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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The board (the "Board") of directors (the "Director(s)") of Yanchang Petroleum International Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
Turnover	*4*	**19,354,899**	7,572,880
Cost of sales		**(19,202,100)**	(7,530,644)
Gross profit		**152,799**	42,236
Other revenue	*4*	**16,365**	4,790
Other gains and losses	*5*	**1,226**	(52,003)
Selling and distribution costs		**(2,171)**	(2,787)
Administrative expenses		**(68,103)**	(51,511)
Equity-settled share option expenses		**–**	(183)
Profit/(loss) from operating activities	*6*	**100,116**	(59,458)
Finance costs	*7*	**(22,008)**	(16,010)
Profit/(loss) before taxation		**78,108**	(75,468)
Taxation	*8*	**(25,274)**	(1,785)
Profit/(loss) for the year		**52,834**	(77,253)

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**9,630**	1,562
Items that will not be reclassified to profit or loss:			
Gain arising from revaluation of property, plant and equipment before reclassification to investment properties		**–**	370
Other comprehensive income for the year, net of tax		**9,630**	1,932
Total comprehensive income/(loss) for the year, net of tax		**62,464**	(75,321)
Profit/(loss) attributable to:			
Owners of the Company		**30,920**	(77,656)
Non-controlling interests		**21,914**	403
		52,834	(77,253)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**37,667**	(76,840)
Non-controlling interests		**24,797**	1,519
		62,464	(75,321)
Earnings/(loss) per share attributable to owners of the Company	*10*		
Basic, HK cents		**0.38**	(1.13)
Diluted, HK cents		**0.38**	(1.13)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**171,102**	142,463
Prepaid lease payments		**20,962**	20,949
Investment properties		**29,099**	34,697
Intangible assets		**293,120**	285,334
Exploration and evaluation assets	*11*	**8,584,612**	8,572,971
Available-for-sale investment		**196,072**	196,072
Goodwill		**51,418**	51,418
		9,346,385	9,303,904
Current assets			
Inventories		**28,106**	76,299
Prepayments, deposits and other receivables		**130,790**	265,178
Cash and bank balances		**848,460**	634,146
		1,007,356	975,623
Total assets		**10,353,741**	10,279,527
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**162,911**	162,911
Reserves		**9,483,765**	9,444,557
Equity attributable to owners of the Company		**9,646,676**	9,607,468
Non-controlling interests		**139,674**	95,256
Total equity		**9,786,350**	9,702,724
LIABILITIES			
Current liabilities			
Trade and other payables	*12*	**153,197**	270,788
Tax payable		**8,634**	8,314
Borrowings		**320,000**	212,820
		481,831	491,922
Non-current liability			
Deferred taxation		**85,560**	84,881
Total liabilities		**567,391**	576,803
Total equity and liabilities		**10,353,741**	10,279,527
Net current assets		**525,525**	483,701
Total assets less current liabilities		**9,871,910**	9,787,605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA which are effective for the Group's financial period beginning 1 January 2013, except for the amendments to HKAS 36 which are mandatory for annual periods beginning on or after 1 January 2014. 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
HKAS 36 (Amendments)	Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets
HK(IFRIC)–Int 20	Stripping Costs in the Production Phase of a Surface Mine

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the statement of comprehensive income is renamed as the statement of profit or loss and other comprehensive income and the income statement is renamed as the statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKAS 36 *Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets*

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

HKFRS 13 ***Fair Value Measurement***

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Except for the above, 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.

Amendments to HKFRSs	Annual Improvements 2010–2012 Cycle[5]
Amendments to HKFRSs	Annual Improvements 2011–2013 Cycle[2]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[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 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The Group is in the process of assessing the potential impact of the above new HKFRSs upon initial application but is not yet in the position to state whether the above new HKFRSs will have a significant impact on the Group's result 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. For the year ended 31 December 2013 and 2012, this segment did not generate any revenue or profit to the Group.

