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**延長石油國際有限公司**

**YANCHANG PETROLEUM INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00346)**

**CONNECTED TRANSACTION –  
PROPOSED ISSUE OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE**

**PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

On 12 October 2018 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in principal amount of US\$60,000,000.

Completion is subject to the fulfillment or waiver of the Conditions Precedent set out in the Subscription Agreement. Detailed terms of the Subscription Agreement and the Convertible Bonds are set out in the paragraphs headed “Principal terms of the Subscription Agreement” and “Principal terms of the Convertible Bonds”, respectively below.

As at the date of this announcement, the Company has a total of 12,145,573,049 Shares in issue. Assuming there is no issue or repurchase of the Shares and no exercise of share options, based on the Conversion Price and assuming full conversion of the Convertible Bonds at the Conversion Price at an exchange rate of US\$1 equals to HK\$7.84, the Convertible Bonds will be convertible into 6,356,756,756 Shares, representing approximately 52.338% of the issued share capital of the Company as at the date of this announcement and approximately 34.357% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds. The Conversion Shares will be allotted and issued pursuant to the Specific Mandate upon conversion of the Convertible Bonds.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Yanchang Petroleum Group is the Controlling Shareholder holding 6,496,729,547 Shares, representing approximately 53.491% of the issued share capital of the Company. The Subscriber is directly and wholly owned by Yanchang Petroleum Group. As such, The Subscriber is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

**Shareholders are advised to note that the Completion is subject to the fulfillment of the Conditions Precedent set out in the Subscription Agreement. The Subscription may or may not proceed. Shareholder are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.**

## **PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT**

On 12 October 2018 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds.

### **Date**

12 October 2018

### **Parties**

- (i) The Company, as the issuer; and
- (ii) Yanchang Hong Kong, as the Subscriber.

Yanchang Hong Kong, being the Subscriber, is a company incorporated in Hong Kong with limited liability which is directly and wholly owned by Yanchang Petroleum Group. As at the date of this announcement, Yanchang Petroleum Group is the Controlling Shareholder holding 6,496,729,547 Shares, representing approximately 53.491% of the issued share capital of the Company.

### **Subject matter**

Subject to the fulfilment of the conditions precedent to the Subscription below, the Subscriber shall subscribe for the Convertible Bonds in principal amount of US\$60,000,000 under the Subscription Agreement.

## Conditions precedent to the Subscription

The obligation of the parties hereto to effect Completion shall be conditional upon:

- (1) the Subscriber having considered that the warranties made by the Company under the Subscription Agreement remain true and accurate and not misleading in all material respects as at the date of the Subscription Agreement and as at Completion Date;
- (2) the independent shareholders of the Company having passed the resolution to authorise the Board to approve the Subscription Agreement and the transactions contemplated hereunder at a general meeting of the Company, including the issue and allotment of the Convertible Bonds to the Subscriber and the issue and allotment of Conversion Shares under a specific mandate, in accordance with the Listing Rules and all Applicable Laws (including but not limited to Hong Kong, PRC and Bermuda), and such approval not having been amended and having remained fully effective;
- (3) if applicable, the Listing Committee of the Stock Exchange, having granted the unconditional approval for the issue of the Convertible Bonds or where such approval were obtained subject to conditions, such conditions, not being able to be rejected under reasonable grounds by the Company or the Subscriber, and such conditions are so fulfilled;
- (4) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Conversion Shares to be issued and allotted upon the exercise of the conversion rights attached to the Convertible Bonds, and such approval not having been amended and having remained fully effective;
- (5) if applicable, Bermuda Monetary Authority, having granted the approval for the issue of the Convertible Bonds and approval for the issue and allotment of Conversion Shares;
- (6) the Company and the Subscriber having obtained and performed anything necessary or required for the entering into, delivering and performing the Subscription Agreement and the transactions contemplated herein, and in accordance with any rule under any Applicable Law or any contract enforceable against the Company and the Subscriber, shall obtain all consents from and conduct all filings with any regulatory body, including but not limited to PRC approval authorities or any court or any judicial authority and other relevant third parties (including any jurisdiction including but not limited to Hong Kong, PRC and Bermuda), or obtain any approval, authorization, permission, license, waiver, order or relief from any other person, and all such approvals, authorizations, permissions, licenses, waivers, orders or reliefs are obtained in accordance with the terms and conditions of the Subscription Agreement (if any);
- (7) any necessary approval, confirmation, waiver or consent by the relevant bodies or other relevant independent third parties as required under the Subscription Agreement having been obtained; and

- (8) the Company having complied and fulfilled its obligations as required under the Subscription Agreement and the Convertible Bonds on or before the Completion Date.

