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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)**

**CONTINUING CONNECTED TRANSACTIONS  
SALES OF REFINED OIL  
TO CONNECTED PARTIES**

During a review of the trading data for the year ended 31 December 2020 in March 2021, the Group discovered that the highest of applicable percentage ratios in respect of the amount of the Sales of Refined Oil for the five years ended 31 December 2020 exceeds 5% and the consideration exceeds HK\$10,000,000 on an annual basis. However, due to an inadvertent oversight, the Company did not fulfil the requirement of entering into a written agreement for the Sales of Refined Oil during such period; and reporting, announcement, circular, independent financial advice, Independent Shareholders' approval, annual caps and annual review requirements in respect of the Sales of Refined Oil under Chapter 14A of the Listing Rules. As the Company and its Directors are not aware of the Transactions and the Company has no intention what-so-ever of not complying the requirements of the Listing Rules. The Company is therefore forthwith in the process of re-complying with the reporting, announcement and Independent Shareholders' approval requirements. The Board will seek the approval of the Independent Shareholders, among other things, to approve the Ratification at the SGM.

Henan Yanchang is a non wholly-owned subsidiary of the Company, while Yanchang Petroleum Group, being a substantial Shareholder beneficially holding 12,686,203,231 Shares as at the date of this announcement representing approximately 69.19% of the existing issued share capital of the Company, is a connected person of the Company as defined under the Listing Rules and hence the Transactions constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest of applicable percentage ratios in respect of the amount of the Sales of Refined Oil exceeds 5% and the consideration exceeds HK\$10,000,000 on an annual basis, the Transactions are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The SGM will be convened by the Company to seek the approval from the Independent Shareholders for the Ratification by way of poll. As Yanchang Petroleum Group being a substantial Shareholder is a connected person and hence Yanchang Petroleum Group, together with its associates, will abstain from voting at the SGM.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to, among other things, the Ratification and on how to vote. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

A circular containing, amongst other things, (i) details of the Ratification; (ii) the recommendation of the Independent Board Committee; (iii) the letter from an independent financial adviser; and (iv) a notice of the SGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 23 April 2021.

## BACKGROUND

The Group is principally engaged in investment in the oil, gas and energy related business; oil and gas exploration, exploitation and operation; and trading and distribution of oil related products.

Henan Yanchang is principally engaged in the wholesale, retail, storage and transportation of refined oil (gasoline, diesel oil, paraffin fuel oil, lubricating oil, grease and asphalt). Henan Yanchang has been granted a valid licence since 21 December 2006 (without expiry date) for the distribution and sale of refined oil in the PRC.

For the years ended 31 December 2016, 2017, 2018, 2019 and 2020 and up to the date of this Announcement, the Group has been conducting the sales of refined oil by Henan Yanchang to the Connected Parties. The relevant historical transaction amounts of Sales of Refined Oil are set out as follows:

	For the year ended 31 December					For the
	2016	2017	2018	2019	2020	period from 1 January 2021 to date of this announcement
	<i>Approximately RMB million</i>	<i>Approximately RMB million</i>	<i>Approximately RMB million</i>	<i>Approximately RMB million</i>	<i>Approximately RMB million</i>	<i>Approximately RMB million</i>
Historical transaction amounts	111.4	48.5	141.0	348.6	272.6	7.1

Since before the 2011, Henan Yanchang has been a non wholly-owned subsidiary of the Company, while Yanchang Petroleum Group, being a substantial Shareholder. As at the date of this announcement, Henan Yanchang is a non wholly-owned subsidiary of the Company, while Yanchang Petroleum Group, being a substantial Shareholder beneficially holding 12,686,203,231 Shares representing approximately 69.19% of the existing issued share capital of the Company, is a connected person of the Company as defined under the Listing Rules and hence the Transactions constituted continuing connected transactions of the

Company under Chapter 14A of the Listing Rules. As the highest of applicable percentage ratios in respect of the amount of the Sales of Refined Oil exceed 5% and the consideration exceeds HK\$10,000,000 on an annual basis, the Transactions are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, due to an inadvertent oversight, the Company did not fulfil the requirement of entering into a written agreement for the Sales of Refined Oil during such period; and reporting, announcement, circular, independent financial advice, Independent Shareholders' approval, annual caps and annual review requirements in respect of the Sales of Refined Oil for the five years ended 31 December 2020 under Chapter 14A of the Listing Rules. Please refer to paragraphs headed "Remedial Measures" for a series of measures to prevent recurrence of similar events.