Segment revenue and results

	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*
Segment revenue						
Sales to external customers	**19,354,899**	7,572,880	**–**	–	**19,354,899**	7,572,880
Segment results	**121,144**	20,330	**(2,936)**	(3,945)	**118,208**	16,385
Other revenue					**16,365**	4,790
Equity-settled share option expenses					**–**	(183)
Gain on derecognition of a subsidiary					**–**	14,809
Loss on sale of equity interest on available-for-sale investment					**–**	(26,378)
Investment property written off					**–**	(3,105)
Fair value change on investment properties					**(6,331)**	(2,879)
Impairment of intangible assets					**–**	(34,450)
Unallocated corporate expenses					**(28,126)**	(28,447)
Profit/(loss) from operating activities					**100,116**	(59,458)
Finance costs					**(22,008)**	(16,010)
Profit/(loss) before taxation					**78,108**	(75,468)
Taxation					**(25,274)**	(1,785)
Profit/(loss) for the year					**52,834**	(77,253)

Revenue reported was generated from external customers. There were no inter-segment sales for the year (2012: Nil).

Segment results represent the profit earned/(loss incurred) by each segment without allocation of other revenue, corporate expenses, finance costs and fair value change on investment properties. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

	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*
Segment assets	**997,577**	931,650	**8,846,414**	8,846,214	**9,843,991**	9,777,864
Unallocated assets					**509,750**	501,663
Total assets					**10,353,741**	10,279,527
Segment liabilities	**544,207**	562,763	**9,945**	7,734	**554,152**	570,497
Unallocated liabilities					**13,239**	6,306
Total liabilities					**567,391**	576,803

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

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

Other segment information

	Supply and procurement operation		Oil and gas exploration, exploitation and operation		Unallocated		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Depreciation	**5,386**	5,115	**176**	1,503	**273**	407	**5,835**	7,025
Amortisation	**515**	502	**20**	20	**–**	–	**535**	522
Additions to non-current assets*	**30,738**	5,812	**11,641**	26,938	**31**	28	**42,410**	32,778

* The amount represents additions to property, plant and equipment and exploration and evaluation assets for the year.

Revenue from major products and services

The Group's revenue from its major products and services were from trading and distribution of oil related products.

Geographical information

The Group operates in three principal geographical areas – the PRC, Hong Kong and Madagascar.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**19,354,899**	7,572,880	**556,656**	525,617
Hong Kong	**–**	–	**176**	581
Madagascar	**–**	–	**8,789,553**	8,777,706
	19,354,899	7,572,880	**9,346,385**	9,303,904

Information about major customer

Included in revenue arising from trading and distribution of oil related products of approximately HK$19,354,899,000 (2012: HK$7,572,880,000) are revenue of approximately HK$15,773,213,000 (2012: HK$5,155,008,000) which arose from two (2012: one) customers of the Group which contributed 10% or more to the Group's revenue for the year.

Revenue from major customers, each of them amounted to 10% or more of the Group's revenue, are set out below:

	2013	2012
	HK$'000	*HK$'000*
Customer A	**10,821,510**	5,155,008
Customer B	**4,951,703**	–

4. TURNOVER AND OTHER REVENUE

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

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

	2013	2012
	HK$'000	*HK$'000*
Turnover		
Trading and distribution of oil related products	**19,354,899**	7,572,880
Other revenue		
Bank interest income	**13,794**	2,579
Rental income	**2,571**	2,210
Others	**–**	1
	16,365	4,790

5. OTHER GAINS AND LOSSES

	2013	2012
	HK$'000	*HK$'000*
Net foreign exchange gain	**7,557**	–
Gain on derecognition of a subsidiary	**–**	14,809
Fair value change on investment properties	**(6,331)**	(2,879)
Impairment loss of intangible assets	**–**	(34,450)
Loss on sale of equity interest on available-for-sale investment	**–**	(26,378)
Investment property written off	**–**	(3,105)
	1,226	(52,003)

