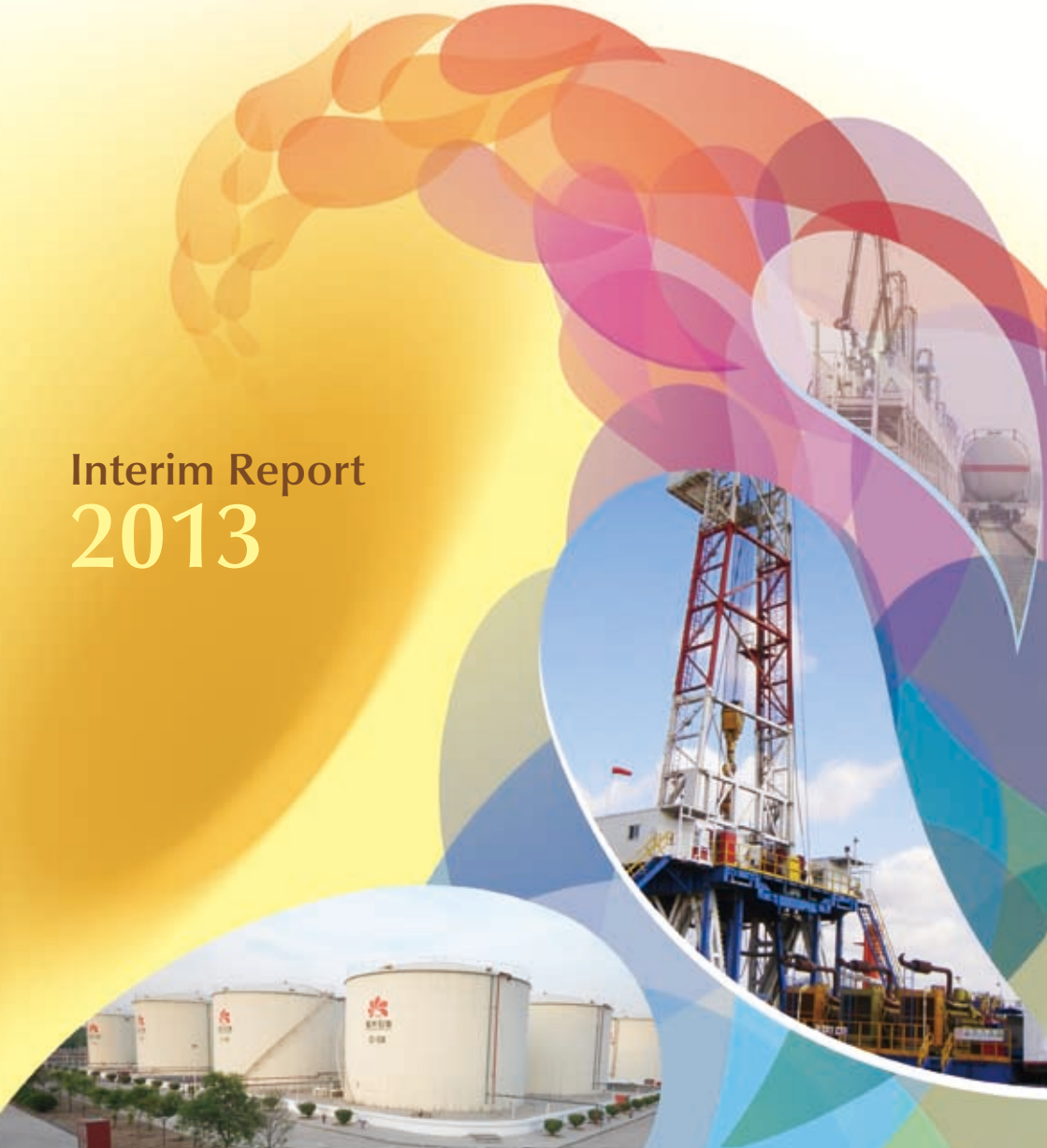
# 延長石油國際有限公司

YANCHANG PETROLEUM INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00346

## Interim Report 2013





## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Zhang Kaiyong (*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

### COMPANY SECRETARY

Mr. Law Hing Lam

### AUDIT COMMITTEE

Mr. Leung Ting Yuk (*Chairman*)  
Mr. Ng Wing Ka  
Mr. Sun Liming

### REMUNERATION COMMITTEE

Mr. Sun Liming (*Chairman*)  
Mr. Leung Ting Yuk  
Mr. Hui Bo

### NOMINATION COMMITTEE

Mr. Ng Wing Ka (*Chairman*)  
Mr. Sun Liming  
Mr. Hui Bo

### AUTHORISED REPRESENTATIVES

Mr. Hui Bo  
Mr. Law Hing Lam

### AUDITORS

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants  
31/F., Gloucester Tower  
The Landmark, 11 Pedder Street  
Central  
Hong Kong

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
26/F., Tesbury Center  
28 Queen's Road East  
Hong Kong

### PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited  
Industrial and Commercial Bank of China  
(Asia) Limited  
Shanghai Pudong Development Bank Co., Ltd.  
China Minsheng Banking Corp., Ltd.  
Bank of China Limited

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1512, 15th Floor  
One Pacific Place  
88 Queensway  
Hong Kong

