延長石油國際有限公司
YANCHANG PETROLEUM INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00346)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board (the "Board") of directors (the "Director(s)") of Yanchang Petroleum International Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*4*	**8,042,305**	647,302
Cost of sales		**(7,971,586)**	(641,931)
Gross profit		**70,719**	5,371
Other revenue	*4*	**6,205**	1,002
Other losses	*5*	**–**	(30,279)
Selling and distribution costs		**(1,286)**	(1,642)
Administrative expenses		**(29,127)**	(24,198)
Equity-settled share option expenses		**–**	(97)
Profit/(loss) from operating activities		**46,511**	(49,843)
Finance costs	*6*	**(9,988)**	(8,517)
Profit/(loss) before taxation	*7*	**36,523**	(58,360)
Taxation	*8*	**(12,438)**	–
Profit/(loss) for the period		**24,085**	(58,360)

	Notes	Six months ended 30 June 2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**4,388**	(427)
Other comprehensive income/(loss) for the period, net of tax		**4,388**	(427)
Total comprehensive income/(loss) for the period		**28,473**	(58,787)
Profit/(loss) attributable to			
– Owners of the Company		**13,200**	(54,116)
– Non-controlling interests		**10,885**	(4,244)
		24,085	(58,360)
Total comprehensive income/(loss) attributable to			
– Owners of the Company		**16,274**	(53,734)
– Non-controlling interests		**12,199**	(5,053)
		28,473	(58,787)
Earnings/(loss) per share			
– Basic, HK cents	*10*	**0.16**	(0.80)
– Diluted, HK cents	*10*	**0.16**	(0.80)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	**30 June 2013 (Unaudited) *HK$'000***	31 December 2012 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**143,494**	142,463
Prepaid lease payments		**20,966**	20,949
Investment properties		**35,081**	34,697
Intangible assets		**289,342**	285,334
Exploration and evaluation assets		**8,581,842**	8,572,971
Available-for-sale investment		**196,072**	196,072
Goodwill		**51,418**	51,418
		9,318,215	9,303,904
Current assets			
Inventories		**200,225**	76,299
Trade receivables	*11*	**477**	–
Prepayments, deposits and other receivables		**394,576**	265,178
Cash and bank balances		**691,018**	634,146
		1,286,296	975,623
Total assets		**10,604,511**	10,279,527
EQUITY			
Capital and reserves			
Share capital		**162,911**	162,911
Reserves		**9,461,917**	9,444,557
Equity attributable to owners of the Company		**9,624,828**	9,607,468
Non-controlling interests		**107,920**	95,256
Total equity		**9,732,748**	9,702,724

	Notes	**30 June 2013 (Unaudited)** ***HK$'000***	31 December 2012 (Audited) *HK$'000*
LIABILITIES			
Current liabilities			
Other payables	*12*	**376,699**	270,788
Tax payable		**4,687**	8,314
Borrowings		**404,320**	212,820
		785,706	491,922
Non-current liability			
Deferred taxation		**86,057**	84,881
Total liabilities		**871,763**	576,803
Total equity and liabilities		**10,604,511**	10,279,527
Net current assets		**500,590**	483,701
Total assets less current liabilities		**9,818,805**	9,787,605

NOTES:

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (the "HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2012 as contained in the Company's annual report 2012 (the "Annual Report 2012"), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRSs").

These unaudited condensed consolidated financial statements are presented in HK dollars ("HK$"), which is the same as the functional currency of the Company. All values are rounded to the nearest thousand, unless otherwise stated. These unaudited condensed consolidated financial statements were approved for issue on 12 August 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial assets and liabilities that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies adopted in the unaudited condensed consolidated financial statements for the period from 1 January 2013 to 30 June 2013 are consistent with those followed in the preparation of the Annual Report 2012 except for the impact of the adoption of the new and revised standards, amendments and interpretations (the "new HKFRSs").