For the period from 1 January 2021 to date of this announcement, since one or more of the applicable percentage ratios as defined under the Listing Rules calculated for the Company in respect of the Transactions exceed 0.1% but are less than 5%, the Transactions constitutes continuing connected transactions of the Company subject to the reporting, announcement and annual review requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. However, due to an inadvertent oversight, the Company did not fulfil the requirements of entering into a written agreement for the Sales of Refined Oil, reporting and announcement under Chapter 14A of the Listing Rules. Please refer to paragraphs headed "Remedial Measures" for a series of measures to prevent recurrence of similar events.

Henan Yanchang has already ceased the Transactions and no Sales of Refined Oil will be traded from now on. Should there be Sales of Refined Oil are expected to be traded, the Company will comply with the relevant requirements in accordance with the Listing Rules such as by publication of a further announcement or to seek approval from independent Shareholders, if applicable.

The Company is in the process of re-complying with the reporting, announcement and Independent Shareholders' approval requirements. The Board will seek the approval of the Independent Shareholders, among other things, to approve the Ratification at the SGM.

Yanchang Petroleum Group and its associates shall abstain from voting in favour of the Ratification and matters contemplated thereunder at the SGM. Save for Yanchang Petroleum Group, to the best knowledge, information and belief of the Directors, no other Shareholders or any of their respective associates have a material interest in the Ratification and matters contemplated thereunder and the Ratification, and accordingly are required to abstain from voting at the SGM.

#### **BASIS OF DETERMINING THE 2016 – 2020 ANNUAL CAP**

For Ratification purpose, the 2016 – 2020 Annual Cap was determined based on the historical amounts of Sales of Refined Oil on annual basis.

## **REMEDIAL MEASURES**

The Company would like to emphasize that such non-compliance was inadvertent. The Company and its Directors are not aware of the Transactions and the Company has no intention what-so-ever of not complying the requirements of the Listing Rules. The Company is therefore forthwith in the process of re-complying with the said requirements of the Listing Rules. The current internal control measure adopted by the Company to ascertain whether a transaction is a connected transaction involves maintaining a list of connected persons and circulating such list together with copies of the relevant extracts of the Listing Rules to the personnel/senior management of each member of the Group. The personnel/senior management of the relevant subsidiary should update from time to time the connected persons list and report any potential connected transaction to the personnel/senior management of the Company in advance in order to ascertain whether there will be any implications under the Listing Rules.

The Company will take further remedial measures to tighten its internal control procedure with a view to ensuring timely compliance with the Listing Rules and to prevent recurrence of similar events. These measures include (1) relevant internal training session will be arranged for all the personnel/senior management involving in all business departments (especially sales and purchases) of the Company's subsidiaries to reinforce and re-explain the relevant requirements under Chapter 14A of the Listing Rules; and (2) for any potential transaction(s) which may constitute new connected transaction(s) of the Group, the Company will consult legal advisers and the Stock Exchange (where necessary) in a timely manner prior to entering into of such transaction(s).

## **IMPLICATION UNDER THE LISTING RULES**

As at the date of this announcement, Henan Yanchang is a non wholly-owned subsidiary of the Company and Yanchang Petroleum Group, being a substantial Shareholder beneficially holding 12,686,203,231 Shares representing approximately 69.19% of the existing issued share capital of the Company, is a connected person of the Company as defined under the Listing Rules and hence the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest of applicable percentage ratios in respect of the amount of the 2016 – 2020 Annual Cap exceeds 5% and the consideration exceeds HK\$10,000,000 on an annual basis, the Transactions are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Yanchang Petroleum Group and its associates shall abstain from voting in favour of the Ratification and matters contemplated thereunder, at the SGM. Save for Yanchang Petroleum Group, to the best knowledge, information and belief of the Directors, no other Shareholders or any of their respective associates have a material interest in the Ratification and matters contemplated thereunder, and accordingly are required to abstain from voting at the SGM.

