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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)**

## **SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE**

### **SUBSCRIPTION OF NEW SHARES**

On 30 December 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 3,667,009,346 Subscription Shares at the Subscription Price of HK\$0.0766 per Subscription Share for cash of approximately HK\$280,893,000.

The Subscription Shares represent approximately 20.0% of the existing issued share capital of the Company as at the date of this announcement and approximately 16.7% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there are no other changes in the share capital of the Company between the date of the Subscription Agreement and the date of the Completion).

The gross proceeds from the Subscription will amount to approximately HK\$280,893,000 and the net proceeds, after deduction of the related expenses, will be approximately HK\$280,373,000, representing a net Subscription Price of approximately HK\$0.0765 per Subscription Share. The Company intends to apply the net proceeds from the Subscription in the manner set out in the paragraph headed “Reasons for the Subscription and Use of Proceeds” in this announcement.

The Subscriber is a company established in Hong Kong with limited liability which is primarily engaged in investment holding. As at the date of this announcement, the Subscriber is indirectly and wholly-owned by Chang An Huitong Co., Ltd.\* (長安匯通有限責任公司) (“**Chang An Huitong**”) (a company established in the PRC) which is primarily engaged in equity investment, capital management, asset management and financial services. Chang An Huitong is directly and wholly-owned by Shaanxi Province State-owned Assets Supervision and Administration Commission\* (陝西省人民政府國有資產監督管理委員會) (“**Shaanxi Province SASAC**”). As at the date of this announcement, Yanchang Petroleum Group (Hong Kong) Co., Limited (a controlling shareholder of the Company) is wholly-owned by Shaanxi Yanchang Petroleum (Group) Co., Limited\* (陝西延長石油(集團)有限責任公司) (“**Yanchang Petroleum Group**”). Shaanxi Province SASAC and Chang An Huitong (which is wholly-owned by Shaanxi Province SASAC) owns 45.9% and 10% of the equity interest of Yanchang Petroleum Group, respectively. Since Shaanxi Province SASAC is a PRC Governmental Body within the meaning of Rule 19A.04 of the Listing Rules, it is not a connected person of the Company by virtue of Rule 14A.10 of the Listing Rules. Accordingly, Chang An Huitong and the Subscriber (which is directly and indirectly wholly-owned by Shaanxi Province SASAC, respectively) are also not a connected person of the Company.

The Subscription Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the AGM, and the issue of the Subscription Shares will not be subject to the approval by the Shareholders. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

**As the Completion is subject to the satisfaction of the Conditions Precedent as set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares.**

## **THE SUBSCRIPTION AGREEMENT**

On 30 December 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 3,667,009,346 Subscription Shares at the Subscription Price of HK\$0.0766 per Subscription Share for cash of approximately HK\$280,893,000. The salient terms of the Subscription Agreement are set out as follows:

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

#### **Date**

30 December 2022

#### **Parties to the Subscription Agreement**

- (i) the Company; and
- (ii) the Subscriber

## **The Subscription**

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue (pursuant to the General Mandate), and the Subscriber conditionally agreed to subscribe for, 3,667,009,346 Subscription Shares at the Subscription Price for each Subscription Share. The cash consideration of approximately HK\$280,893,000 shall be settled by the Subscriber in full on the date of the Completion.

## **The Subscription Shares**

The 3,667,009,346 Subscription Shares represent approximately 20.0% of the existing issued share capital of the Company as at the date of this announcement and approximately 16.7% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there are no other changes in the share capital of the Company between the date of the Subscription Agreement and the date of the Completion).

The aggregate nominal value of the Subscription Shares is approximately HK\$73,340,187.

## **The Subscription Price**

The Subscription Price of HK\$0.0766 per Subscription Share, representing:

- (i) a premium of approximately 36.8% to the closing price of HK\$0.056 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (ii) a premium of approximately 45.6% to the average closing price of approximately HK\$0.0526 per Share quoted on the Stock Exchange for the five consecutive trading days of Shares immediately prior to the date of the Subscription Agreement.