The Company shall use its reasonable endeavours to procure the fulfilment of all the Conditions Precedent set out in clause 1 to clause 5 and clause 8 on or before the Final Expiry Date, and the Subscriber shall cooperate with the Company and as reasonably requested provide any reasonably necessary assistance to the Company. Notwithstanding the Company has already used its reasonable endeavours, if any of such Conditions Precedent has not been fulfilled on or before the Final Expiry Date or waived as mentioned below as at the Final Expiry Date, then the Subscription Agreement shall terminate automatically (or such other date as may be agreed between the respective parties).

The Company and the Subscriber shall endeavour to fulfil the Conditions Precedent set out in clause 6 and clause 7 on or before the Final Expiry Date, and each party hereto shall cooperate with and as reasonably requested provide reasonably necessary assistance to the other party. Notwithstanding the Company and the Subscriber have already used their reasonable endeavours, if any of such Conditions Precedent has not been fulfilled on or before Final Expiry Date or waived as mentioned below as at the Final Expiry Date, then the Subscription Agreement shall terminate automatically (or such other date as may be agreed between the respective parties).

The Subscriber may notify the Company, subject to any term at the Subscriber's discretion, to waive compliance with the Conditions Precedent set out in clause 1 and clause 8 on or before the Final Expiry Date. For the avoidance of doubt, save as otherwise stated in the above, each party to Subscription Agreement has no right to waive any Conditions Precedent.

## **Completion**

Completion shall take place within five (5) Business Day after all the conditions of the Subscription are fulfilled (or such other date as may be agreed between the respective parties).

## **Principal terms of the Convertible Bonds**

Issuer	:	The Company
Principal amount	:	US\$60,000,000
Issue price	:	100% of the principal amount of the Convertible Bonds.
Ranking of the Convertible Bonds	:	The Convertible Bonds constitute a direct, general, unconditional and unsecured obligation of the Company and at any time ranks pari passu and rateably without preference with all other present and/or future unsecured and unsubordinated obligations of the Company (with the exception of obligations in respect of applicable law).

Interest	:	6% per annum on the outstanding principal amount of the Convertible Bonds, which shall be payable every three months from the Issue Date. If any interest payment date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day.
Maturity date	:	The date falling upon the expiry of two (2) years from Issue Date, or if such date is not a Business Day, the immediately following Business Day.
Redemption upon maturity	:	The Company will redeem on the Maturity Date the Convertible Bonds in an amount equal to the sum of the principal amount of the Convertible Bonds then outstanding together with all accrued and outstanding interests.
Redemption upon event of default	:	Upon occurrence of an event of default set out in the terms and conditions of the Convertible Bonds, the Bondholder shall be entitled to notify the Company in writing to require the Convertible Bonds to be redeemed in an amount equal to the sum of the principal amount of the Convertible Bonds then outstanding together with all accrued and outstanding interests. Once the aforesaid notice is given to the Company, the principal and related interest under the Convertible Bonds will become due from the fifth (5) Business Day from the date of delivery of the notice.
Conversion period	:	The period beginning on 12 October 2018 or the date of issue of the Convertible Bonds (whichever is later) up until five (5) Business Days before the Maturity Date.
Conversion Price	:	The initial Conversion Price for the Convertible Bonds shall be HK\$0.074 per share, and shall be subject to price adjustment. The applicable exchange rate for the Conversion Price will be US\$1:HK\$7.84.