## **INDEPENDENT BOARD COMMITTEE**

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to, among other things, the Ratification and on how to vote. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

## **SGM**

The SGM will be convened by the Company to seek the approval from the Independent Shareholders for the Ratification by way of poll. As at the date of this announcement, Yanchang Petroleum Group, being a substantial Shareholder beneficially holding 12,686,203,231 Shares representing approximately 69.19% of the existing issued share capital of the Company, is a connected person and hence Yanchang Petroleum Group, together with its associates, will abstain from voting at the SGM.

## **GENERAL**

A circular containing, amongst other things, (i) details of the Ratification; (ii) the recommendation of the Independent Board Committee; (iii) the letter from an independent financial adviser; and (iv) a notice of the SGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 23 April 2021.

## **DEFINITIONS USED IN THIS ANNOUNCEMENT**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“2016 – 2020 Annual Cap”	the annual cap in respect of the continuing connected transactions for the respective years
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Yanchang Petroleum International Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 00346)

“Connected Parties”	中油延長石油銷售股份有限公司 (China Petroleum Yanchang Petroleum Trading Stock Limited Company*), 中油延長石油銷售有限公司榆林分公司 (China Petroleum Yanchang Petroleum Trading Limited Yulin Branch*), 中油延長(舟山)石油化工有限公司 (China Petroleum Yanchang (Zhoushan) Petroleum Chemical Limited*), 中油延長石油銷售股份有限公司延川分公司 (China Petroleum Yanchang Petroleum Trading Stock Limited Yanchuan Branch*), 延長殼牌石油有限公司 (Yanchang Shell Petroleum Limited*), 延長殼牌河南石油有限公司 (Yanchang Shell Henan Petroleum Limited*), 陝西延長石油集團山西銷售有限公司 (Shaanxi Yanchang Petroleum Group Shanxi Trading Limited*), 陝西延長石油延安能源化工有限責任公司 (Shaanxi Yanchang Petroleum an Energy Chemical Company Limited*), the associate(s) and/or subsidiary(ies), of Yanchang Petroleum Group
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Continuing Connected Transaction(s)”	transaction(s) between the Connected Parties and Henan Yanchang for the sales of refined oil from Henan Yanchang to the Connected Parties
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Henan Yanchang”	河南延長石油銷售有限公司 (Henan Yanchang Petroleum Sales Co., Limited), a limited company incorporated under the PRC laws which is an indirect non wholly-owned subsidiary of the Company and 70% owned by the Group as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors to be established to advise the Independent Shareholders on the Ratification and matters contemplated thereunder
“Independent Shareholders”	Shareholders other than Yanchang Petroleum Group and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Ratification”	the ratification of the 2016 – 2020 Annual Cap by an amount equal to the amount of Sales of Refined Oil for the respective years
“Sales of Refined Oil”	the sales of refined oil from Henan Yanchang to the Connected Parties
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Ratification and matters contemplated thereunder
“Share(s)”	existing ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the Sales of Refined Oil
“Yanchang Petroleum Group”	陝西延長石油(集團)有限責任公司 (Shaanxi Yanchang Petroleum (Group) Co., Limited), a state-owned corporation registered in the PRC with limited liability, being a substantial Shareholder beneficially holding 12,686,203,231 Shares representing approximately 69.19% of the existing issued share capital of the Company as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.



Certain English translation of Chinese names or words in this announcement are included for information only, and are not official English translations of such Chinese names or words.

\* *For identification purposes only*

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

Hong Kong, 22 March 2021

***Executive Directors:***

Mr. Li Yi (*Chairman*)  
Ms. Sha Chunzhi  
Mr. Feng Yinguo  
Mr. Li Jun

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

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