
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Yanchang Petroleum International Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

PROPOSALS FOR
(1) GENERAL MANDATES TO ISSUE SHARES AND
TO REPURCHASE SHARES;
(2) RE-ELECTION OF DIRECTORS; AND
(3) ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING

A letter from the board of directors of the Company is set out on pages 4 to 12 of this circular. A notice convening the annual general meeting (the “AGM”) of the Company to be held at Room Taishan, Level 5, Island Shangri-La, Pacific Place, Supreme Court Road, Central, Hong Kong on 27 May 2022 at 3:30 p.m. is set out on pages 30 to 33 of this circular. Whether or not you are able to attend the AGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE AGM

Please refer to page 34 of this circular for precautionary measures being taken to prevent and control the spread of COVID-19 at the AGM, including:

1. compulsory wearing of surgical mask;
2. compulsory body temperature check;
3. no distribution of souvenirs/gifts; and
4. no refreshments or drinks will be served.

Any person who does not comply with the precautionary measures may be denied entry into the venue of the AGM. The Company also encourages the Shareholders to consider appointing the chairman of the AGM as his/her proxy to vote on the resolution at the AGM as an alternative to attending in person.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Adoption Date”	the date on which the New Share Option Scheme will be approved and adopted by an ordinary resolution of the Shareholders
“AGM”	the annual general meeting of the Company to be convened and held at Room Taishan, Level 5, Island Shangri-La, Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 27 May 2022 at 3:30 p.m., notice of which is set out on pages 30 to 33
“associates”	has the meaning as defined under the Listing Rules
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company adopted on 26 March 2001 and may be amended from time to time
“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
“COVID-19”	an infectious disease caused by a newly discovered coronavirus since December 2019, namely, severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) which has spread globally and resulted in a pandemic
“Director(s)”	the director(s) of the Company
“Eligible Employee”	any employee (whether full time or part time, including any executive Director but excluding any non-executive Director) of the Company, any Subsidiary or any Invested Entity
“Eligible Participant(s)”	has the meaning ascribed to it under paragraph (2) of “Appendix III – Summary of the Principal Terms of the New Share Option Scheme”
“Existing Share Option Scheme”	the share option scheme adopted by the Company on 25 May 2012
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issue Mandate”	a general unconditional mandate proposed to be granted to the Directors at the AGM to allot, issue and deal with new Shares of up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of the relevant resolution granting such mandate and adding thereto any Shares representing the aggregate nominal amount of the Shares repurchased by the Company pursuant to the authority granted under the Repurchase Mandate
“Invested Entity”	any entity in which any member of the Group holds any equity interest
“Latest Practicable Date”	12 April 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“New Share Option Scheme”	the new share option scheme proposed to be adopted at the AGM, a summary of the principal terms is set out in Appendix III to this circular
“Option(s)”	means option(s) to subscribe for the Shares granted under the New Share Option Scheme
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this circular
“Repurchase Mandate”	the general unconditional mandate proposed to be granted to the Directors at the AGM to repurchase such number of issued and fully paid Shares of up to 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of the relevant resolution granting such mandate
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)

DEFINITIONS

“Share(s)”	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
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases
“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 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 Latest Practicable Date
“%”	per cent.



延長石油國際有限公司

YANCHANG PETROLEUM INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00346)

Executive Directors:

Mr. Feng Yinguo (*Chairman*)

Mr. Zhang Jianmin

Mr. Ding Jiasheng

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Independent non-executive Directors:

Mr. Ng Wing Ka

Mr. Leung Ting Yuk

Mr. Sun Liming

Dr. Mu Guodong

*Head Office and Principal Place of
Business in Hong Kong:*

Room 3403, 34/F

Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

21 April 2022

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR
(1) GENERAL MANDATES TO ISSUE SHARES AND
TO REPURCHASE SHARES;
(2) RE-ELECTION OF DIRECTORS; AND
(3) ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to, inter alia, provide you with the information on:

- (a) the proposed grant of the Issue Mandate and the Repurchase Mandate and the extension of the Issue Mandate;
- (b) the Directors proposed to be re-elected at the AGM;

LETTER FROM THE BOARD

- (c) the adoption of the New Share Option Scheme; and
- (d) the notice of the AGM, for consideration on the related resolutions to be put forward at the AGM.

GENERAL MANDATE TO ISSUE SHARES

Two ordinary resolutions, as set out in the notice of the AGM, will be proposed for the following purpose:

Ordinary resolution no. 4 is to grant to the Directors a general mandate to issue new Shares up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the resolution; and

Ordinary resolution no. 6 is to increase the aggregate nominal amount of share capital of the Company which the Directors may issue under the general mandate if given in the ordinary resolution no. 4 by the aggregate nominal amount of share capital of the Company repurchased under the general mandate if given in the ordinary resolution no. 5.

The Company had in issue an aggregate of 18,335,046,733 Shares of HK\$0.02 each as at the Latest Practicable Date. Subject to the passing of the aforesaid ordinary resolution no. 4 and in accordance with the terms therein, the Company would be allowed to issue additional Shares up to the aggregate nominal amount of a maximum of 3,667,009,346 Shares on the basis that no further Shares will be issued or repurchased prior to and including the date of the AGM.

GENERAL MANDATE TO REPURCHASE SHARES

The ordinary resolution no. 5 as set out in the notice of the AGM will be proposed to grant to the Directors a general mandate to exercise the powers of the Company to repurchase the Company's fully paid up Shares representing up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the resolution.

The Listing Rules contain provisions to regulate the repurchase by companies with primary listings on the Stock Exchange of their own securities on the Stock Exchange.

In accordance with the Listing Rules, Appendix I to this circular serves as the explanatory statement to provide the Shareholders with the requisite information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the ordinary resolution for granting of the Repurchase Mandate.