The net Subscription Price, after deduction of relevant expenses, is estimated to be approximately HK\$280,373,000 per Subscription Share. The cash consideration of approximately HK\$280,893,000 under the Subscription Agreement are payable in full by the Subscriber on the date of the Completion. The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber taking into account the prevailing market price of the Shares, the Group's present performance and the bullish outlook of oil prices. The Board considers that the Subscription Price is fair and reasonable in light of the prevailing market conditions and the recent price performance and liquidity of the Shares.

## **Ranking**

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects with Shares in issue at the time of allotment and issue of the Subscription Shares.

## Conditions Precedent

The Completion is conditional upon the satisfaction of the following Conditions Precedent on or before the Long Stop Date (or such other date as may be agreed to by the Subscriber and the Company):

- (i) each party having obtained all their respective internal approvals and consents in relation to the Subscription Agreement and the transactions contemplated thereunder;
- (ii) the Subscriber having obtained all approvals and consents (if any) in relation to the Subscription and the transactions contemplated thereunder (including but not limited to the obtaining of the approval of the Shaanxi Provincial State-owned Assets Supervision and Administration Commission\* (陝西省人民政府國有資產監督管理委員會); the completion of the approval required for overseas investment, including but not limited to the obtaining of the Notice of Approval for Filing of Overseas Investment Project\* (《境外投資項目備案通知書》) issued and approved by the Shaanxi Provincial Development and Reform Commission\* (陝西省發展和改革委員會), the obtaining of the Enterprise Overseas Investment Certificate\* (《企業境外投資證書》) issued and approved by the Shaanxi Provincial Department of Commerce\* (陝西省商務廳) and the obtaining of the Business Registration Certificate\* (《業務登記憑證》) issued and approved by the State Administration of Foreign Exchange Shaanxi Branch\* (國家外匯管理局陝西省分局) (or its authorized commercial bank, if necessary));
- (iii) the listing committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares;
- (iv) the representations, warranties and undertakings given by the Company under the Subscription Agreement remaining true, accurate, complete and correct and not misleading in all aspects on or before the date of Completion; and
- (v) the representations, warranties and undertakings given by the Subscriber under the Subscription Agreement remaining true, accurate, complete and correct and not misleading in all aspects on or before the date of Completion.

The conditions set out in paragraphs (i), (ii) and (iii) above cannot be waived by any parties to the Subscription Agreement. The Company may waive the conditions set out in paragraph (v) above and the Subscriber may waive the condition set out in paragraph (iv). If the above conditions are not fulfilled (or waived) by the Long Stop Date (or such other date as may be agreed to by the Subscriber and the Company in writing), all rights, obligations and liabilities of the parties under the Subscription Agreement in relation to the Subscription shall cease and terminate and none of the parties shall have any claim against any other party in respect of the Subscription save for any antecedent breaches of the Subscription Agreement.

## **Nomination of Director**

Pursuant to the Subscription Agreement, when the Subscriber remains to be a shareholder of the Company, the Subscriber shall have the right to nominate one candidate to be put forward to the Board and the nomination committee of the Company for appointment as a Director (save as independent non-executive Director). The Company shall procure a meeting of the Board and nomination committee of the Company to be held no later than 14 Business Days after receipt of written notice from the Subscriber of the proposed candidate to consider and approve the appointment of such candidate as a Director, subject to compliance with the applicable laws, the Listing Rules and the Bye-laws of the Company.

## **Completion**

The Completion shall take place within fourteen (14) Business Days after fulfilment of the Conditions Precedent or any other date as agreed to by the Subscriber and the Company in writing.

## **Termination**

The parties are entitled to terminate the Subscription Agreement by notice in writing to each other upon the occurrence of any of the force majeure events set out in the Subscription Agreement at any time between the date of the Subscription Agreement and the date of Completion. The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

## **Liability for breach of contract**

The Company shall, as required, fully compensate the Subscriber for all liabilities, damages, costs and expenses (including legal fees) sustained, suffered or incurred by the Subscriber due to the incorrectness, falsity or inaccuracy of or failure to fully comply with any statement, guarantee and commitment given by the Company under the Subscription Agreement. Such compensation shall not prejudice the rights and remedies available to the Subscriber under the laws and in accordance with the Subscription Agreement in respect of any breach of any of the aforesaid statements, guarantees and commitments by the Company.