### STOCK CODE

00346

### WEBSITE

[www.yanchangpetroleum.com](http://www.yanchangpetroleum.com)

The board (the "Board") of directors (the "Directors") of Yanchang Petroleum International Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2013 together with the unaudited comparative figures for the six months ended 30 June 2012 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Turnover</b>	4	<b>8,042,305</b>	647,302
<b>Cost of sales</b>		<b>(7,971,586)</b>	(641,931)
<b>Gross profit</b>		<b>70,719</b>	5,371
<b>Other revenue</b>	4	<b>6,205</b>	1,002
<b>Other losses</b>	5	–	(30,279)
<b>Selling and distribution costs</b>		<b>(1,286)</b>	(1,642)
<b>Administrative expenses</b>		<b>(29,127)</b>	(24,198)
<b>Equity-settled share option expenses</b>		–	(97)
<b>Profit/(loss) from operating activities</b>		<b>46,511</b>	(49,843)
<b>Finance costs</b>	6	<b>(9,988)</b>	(8,517)
<b>Profit/(loss) before taxation</b>	7	<b>36,523</b>	(58,360)
<b>Taxation</b>	8	<b>(12,438)</b>	–
<b>Profit/(loss) for the period</b>		<b>24,085</b>	(58,360)
<b>Other comprehensive income/(loss)</b>			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>4,388</b>	(427)
Other comprehensive income/(loss) for the period, net of tax		<b>4,388</b>	(427)
<b>Total comprehensive income/(loss) for the period</b>		<b>28,473</b>	(58,787)

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2013</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2012 (Unaudited) HK\$'000
<b>Profit/(loss) attributable to</b>			
– Owners of the Company		<b>13,200</b>	(54,116)
– Non-controlling interests		<b>10,885</b>	(4,244)
		<b>24,085</b>	(58,360)
<b>Total comprehensive income/(loss) attributable to</b>			
– Owners of the Company		<b>16,274</b>	(53,734)
– Non-controlling interests		<b>12,199</b>	(5,053)
		<b>28,473</b>	(58,787)
<b>Earnings/(loss) per share</b>			
– Basic, HK cents	<i>10</i>	<b>0.16</b>	(0.80)
– Diluted, HK cents	<i>10</i>	<b>0.16</b>	(0.80)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2013

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	143,494	142,463
Prepaid lease payments		20,966	20,949
Investment properties	12	35,081	34,697
Intangible assets	13	289,342	285,334
Exploration and evaluation assets	14	8,581,842	8,572,971
Available-for-sale investment	15	196,072	196,072
Goodwill		51,418	51,418
		<b>9,318,215</b>	9,303,904
<b>Current assets</b>			
Inventories	16	200,225	76,299
Trade receivables	17	477	–
Prepayments, deposits and other receivables	18	394,576	265,178
Cash and bank balances	19	691,018	634,146
		<b>1,286,296</b>	975,623
<b>Total assets</b>		<b>10,604,511</b>	10,279,527
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	20	162,911	162,911
Reserves		9,461,917	9,444,557
Equity attributable to owners of the Company		<b>9,624,828</b>	9,607,468
Non-controlling interests		107,920	95,256
<b>Total equity</b>		<b>9,732,748</b>	9,702,724

		<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables	21	<b>376,699</b>	270,788
Tax payable		<b>4,687</b>	8,314
Borrowings	22	<b>404,320</b>	212,820
		<b>785,706</b>	491,922
<b>Non-current liability</b>			
Deferred taxation		<b>86,057</b>	84,881
<b>Total liabilities</b>		<b>871,763</b>	576,803
<b>Total equity and liabilities</b>		<b>10,604,511</b>	10,279,527
<b>Net current assets</b>		<b>500,590</b>	483,701
<b>Total assets less current liabilities</b>		<b>9,818,805</b>	9,787,605

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the Company													
	Reserves												Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Exchange reserve	Revaluation reserve	Reserve on acquisition of additional interests in a subsidiary	Share option reserve	Statutory reserve	Other reserve	Retained profits/		Subtotal		
										(accumulated losses)				
HK\$'000										HK\$'000				
At 1 January 2012 (Audited)	130,911	5,859,769	3,156	9,896	385,000	2,285,265	159,063	-	-	39,565	8,741,714	93,737	8,966,362	
Loss for the period	-	-	-	-	-	-	-	-	-	(54,116)	(54,116)	(4,244)	(58,360)	
Other comprehensive income/(loss) for the period	-	-	-	382	-	-	-	-	-	-	382	(809)	(427)	
Total comprehensive income/(loss) for the period	-	-	-	382	-	-	-	-	-	(54,116)	(53,734)	(5,053)	(58,787)	
Acquisition of additional interests in available-for-sale investment	6,000	142,500	-	-	-	-	-	-	-	-	142,500	-	148,500	
Equity-settled share option expenses	-	-	-	-	-	-	97	-	-	-	97	-	97	
At 30 June 2012 (Unaudited)	136,911	6,002,269	3,156	10,278	385,000	2,285,265	159,160	-	-	(14,551)	8,830,577	88,684	9,056,172	
At 1 January 2013 (Audited)	162,911	6,639,269	3,156	10,453	385,259	2,285,265	159,246	836	-	(38,927)	9,444,557	95,256	9,702,724	
Profit for the period	-	-	-	-	-	-	-	-	-	13,200	13,200	10,885	24,085	
Other comprehensive income for the period	-	-	-	3,074	-	-	-	-	-	-	3,074	1,314	4,388	
Total comprehensive income for the period	-	-	-	3,074	-	-	-	-	-	13,200	16,274	12,199	28,473	
Expiry of share options (Note 1)	-	-	-	-	-	-	(144,100)	-	-	144,100	-	-	-	
Net increase in other reserve for the period (Note 2)	-	-	-	-	-	-	-	-	1,086	-	1,086	465	1,551	
At 30 June 2013 (Unaudited)	162,911	6,639,269	3,156	13,527	385,259	2,285,265	15,146	836	1,086	118,373	9,461,917	107,920	9,732,748	