In the current period, the Group has applied, for the first time, a number of the new HKFRSs issued by the HKICPA which are effective for the Group's financial period beginning 1 January 2013. A summary of the new HKFRSs are set out as below:

Amendments to HKFRSs	Annual Improvements 2009–2011 Cycle
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosure – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 & HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities – Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

The application of the above new HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[2]
HKFRS 9 & HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of assessing the potential impact of the above new HKFRSs upon initial application but is not yet in a position to state whether the above new HKFRSs will have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

The Group's operating and reportable segments are as follows:

(a) the supply and procurement operation segment involves trading and distribution of oil related products; and

(b) the oil and gas exploration, exploitation and operation segment involves oil and gas exploration, exploitation and operation. During the six months ended 30 June 2013 and 2012, this segment did not generate any revenue or profit to the Group.

Segments revenue and results

	For the six months ended 30 June					
	Supply and procurement operation		**Oil and gas exploration, exploitation and operation**		**Consolidated**	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:						
Sales to external customers	**8,042,305**	647,302	**–**	–	**8,042,305**	647,302
Segment results	**56,153**	(6,964)	**(1,392)**	(1,725)	**54,761**	(8,689)
Other revenue					**6,205**	1,002
Equity-settled share option expenses					**–**	(97)
Loss on sale of equity interest on available-for-sale investment					**–**	(26,378)
Investment property written off					**–**	(3,901)
Unallocated corporate expenses					**(14,455)**	(11,780)
Profit/(loss) from operating activities					**46,511**	(49,843)
Finance costs					**(9,988)**	(8,517)
Profit/(loss) before taxation					**36,523**	(58,360)
Taxation					**(12,438)**	–
Profit/(loss) for the period					**24,085**	(58,360)

Revenue reported was generated from external customers. There were no inter-segment sales during the six months ended 30 June 2013 and 2012.

Segment results represents the profit earned/(loss incurred) by each segment without allocation of other revenue and corporate expenses including finance costs, equity-settled share option expenses and loss on sale of equity interest on available-for-sale investment and investment property written off. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Segments assets and liabilities

	Supply and procurement operation		Oil and gas exploration, exploitation and operation		Consolidated	
	30 June 2013	31 December 2012	**30 June 2013**	31 December 2012	**30 June 2013**	31 December 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**1,266,122**	931,650	**8,846,106**	8,846,214	**10,112,228**	9,777,864
Unallocated assets					**492,283**	501,663
Total assets					**10,604,511**	10,279,527
Segment liabilities	**854,874**	562,763	**8,795**	7,734	**863,669**	570,497
Unallocated liabilities					**8,094**	6,306
Total liabilities					**871,763**	576,803

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than other corporate financial assets.
- all liabilities are allocated to reportable segments other than other corporate financial liabilities.

4. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant inter-company transactions have been eliminated on consolidation.

An analysis of the Group's turnover and other revenue are as follows:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Turnover		
Trading and distribution of oil related products	**8,042,305**	647,302

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other revenue		
Bank interest income	**4,917**	842
Rental income	**1,236**	159
Others	**52**	1
	6,205	1,002

5. OTHER LOSSES

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss on sale of equity interest on available-for-sale investment	**–**	(26,378)
Investment property written off	**–**	(3,901)
	–	(30,279)

6. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings wholly repayable within five years	**9,988**	5,445
Interest expenses on bills payable	**–**	3,072
	9,988	8,517

7. PROFIT/(LOSS) BEFORE TAXATION

The Group's profit/(loss) before taxation is arrived at after charging:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**7,971,586**	641,931
Depreciation of property, plant and equipment	**2,867**	3,395
Amortisation of prepaid lease payments	**265**	256
Minimum lease payments under operating lease of rented premises	**2,697**	2,252
Loss on disposal of property, plant and equipment	**36**	783
Staff costs (including Directors' remuneration):		
– Salaries and wages	**5,463**	5,194
– Pension scheme contributions	**60**	71
Equity-settled share option expenses	**–**	97

8. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not have assessable profits in Hong Kong for the period (30 June 2012: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current taxation		
Charge for the period – Overseas	**12,438**	–

9. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividends in respect of the six months ended 30 June 2013 (30 June 2012: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company for the purposes of basic and diluted earnings/(loss) per share	**13,200**	(54,116)

The weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share for the six months ended 30 June 2013 was approximately 8,145,573,000 (30 June 2012: 6,761,507,000).