If, on the date of the Completion, any party fails to comply with or perform its Completion obligations pursuant to the Subscription Agreement, the non-defaulting party shall be entitled to demand the defaulting party to pay liquidated damages equivalent to 20% of the consideration of the Subscription, without prejudice to its rights and remedies under the law and in accordance with the Subscription Agreement.

If either party of the Subscription Agreement violates its confidentiality obligations under the Subscription Agreement, without prejudice to its rights and remedies under the law and under the Subscription Agreement, the non-defaulting party has the right to demand the defaulting party to pay liquidated damages equivalent to 10% of the consideration of the Subscription.

## **General Mandate to Issue Subscription Shares**

The issue of the Subscription Shares will not be subject to the approval by the Shareholders and the Subscription Shares will be issued under the General Mandate granted to the Directors at the AGM. Pursuant to the General Mandate, the total number of new Shares that the Company is authorised to issue is 3,667,009,346 Shares, representing approximately 20% of the total number of Shares in issue as at the date of the AGM. Since the date of the AGM and up to the date of this announcement, no new Shares have been allotted and issued by the Company under the General Mandate. The General Mandate is sufficient for the issue and allotment of the Subscription Shares. The Subscription Shares shall utilise 100% of the General Mandate.

## **APPLICATION FOR LISTING**

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the main board of the Stock Exchange.

## **INFORMATION OF THE COMPANY AND THE SUBSCRIBER**

The Company is a company incorporated under the laws of Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange. The Company is an investment holding company and the Group is principally engaged in investments in the oil, gas and energy related business; oil and gas exploration, exploitation and operation; and trading and distribution of oil related products.

The Subscriber is a company established in Hong Kong with limited liability which is primarily engaged in investment holding. As at the date of this announcement, the Subscriber is indirectly and wholly-owned by Chang An Huitong (a company established in the PRC) which is primarily engaged in equity investment, capital management, asset management and financial services. Chang An Huitong is directly and wholly-owned by Shaanxi Province SASAC. As at the date of this announcement, Yanchang Petroleum Group (Hong Kong) Co., Limited (a controlling shareholder of the Company) is wholly-owned by Yanchang Petroleum Group. Shaanxi Province SASAC and Chang An Huitong (which is wholly-owned by Shaanxi Province SASAC) owns 45.9% and 10% of the equity interest of Yanchang Petroleum Group, respectively. Since Shaanxi Province SASAC is a PRC Governmental Body within the meaning of Rule 19A.04 of the Listing Rules, it is not a connected person of the Company by virtue of Rule 14A.10 of the Listing Rules. Accordingly, Chang An Huitong and the Subscriber (which is directly and indirectly wholly-owned by Shaanxi Province SASAC, respectively) are also not a connected person of the Company.

## **REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS**

The Directors consider that the issue of the Subscription Shares represents an opportunity to raise additional funds for the Group's capital expenditure and general working capital needs. The Directors believe that the Company, by entering into the Subscription Agreement, will enhance its financial position and broaden the shareholder and capital bases of the Company. The Board is of the view that the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms agreed upon after arm's length negotiations between the parties, fair and reasonable; and that entering into the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

The gross proceeds of the Subscription will amount to approximately HK\$280,893,000 and the net proceeds, after the deduction of the related expenses, will be approximately HK\$280,373,000, representing a net Subscription Price of approximately HK\$0.0765 per Subscription Share. The Company intends to use the net proceeds from the Subscription mainly for the development of upstream oil and gas production business in Canada operated by Novus Energy Inc. (an indirect wholly-owned subsidiary of the Company).

## **EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PRIOR TO THE DATE OF THIS ANNOUNCEMENT**

The Company has not conducted any equity fund raising activity in the 12 months immediately before the date of this announcement.