### Notes:

- For the nine months ended 31 December 2011, the Company granted share options to Shaanxi Yanchang Petroleum (Group) Co., Limited ("Yanchang Petroleum"), the substantial shareholder of the Company, to subscribe for 1,000,000,000 new shares at the exercise price of HK\$0.716 per option share pursuant to the specific mandate. The share option may be exercised in whole or in part within 24 months from 8 June 2011. The share options were expired during the period ended 30 June 2013 and the corresponding share option reserve had been released directly to retained profits.
- According to relevant PRC regulations, the Group is required to transfer an amount to other reserve for the safety production fund based on the turnover of trading and distribution of oil related products. As at 30 June 2013, the Group contributed HK\$1,086,000 (30 June 2012: N/A) to other reserve for the safety production fund.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2013*

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Net cash (used in)/generated from operating activities</b>	<b>(108,640)</b>	20,666
<b>Net cash used in investing activities</b>	<b>(1,939)</b>	(1,798)
<b>Net cash generated from/(used in) financing activities</b>	<b>178,972</b>	(26,897)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>68,393</b>	(8,029)
Cash and cash equivalents at beginning of the period	<b>634,146</b>	29,485
Effect of exchange rate changes on the balance of cash held in foreign currencies	<b>(11,521)</b>	2,433
<b>Cash and cash equivalents at end of the period</b>	<b>691,018</b>	23,889
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>691,018</b>	23,889





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (the “HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2012 as contained in the Company’s annual report 2012 (the “Annual Report 2012”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the “HKFRSs”).

These unaudited condensed consolidated financial statements are presented in HK dollars (“HK\$”), which is the same as the functional currency of the Company. All values are rounded to the nearest thousand, unless otherwise stated. These unaudited condensed consolidated financial statements were approved for issue on 12 August 2013.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial assets and liabilities that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies adopted in the unaudited condensed consolidated financial statements for the period from 1 January 2013 to 30 June 2013 are consistent with those followed in the preparation of the Annual Report 2012 except for the impact of the adoption of the new and revised standards, amendments and interpretations (the “new HKFRSs”).

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the current period, the Group has applied, for the first time, a number of the new HKFRSs issued by the HKICPA which are effective for the Group's financial period beginning 1 January 2013. A summary of the new HKFRSs are set out as below:

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

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.

HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 9 & HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure <sup>2</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities <sup>1</sup>
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
HKAS 36 (Amendments)	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting <sup>1</sup>
HK(IFRIC) – Int 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> 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 results 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. During the six months ended 30 June 2013 and 2012, this segment did not generate any revenue or profit to the Group.

#### Segments revenue and results

	For the six months ended 30 June					
	Supply and procurement operation		Oil and gas exploration, exploitation and operation		Consolidated	
	2013	2012	2013	2012	2013	2012
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
<b>Segment revenue:</b>						
Sales to external customers	8,042,305	647,302	–	–	8,042,305	647,302
Segment results	56,153	(6,964)	(1,392)	(1,725)	54,761	(8,689)
Other revenue					6,205	1,002
Equity-settled share option expenses					–	(97)
Loss on sale of equity interest on available-for-sale investment					–	(26,378)
Investment property written off					–	(3,901)
Unallocated corporate expenses					(14,455)	(11,780)
Profit/(loss) from operating activities					46,511	(49,843)
Finance costs					(9,988)	(8,517)
Profit/(loss) before taxation					36,523	(58,360)
Taxation					(12,438)	–
Profit/(loss) for the period					24,085	(58,360)

### 3. SEGMENT INFORMATION (CONTINUED)

Revenue reported was generated from external customers. There were no inter-segment sales during the six months ended 30 June 2013 and 2012.