- Adjustment to Conversion Price : The Conversion Price will be subject to adjustment upon the occurrence of the following events:
- (a) if, before the Conversion Date, there were changes to the capital structure of the Shares, and such changes have taken effect (whether due to capitalisation of profits or reserve, a rights issue, an offer to Shareholders to subscribe for securities in the Company (including any Convertible Bonds, warrants, or an option to subscribe for Shares), or a consolidation, subdivision or reduction of Shares, or by any other reason, regardless of manner), the Company shall appoint an Accredited Professional before the Conversion Date, and the Accredited Professional shall fairly and appropriately determine whether there is a need to adjust the Conversion Price to reflect the respective interests of the Company and the Bondholder; or
  - (b) where an event requiring adjustment in the Conversion Price occurs (or an event that may lead to such adjustment), and that more than one such event occurs in a short period of time, and the Accredited Professional honestly believes that the application of the foregoing requirements must be changed to achieve the expected commercial results, such adjustment/change should be made in accordance with the opinion of Accredited Professional (as an expert).
- Conversion Shares to be issued under the Convertible Bonds : Based on the Conversion Price of HK\$0.074 per Conversion Share with reference to the exchange rate of HK\$7.84 to US\$1.00 prevailing on the date of the signing of the Subscription Agreement, a total of 6,356,756,756 Conversion Shares will be issued upon full conversion of the principal amount of the Convertible Bonds, representing approximately 34.357% of the enlarged issued share capital of the Company.

- Ranking of Conversion Shares : The Shares issued upon the conversion of the Convertible Bonds will in all respects rank pari passu with the Shares in issue on the date of allotment and issue of such Shares and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant Conversion Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant Conversion Date.
- Listing : No application will be made for the listing of any of the Convertible Bonds on the Stock Exchange or any other stock exchange.
- Transferability : The Convertible Bonds are freely transferrable by the Bondholder to any person subject to compliance with all Applicable Law, provided that the principal amount to be assigned or mortgaged shall be at least US\$1,000,000 and in integral multiples of US\$1,000,000 (or a smaller amount representing the whole Convertible Bonds). No assignment or transfer (whether in whole or in part(s)) of the Convertible Bonds may be made to a connected person(s) unless the approval of the Stock Exchange is obtained (if required).

### **Conversion Shares**

Based on the initial Conversion Price of HK\$0.074 per Conversion Share and assuming, a maximum number of 6,356,756,756 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights attached to the Convertible Bonds in full, which represent: (i) approximately 52.338% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 34.357% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds in full.

### **Conversion Price**

The initial Conversion Price of HK\$0.074 per Conversion Share represents:

- (i) the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 12 October 2018 of HK\$0.074 per Share; and
- (ii) a premium of approximately 5.71% over the closing price of HK\$0.070 per Share as quoted on the Stock Exchange on 12 October 2018, being the date of the Subscription Agreement.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account of, among others, the recent trading performance of the Shares. The Directors consider that the Conversion Price and the terms and conditions of the Subscription Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The net issue price, after deduction of the relevant expenses, is approximately HK\$0.074 per Conversion Share.

The theoretical diluted price, the benchmarked price and the theoretical dilution effect (as those terms are defined under Rule 7.27B of the Listing Rules) for the Subscription under the Specific Mandate are approximately HK\$0.074 per Share, HK\$0.074 per Share and nil, respectively. During the 12 months period immediately preceding the date of this announcement, the Company has not undertaken (whether by reference to the date of announcement or the date of share issue) any rights issue, open offer or specific mandate placing.

#### **Specific Mandate to issue the Conversion Shares**

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the SGM.

#### **REASONS FOR AND BENEFIT OF ENTERING INTO THE SUBSCRIPTION AGREEMENT**

The Group is principally engaged in supply and procurement of oil related products in the PRC as well as oil and gas exploration, exploitation and operation in Canada.