RE-ELECTION OF DIRECTORS

Pursuant to bye-law 87 of the Bye-laws, Mr. Ding Jiasheng, Mr. Leung Ting Yuk and Mr. Sun Liming shall retire by rotation and, being eligible, offer themselves for re-election at the AGM.

LETTER FROM THE BOARD

Biographical details of the above-mentioned Directors proposed to be re-elected at the AGM are set out in Appendix II to this circular.

In accordance with the Code Provision B.2.3 of the Corporate Governance Code contained in Appendix 14 of the Listing Rules which states that if an independent non-executive director has served more than 9 years, his further appointment should be subject to a separate resolution to be approved by the Shareholders. Mr. Leung Ting Yuk (“**Mr. Leung**”) has been appointed as the independent non-executive Director since 3 December 2009, served the position for more than 12 years and is subject to be appointed in a separate resolution by the Shareholders at the AGM. The Board considers that Mr. Leung meets the independence guidelines set out in Rule 3.13 of the Listing Rules and the Company has received his annual written independence confirmation. In particular, the Board is satisfied that Mr. Leung, who shall retire from office at the AGM, and being eligible, offer himself for re-election, remains independent and further considers that he should be re-elected in view of his skills, experience and knowledge of the Group’s businesses and his ability to exercise independence of judgment in relation to the Company’s affairs, which continue to be of significant benefit to the Company.

In accordance with the Code Provision B.2.3 of the Corporate Governance Code contained in Appendix 14 of the Listing Rules which states that if an independent non-executive director has served more than 9 years, his further appointment should be subject to a separate resolution to be approved by the Shareholders. Mr. Sun Liming (“**Mr. Sun**”) has been appointed as the independent non-executive Director since 1 April 2012, served the position for more than 9 years and is subject to be appointed in a separate resolution by the Shareholders at the AGM. The Board considers that Mr. Sun meets the independence guidelines set out in Rule 3.13 of the Listing Rules and the Company has received his annual written independence confirmation. In particular, the Board is satisfied that Mr. Sun, who shall retire from office at the AGM, and being eligible, offer himself for re-election, remains independent and further considers that he should be re-elected in view of his skills, experience and knowledge of the Group’s businesses and his ability to exercise independence of judgment in relation to the Company’s affairs, which continue to be of significant benefit to the Company.

In accordance with the Code Provision B.2.4 of the Corporate Governance Code contained in Appendix 14 of the Listing Rule, the Company would also like to advise that each of Mr. Ng Wing Ka and Dr. Mu Guodong has served as the independent non-executive Director for more than 16 years and 9 years respectively.

ADOPTION OF NEW SHARE OPTION SCHEME

Existing Share Option Scheme

The Existing Share Option Scheme was adopted on 25 May 2012, and will expire on 25 May 2022, being the tenth anniversary of its adoption. As at the Latest Practicable Date, no share options under the Existing Share Option Scheme remain outstanding and exercisable upon.

LETTER FROM THE BOARD

As the Existing Share Option Scheme will expire on 25 May 2022 and to enable the Company to continue to grant Options to Eligible Participants as incentives or rewards for their contributions to the Group, the Directors proposes to recommend to the Shareholders at the AGM to approve and adopt the New Share Option Scheme.

The New Share Option Scheme

A summary of the principal terms of the New Share Option Scheme is set out in Appendix III of this circular.

The New Share Option Scheme will continue to enable the Company to grant rights to subscribe for Shares as incentives or rewards to Eligible Participants for their contributions to the Group. The New Share Option Scheme will provide eligible participants an opportunity to have a personal stake in the Company with a view to achieve the following objectives:

- (1) motivate the Eligible Participants to optimize their performance and efficiency for the benefit of the Group; and
- (2) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

The Directors may in their discretion, offer to grant Options to any person belonging to the following classes of participants to subscribe for Shares:

- (1) any Eligible Employee;
- (2) any non-executive directors (including independent non-executive Directors) of the Company, any subsidiary or any Invested Entity;
- (3) any supplier of goods or services to any member of the Group or any Invested Entity;
- (4) any customer of any member of the Group or any Invested Entity;
- (5) any person or entity that provides research, development or other technical support to any member of the Group or any Invested Entity;
- (6) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (7) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

and, for the purposes of the New Share Option Scheme, the offer to grant Options may be made to any company wholly owned by one or more Eligible Participants.

LETTER FROM THE BOARD

In order to avoid the potential that independent non-executive Directors may have bias in their decision-making or compromise their objectivity and independence, the Board considers that if any Option is to be granted to independent non-executive Directors, such option shall not contain any performance-related element and shall not be subject to any performance target. In addition, the Board will comply with the relevant requirements under Rule 17.04 of the Listing Rules that if any grant of Options to an independent non-executive Director would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted to such independent non-executive Director in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the issued share capital of the Company and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of Options must be approved by the Shareholders. The Board considers that inclusion of independent non-executive Directors in the Eligible Participants would allow the Company to have flexibility to retain and motivate them to contribute to the development of the Group, while the independent non-executive Directors' objectivity and independence will not be jeopardized based on the above reasons.

The Company considers that it is necessary to ensure the scope of Eligible Participants under the New Share Option Scheme is wide enough to cover those individuals and entities, which are able to contribute to the Group but fall outside the traditional employer-and-employee relationship, and allow the Company to have flexibility to incentivise and reward to these parties as the Company considers commercially appropriate.

The Board is of view that the grant of the Options to the Eligible Participants who are not employees or directors of any member of the Group or Invested Entity would not only align the interest of the Group with these grantees but also provide incentive and reward for (i) the participation and involvement in promoting the business of the Group; (ii) providing better goods or services as well as timely market intelligence to the Group in their capacity; or (iii) maintaining a good and long-term relationship with the Group. The Board believes that through the grant of the Options, such Eligible Participants will have a common goal as the Group in the growth and development of the Group's business, and they could participate in the future prospect of the Group and share the additional reward through their sustainable contribution. In particular, the grant of the Options will offer incentives for suppliers to offer more economic and quality supplies to the Group, and for the shareholders of the Group or Invested Entity to continue to support and develop the Group's business, thereby optimising performance efficiency and benefiting the long-term growth of the Group.

