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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)

CLARIFICATION ANNOUNCEMENT

Reference is made to the announcement of Yanchang Petroleum International Limited (the “**Company**”) dated 12 October 2018 (the “**Announcement**”) in relation to the proposed issue of Convertible Bonds under Specific Mandate. Unless otherwise defined in this announcement, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The board of directors (the “**Board**”) of the Company noticed some typo errors in the Announcement and would make the following clarifications (with changes made being underlined below):

Principal terms of the Convertible Bonds

- Conversion Price : The initial Conversion Price for the Convertible Bonds shall be HK\$0.076 per share, and shall be subject to price adjustment. The applicable exchange rate for the Conversion Price will be US\$1:HK\$7.84.
- Conversion Shares to be issued under the Convertible Bonds : Based on the Conversion Price of HK\$0.076 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 6,189,473,684 Conversion Shares will be issued upon full conversion of the principal amount of the Convertible Bonds, representing approximately 33.758% of the enlarged issued share capital of the Company.

Conversion Shares

Based on the initial Conversion Price of HK\$0.076 per Conversion Share and assuming, a maximum number of 6,189,473,684 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights attached to the Convertible Bonds in full, which represent:

(i) approximately 50.961% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 33.758% 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\$0.076 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 11 October 2018 of HK\$0.076 per Share; and
- (ii) a premium of approximately 8.57% 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\$0.076 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\$0.076 per Share, HK\$0.076 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.

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 | <u>12,686,203,231</u> | <u>69.191</u> | <u>12,686,203,231</u> | <u>68.909</u> |
| Mr. Bruno Guy Charles Deruyck (Note 2) | - | - | - | - | 75,000,000 | <u>0.407</u> |
| 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 | <u>5,647,943,502</u> | <u>46.502</u> | <u>5,647,943,502</u> | <u>30.804</u> | <u>5,647,943,502</u> | <u>30.679</u> |
| Total | <u>12,145,573,049</u> | <u>100.000</u> | <u>18,335,046,733</u> | <u>100.000</u> | <u>18,410,046,733</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 6,189,473,684 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.

DEFINITIONS

“Conversion Price” the initial conversion price per Convertible Bonds, being HK\$0.076 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

Save as disclosed above, all other information in the Announcement shall remain unchanged.

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

Hong Kong, 15 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