Diluted earnings per share for the six months ended 30 June 2013 was the same as the basic earnings per share. The Company's outstanding share options were not included in the calculation of diluted earnings per share because the effect of the Company's outstanding share options was anti-dilutive.

11. TRADE RECEIVABLES

Trade receivables, which generally have credit terms of 30 days (31 December 2012: 30 days), are recognised and carried at the original invoiced amount less provision for impairment loss. It is the Group's policy to provide full impairment loss for all receivables over 1 year because based on historical experience such receivables are past due beyond 1 year are generally not recoverable. Trade receivables are non-interest-bearing.

Based on past experience, the Directors believe that no impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. There are no trade receivables which are past due at the end of the reporting period but not impaired. The Group does not hold any collateral or other credit enhancements over these balances.

12. OTHER PAYABLES

	30 June 2013 *HK$'000* **(Unaudited)**	31 December 2012 *HK$'000* (Audited)
Deposit received in advance from fuel wholesale customers	**357,661**	250,467
Other payables	**19,038**	20,321
	376,699	270,788

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

Subsequent to the completion of the Company's strategic restructuring as well as Yanchang Petroleum has become the single largest shareholder of the Company in 2012, on one hand the Company actively seeks overseas acquisition opportunity of oil and gas projects, and on the other continues to strengthen the existing businesses of the Group.

During the period under review, the Group entered into a joint venture agreement with Shaanxi Yanchang Zhongli New Energy Co., Limited and Beijing Junkai Management Consultancy Limited (both are connected parties of the Company), to establish a joint venture company (the "JV Company") with a registered capital of RMB50,000,000 in Zhengzhou, Henan Province of the PRC. Pursuant to the joint venture agreement, the equity interests of the JV Company will be owned as to 70% by the Group, and 30% by the other two parties. The JV Company will be primarily engaged in the construction and operation of oil and gas pipelines and depots. The establishment of the JV Company is to cope with the refined oil business in the PRC engaged by the Company's subsidiary, Henan Yanchang Petroleum Sales Co., Limited ("Henan Yanchang"); and also represents an opportunity for the Group to invest in the oil and gas pipeline business. Given Henan Yanchang is mainly engaged in the wholesale, retail, storage and transportation of refined oil in the PRC, the establishment of the JV Company will enable Henan Yanchang to enhance logistics efficiency and lower transportation costs for its refined oil business which together with the dedicated railway of Henan Yanchang will in turn benefit the overall development, management and operation of the Group's refined oil business in the PRC.

During the first half year of 2013, Henan Yanchang had achieved sales target of refined oil over 900,000 tonnes. Henan Yanchang will continue to expand the scale of its refined oil business, improve operating efficiency and profitability in the latter half year of 2013. Through creating synergy with the JV Company, Henan Yanchang will further enhance its refined oil business by strengthening the trading position and enlarging the distribution network in the PRC.

The Oilfield Block 3113 Management Committee had respectively carried out two exploration projects in the Oilfield Block 3113 in Madagascar, namely the non-seismic geophysical exploration and the well-testing of the three wells (namely SKL-2n, BKM-1 and BKM-2), whereas the non-seismic geophysical exploration project covered 3,547 square kilometers had been completed, the results of which indicates a complex abnormal area of several hundred square kilometers, representing the possible presence of oil and gas. Based on the said findings, the Oilfield Block 3113 Management Committee has planned to carry out a total length of 470 kilometers 2D seismic exploration project, so as to collect and process the geological data for further analyzing and understanding of the presence and distribution of oil and gas in the Oilfield Block 3113. Besides, the Company will pick up its pace of exploration work in the Oilfield Block 2104 and will commence the non-seismic geophysical exploration as soon as possible.