Furthermore, the Group requires contribution from all classes of talented people to assist its growth, which includes the advisors and consultants. Apart from their normal compensation for their contribution and services, it is necessary to maintain long term and sustainable business relationship with these parties and to align their interest with the Group under the incentive of the Options. The Board is of the view that the grant of the Options will offer incentives for advisors and consultants to provide better services to the Group (for example in terms of special skills or technical knowledge to fill the void currently experienced by the Group) and will bring in more opportunities to the Group. These parties are usually seasoned people in their own fields and professionals with many business connections which the Group may not be able to recruit

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them as employees. The grant of the Options to these capable people may fill the gap and to foster the relationship with them as well as allowing the Company to pay such external experts, advisors or consultants a consideration comprising service fee and share-based consideration, leveraging on which, the Company may be able to avoid expensive one-off short-term transaction costs, at the same time incentivise such external experts, advisors and consultants with the long-term value to be brought by the growth of the Company's business and market capitalisation.

In respect of Invested Entity, apart from the abovementioned Eligible Participants, the Company considers that it is necessary to ensure that the New Share Option Scheme is wide enough to cover those entities that the Group has or will be invested in. The inclusion of the Invested Entity as Eligible Participant under the New Share Option Scheme, similar to other categories of Eligible Participants, could provide incentive to these participants to bring in more business opportunities to and closer cooperation with the Group. If the Group's interest in an Invested Entity is over 20%, it is an associated company to the Group, and the Group could share the results of these associated companies. If an Invested Entity develops well, the Group will directly and indirectly benefit from their growth. The New Share Option Scheme may allow the Company to have flexibility to provide incentive to these parties and reward for their contribution to the Group or an Invested Entity, and to consolidate their loyalty and business relationship with the Group and the Invested Entity. Before making an offer for grant of any Option, the Board will also consider the Company's direct and indirect shareholding percentage in these entities, and the extent of benefits and synergies these entities brought into the Group. While the Invested Entity is not a member of the Group, the Group still has significant interest in such entities as explained, and it is justified to include them as Eligible Participants under the New Share Option Scheme.

The Board will consider the merits of each grant on a case-by-case basis and the scope of Eligible Participants as set out in the New Share Option Scheme allows the flexibility for the Directors to exercise their discretion in case these individuals or entities made or will make significant contributions to or have an important role in the development and growth of the Group as a whole.

For each category of Eligible Participants, the Board will assess the eligibility of the relevant Eligible Participants based on the following factors:

- (a) his/her potential and/or actual contribution to the business affairs of and benefits to the Group (in terms of, including without limitation, proactively promoting/catalyzing the continuing development and growth of the Group, and bringing innovation, new talents and expertise to the Group), with regard to the quality or importance of services/goods provided/supplied or expected to be provided/supplied by such Eligible Participants to the Group, and the actual or expected change in the Group's performance which is or may be attributable to the provision or supply of such services/goods;

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- (b) the potential/actual degree of involvement in and/or cooperation with the Group with regard to the period of engagement/cooperation/business relationship with the Group; and/or
- (c) whether he/she is regarded as a valuable human resource of the Group based on his/her work experience, professional qualifications, knowledge in the industry or other relevant factors (including without limitation technical know-how, market competitiveness, synergy between him/her and the Group, external business connections, strategic value, and repute and credibility).

Based on the above, the Directors consider that the adoption of the New Share Option Scheme and the inclusion of these persons other than the employees and directors of the Group are in the interests of the Company and the Shareholders as a whole.

Under the New Share Option Scheme, the Board has the authority to set terms and conditions in the grant of the Options (i.e. to set conditions in relation to the minimum period of the Options to be held and/or the performance targets to be achieved before such Options can be exercised and the requirement for a minimum subscription price). With such authority and flexibility, the Directors may impose different conditions in the grant of the Options to the participants as they consider appropriate with a view to achieving the purpose of the New Share Option Scheme as stated above. None of the Directors is a trustee of the New Share Option Scheme nor has any direct or indirect interests in the trustees.

The provisions of the New Share Option Scheme comply with the requirements of Chapter 17 of the Listing Rules.

As at the Latest Practicable Date, there were 18,335,046,733 Shares in issue. Assuming that no further Share will be allotted, issued, repurchased or cancelled prior to the AGM, the total number of Shares that may fall to be allotted and issued under the New Share Option Scheme after the resolution regarding the proposed adoption of the New Share Option Scheme is passed at the AGM would be 1,833,504,673 Shares, representing approximately 10% of the total number of Shares in issue.

The Directors consider that it is not appropriate to state the value of the Options which may be granted under the New Share Option Scheme as if they had been granted as at the Latest Practicable Date. The pricing of the Options are also set out in paragraph (7) of Appendix III of this circular. The Directors believe that any estimate regarding the value of the Options will not be meaningful to the Shareholders, since the Options to be granted shall not be assignable, and no holder of the Options shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any Option.

The adoption of the New Share Option Scheme is conditional upon:

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- (a) the passing of an ordinary resolution at the AGM to approve and adopt the New Share Option Scheme and to authorize the Board to grant the Options thereunder and allot, issue and deal with the Shares which fall to be issued by the Company pursuant to the exercise of the Options under the New Share Option Scheme; and
- (b) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares to be issued by the Company pursuant to the exercise of the Options which may be granted under the New Share Option Scheme.

Application will be made to the Listing Committee for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the Options granted under the New Share Option Scheme.

As at the Latest Practicable Date, no Shareholder had a material interest in the adoption of the New Share Option Scheme. As such, no Shareholder is required to abstain from voting on the resolution in relation thereto.