Segment results represents the profit earned/(loss incurred) by each segment without allocation of other revenue and corporate expenses including finance costs, equity-settled share option expenses and loss on sale of equity interest on available-for-sale investment and investment property written off. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

#### Segments assets and liabilities

	Supply and procurement operation		Oil and gas exploration, exploitation and operation		Consolidated	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
<b>Segment assets</b>	<b>1,266,122</b>	931,650	<b>8,846,106</b>	8,846,214	<b>10,112,228</b>	9,777,864
Unallocated assets					<b>492,283</b>	501,663
Total assets					<b>10,604,511</b>	10,279,527
<b>Segment liabilities</b>	<b>854,874</b>	562,763	<b>8,795</b>	7,734	<b>863,669</b>	570,497
Unallocated liabilities					<b>8,094</b>	6,306
Total liabilities					<b>871,763</b>	576,803

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

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



#### 4. TURNOVER AND OTHER REVENUE

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

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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Turnover</b>		
Trading and distribution of oil related products	<b>8,042,305</b>	647,302
	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Other revenue</b>		
Bank interest income	<b>4,917</b>	842
Rental income	<b>1,236</b>	159
Others	<b>52</b>	1
	<b>6,205</b>	1,002

#### 5. OTHER LOSSES

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Loss on sale of equity interest on available-for-sale investment	–	(26,378)
Investment property written off	–	(3,901)
	–	(30,279)

## 6. FINANCE COSTS

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Interest expenses on bank borrowings wholly repayable within five years	9,988	5,445
Interest expenses on bills payable	–	3,072
	<b>9,988</b>	8,517

## 7. PROFIT/(LOSS) BEFORE TAXATION

The Group's profit/(loss) before taxation is arrived at after charging:

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Cost of inventories sold	7,971,586	641,931
Depreciation of property, plant and equipment	2,867	3,395
Amortisation of prepaid lease payments	265	256
Minimum lease payments under operating lease of rented premises	2,697	2,252
Loss on disposal of property, plant and equipment	36	783
Staff costs (including Directors' remuneration):		
– Salaries and wages	5,463	5,194
– Pension scheme contributions	60	71
Equity-settled share option expenses	–	97

## 8. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not have assessable profits in Hong Kong for the period (30 June 2012: 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.

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Current taxation</b>		
Charge for the period – Overseas	<b>12,438</b>	–

## 9. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividends in respect of the six months ended 30 June 2013 (30 June 2012: Nil).

## 10. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Earnings/(loss)</b>		
Profit/(loss) attributable to owners of the Company for the purposes of basic and diluted earnings/(loss) per share	<b>13,200</b>	(54,116)

The weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share for the six months ended 30 June 2013 was approximately 8,145,573,000 (30 June 2012: 6,761,507,000).

Diluted earnings per share for the six months ended 30 June 2013 was the same as the basic earnings per share. The Company's outstanding share options were not included in the calculation of diluted earnings per share because the effect of the Company's outstanding share options was anti-dilutive.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>Cost</b>						
At 31 December 2012 and 1 January 2013 (Audited)	133,053	3,240	1,669	2,677	8,732	149,371
Additions	–	272	50	484	1,147	1,953
Disposal	–	(113)	–	–	–	(113)
Exchange differences	1,869	44	18	27	120	2,078
At 30 June 2013 (Unaudited)	134,922	3,443	1,737	3,188	9,999	153,289
<b>Accumulated depreciation</b>						
At 31 December 2012 and 1 January 2013 (Audited)	4,992	692	786	438	–	6,908
Charge for the period	2,175	250	164	278	–	2,867
Eliminated on disposal	–	(64)	–	–	–	(64)
Exchange differences	64	9	9	2	–	84
At 30 June 2013 (Unaudited)	7,231	887	959	718	–	9,795
<b>Net book value</b>						
<b>At 30 June 2013 (Unaudited)</b>	<b>127,691</b>	<b>2,556</b>	<b>778</b>	<b>2,470</b>	<b>9,999</b>	<b>143,494</b>
At 31 December 2012 (Audited)	128,061	2,548	883	2,239	8,732	142,463



**12. INVESTMENT PROPERTIES**

	HK\$'000
<b>Fair value</b>	
At 31 December 2012 and 1 January 2013 (Audited)	34,697
Exchange differences	384
	<u>35,081</u>
<b>At 30 June 2013 (Unaudited)</b>	<b>35,081</b>

The Directors consider that the carrying amount of the investment properties are fairly stated as at 30 June 2013.

The properties are either leased out in return of receiving rental income or held for capital appreciation and are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties are situated in Madagascar and the People's Republic of China (the "PRC") and are held under long term lease and medium term leases respectively.

**13. INTANGIBLE ASSETS**

	Refined oil supply agreement HK\$'000	Petroleum related business licence HK\$'000	Total HK\$'000
<b>Cost</b>			
At 31 December 2012 and 1 January 2013 (Audited)	285,334	249,842	535,176
Exchange differences	4,008	–	4,008
			<u>539,184</u>
At 30 June 2013 (Unaudited)	289,342	249,842	539,184
<b>Accumulated impairment</b>			
At 31 December 2012 and 1 January 2013 (Audited) and 30 June 2013 (Unaudited)	–	249,842	249,842
			<u>289,342</u>
<b>Carrying amount</b>			
<b>At 30 June 2013 (Unaudited)</b>	<b>289,342</b>	<b>–</b>	<b>289,342</b>
At 31 December 2012 (Audited)	285,334	–	285,334

### 13. INTANGIBLE ASSETS (CONTINUED)

The intangible assets represent a petroleum related business licence which allows the Group to carry on the business of import, transportation and distribution of petroleum in Madagascar and a supply agreement which enables the Group to have stable and sufficient supply of refined oil in the PRC.