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 18,335,046,733 Shares in issue. The shareholding structures of the Company (i) as at the date of this announcement; and (ii) immediately upon the Completion (assuming that there is no other change in the issued share capital of the Company from the date of this announcement and up to the date of the Completion), are summarised as follows:

	As at the date of this announcement		Immediately following the Completion	
	Number of Shares	Approximate shareholding percentage %	Number of Shares	Approximate shareholding percentage %
<b>Substantial Shareholders</b>				
Yanchang Petroleum Group (Hong Kong) Co., Limited ( <i>Note 1</i> )	12,686,203,231	69.191%	12,686,203,231	57.659%
Subscriber	–	–	3,667,009,346	16.667%
<b>Directors</b>				
Mr. Sun Liming	600,000	0.003%	600,000	0.003%
Dr. Mu Guodong ( <i>Note 2</i> )	300,000	0.002%	300,000	0.001%
<b>Public</b>				
Other public shareholders	<u>5,647,943,502</u>	<u>30.804%</u>	<u>5,647,943,502</u>	<u>25.670%</u>
<b>Total:</b>	<u><u>18,335,046,733</u></u>	<u><u>100%</u></u>	<u><u>22,002,056,079</u></u>	<u><u>100%</u></u>

*Notes:*

1. Shannxi Yanchang Petroleum (Group) Co., Limited\* (陝西延長石油(集團)有限責任公司) indirectly holds these 12,686,203,231 Shares through its direct wholly-owned subsidiary, Yanchang Petroleum Group (Hong Kong) Co., Limited, as at the date of this announcement.
2. Dr. Mu Guodong, an independent non-executive Director, personally held 230,000 Shares and his spouse held 70,000 Shares. Dr. Mu Guodong is deemed to be interested in these 70,000 Shares under the Securities and Futures Ordinance as at the date of this announcement.

## PROPOSED SHARE CONSOLIDATION

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Stock Exchange on 28 November 2008 and updated on 1 October 2020 has further stated that (i) market price of the shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

Since the Share price of the Company has been below HK\$0.1 and the existing board lot value is less than HK\$2,000, the Company proposes to implement a share consolidation after the completion of the Subscription in compliance with Rule 13.64 of the Listing Rules. The Company will publish an announcement in respect of the details and the expected timetable of the proposed share consolidation as soon as practicable after the completion of the Subscription.

**As the Completion is subject to the satisfaction of the Conditions Precedent as set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 27 May 2022 at which, among other things, the General Mandate was granted to the Directors;
“Board”	the board of Directors;
“Business Day”	a day (excluding Saturday or Sunday or public holiday in Hong Kong or the PRC) on which banks in Hong Kong and the PRC are generally open for business throughout their normal business hours;
“Company”	Yanchang Petroleum International Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange;

“Completion”	the completion of the Subscription pursuant to the Subscription Agreement;
“Conditions Precedent”	the conditions precedent in respect of the Completion set out in the Subscription Agreement;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“General Mandate”	the general mandate granted to the Directors by a resolution passed at the AGM to allot, issue or otherwise deal with Shares up to a maximum of 20% of the total number of the issued Shares of the Company as at the date of the AGM;
“Group”	the Company together with its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	30 April 2023 (or such other date as may be agreed to by the Subscriber and the Company in writing);
“PRC”	the People’s Republic of China, and for the sole purpose of this announcement excludes Hong Kong, Macau Special Administrative Region and Taiwan;
“Shareholder(s)”	holder(s) of the Shares;
“Shares”	the ordinary shares of HK\$0.02 each in the issued share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	ChangAn HuiTong Investment (Hong Kong) Company Limited (長安匯通投資(香港)有限公司), a company established in Hong Kong with limited liability;
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement;

“Subscription Agreement”	the conditional subscription agreement dated 30 December 2022 between the Company and Subscriber in relation to the Subscription;
“Subscription Price”	the subscription price of HK\$0.0766 per Subscription Share;
“Subscription Share(s)”	the 3,667,009,346 new and fully paid Shares to be subscribed for by the Subscriber;
“%”	per cent.

By order of the Board  
**Yanchang Petroleum International Limited**  
**Feng Yinguo**  
*Chairman*

Hong Kong, 30 December 2022

\* *For identification purposes only*

***Executive Directors:***

Mr. Feng Yinguo (*Chairman*)  
Mr. Zhang Jianmin  
Mr. Ding Jiasheng

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

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