A copy of the New Share Option Scheme will be published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the Company's website at www.yanchanginternational.com for not less than 14 days before the date of the AGM and a copy of the New Share Option Scheme is available for inspection at the AGM.

Upon the expiry of the Existing Share Option Scheme, no further options may be granted thereunder but the provisions of the Existing Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior to its expiry. Therefore, the adoption of the New Share Option Scheme will not in any event affect the terms of the grant of such outstanding options that have already been granted under the Existing Share Option Scheme and the above outstanding options granted under the Existing Share Option Scheme shall continue to be valid and subject to the provisions of the Existing Share Option Scheme.

AGM

Set out on pages 30 to 33 of this circular is a notice convening the AGM to consider and, if appropriate, to approve the ordinary resolutions relating to the proposals for the general mandates to issue Shares and to repurchase Shares, the re-election of Directors and the adoption of New Share Option Scheme.

A form of proxy for use at the AGM is enclosed herewith. If you are not able to attend and/or vote at the AGM in person, you are requested to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions set out in the notice of the AGM will be voted by poll.

RECOMMENDATION

The Board, to the extent having made all reasonable enquires, is not aware that any Shareholder is required to abstain from voting on the proposals to be put forward at the AGM.

The Board considers that the ordinary resolutions in relation to the Issue Mandate, the Repurchase Mandate, the re-election of Directors and the adoption of the New Share Option Scheme to be proposed at the AGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of such resolutions at the AGM.

RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and believe the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

GENERAL

Your attention is also drawn to the appendices to this circular.

The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

By Order of the Board
Yanchang Petroleum International Limited
Feng Yinguo
Chairman

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide the Shareholders with the requisite information reasonably necessary to enable them to make an informed decision on whether to vote for or against the ordinary resolution to approve the Repurchase Mandate.

This explanatory statement contains all the information required pursuant to Rule 10.06 of the Listing Rules which is set out as follows:

1. LISTING RULES RELATING TO THE REPURCHASE OF SHARES

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company was 18,335,046,733 Shares.

Subject to the passing of the ordinary resolution no. 5 as set out in the notice of AGM and in accordance with the terms therein, the Company would be allowed under the Repurchase Mandate to repurchase fully paid shares up to the aggregate nominal amount of a maximum of 1,833,504,673 Shares, representing 10% of the existing issued Shares, on the basis of no further Shares will be issued or repurchased up to and including the date of the AGM.

3. REASONS FOR SHARE REPURCHASE

Although the Directors have no present intention of repurchasing any Shares of the Company, they believe that the flexibility afforded by the Repurchase Mandate would be beneficial to the Company and its Shareholders. Trading conditions on the Stock Exchange have sometimes been volatile. At any time in the future when Shares trading at a discount to their underlying value, the ability of the Company to repurchase Shares will be beneficial to those Shareholders who retain their investment in the Company since their interests in the assets of the Company would increase in proportion to the number of Shares repurchased by the Company and thereby resulting in an increase in net asset value and/or earning per share of the Company. Such repurchases will only be made when the Directors believe that the repurchases will benefit the Company and its Shareholders as a whole.

4. FUNDING OF REPURCHASES

In repurchasing the Shares, the Company may only apply funds legally available for such purpose in accordance with the Bye-laws and the applicable laws and regulations of Bermuda and the Listing Rules.

Any repurchase of securities of the Company would be funded entirely from the cash flow or working capital facilities available to the Company, and will, in any event be made out of funds legally available for the purpose in accordance with the Bye-laws and the applicable laws of Bermuda and the Listing Rules. Such funds include, but are not limited to, profits available for distribution. Purchases may only be made out of the profits of the Company or out of the proceeds of a fresh issue of Shares made for the purpose, or, if so authorised by the Bye-laws and subject to the applicable laws of Bermuda, out of capital. Any premium payable on a purchase over the par value of the Shares to be purchased must be provided for out of profits of the Company or out of the Company's share premium account, or, if so authorised by the Bye-laws and subject to the applicable laws of Bermuda, out of capital.

5. SHARE PRICES

During each of the twelve months preceding the Latest Practicable Date, the highest and lowest prices at which the Shares had been traded were as follows:

	Price per share of the Company	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2021		
April	0.095	0.079
May	0.096	0.078
June	0.085	0.065
July	0.078	0.050
August	0.070	0.055
September	0.105	0.060
October	0.093	0.071
November	0.084	0.060
December	0.066	0.048
2022		
January	0.056	0.038
February	0.055	0.038
March	0.103	0.038
April (up to the Latest Practicable Date)	0.063	0.054

6. REPURCHASE MADE BY THE COMPANY

Neither the Company nor any of its subsidiaries has purchased any of the Shares during the six months immediately preceding the Latest Practicable Date.

7. POSSIBLE MATERIAL ADVERSE IMPACT

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements for the year ended 31 December 2021) in the event that the Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the Company's working capital requirement or the gearing level. The number of shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

8. DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate pursuant to the proposed resolution in accordance with the Listing Rules and the applicable laws of Bermuda.

9. EFFECT OF THE TAKEOVERS CODE

If on exercise of the powers of repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory general offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date and to the best of knowledge and belief of the Company, the following Shareholders were directly or indirectly interested in 5% or more of the nominal value of the issued Shares that carry a right to vote in all circumstances at general meeting of the Company and were interested and/or were deemed to be interested under the SFO in the Shares in issue:

Name	Number of the Shares held	Approximate percentage of the total issued share capital of the Company as at the Latest Practicable Date
Yanchang Petroleum Group (<i>Note</i>)	12,686,203,231	69.19%
Yanchang Petroleum Group (Hong Kong) Co., Limited (“Yanchang Petroleum HK”) (<i>Note</i>)	12,686,203,231	69.19%

Note: Yanchang Petroleum Group beneficially held these 12,686,203,231 Shares through its direct wholly-owned subsidiary, Yanchang Petroleum HK.