#### **Petroleum related business licence**

The business license has been expired during the period. As the Directors considered that the Group was expected not to allocate the resources for the development of the business of import, transportation and distribution of petroleum in Madagascar, therefore, the carrying amount of petroleum related business license had been fully impaired for the year ended 31 December 2012.

#### **Refined oil supply agreement**

On 26 July 2011 and 1 November 2011, Yanchang Petroleum, as the supplier has signed a supply agreement and a supplemental agreement respectively (the "Supply Agreement"), agreed to supply and Henan Yanchang Petroleum Sales Co., Limited ("Henan Yanchang"), the indirect non-wholly owned subsidiary of the Company, as the customer has agreed to purchase the refined oil for three years starting from 26 July 2011. Details please refer to the announcements dated on 26 July 2011 and 1 November 2011.

The Supply Agreement has a remaining legal life of half year but is renewable another term of every three years under negotiation between both parties, subject to and on the conditions and terms of the Supply Agreement. The Directors are not aware of any expected impediment with respect to the renewal of the Supply Agreement and consider that the possibility of failing in Supply Agreement renewal is remote and the Supply Agreement will generate net cash inflows for the acquiring entity for an indefinite period. Therefore, the Supply Agreement is treated as having an indefinite useful life.

The Directors are of the opinion that no impairment indicator existed as at 30 June 2013 and 31 December 2012, hence no impairment is needed.

**14. EXPLORATION AND EVALUATION ASSETS**

	<b>Total</b> HK\$'000
<b>Cost</b>	
At 31 December 2012 and 1 January 2013 (Audited)	12,330,030
Additions arising from jointly controlled operation	<u>8,871</u>
At 30 June 2013 (Unaudited)	<u>12,338,901</u>
<b>Accumulated impairment</b>	
At 31 December 2012 and 1 January 2013 (Audited) and 30 June 2013 (Unaudited)	<u>3,757,059</u>
<b>Carrying amount</b>	
<b>At 30 June 2013 (Unaudited)</b>	<b><u>8,581,842</u></b>
At 31 December 2012 (Audited)	<u>8,572,971</u>

*Notes:*

- (i) The exploration and evaluation assets represent (i) 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 (ii) 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 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 six months ended 30 June 2013 and for the year ended 31 December 2012.
- (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. The Directors are of the opinion that no impairment indicator existed as at 30 June 2013 and 31 December 2012, hence no impairment is needed.

## 15. AVAILABLE-FOR-SALE INVESTMENT

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
Unlisted investment, equity securities	<b>196,072</b>	196,072

As at 30 June 2013 and 31 December 2012, the Group held 11% of the equity interests of Gold Grand Investment Limited (“Gold Grand”), a company established in Madagascar. 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 period.

The equity securities are stated at cost less impairment loss at the end of the reporting period. The Directors are of the opinion that no impairment is needed for the six months ended 30 June 2013 and for the year ended 31 December 2012.

## 16. INVENTORIES

Inventories represented the merchandise of refined oil products at the end of the reporting period.

## 17. TRADE RECEIVABLES

Trade receivables, which generally have credit terms of 30 days (31 December 2012: 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:

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
0 to 30 days	<b>477</b>	–

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.

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
Prepaid lease payments	529	522
Prepayments to suppliers of refined oil products	350,834	239,919
Other deposits	87	70
Other receivables	43,126	24,667
	<b>394,576</b>	265,178

In determining the recoverability of other receivables, the Group considers any change in credit quality of the other receivables from the date credit was initially granted up to the end of the reporting period. The impairment loss recognised represents the difference between the carrying amount of the specific other receivables and the present value of the expected recoverable amount.

## 19. CASH AND BANK BALANCES

Included in the cash and bank balances as at 30 June 2013 were amounts in RMB of HK\$201,723,000 (31 December 2012: HK\$135,864,000) which are not freely convertible into other currencies.

## 20. SHARE CAPITAL

	Number of shares		Share capital	
	<b>30 June 2013 '000</b>	31 December 2012 '000	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
<i>Authorised:</i>				
Ordinary shares of HK\$0.02 each	<b>100,000,000</b>	100,000,000	<b>2,000,000</b>	2,000,000
<i>Issued and fully paid:</i>				
At the beginning of the period/year, ordinary shares of HK\$0.02 each	<b>8,145,573</b>	6,545,573	<b>162,911</b>	130,911
Consideration shares	–	300,000	–	6,000
Issuance of ordinary shares	–	1,300,000	–	26,000
At the end of the period/year, ordinary shares of HK\$0.02 each	<b>8,145,573</b>	8,145,573	<b>162,911</b>	162,911

**21. OTHER PAYABLES**

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
Deposit received in advance from fuel wholesale customers	<b>357,661</b>	250,467
Other payables	<b>19,038</b>	20,321
	<b>376,699</b>	270,788

**22. BORROWINGS**

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
Other borrowing	–	1,000
Bank borrowings	<b>404,320</b>	211,820
	<b>404,320</b>	212,820

**23. COMMITMENTS**

- (i) The Group had capital commitments to pay sub-pipeline construction fees under Henan Yanchang amounted to HK\$1,814,000 in total, which were contracted but not provided for as at 30 June 2013 (31 December 2012: HK\$2,050,000).
- (ii) The Group entered into the joint venture agreement with two related companies, pursuant to which the Group was committed to contribute RMB35,000,000 as the registered capital to establish the joint venture company in the PRC. Details please refer to the Company's announcement dated on 20 June 2013.