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging:

	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold	**19,202,100**	7,530,644
Auditors' remuneration	**1,000**	1,000
Depreciation of property, plant and equipment	**5,835**	7,025
Amortisation of prepaid lease payments	**535**	522
Minimum lease payments under operating leases of rented premises	**5,469**	5,095
Loss on disposal of property, plant and equipment	**198**	983
Staff costs (including Directors' remuneration)		
– Salaries and wages	**11,597**	11,494
– Pension scheme contributions	**127**	121
Equity-settled share option expenses	**–**	183

7. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest expenses on bank borrowings wholly repayable within five years	**22,008**	16,010

8. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits in Hong Kong for the year (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.

	2013	2012
	HK$'000	*HK$'000*
Current taxation		
Charge for the year – Overseas	**26,876**	3,357
Deferred taxation		
Credit for the year	**(1,602)**	(1,572)
Total tax charged for the year	**25,274**	1,785

9. DIVIDENDS

The Directors do not recommend payment of any dividends for the year (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:

	2013	2012
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to the owners of the Company for the purpose of basic and diluted earnings/(loss) per share	**30,920**	(77,656)

	2013	2012
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**8,145,573**	6,857,048

There were no dilutive potential ordinary shares in existence during the year ended 31 December 2013 as all share options were being expired and forfeited and therefore the diluted earnings per share are the same as the basic earnings per share.

During the year ended 31 December 2012, the Company's outstanding share options was not included in the calculation of diluted loss per share because the effect of the Company's outstanding share options was anti-dilutive and therefore the diluted loss per share are the same as the basic loss per share.

11. EXPLORATION AND EVALUATION ASSETS

	HK$'000
Cost	
At 1 January 2012	12,303,734
Additions arising from jointly controlled operation	26,296
At 31 December 2012 and 1 January 2013	12,330,030
Additions arising from jointly controlled operation	11,641
At 31 December 2013	12,341,671
Impairment	
At 1 January 2012, 31 December 2012 and 1 January 2013 and 31 December 2013	3,757,059
Carrying amount	
At 31 December 2013	**8,584,612**
At 31 December 2012	8,572,971

Notes:

a. The exploration and evaluation assets represent (i) the oil and gas exploration, exploitation and operations rights and profit sharing rights (the "Exploration Rights") at the Oilfield Block 2104 and the Oilfield Block 3113 in Madagascar, onshore sites for oil and gas exploration, exploitation and operation; and (ii) expenditure paid for provision of services on activities relating to evaluation of the technical feasibility and commercial viability of extracting oil and gas in the Oilfield Block 2104 and the Oilfield Block 3113.

b. The Group entered into an investment and co-operation agreement with Shaanxi Yanchang Petroleum (Group) Co., Limited ("Yanchang Petroleum Group"), the ultimate holding company of the Company, and ECO Energy (International) Investments Limited ("ECO") on exploration, exploitation and operation in the Oilfield Block 3113. Pursuant to the investment and co-operation agreement, the capital investment of the Oilfield Block 3113 shall be contributed by the Group, Yanchang Petroleum Group and ECO.

c. The Group has adopted HKFRS 6 *Exploration for and Evaluation of Mineral Resources* and HKAS 36 *Impairment of Assets* which require the Group to assess any impairment at each reporting date. The Directors are of the opinion that no further impairment of exploration and evaluation assets was required for the year ended 31 December 2013 and 2012.

d. The Group is required to assess at each reporting date any indicator that a previously recognised impairment loss no longer exists or has decreased. If there is such an indication, management should estimate the recoverable amount and determine whether any impairment reversal is appropriate.

e. The Directors are of the opinion that the current oil price movements do not result in impairment or a reversal of impairment for the long-life Exploration Rights in the Oilfield Block 2104 and the Oilfield Block 3113.

12. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**23**	–
Deposit received in advance from fuel wholesale customers	**125,616**	250,467
Other payables	**27,558**	20,321
	153,197	270,788

An aged analysis of the trade payables at the end of the reporting period, based on invoice date, is as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**23**	–

As at 31 December 2013 and 2012, the trade payables are non-interest bearing and have an average credit period on purchases of one to three months.

BUSINESS REVIEW

In-production Oil and Gas Business

On 3 September 2013, the Company entered into an arrangement agreement with Novus Energy Inc. ("Novus"), a company incorporated in Canada, to acquire all the issued shares of Novus pursuant to a plan of arrangement. The acquisition of Novus was completed on 20 January 2014 (local time in Calgary, Canada) and Novus was delisted thereafter from TSX Venture Exchange in Canada and has then become a wholly owned subsidiary of the Company.

As at 31 December 2013, the Proved plus Probable (2P) Reserves of Novus was 21.75 million barrels of oil equivalent ("BOE") as evaluated by Sproule Associates Limited, a technical consultant. As a result of the efforts made by the existing management of Novus, the daily average production of Novus increased from merely 300 BOE in 2009 to 3059 BOE in 2012 and approximately 4000 BOE in 2013.

In 2014, Novus plans to drill 89 wells with capital expenditure of Canadian dollars 81.73 million, and targets to achieve at least 20% growth in the daily average production.

The management team of Novus has extensive knowledge on oil and gas market in Canada, in particular Viking oil field market, which will benefit the Company's further acquisition of oil and gas assets. Novus is planned to serve as a platform for the Company to continue to expand Viking oil field through acquisition of land and assets.

Refined Oil Trading Business

Trading volume of Henan Yanchang Petroleum Sales Co., Limited ("Henan Yanchang") hit a record in 2013 with profit target met successfully. As at 31 December 2013, Henan Yanchang achieved sales volume of refined oil of 2.2 million tonnes with sales revenue of RMB15.2 billion and profit before taxation of RMB77.13 million, exceeding the operation and profit targets in 2013.

As the previous three-year refined oil agreement expired at the end of 2013, the entering of new refined oil agreement was approved at a special general meeting held on 27 February 2014, the annual caps for the supply of refined oil by Yanchang Petroleum Group for the three years ending 31 December 2016 were RMB18 billion. With stable and sufficient supply, Henan Yanchang will continue to conduct its refined oil business in the PRC in 2014 on a scale not less than that in 2013.

The investment of Henan pipeline construction project is approximately RMB108 million, the Xingang sub-pipeline has been almost completed and is being commissioned for inspection and acceptance. In 2013, construction of main body of valve chamber for Xingang sub-pipeline and Beijing-Guangzhou railway culverts has been completed. Under the construction plan, equipment and electric instruments have to be installed for departure station, terminal station and valve chamber in the first quarter of 2014; commission, inspection and acceptance have to be conducted in April and May 2014. In order to facilitate the operation of pipeline business, a pipeline company has been set up by Henan Yanchang in 2013. The Company acquired 70% equity interests in the pipeline company by contributing capital of RMB35 million.

In addition, communications with local government, China National Petroleum Corporation and the relevant authorities responsible for Lanzhou-Zhengzhou-Changsha oil pipeline have been conducted to accelerate the works of the pipeline project at later stage. Meanwhile, Henan Yanchang has been building up a customer base for pipeline business with an aim to come into operation in 2014, thereby increasing the efficiency of the Group.

Exploration Works

On 4 October 2013, the Company entered into a supplemental agreement with Office Des Mines Nationales Et Des Industries Stratégiques ("OMNIS") for extension of exploration period for further two years for the Oilfield Blocks 3113 and 2104. For the seismic exploration projects to be launched by the Company, OMNIS had issued the construction license for 2D seismic preparation on the Oilfield Blocks 3113 and 2104 on 25 November 2013.