As at the date of this announcement, the outstanding principal amount of the Existing CB is US\$46,300,000 (equivalent to HK\$362,992,000) which is held by Giant Wave Investments Limited ("Giant Wave"), an Independent Third Party. For details of the Existing CB, please refer to the announcements of the Company dated 3 December 2015, 23 December 2015, 1 April 2016 and 23 December 2016, respectively. To the best knowledge of the Directors, Giant Wave currently has no intention to exercise the Conversion Rights attached to the Existing CB taking into account of the prevailing conversion price of the Existing CB of HK\$0.36 per Share which is significantly higher than the closing price of the Shares on the Stock Exchange, which were in the range of HK\$0.07 to HK\$0.14 per Share in the past 12 months. As at 30 June 2018, the Group's cash and bank balances was amounted to approximately HK\$195,250,000. The Existing CB will mature on 22 December 2018 and it is not expected that the Company would have sufficient internal resources to redeem the Existing CB upon maturity. Given both the financial position of the Group and the size of the Existing CB, the Directors consider it is impracticable to secure third party financing on terms favourable to the Company to settle the Existing CB when it falls due.



For possible bank financing, the Company has approached several banks for potential banking facilities or bank loans both in Hong Kong and in the PRC. However, up to the date of the Subscription Agreement, the Company did not receive any positive response or proposals from the banks regarding the bank loans or banking facilities.

The Company has also tried equity financing that the Company entered into a subscription agreement to propose the issue of 1,210,000,000 Shares at the subscription price of HK\$0.24 per subscription share on 14 June 2016 but the proposed subscription was ceased on 31 December 2017 due to certain conditions of the subscription have not been fulfilled. Please refer to the announcements of the Company dated 16 June 2016, 17 July 2017 and 2 January 2018, respectively for further details.

For other equity financing method such as placing, rights issue or open offer, the Company will need to undergo a relatively lengthy process in order to (i) identify suitable underwriter(s) and negotiate terms agreeable to the Group; (ii) prepare the requisite compliance and legal documentation, including but not limited to the underwriting agreement(s), announcement(s) and prospectus(es). Besides, the Directors consider that the placing, rights issue or open offer would incur more transaction costs including but not limited to placing/underwriting commission (assuming the placing/underwriting commission of a rights issue or an open offer payable to the underwriter(s) would be 3% on the gross proceeds of the subscriptions, the underwriting commission would amount to HK\$14.11 million) and such corporate exercises would have a relatively more time consuming process including the lengthy process of identifying potential placee(s) and/or underwriter(s), if applicable, and the lengthy timetable and procedures of implementing placing, rights issue or open offer which may affect the fund raising plan of the Group.

The Directors consider that the issue of the Convertible Bonds will provide (i) the Company with immediate funding without immediate dilution of the shareholding of the existing Shareholders; and (ii) an opportunity for the Company, if the Conversion Rights attached to the Convertible Bonds are exercised, to enlarge and strengthen its capital base. It is noted that upon Completion and assuming full conversion of the Convertible Bonds by the Subscriber, the shareholding interest of the Shareholders (other than the Subscriber) would be diluted, details of which are included in “Effects on shareholding structure of the company” section of this announcement.

The Subscription demonstrates the continuous financial support provided by the Controlling Shareholder to the Group and will strengthen the financial position of the Group by reducing the current liabilities associated with the Existing CB. Based on the above, the Directors consider that the Subscription represents an opportunity for the Company to raise additional fund for its business development. The terms of the Subscription Agreement (including the Conversion Price) were arrived at after arm's length negotiations between the Company and the Subscriber with reference to, amongst other things, the recent trading prices of the Shares on the Stock Exchange. After considering the factors above, the Directors (save and except the independent non-executive Directors who will express their views after considering of the advice of the Independent Financial Adviser) consider that the terms of the Subscription Agreement are fair and reasonable and the entering into of the Subscription Agreement is in the best interests of the Company and the Shareholders as a whole.

## EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after Completion (assuming full conversion of the Convertible Bonds and assuming no outstanding share options are exercised); and (iii) immediately after Completion (assuming full conversion of the Convertible Bonds and assuming all outstanding share options are exercised):

	As at the date of this announcement		Immediately after Completion (assuming full conversion of the Convertible Bonds and assuming no outstanding share options are exercised) (Note 1)		Immediately after Completion (assuming full conversion of the Convertible Bonds and assuming all outstanding share options are exercised) (Note 1)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
	Yanchang Petroleum Group (Note 1)	6,496,729,547	53.491	12,853,486,303	69.469	12,853,486,303
Mr. Bruno Guy Charles Deruyck (Note 2)	-	-	-	-	75,000,000	0.404
Mr. Sun Liming (Note 3)	600,000	0.005	600,000	0.003	600,000	0.003
Dr. Mu Guodong (Note 4)	300,000	0.002	300,000	0.002	300,000	0.002
Public Shareholders	5,647,943,502	46.502	5,647,943,502	30.526	5,647,943,502	30.402
Total	<u>12,145,573,049</u>	<u>100.000</u>	<u>18,502,329,805</u>	<u>100.000</u>	<u>18,577,329,805</u>	<u>100.000</u>

### Notes:

- (1) These 6,496,729,547 Shares were held by Yanchang Petroleum Group through its direct wholly-owned subsidiary, Yanchang Petroleum Group (Hong Kong) Co., Limited which as the Subscriber. For illustrative purpose, it is assumed that a maximum of 6,356,756,756 Conversion Shares will be issued to the Subscriber upon Completion.
- (2) Mr. Bruno Guy Charles Deruyck ("Mr. Deruyck") is the executive Director and the chief executive officer of the Company. 12,000,000 and 63,000,000 share options were granted to Mr. Deruyck on 18 October 2016 and 1 June 2017 respectively. Mr. Deruyck is deemed to be interested in these 75,000,000 Shares under the SFO.

- (3) Mr. Sun Liming is an independent non-executive Director.
- (4) Dr. Mu Guodong is an independent non-executive Director. Dr. Mu personally holds 230,000 Shares and his spouse holds 70,000 Shares.

As at the date of this announcement, the Company has outstanding Existing CB of principal amount of US\$46,300,000 which entitles the holders of the Existing CB to convert into 996,736,111 Shares upon full conversion.

## **PROPOSED USE OF PROCEEDS FROM THE ISSUE OF THE CONVERTIBLE BONDS**

The net proceeds from the issue of the Convertible Bonds will be approximately HK\$469.9 million, among which (i) approximately HK\$376.8 million will be expected to use for the repayment of the Existing CB; and (ii) approximately HK\$93.1 million will be used as general working capital for the Group's operating segment in respect of sales of crude oil and gas.

## **FUND RAISING ACTIVITIES BY THE COMPANY IN THE PAST TWELVE MONTHS**

The Company did not carry out any equity fund raising activity in the past twelve months.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Yanchang Petroleum Group is the Controlling Shareholder holding 6,496,729,547 Shares, representing approximately 53.491% of the issued share capital of the Company. The Subscriber is indirectly and wholly owned by Yanchang Petroleum Group. As such, the Subscriber is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and are subject to announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Yanchang Petroleum Group, the Subscriber and their respective associate will abstain from voting on the relevant Board resolution.

## **SGM**

The SGM will be held and convened for the Independent Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to the Conversion Shares). Any Shareholder who is interested in the Subscription shall abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save for Yanchang Petroleum Group, the Subscriber and their respective associates, no Shareholder is interested in the Subscription and will be required to abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM.

## GENERAL

The Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder. China AF Corporate Finance Limited has been appointed to make recommendation to the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Subscription; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder; (iii) a letter of recommendation from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder; and (iv) a notice convening the SGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules. The despatch date of the circular is expected to be on or before 1 November 2018 so as to allow sufficient time for preparing the relevant information for inclusion in the circular.

**Shareholders are advised to note that the Completion is subject to the fulfillment of the Conditions Precedent set out in the Subscription Agreement. The Subscription may or may not proceed. Shareholders are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.**