**24. CONTINGENT LIABILITIES**

As at 30 June 2013, the Group and the Company had no contingent liabilities (31 December 2012: Nil).

**25. MATERIAL RELATED PARTIES TRANSACTIONS**

Save as disclosed elsewhere in the unaudited condensed consolidated financial statements, during the six months ended 30 June 2013, the Group had the following transactions with related parties.

Remuneration for key personnel management, including emoluments paid to the Company's Directors and certain highest paid employees, are as follows:

**Key management personnel**

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Salaries and allowance	<b>2,294</b>	1,149
Mandatory provident fund contributions	<b>6</b>	5
	<b>2,300</b>	1,154

During the six months ended 30 June 2013, the Group had the following connected transactions with related parties:

<b>Name of related parties</b>	<b>Relationship</b>	<b>Nature of transactions</b>	<b>HK\$'000</b>
Yanchang Petroleum	Substantial shareholder	Supply of refined oil	922,286

*Note:*

The transaction constitutes continuing connected transaction under the Listing Rules.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECT

Subsequent to the completion of the Company's strategic restructuring as well as Yanchang Petroleum has become the single largest shareholder of the Company in 2012, on one hand the Company actively seeks overseas acquisition opportunity of oil and gas projects, and on the other continues to strengthen the existing businesses of the Group.

During the period under review, the Group entered into a joint venture agreement with Shaanxi Yanchang Zhongli New Energy Co., Limited and Beijing Junkai Management Consultancy Limited (both are connected parties of the Company), to establish a joint venture company (the "JV Company") with a registered capital of RMB50,000,000 in Zhengzhou, Henan Province of the PRC. Pursuant to the joint venture agreement, the equity interests of the JV Company will be owned as to 70% by the Group, and 30% by the other two parties. The JV Company will be primarily engaged in the construction and operation of oil and gas pipelines and depots. The establishment of the JV Company is to cope with the refined oil business in the PRC engaged by the Company's subsidiary, Henan Yanchang; and also represents an opportunity for the Group to invest in the oil and gas pipeline business. Given Henan Yanchang is mainly engaged in the wholesale, retail, storage and transportation of refined oil in the PRC, the establishment of the JV Company will enable Henan Yanchang to enhance logistics efficiency and lower transportation costs for its refined oil business which together with the dedicated railway of Henan Yanchang will in turn benefit the overall development, management and operation of the Group's refined oil business in the PRC.

During the first half year of 2013, Henan Yanchang had achieved sales target of refined oil over 900,000 tonnes. Henan Yanchang will continue to expand the scale of its refined oil business, improve operating efficiency and profitability in the latter half year of 2013. Through creating synergy with the JV Company, Henan Yanchang will further enhance its refined oil business by strengthening the trading position and enlarging the distribution network in the PRC.

The Oilfield Block 3113 Management Committee had respectively carried out two exploration projects in the Oilfield Block 3113 in Madagascar, namely the non-seismic geophysical exploration and the well-testing of the three wells (namely SKL-2n, BKM-1 and BKM-2), whereas the non-seismic geophysical exploration project covered 3,547 square kilometers had been completed, the results of which indicates a complex abnormal area of several hundred square kilometers, representing the possible presence of oil and gas. Based on the said findings, the Oilfield Block 3113 Management Committee has planned to carry out a total length of 470 kilometers 2D seismic exploration project, so as to collect and process the geological data for further analyzing and understanding of the presence and distribution of oil and gas in the Oilfield Block 3113. Besides, the Company will pick up its pace of exploration work in the Oilfield Block 2104 and will commence the non-seismic geophysical exploration as soon as possible.

With the strong support from Yanchang Petroleum, the Company will serve as a platform for Yanchang Petroleum to expand its overseas business and acquisition. Going forward, the Company will strive to commence international crude and fuel oil trading business, seize the opportunity to acquire already in operation oil and gas projects in politically stable regions, and become a competitive international energy enterprise.



## FINANCIAL REVIEW

### Turnover and Gross Profit

For the period 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 during the six months ended 30 June 2013.

During the period under review, the Group had achieved sales target of refined oil over 900,000 tonnes and recorded sales of HK\$8,042,305,000 which was over 11 times as compared to HK\$647,302,000 of the last period. The substantial increase in sales mainly came from the rapid growth of refined oil business in Henan Province of the PRC. Most of the income derived from wholesale business of refined oil, the overall gross profit margin for the period under review remains more or less the same as that of the last period. The refined oil business in Henan contributed a gross profit of HK\$70,719,000 to the Group for the period under review, representing an increase of over 12 times as compared to HK\$5,371,000 of the last period.

### Other Revenue and Losses

Apart from the profit from trading and distribution of oil related products, other revenue of HK\$6,205,000 recorded for the period under review mainly represented interest income from bank deposits. Other losses of HK\$30,279,000 recorded for the last period which represented mainly the one-off loss on disposal of 19% interests in the industrial development district project in Madagascar held by the Group.