The Company plans to complete the tenders to collect and process the geological data for 2D seismic exploration project covered 197 kilometers on the Oilfield Block 2104 by the first quarter of 2014, and to commence the construction after the end of raining season of Madagascar at the end of April 2014. Data collection is expected to complete in the third quarter of 2014 and data processing and findings will be done by the end of 2014. Furthermore, a 2D seismic data collection on the Oilfield Block 3113 covered 470 kilometers is planned to commence in 2014.

PROSPECTS

2014 is the first year for Yanchang Petroleum Group to become an absolute-controlling shareholder of the Company, as well as the first year subsequent to the acquisition of Novus. The Company will follow the guidelines of the strategies of Yanchang Petroleum Group. With strong support from Yanchang Petroleum Group, strict management will be exerted in Novus for achieving the 2014 budget. In addition, steady progress on the 2D seismic exploration projects of the oilfield blocks in Madagascar will be made. We will step up efforts to put Henan pipeline project into operation, and continue to acquire in-production oil and gas projects overseas so as to elevate the gas and oil production volume of the Group to a new level.

FINANCIAL REVIEW

Highlights on Financial Results

	2013	2012	Change in
	HK$'000	*HK$'000*	%
Turnover	**19,354,899**	7,572,880	156%
Gross profit	**152,799**	42,236	262%
Gross profit margin	***0.8%***	*0.6%*	
Other revenue, gains and losses	**17,591**	(47,213)	N/A
Selling and distribution costs	**(2,171)**	(2,787)	(22%)
Administrative expenses	**(68,103)**	(51,511)	32%
Equity-settled share option expenses	**–**	(183)	(100%)
Finance costs	**(22,008)**	(16,010)	38%
Taxation	**(25,274)**	(1,785)	1316%
Profit/(loss) for the year	**52,834**	(77,253)	N/A
Basic earnings/(loss) per share, HK cents	**0.38**	(1.13)	N/A

Turnover and Gross Profit

For the year 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 for year ended 31 December 2013.

The Group recorded sales of HK$19,354,899,000 for the year under review which increased by more than 1.5 times as compared to HK$7,572,880,000 for the year ended 31 December 2012. The increase mainly came from the significant growth of refined oil business in Henan Province of the PRC. The overall gross profit margin for refined oil slightly increased from the last year of 0.6% to the current year of 0.8%. Henan refined oil business contributed gross profit of HK$152,799,000 for the year under review, an increase of more than 2.6 times as compared to HK$42,236,000 of the last year.

Other revenue, gains and losses

In addition to the profit from trading and distribution of refined oil, there were other revenue and gains of HK$17,591,000 recorded for the year under review as compared to net loss of HK$47,213,000 in the last year. Other revenue, gains and losses mainly represented (i) interest income of HK$13,794,000 from Renminbi fixed term deposit; (ii) the exchange gain of HK$7,557,000; (iii) rental income from Henan properties of HK$2,571,000 and (iv) the fair value loss of HK$6,721,000 on the investment properties in Henan.

Selling and distribution costs

Selling and distribution costs reduced from the last year of HK$2,787,000 to the current year of HK$2,171,000 mainly due to the saving on transportation costs.

Administrative expenses

Administrative expenses included Directors' remuneration, staff costs, office rents, depreciation, administrative costs for listing, professional fees and etc. The increase in administrative expenses amounted to HK$16,592,000 for the year under review was mainly attributable to the transaction costs (including lawyer, technical consultant, accountant and other professional fees) incurred in 2013 for the acquisition of Novus.

Equity-settled share option expenses

As no share options had been granted during the year, there was no equity-settled share option expenses incurred for the year under review.

Finance costs

Finance costs of HK$22,008,000 were interest expenses incurred for bank borrowings from Henan Yanchang for running the refined oil business in the PRC. There was an increase of HK$5,998,000 as compared to the last year, which was the result of coping with the growth and development of the refined oil business.

Taxation

Tax expenses of HK$25,274,000 mainly represented the provision for the PRC enterprise income tax on the profit earned from refined oil business of Henan Yanchang during the year and the increase was due to the growth of the business.