## DEFINITIONS

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

“Accredited Professionals”	means an independent commercial bank or an accountant with professional qualifications recognised by the Hong Kong Institute of Certified Public Accountants
“Applicable Law”	means as may be applicable to any person, all laws, rules, regulations, commands, treaties, judgments, decrees or orders formulated by any governmental body or regulatory body, as may be applicable to and binding on such person, including but not limited to the Listing Rules, the Takeover Code and the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“Bondholder(s)”	a holder or holder(s) in whose name the Convertible Bonds are registered in the Register, and “holder” in relation to the Convertible Bonds shall have the corresponding meaning
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“Company”	Yanchang Petroleum International Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 00346)
“Completion”	completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“Completion Date”	the date of closing, being within five (5) Business Days following the date of fulfillment of all the Conditions Precedent or waiver in writing or such other dates of closing as the Company and the Subscriber may agree in writing
“Conditions Precedent”	the conditions precedent as contemplated under the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Conversion Date”	the effective date of conversion of the Convertible Bonds into shares as specified under Subscription Agreement
“Conversion Price”	the initial conversion price per Convertible Bonds, being HK\$0.074 per Conversion Share (subject to adjustments). The applicable exchange rate for the Conversion Price will be US\$1:HK\$7.84 under the Subscription Agreement
“Conversion Rights”	means the rights attached to the Convertible Bonds to convert the principal amount of the Convertible Bonds or a part thereof into Conversion Shares in compliance and in accordance with the Conditions Precedent

“Conversion Share(s)”	means share(s) to be allotted and issued upon an exercise of the Conversion Rights
“Convertible Bonds”	the 2 years 6% redeemable convertible bonds in principal amount of US\$60,000,000 convertible into Shares as contemplated under the Subscription Agreement
“Director(s)”	the director(s) of the Company
“Existing CB”	the 3 years convertible bonds with a coupon interest rate of 7% per annum issued by the Company on 23 December 2015 with an outstanding principal amount of US\$46,300,000 as at the date of this announcement, which shall fall due on 22 December 2018
“Final Expiry Date”	means 31 December 2018, (or such later date as the Company and the Subscriber may agree in writing)
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors to be established to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	China AF Corporate Finance Limited, a corporation licensed by the Securities and Futures Commission of Hong Kong to conduct Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser in respect of the proposed issue of Convertible Bonds under Specific Mandate
“Independent Shareholders”	Shareholders other than Yanchang Petroleum Group, the Subscriber and their respective associates

“Independent Third Party(ies)”	individual(s) or company(ies) and their respective ultimate beneficial owner(s) who or which, to the best of the Directors’ knowledge, belief and information is/are independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
“Issue Date”	the date on which the Convertible Bonds is first issued
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange and as amended from time to time
“Maturity Date”	the date falling upon the expiry of two (2) years from Issue Date, or if such date is not a Business Day, the immediately following Business Day
“PRC”	the People’s Republic of China, which shall, for the purpose of the Subscription Agreement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Register”	the register of Bondholders
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and approve the Subscription and the proposed transactions contemplated thereunder
“Share(s)”	means fully issued ordinary share(s) of nominal value of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of issued Share(s) from time to time
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM to allot and issue the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Yanchang Hong Kong

“Subscription”	the proposed subscription by the Subscriber of the Convertible Bonds as contemplated under the Subscription Agreement
“Subscription Agreement”	the conditional agreement dated 12 October 2018 and entered into between the Company and the Subscriber respectively in respect of the Subscription
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency for the time being of the United States of America
“Yanchang Hong Kong”	Yanchang Petroleum Group (Hong Kong) Co., Limited (延長石油集團(香港)有限公司), a company incorporated in Hong Kong with limited liability and is wholly owned by Yanchang Petroleum Group
“Yanchang Petroleum Group”	Shaanxi Yanchang Petroleum (Group) Co., Limited (陝西延長石油(集團)有限責任公司), a state-owned corporation registered in the PRC with limited liability, being the Controlling Shareholder holding 6,496,729,547 Shares through its wholly-owned subsidiary, Yanchang Petroleum Group (Hong Kong) Co., Limited, representing approximately 53.491% of the existing issued share capital of the Company as at the date of this announcement
“%”	per cent.

By order of the Board  
**Yanchang Petroleum International Limited**  
**Li Yi**  
*Chairman*

Hong Kong, 12 October 2018

***Executive Directors:***

Mr. Li Yi (*Chairman*)  
Mr. Bruno Deruyck (*Chief Executive Officer*)  
Ms. Sha Chunzhi  
Mr. Gao Hairen  
Mr. Li Jun  
Mr. Tan Meng Seng

***Independent Non-Executive Directors:***

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