### Selling and Distribution Costs

Selling and distribution costs decreased from the last period of HK\$1,642,000 to the current period of HK\$1,286,000 represented a saving of HK\$356,000.

### Administrative Expenses

Administrative expenses included Directors' remuneration, staff costs, office rents, depreciation and administrative cost for listing etc. The increase in administrative expenses amounted to HK\$4,929,000 was mainly attributable to the significant growth of Henan refined oil business during the period under review.

### Equity-settled Share Option Expenses

No equity-settled share option expenses had been recorded as no share options had been granted by the Company during the period under review.

### Finance Costs

Finance costs of about HK\$9,988,000 were interest expenses incurred for bank borrowings from Henan Yanchang in support of running the refined oil business in the PRC. Despite substantial growth in the refined oil business, interest expenses for the current period had not been significantly increased as compared to HK\$8,517,000 of the last period, reflecting improvement in cash flows of the refined oil business.

## 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 period.

## Profit for the Period

The turnaround from a loss of HK\$58,360,000 last period to a profit of HK\$24,085,000 this period was mainly attributable to the substantial increase in sales of the refined oil business in the PRC.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group funded its operation mainly by its internal resources together with bank borrowings for the six months ended 30 June 2013.

The Group had outstanding bank borrowings of HK\$404,320,000 under Henan Yanchang as at 30 June 2013 (31 December 2012: HK\$211,820,000). The Group has obtained bank facilities of RMB950,000,000 (equivalent to approximately HK\$1,200,325,000) from banks in the PRC. As at 30 June 2013, the Group had cash and bank balances of HK\$691,018,000 (31 December 2012: HK\$634,146,000). In view of ample cash on hand together with the available bank facilities, the Group has sufficient working capital to finance its business operation.

As at 30 June 2013, the gearing ratio of the Group, measured on the basis of total liabilities as a percentage of total equity, remained in a low and healthy ratio of 9.0% (31 December 2012: 5.9%). The current ratio of the Group, measured on the basis of current assets as a percentage of current liabilities was 164% as at 30 June 2013 (31 December 2012: 198%) and reflected that the Group has 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 States dollar and Renminbi, of which the exchange rates are relatively stable, and hence the Group does not anticipate any material foreign exchange exposures and risks.

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



## **MATERIAL ACQUISITION AND DISPOSAL**

The Group did not have any material acquisition or disposal during the six months ended 30 June 2013.

## **SIGNIFICANT INVESTMENT**

Saved as disclosed in this interim report, the Group had no other significant investment held as at 30 June 2013.

## **CAPITAL COMMITMENT**

As at 30 June 2013, the Group had committed to pay the balances of a sub-pipeline construction fees amounted to HK\$1,814,000 (31 December 2012: HK\$2,050,000).

On 20 June 2013, the Group entered into the joint venture agreement with two related companies, pursuant to which the Group was committed to contribute RMB35,000,000 as registered capital to establish the joint venture company in the PRC.

Save as the aforesaid, the Group did not have any other material commitments as at 30 June 2013.

## **PLEDGE OF ASSETS**

As at 30 June 2013, none of the Group's assets had been pledged for granting the bank borrowings (31 December 2012: Nil).

## **CONTINGENT LIABILITY**

As at 30 June 2013, the Group did not have any significant contingent liabilities (31 December 2012: Nil).

## **LITIGATION**

As at 30 June 2013, the Group had no litigation.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2013, the Group's total number of staff was around 85 (31 December 2012: 70). Salaries of employees are maintained at a competitive level with total staff costs (excluding the equity-settled share-based expenses) for the six months ended 30 June 2013 amounted to HK\$5,523,000 (30 June 2012: HK\$5,265,000). 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 employees. No share options were granted to the eligible participants under the Company's share option scheme during the period under review and there were outstanding share options of 12,000,000 shares as at 30 June 2013 (31 December 2012: 12,000,000).

## **INTERIM DIVIDEND**

The Board resolved not to declare the payment of interim dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

## OTHER INFORMATION

### DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 June 2013, the interests and short positions of the directors and chief executives in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("the Model Code") were as follows:

#### Interests and short positions in shares, underlying shares and debentures of the Company

Name of Director	Nature of interest	Long position/ Short position	Number of ordinary shares of the Company (the "Share(s)") held	Approximate percentage of the total issued ordinary share capital of the Company
Dr. Mu Guodong ("Dr. Mu") (Note)	Personal interest and interest of spouse	Long position	300,000	0.003%

Note: Out of these 300,000 Shares, Dr. Mu personally held 230,000 Shares and his spouse held 70,000 Shares. Dr. Mu is deemed to be interested in these 70,000 Shares under the SFO.