With the strong support from Yanchang Petroleum, the Company will serve as a platform for Yanchang Petroleum to expand its overseas business and acquisition. Going forward, the Company will strive to commence international crude and fuel oil trading business, seize the opportunity to acquire already in operation oil and gas projects in politically stable regions, and become a competitive international energy enterprise.

FINANCIAL REVIEW

Turnover and Gross Profit

For the period under review, the Group's operating segments comprised (i) storage, transportation, supply and procurement of oil related products and (ii) oil and gas exploration, exploitation and operation. All the turnover of the Group was derived from trading and distribution of oil related products business in the PRC during the six months ended 30 June 2013.

During the period under review, the Group had achieved sales target of refined oil over 900,000 tonnes and recorded sales of HK$8,042,305,000 which was over 11 times as compared to HK$647,302,000 of the last period. The substantial increase in sales mainly came from the rapid growth of refined oil business in Henan Province of the PRC. Most of the income derived from wholesale business of refined oil, the overall gross profit margin for the period under review remains more or less the same as that of the last period. The refined oil business in Henan contributed a gross profit of HK$70,719,000 to the Group for the period under review, representing an increase of over 12 times as compared to HK$5,371,000 of the last period.

Other Revenue and Losses

Apart from the profit from trading and distribution of oil related products, other revenue of HK$6,205,000 recorded for the period under review mainly represented interest income from bank deposits. Other losses of HK$30,279,000 recorded for the last period which represented mainly the one-off loss on disposal of 19% interests in the industrial development district project in Madagascar held by the Group.

Selling and Distribution Costs

Selling and distribution costs decreased from the last period of HK$1,642,000 to the current period of HK$1,286,000 represented a saving of HK$356,000.

Administrative Expenses

Administrative expenses included Directors' remuneration, staff costs, office rents, depreciation and administrative cost for listing etc. The increase in administrative expenses amounted to HK$4,929,000 was mainly attributable to the significant growth of Henan refined oil business during the period under review.

Equity-settled Share Option Expenses

No equity-settled share option expenses had been recorded as no share options had been granted by the Company during the period under review.

Finance Costs

Finance costs of about HK$9,988,000 were interest expenses incurred for bank borrowings from Henan Yanchang in support of running the refined oil business in the PRC. Despite substantial growth in the refined oil business, interest expenses for the current period had not been significantly increased as compared to HK$8,517,000 of the last period, reflecting improvement in cash flows of the refined oil business.

Taxation

Tax expenses mainly represented the provision for the PRC enterprise income tax on the profit earned from refined oil business of Henan Yanchang during the period.

Profit for the period

The turnaround from a loss of HK$58,360,000 last period to a profit of HK$24,085,000 this period was mainly attributable to the substantial increase in sales of the refined oil business in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

The Group funded its operation mainly by its internal resources together with bank borrowings for the six months ended 30 June 2013.

The Group had outstanding bank borrowings of HK$404,320,000 under Henan Yanchang as at 30 June 2013 (31 December 2012: HK$211,820,000). The Group has obtained bank facilities of RMB950,000,000 (equivalent to approximately HK$1,200,325,000) from banks in the PRC. As at 30 June 2013, the Group had cash and bank balances of HK$691,018,000 (31 December 2012: HK$634,146,000). In view of ample cash on hand together with the available bank facilities, the Group has sufficient working capital to finance its business operation.

As at 30 June 2013, the gearing ratio of the Group, measured on the basis of total liabilities as a percentage of total equity, remained in a low and healthy ratio of 9.0% (31 December 2012: 5.9%). The current ratio of the Group, measured on the basis of current assets as a percentage of current liabilities, increased to 164% as at 30 June 2013 (31 December 2012: 198%) and reflects that the Group has maintained a high level of financial liquidity.

TREASURY MANAGEMENT AND POLICIES

The Group adopts a prudent approach for its cash management and risk control. The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates.

Cash has been generally placed in short-term deposits denominated in Hong Kong dollar, US dollar and Renminbi. The Group has obtained bank facilities and borrowings with a stable interest rate. The Group does not foresee any significant interest rate risks. Since the Group's transactions and investment are mostly denominated in Hong Kong dollar, United Stated dollar and Renminbi, of which the exchange rates are relatively stable, and hence the Group does not anticipate any material foreign exchange exposures and risks.