In the event that the Directors shall exercise the Repurchase Mandate in full to repurchase Shares in accordance with the ordinary resolution no. 5 to be proposed at the AGM and assuming that no further Shares is issued, allotted or repurchased by the Company prior to and including the date of the AGM, the respective shareholdings of Yanchang Petroleum Group and Yanchang Petroleum HK would be increased to approximately 76.88%, respectively. Pursuant to Rule 32 of the Takeovers Code, the said resultant increase in shareholdings for Yanchang Petroleum Group and Yanchang Petroleum HK would not trigger an obligation for them to make a mandatory general offer under Rule 26 of the Takeovers Code.

Based on information known to date, the Directors are not aware of any consequences which would arise under the Takeovers Code as a result of any repurchases to be made under the Repurchase Mandate. The Directors have no present intention to exercise the Repurchase Mandate to such extent as would, in the circumstances, trigger off any potential consequences under the Takeovers Code.

Assuming that there is no alteration to the issued share capital of the Company between the Latest Practicable Date and the date of the AGM, the exercise of the Repurchase Mandate whether in whole or in part may result in less than 25% of the issued share capital of the Company being held by the public as required by Rule 8.08 of the Listing Rules. The Directors have no intention to exercise the Repurchase Mandate to an extent as may result in a public shareholding of less than such prescribed percentage.

10. DIRECTORS' DEALINGS

None of the Directors, to the best of their knowledge having made all reasonable enquiries, nor their associates (as defined in the Listing Rules), have any present intention to sell any Shares to the Company under the Repurchase Mandate in the event that such mandate as proposed in the ordinary resolution no. 5 is approved by the Shareholders.

11. CONNECTED PERSON

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate as proposed in the ordinary resolution no. 5 is approved by the Shareholders.

The following set out the details of the Directors who shall retire by rotation and, being eligible, offer themselves for re-election at the AGM pursuant to Bye-laws 86(2) and 87 of the Bye-laws.

Mr. Ding Jiasheng, aged 34, an executive Director

Mr. Ding, was appointed as an executive Director on 1 April 2021. Mr. Ding is currently the vice president of Novus Energy Inc. (“Novus”), an indirect wholly-owned subsidiary of the Company in Canada. Mr. Ding joined Novus in May 2014 and has served as the production engineer, exploration and development engineer and vice president of Novus. He has extensive technical and management experience. Mr. Ding currently receives basic salary of 350,000 Canadian dollars per annum and is entitled discretionary bonus from Novus. He holds a bachelor’s degree in petroleum engineering from the University of Alberta in Canada and a master’s degree in Earth and Environment from the Columbia University in U.S.A., and is a registered professional engineer in Canada. Save as aforesaid, Mr. Ding did not hold any directorship in other listed companies during the past three years.

Mr. Ding has entered into a service contract with the Company on 1 April 2021 for a term of three years commencing from 1 April 2021. He is subject to retirement by rotation and re-election at the annual general meeting of the company at least once in every three years in accordance with the Bye-laws. Mr. Ding is entitled to an annual remuneration of HK\$249,600, which is determined by the Board with reference to his duties and responsibilities, the prevailing market conditions and the recommendation of the remuneration committee of the Company.

As at the Latest Practicable Date, Mr. Ding does not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Ding does not have any relationship with any Directors, senior management, substantial shareholders or controlling Shareholders (as defined in the Listing Rules) of the Company.

Mr. Leung Ting Yuk, aged 47, an independent non-executive Director

Mr. Leung was appointed as an independent non-executive Director on 3 December 2009. Mr. Leung is also the chairman of the audit committee and a member of the remuneration committee of the Company. Mr. Leung holds a bachelor of Commerce with major in accounting in University of Wollongong, Australia. He is a member of the Certified Practicing Accountants, Australia and the Hong Kong Institute of Certified Public Accountants. He has over 19 years’ experience in financial management, accounting and auditing. Mr. Leung has been appointed as an independent non-executive director of Most Kwai Chung Limited (a company listed on the Stock Exchange) since March 2018 and he has also been appointed as an independent non-executive director of Xinyi Energy Holdings Limited (a company listed on the Stock Exchange) from 8 May 2016 to 10 January 2019. Save as the aforesaid, Mr. Leung did not hold any directorship in other listed companies in the past three years.

Mr. Leung has entered into a new service contract with the Company on 4 January 2022 for a term of three years commencing from 4 January 2022. He is subject to retirement by rotation and re-election at the annual general meeting of the Company at least once in every three years in accordance with the Bye-laws. Mr. Leung is entitled to an annual remuneration of HK\$128,400, which is determined by the Board with reference to his duties and responsibilities, the prevailing market conditions and the recommendation of the remuneration committee of the Company.

As at the Latest Practicable Date, Mr. Leung does not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Leung does not have any relationship with any Directors, senior management, substantial shareholders or controlling Shareholders (as defined in the Listing Rules) of the Company.

Mr. Sun Liming, aged 68, an independent non-executive Director

Mr. Sun, was appointed as an independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company on 1 April 2012. Mr. Sun holds a bachelor's degree in management engineering from Xi'an Jiaotong University. Mr. Sun was a managing director of Lishan Company Limited in Hong Kong and a chief representative of Shaanxi Commerce Representative Office in Hong Kong for years, and he served as chief economist with 中國電子進出口陝西公司 (China Electronics Import and Export Shaanxi Company) as well as worked in stated-owned sectors for various senior economic and financial positions. Mr. Sun has extensive experience in corporate planning, and economic and financial management. Save as the aforesaid, Mr. Sun did not hold any directorship in other listed companies during the past three years.

Mr. Sun has entered into a new service contract with the Company on 4 January 2022 for a term of three years commencing from 4 January 2022. He is subject to retirement by rotation and re-election at the annual general meeting of the Company at least once in every three years in accordance with the Bye-laws. Mr. Sun is entitled to an annual remuneration of HK\$128,400, which is determined by the Board with reference to his duties and responsibilities, the prevailing market conditions and the recommendation of the remuneration committee of the Company.