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executives of the Company or their respective associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in the SFO.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the period for the six months ended 30 June 2013 was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, the interests of persons, other than a director or chief executive of the Company, in the Shares as recorded in the register maintained pursuant to Section 336 of the SFO were as follows:

### Interests and short positions of substantial shareholders in the Shares and underlying Shares

Name	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the total issued ordinary share capital of the Company
Yanchang Petroleum (Note 1)	Interest of controlled corporation	Long position	2,440,769,547	29.96%
Yanchang Petroleum Group (Hong Kong) Co., Limited ("Yanchang Petroleum HK") (Note 1)	Directly beneficially owned	Long position	2,440,769,547	29.96%
Dr. Hui Chi Ming ("Dr. Hui") (Note 2)	Interest of controlled corporation	Long position	1,109,215,555	13.62%
Wisdom On Holdings Limited ("Wisdom On") (Note 2)	Directly beneficially owned	Long Position	1,053,735,555	12.94%
Golden Soar Investments Limited ("Golden Soar") (Note 3)	Directly beneficially owned	Long position	436,109,400	5.35%

*Note 1:* Yanchang Petroleum beneficially held these 2,440,769,547 Shares through its direct wholly-owned subsidiary, Yanchang Petroleum HK.

*Note 2:* Included in the shareholding in which Dr. Hui is interested, 1,053,735,555 Shares were beneficially held by Wisdom On, 53,400,000 Shares were beneficially held by Triumph Energy Group Limited and 2,080,000 Shares were beneficially held by Golden Nova Holdings Limited, all of which are corporations beneficially owned by Dr. Hui. Therefore, Dr. Hui is deemed to be interested in such total of 1,109,215,555 Shares under the SFO.

*Note 3:* Pursuant to a sale and purchase agreement dated 26 July 2011 (the "Acquisition Agreement") entered into between Sino Union Energy International Limited (a wholly-owned subsidiary of the Company) (as the purchaser) and Golden Soar (as the vendor), the Company has issued and allotted 226,109,400 consideration Shares to Golden Soar at the issue price of HK\$0.73 per consideration Share; and granted to Golden Soar the right to subscribe for up to a maximum of 210,000,000 option Shares at the exercise price of HK\$0.73 per option Share within the exercise period as stipulated in the Acquisition Agreement on completion. As such, Golden Soar is accordingly interested and deemed to be interested in these Shares and underlying Shares under the SFO.

Save as disclosed above, the Company had not been notified of any other interests or short positions in the Shares and underlying Shares representing 5% or more of the issued share capital of the Company as at 30 June 2013.

### **SHARE OPTION SCHEME**

The Company operates a share option scheme (the "Scheme"), further details of which are set out in the 2012 annual report of the Company.

During the six months ended 30 June 2013, no share options have been granted, exercised, cancelled or lapsed in accordance with the terms of the Scheme. There were 12,000,000 outstanding share options under the Scheme as at 30 June 2013.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### **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 Corporate Governance Code (the “CG Code”) in Appendix 14 of the Listing Rules during the six months period ended 30 June 2013, except for the following deviations:

1. code provision A.4.1 of the 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.
2. code provision A.4.2 of the 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 generally less than one year and is considered to be short.

### **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 unaudited interim financial statements of the Group for the six months ended 30 June 2013.

### **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 six months ended 30 June 2013.



## DISCLOSURE ON CHANGE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

1. Mr. Hui Bo (executive Director) was appointed as director of the following subsidiaries of the Company with effect from the respective date as specified below:

Name of the subsidiaries	Effective date of appointment
(i) Allied Harvest Holdings Limited	19 June 2013
(ii) Asia Victory Group Limited	19 June 2013
(iii) Better Step Group Limited	19 June 2013
(iv) Deno Group Limited	19 June 2013
(v) Dolaway Group Limited	19 June 2013
(vi) Double High Group Limited	19 June 2013
(vii) Forever Mind Limited	19 June 2013
(viii) Forever Peace Investment Limited	19 June 2013
(ix) Metro City Group Limited	19 June 2013
(x) Noble Soar Limited	27 March 2013
(xi) Prospect Wise Investment Limited	21 June 2013
(xii) Rich Theme Holdings Limited	19 June 2013
(xiii) Sino Union Energy (H.K.) Limited	19 June 2013
(xiv) Sino Union Energy International Limited	19 June 2013
(xv) Yanchang Petroleum International Trading Limited (Formerly known as "Active Sino Group Limited")	27 March 2013

2. Mr. Ren Yansheng (executive Director and CEO of the Company) was appointed as director of the Company's subsidiaries, Noble Soar Limited and Prospect Wise Investment Limited with effect from 27 March 2013 and 21 June 2013 respectively.





3. Mr. To Kwan (executive Director) resigned as director of the following subsidiaries of the Company with effect from the respective date as specified below:

<b>Name of the Subsidiaries</b>	<b>Effective date of resignation</b>
(i) Allied Harvest Holdings Limited	19 June 2013
(ii) Asia Victory Group Limited	19 June 2013
(iii) Better Step Group Limited	19 June 2013
(iv) Deno Group Limited	19 June 2013
(v) Dolaway Group Limited	19 June 2013
(vi) Double High Group Limited	19 June 2013
(vii) Forever Mind Limited	19 June 2013
(viii) Forever Peace Investment Limited	19 June 2013
(ix) Metro City Group Limited	19 June 2013
(x) Rich Theme Holdings Limited	19 June 2013
(xi) Sino Union Energy (H.K.) Limited	19 June 2013
(xii) Sino Union Energy International Limited	19 June 2013
(xiii) Yanchang Petroleum International Trading Limited (Formerly known as "Active Sino Group Limited")	27 March 2013

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

Hong Kong, 12 August 2013