Profit/(loss) for the year

With significant growth in sales during the year, the Group recorded a profit of HK$52,834,000 as compared to a loss of HK77,253,000 of last year. The turnaround from a loss to a profit demonstrated a satisfactory upward trend of refined oil business in the PRC. The basic earnings per share was HK$0.38 cents as compared to the last year of a loss per share of HK$1.13 cents.

Highlights on Financial Position

	2013	2012	Change in
	HK$'000	*HK$'000*	%
Property, plant and equipment	**171,102**	142,463	20%
Prepaid lease payments	**20,962**	20,949	0.1%
Investment properties	**29,099**	34,697	(16%)
Intangible assets	**293,120**	285,334	3%
Exploration and evaluation assets	**8,584,612**	8,572,971	0.1%
Available-for-sale investment	**196,072**	196,072	–
Goodwill	**51,418**	51,418	–
Inventories	**28,106**	76,299	(63%)
Prepayments, deposits and other receivables	**130,790**	265,178	(51%)
Cash and bank balances	**848,460**	634,146	34%
Trade and other payables	**153,197**	270,788	(43%)
Borrowings	**320,000**	212,820	50%

Property, plant and equipment

Property, plant and equipment consisted of buildings, furniture, fixtures and equipment, plant and machineries, motor vehicles and construction-in-progress. The increase of 20% for the year was mainly attributable to the costs incurred for pipeline construction work in Henan. There was no other material acquisition or disposal of property, plant and equipment during the year ended 31 December 2013.

Prepaid lease payments

Prepaid lease payments represented the leasehold lands in Madagascar and the PRC owned by the Group. The slight increase in the amount was due to the fluctuation in exchange rate during the year.

Investment properties

Investment properties comprised (i) gas stations and properties in the PRC owned by Henan Yanchang either leased out in return of receiving rental income or hold for capital appreciation; and (ii) a land hold for capital appreciation in Madagascar. The amount of investment properties decreased by HK$5,598,000 was mainly attributable to the fair value loss of the gas stations in the PRC.

Intangible assets

Intangible assets amounted to HK$293,120,000 as at 31 December 2013 represented the valuation and recognition of a supply agreement signed with Yanchang Petroleum Group which enables Henan Yanchang to have stable and sufficient supply of refined oil in the PRC. The increase of HK7,786,000 was due to the fluctuation in exchange rate during the year.

Exploration and evaluation assets

Exploration and evaluation assets represented the valuation of the Group's investment in the Oilfield Blocks 2104 and 3113 in Madagascar. The addition of HK$11,641,000 represented non-seismic geophysical exploration and well test costs put into the Oilfield Block 3113 through the Oilfield Block 3113 joint management committee ("3113 Joint Management Committee") during the year.

Available-for-sale investment

Available-for-sale investment represented the 21% equity interests in Gold Grand held by the Group, a company has a freehold land in Madagascar and also has the right to engage in the development of industrial park as well as provision of processing, production and sales of relevant energy and utilities businesses in Madagascar.

Goodwill

Resulting from the acquisition of 70% interests in Henan Yanchang in 2011, a goodwill of HK$51,418,000 arising on consolidation was recorded. Since no impairment subsequent to the acquisition had been made during the year, the amount of such goodwill remained the same as at 31 December 2012.

Inventories

Inventories represented refined oil held in oil storage tanks of Henan Yanchang in the PRC as at 31 December 2013.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables mainly represented prepayments made for the purchase of refined oil by Henan Yanchang for its refined oil business and funds deposited in the 3113 Joint Management Committee for the development of the Oilfield Block 3113. Prepayments, deposits and other receivables reduced by HK$134,388,000 was mainly due to the decrease of prepayments made for the purchase of refined oil as at year end in Henan Yanchang.