As at the Latest Practicable Date, Mr. Sun is interested in 600,000 Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Sun does not have any relationship with any Directors, senior management, substantial shareholders or controlling Shareholders (as defined in the Listing Rules) of the Company.

The following is a summary of the principal terms of the New Share Option Scheme proposed to be adopted at the AGM which serves to summarize the terms of the New Share Option Scheme, but does not constitute the full terms of the same.

In this Appendix III, unless the context otherwise requires:

“Calculation Agent”	means the independent financial advisers or auditors appointed by the Company for the purposes of certifying certain adjustments under the rules of the Scheme;
“close associate”	has the meaning as defined in the Listing Rules;
“connected person”	has the meaning as defined in the Listing Rules;
“core connected person”	has the meaning as defined in the Listing Rules;
“Directors”	means the Company’s directors for the time being or a duly authorized committee thereof;
“Eligible Employee”	means any employee (whether full time or part time, including any executive Director but excluding any non-executive Director) of the Company, any Subsidiary or any Invested Entity;
“Eligible Participants”	means the persons who may be invited by the Directors to take up Options pursuant to the Scheme;
“Invested Entity”	means any entity in which any member of the Group holds any equity interest;
“Offer”	means an offer for the grant of an Option pursuant to the Scheme;
“Offer Date”	means the date, which must be a Business Day, on which an Offer is made to an Eligible Participant;
“Option(s)”	means option(s) to subscribe for the Shares granted under the Scheme;

“Option Period”	means, in relation to an Option, a period (which may not be later than 10 years from the Offer Date of that Option) to be determined and notified by the Directors to the grantee thereof and, in the absence of such determination, from the Offer Date to the earlier of (i) the date on which such Option lapses under the rules of the Scheme; and (ii) 10 years from the Offer Date of that Option;
“Scheme”	Means the New Share Option Scheme proposed to be adopted by the Company at the AGM;
“Shares”	means shares of HK\$0.02 each in the share capital of the Company, or, if there has been a sub-division, consolidation, re-classification or re-construction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company of such other nominal amount as shall result from any such sub-division, consolidation, re-classification or re-construction;
“Subscription Price”	means the price per Share at which a grantee may subscribe for the Shares on the exercise of an Option; and
“substantial Shareholder”	has the meaning as defined in the Listing Rules.

1. PURPOSE OF THE SCHEME

The purpose of the Scheme is to enable the Group to grant Options to the Eligible Participants as incentives or rewards for their contributions to the Group.

2. ELIGIBLE PARTICIPANTS OF THE SCHEME

The Directors may in their discretion make an Offer to any person belonging to the following classes of participants to subscribe for Shares:

- (1) any Eligible Employee;
- (2) any non-executive directors (including independent non-executive Directors) of the Company, any Subsidiary or any Invested Entity;
- (3) any supplier of goods or services to any member of the Group or any Invested Entity;
- (4) any customer of any member of the Group or any Invested Entity;

- (5) any person or entity that provides research, development or other technical support to any member of the Group or any Invested Entity;
- (6) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (7) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

and, for the purposes of the Scheme, the Offer may be made to any company wholly owned by one or more Eligible Participants.

The eligibility of any of the Eligible Participants to an Offer shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of the Group.

3. PERIOD OF THE SCHEME

The Scheme shall be valid and effective until the close of business of the Company on the date which falls ten (10) years after the date on which the Scheme is adopted, after which period no further Options may be issued but the provisions of the Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Scheme.

4. PERFORMANCE TARGETS

Unless otherwise determined by the Directors and stated in the Offer to an Eligible Participant who accepts an Offer, the Eligible Participant concerned is not required to achieve any performance targets before the exercise of an Option granted to him.

5. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- (a) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and all share option schemes adopted by the Group (if any), other than the Scheme (the "**Other Schemes**") shall not exceed 30% of the share capital of the Company in issue from time to time.

- (b) The total number of Shares which may be allotted and issued upon exercise of all Options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and the Other Schemes) to be granted under the Scheme and the Other Schemes must not in aggregate exceed 10% of the Shares in issue as at the date of passing of resolution by the Shareholders in general meeting approving and adopting the Scheme (the “**General Scheme Limit**”) provided that:
- (1) the Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Scheme and the Other Schemes must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Scheme and the Other Schemes) previously granted under the Scheme and the Other Schemes will not be counted; and
 - (2) the Company may seek separate Shareholders’ approval in general meeting to grant Options under the Scheme beyond the General Scheme Limit to Eligible Participants specifically identified by the Company before such approval is sought.
- (c) The total number of Shares issued and which may fall to be issued upon exercise of the Options and the options granted under Other Schemes (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of Options to a grantee under the Scheme would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Scheme and the Other Schemes in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting.
- (d) Where any grant of Options to a substantial Shareholder of the Company or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- (1) representing in aggregate over 0.1% of the Shares in issue; and

- (2) having an aggregate value, based on the closing price of the Shares as quoted in the Stock Exchange's daily quotation sheet at the Offer Date of each Offer, in excess of HK\$5 million;

such further grant of Options must be approved by the Shareholders in general meeting. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

- (e) The making of an Offer to any Director, chief executive or substantial Shareholder of the Company, or any of their respective associates must be approved by the independent non-executive Directors of the Company (excluding any independent non-executive Director who is the grantee of an Option).
- (f) Any change in the terms of Options granted to any grantee who is a substantial Shareholder or an independent non-executive Director, or any of their respective associates must be approved by the Shareholders in general meeting.
- (g) For the purpose of seeking the approval of the Shareholders under rules of the Scheme summarized above, the Company must send a circular to the Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

6. TIME OF ACCEPTANCE AND EXERCISE OF OPTION

- (a) Any Offer may be accepted by an Eligible Participant in respect of less than the number of Shares which are offered provided that such number is clearly stated in the duplicate letter comprising acceptance of the Offer duly signed by such Eligible Participant and received by the Company together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof within such time as may be specified in the Offer (which shall not be later than 28 days from the Offer Date). Such remittance shall in no circumstances be refundable.
- (b) The Option Period of an Option must not end later than ten (10) years from the Offer Date of that Option.