During the period under review, no hedging transactions related to foreign exchange had been made, proper steps will be taken when the management considers appropriate.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal during the six months ended 30 June 2013.

SIGNIFICANT INVESTMENT

Saved as disclosed in this announcement, the Group had no other significant investment held as at 30 June 2013.

CAPITAL COMMITMENT

As at 30 June 2013, the Group had committed to pay the balances of a sub-pipeline construction fees amounted to HK$1,814,000 (31 December 2012: HK$2,050,000).

On 20 June 2013, the Group entered into the joint venture agreement with two related companies, pursuant to which the Group was committed to contribute RMB35,000,000 as registered capital to establish the joint venture company in the PRC.

Save as the aforesaid, the Group did not have any other material commitments as at 30 June 2013.

PLEDGE OF ASSETS

As at 30 June 2013, none of the Group’s assets had been pledged for granting the bank borrowings (31 December 2012: Nil).

CONTINGENT LIABILITY

As at 30 June 2013, the Group did not have any significant contingent liabilities (31 December 2012: Nil).

LITIGATION

As at 30 June 2013, the Group had no litigation.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, the Group's total number of staff was around 85 (31 December 2012: 70). Salaries of employees are maintained at a competitive level with total staff costs (excluding the equity-settled share-based expenses) for the six months ended 30 June 2013 amounted to HK$5,523,000 (30 June 2012: HK$5,265,000). Remuneration policy is based on principle of equality, motivation, performance and prevailing market practice and remuneration packages are normally reviewed on an annual basis. Other staff benefits including provident fund, medical insurance coverage and share option scheme are offered to employees. No share options were granted to the eligible participants under the Company's share option scheme during the period under review and there were outstanding share options of 12,000,000 shares as at 30 June 2013 (31 December 2012: 12,000,000).

INTERIM DIVIDEND

The Board resolved not to declare the payment of interim dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieve a high standard of corporate governance practices and procedures with a view to enhance the management of the Company as well as to safeguard the interests of the shareholders as a whole in terms of transparency, independence, accountability, responsibilities and fairness. The Board will review and improve the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective Board to optimise return for the shareholders.

In the opinion of the Board, the Company had complied with the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules during the six months period ended 30 June 2013, except for the following deviations:

1. code provision A.4.1 of the CG Code provides that the non-executive directors should be appointed for a specific term. Mr. Ng Wing Ka, an independent non-executive Director, was not appointed for a specific term but he is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

2. code provision A.4.2 of the CG Code provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In accordance with the Bye-laws of the Company, any Director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting ("AGM") of the Company and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancy seldom happens and duration between appointment to fill casual vacancy and the immediate following AGM of the Company is generally less than one year and is considered to be short.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code regarding its Directors' securities transactions on the Company's shares.

Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standards as set out in the Model Code as their code of conduct regarding Directors' securities transactions with the Company throughout the six months ended 30 June 2013.

AUDIT COMMITTEE

The Audit Committee currently comprises the three independent non-executive Directors, namely Mr. Leung Ting Yuk, Mr. Ng Wing Ka and Mr. Sun Liming. Mr. Leung Ting Yuk is the chairman of the Audit Committee. The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management the internal control and financial reporting matters. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2013.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement for the period ended 30 June 2013 is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.yanchangpetroleum.com). The Company's interim report for 2013 will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
Yanchang Petroleum International Limited
Zhang Kaiyong
Chairman

Hong Kong, 12 August 2013

Executive Directors:
Mr. Zhang Kaiyong *(Chairman)*
Mr. Ren Yansheng *(Chief Executive Officer)*
Mr. Hui Bo *(Vice President)*
Mr. Shen Hao
Mr. Feng Da Wei
Mr. Yang Jie
Mr. To Kwan

Independent Non-Executive Directors:
Mr. Ng Wing Ka
Mr. Leung Ting Yuk
Mr. Sun Liming
Dr. Mu Guodong