- (c) For so long as the Shares are listed on the Stock Exchange:
- (1) the Directors shall not make any Offer after inside information has come to the Company's knowledge until (and including) the trading day after the Company has announced the information pursuant to the requirements under the Listing Rules. In particular, the Company may not make any Offer during the period commencing one (1) month immediately before the earlier of:
 - (a) the date of the board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
 - (b) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),and ending on the date of the results announcement; and
 - (2) the Directors may not make any Offer to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.
- (d) An Option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement so to do. Any breach of the foregoing by a grantee shall entitle the Company to cancel any Option granted to such grantee to the extent not already exercised.
- (e) Unless otherwise determined by the Directors and stated in the Offer to a grantee, a grantee is not required to hold an Option for any minimum period nor achieve any performance targets before the exercise of an Option granted to him.

- (f) Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Bye-laws for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the Option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise 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 before the Exercise Date. Any Share allotted and issued upon the exercise of an Option shall not carry voting rights, or rights to participate in any dividends or distributions of the Company, or any rights arising on a liquidation of the Company, or any rights as to transfer, in respect of the Shares to be issued upon the exercise of the Option, until the name of the grantee has been duly entered on the register of members of the Company as the holder thereof.

7. SUBSCRIPTION PRICE

The Subscription Price in respect of any Option shall be at the discretion of the Directors pursuant to Rule 17.03(9) of the Listing Rules, provided that it must be at least the higher of:

- (1) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet on the Offer Date;
- (2) the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date; and
- (3) the nominal value of a Share.

8. ADJUSTMENT TO THE SUBSCRIPTION PRICE

- (a) In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable or the Scheme remains in effect, and such event arises from a capitalisation issue, rights issue, consolidation or sub-division of the Shares, or reduction of the share capital of the Company, then, in any such case the Company shall instruct the Calculation Agent to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:
- (1) the number or nominal amount of Shares to which the Scheme or any Option(s) relates (insofar as it is/they are unexercised); and/or
 - (2) the Subscription Price of any Option; and/or

(3) (unless the relevant grantee elects to waive such adjustment) the number of Shares comprised in an Option or which remains comprised in an Option,

and an adjustment as so certified by the Calculation Agent shall be made, provided that:

- (a) any such adjustment shall give the grantee the same proportion of the issued share capital of the Company as that to which he was previously entitled;
- (b) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value (if any);
- (c) the issue of Shares or other securities of the Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (d) any such adjustment shall be in compliance with the Listing Rules and such applicable rules, codes, guidance notes and/or interpretation of the Listing Rules from time to time promulgated by the Stock Exchange.

In respect of any adjustment referred to above, other than any adjustment made on a capitalization issue, the Calculation Agent must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

9. LAPSE OF OPTION

The Option Period in respect of any Option shall automatically terminate and that Option (to the extent not already exercised) shall lapse on the earliest of:

- (1) the expiry of the Option Period;
- (2) the expiry of any of the periods specified in the rules of the Scheme following a grantee ceasing to be an Eligible Employee by reason of his death, ill-health or retirement or other causes or the occurrence of other circumstances specified in the rules of the Scheme;
- (3) in respect of a grantee who is an Eligible Employee, the date on which the grantee ceases to be an Eligible Employee by reason of termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or any member of the Group or the Invested Entity into disrepute);

- (4) in respect of a grantee other than an Eligible Employee, the date on which the Directors shall at their absolute discretion determine that:
- (a) the grantee or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and any member of the Group or any Invested Entity on the other part; or
 - (b) the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or
 - (c) the grantee could no longer make any contribution to the growth and development of any member of the Group by reason of the cessation of his relations with the Group or by any other reason whatsoever; and
 - (d) the Option shall lapse as a result of any event specified in sub-paragraph (a), (b) or (c) above; and
- (5) the date on which the Directors shall exercise the Company's right to cancel the Option by reason of a breach by the grantee of the transfer restriction in respect of that or any other Option.

10. CANCELLATION OF OPTIONS

- (a) Subject to the rules of the Scheme and Chapter 17 of the Listing Rules, any Option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of the Directors.
- (b) Where the Company cancels any Option granted to a grantee but not exercised and issues new Option(s) to the same grantee, the issue of such new Option(s) may only be made with available unissued Options (excluding, for this purpose, the Options so cancelled) within the General Scheme Limit or the limits approved by the Shareholders pursuant to the Scheme.

11. ALTERATION OF THE SCHEME

- (a) The Scheme may be altered in any respect by a resolution of the Directors except that:
 - (1) the provisions of the Scheme as to the definitions of "Eligible Participants", "Grantee", "Option Period" and "Termination Date";
 - (2) the provisions of the Scheme relating to the matters governed by Rule 17.03 of the Listing Rules;

shall not be altered to the advantage of grantees or prospective grantees except with the prior sanction of a resolution of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the Bye-laws for the time being for a variation of the rights attached to the Shares.

- (b) Any alterations to the rules of the Scheme which are of a material nature or any change to the terms of Options granted shall be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Scheme.
- (c) Any change to the authority of the Directors or the administrators of the Scheme in relation to any alteration to the terms of the Scheme must be approved by the Shareholders in general meeting.
- (d) The terms of the Scheme and/or any Options amended pursuant to the rule summarized above must comply with the applicable requirements under Chapter 17 of the Listing Rules.

12. TERMINATION

The Company by resolution in general meeting may at any time terminate the operation of the Scheme and in such event no further Options will be offered but in all other respects the provisions of the Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Scheme and Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Scheme.

NOTICE OF THE AGM



延長石油國際有限公司

YANCHANG PETROLEUM INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00346)

NOTICE IS HEREBY GIVEN THAT an annual general meeting (the “**AGM**”) of Yanchang Petroleum International Limited (the “**Company**”) will be held at Room Taishan, Level 5, Island Shangri-La, Pacific Place, Supreme Court Road, Central, Hong Kong on 27 May 2022 at 3:30 p.m., or any adjournment thereof, for the following purposes:

AS ORDINARY BUSINESS AND ORDINARY RESOLUTIONS

1. To receive and consider the audited financial statements and the report of the directors and the independent auditor’s report of the Company and its subsidiaries for the year ended 31 December 2021.
2. To re-elect the following directors of the Company and to authorise the board of directors of the Company (the “**Board**”) to fix the remuneration of directors of the Company:
 - 2.1 Mr. Ding Jiasheng
 - 2.2 Mr. Leung Ting Yuk
 - 2.3 Mr. Sun Liming
3. To appoint BDO Limited as the auditors of the Company and to authorise the Board to fix their remuneration.

AS SPECIAL BUSINESS, to consider and, if thought fit, pass with or without amendments, the following resolutions no. 4, 5 and 6 as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

4. “**THAT:**
 - (a) subject to the following provisions of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.02 each in the share capital of the Company (the “**Shares**”), and to make or grant offers, agreements and options (including securities convertible into

NOTICE OF THE AGM

Shares) which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;

- (b) the approval in paragraph (a) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including securities convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) the exercise of options granted under any share option scheme or similar arrangement for the time being adopted by the Company; or (iii) an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company from time to time; shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law of Bermuda to be held; and
 - (iii) the date on which such mandate is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of Shares open for a period fixed by the directors of the Company to the holders of Shares or any class of Shares whose names appear on the registers of members of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory bodies or any stock exchanges in, any territories applicable to the Company).”

NOTICE OF THE AGM

5. **“THAT:**
- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the Shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or any other stock exchanges on which Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or those of any other recognised stock exchanges as amended from time to time, be and is hereby generally and unconditionally approved;
 - (b) the aggregate nominal amount of Shares to be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
 - (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law of Bermuda to be held; and
 - (iii) the date on which such mandate is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”
6. **“THAT** conditional upon resolutions no. 4 and 5 above being passed, the unconditional general mandate granted to the directors of the Company to allot, issue and deal with additional Shares and to make or grant offers, agreements, and options which might require the exercise of such powers pursuant to resolution no. 4 above be and is hereby extended by the additional thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution no. 5 above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution.”

NOTICE OF THE AGM

7. “**THAT** conditional upon The Stock Exchange of Hong Kong Limited granting approval of the listing of, and permission to deal in, the shares falling to be issued pursuant to the exercise of any options granted under the share option scheme referred to in the circular dispatched to the shareholders of the Company on the same day as this notice, the terms of which are set out in the printed document marked “A” now produced to the Meeting and for the purpose of identification signed by the Chairman hereof (“**Share Option Scheme**”), the Share Option Scheme be approved and adopted to be the Share Option Scheme of the Company and that the Directors be authorized to grant options thereunder and to allot and issue Shares pursuant to the Share Option Scheme and take all such steps as may be necessary or desirable to implement such Share Option Scheme.”

By Order of the Board
Yanchang Petroleum International Limited
Feng Yinguo
Chairman

Hong Kong, 21 April 2022

Notes:

1. The register of members of the Company will be closed from 24 May 2022 to 27 May 2022 (both days inclusive), during which period no transfer of share(s) will be registered. In order to qualify for attending and voting at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 23 May 2022.
2. A member of the Company entitled to attend and vote at the AGM is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
3. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.
4. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorised, and must be deposited with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time appointed for holding the AGM.
5. With respect to the resolution no. 2 as set out in this notice, Mr. Ding Jiasheng, Mr. Leung Ting Yuk and Mr. Sun Liming shall retire and, being eligible, offer themselves for re-election at the AGM. The biographical details of the said directors of the Company are set out in Appendix II to this circular.
6. Completion and return of the form of proxy will not preclude members from attending and voting at the AGM.
7. As at the date of this notice, the board of directors of the Company consists of seven directors, of which three are executive directors, namely Mr. Feng Yinguo (chairman), Mr. Zhang Jianmin and Mr. Ding Jiasheng and four are independent non-executive directors, namely Mr. Ng Wing Ka, Mr. Leung Ting Yuk, Mr. Sun Liming and Dr. Mu Guodong.

PRECAUTIONARY MEASURES FOR THE AGM

In view of the ongoing COVID-19 epidemic and recent requirements, if any, for prevention and control of its spread, the Company will implement the following preventive measures at the AGM:

- (i) compulsory wearing of surgical face masks by all attendees prior to admission to the meeting venue and throughout the AGM;
- (ii) compulsory temperature check will be conducted on every attendee, any person with a body temperature of over 37.2 degrees Celsius, or has flu-like symptoms or is otherwise unwell will not be admitted to the meeting venue;
- (iii) maintenance of a safe distance between seats, and the Company may limit the number of attendees at the AGM as may be necessary to avoid over-crowding;
- (iv) there shall be no distribution of souvenirs/gifts; and
- (v) no refreshments or drinks will be served.

To the extent permitted under the laws of Hong Kong, the Company reserves the right to deny entry into the meeting venue or require any person to leave the meeting venue in order to ensure the safety of the attendees at the AGM.

Subject to the development of the COVID-19 situation, the Company may implement additional precautionary measures as and when appropriate.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the AGM is not necessary for the purpose of exercising voting rights. As an alternative to attending the AGM in person, Shareholders are encouraged to consider appointing the chairman of the AGM as their proxy to vote on the resolution at the AGM by submitting the form of proxy with voting instructions inserted.

If you are not a registered Shareholder (if your shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.