Cash and bank balances

As at 31 December 2013, cash and bank balances increased by HK$214,314,000 as compared to the last year to HK$848,460,000.

Trade and other payables

Trade and other payables reduced by HK$117,591,000 was mainly due to the decrease in receipt-in-advance made by Henan Yanchang's customers of refined oil as at year end.

Borrowings

There was an increase in bank loans drawdown by Henan Yanchang to finance its significant refined oil business growth in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

The Group funded its operation mainly by bank borrowings together with its internal resources for the year ended 31 December 2013.

	2013	2012
	HK$'000	HK$'000
Current assets	**1,007,356**	975,623
Total assets	**10,353,741**	10,279,527
Current liabilities	**481,831**	491,922
Total liabilities	**567,391**	576,803
Total equity	**9,786,350**	9,702,724
Gearing ratio	**5.8%**	5.9%
Current ratio	**209%**	198%

The Group had outstanding bank borrowings of HK$320,000,000 under Henan Yanchang as at 31 December 2013 (31 December 2012: HK$211,820,000). The Group has obtained bank facilities of RMB1,550,000,000 (equivalent to approximately HK$1,984,000,000) from banks in the PRC. As at the year end, the Group had cash and bank balances of HK$848,460,000 (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.

Measured on the basis of total liabilities as a percentage of total equity, the gearing ratio of the Group stated more or less the same as that of the last year and remained in a low and healthy level of 5.8% as at 31 December 2013 (31 December 2012: 5.9%). The current ratio of the Group stood at 209% as at 31 December 2013 (31 December 2012: 198%), measured on the basis of current assets as a percentage of current liabilities, reflected the Group maintained a robust financial position and a high level of financial liquidity.

TREASURY MANAGEMENT AND POLICES

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 stable interest rates. The Group does not foresee any significant interest rate risks. Since the Group's transactions and investment are mostly denominated in Hong Kong dollar, US dollar and Renminbi, the Group does not anticipate any material foreign exchange exposures and risks.

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

MATERIAL ACQUISITIONS AND DISPOSALS

On 3 September 2013, the Group entered into an arrangement agreement with Novus to acquire all the issued shares of Novus pursuant to a plan of arrangement under the Business Corporations Act (Alberta) of Canada. The aggregate consideration of the acquisition was approximately Canadian dollars 232 million (approximately HK$1.72 billion), which would be fully satisfied by cash. In order to finance the acquisition, the Group entered into a subscription agreement with Yanchang Petroleum Group (Hong Kong) Limited ("Yanchang Petroleum HK"), a wholly owned subsidiary of Yanchang Petroleum Group, on 28 August 2013 to issue the convertible bond in the principal amount of HK$1.6 billion payable in cash at a conversion price of HK$0.4 per conversion share.

The subscription of convertible bond was completed on 7 January 2014 and the proceeds from the issuance of convertible bond had been used to finance part of the consideration for the acquisition. The acquisition of Novus was successfully completed on 20 January 2014 (local time in Calgary, Canada), and Novus was delisted thereafter from TSX Venture Exchange in Canada and has then become a wholly owned subsidiary of the Company.

Subsequent to the acquisition of Novus, on 27 January 2014, the whole principal amount of HK$1.6 billion were fully converted by Yanchang Petroleum HK into 4,000,000,000 shares of the Company at the conversion price of HK$0.4 each.

Save as the aforesaid, the Group had no other material acquisitions and disposals for the year ended 31 December 2013.

SIGNIFICANT INVESTMENTS

Save as holding 21% equity interests in Gold Grand, the Group did not hold any significant investments during the year ended 31 December 2013.

CAPTIAL COMMITMENT

As at 31 December 2013, the Group had committed to pay the balances of a pipeline construction costs amounted to HK$79,344,000 (31 December 2012: HK$2,050,000).

Save as the aforesaid, the Group did not have any other material commitments as at 31 December 2013.

PLEDGE OF ASSETS

As at 31 December 2013, none of the Group's assets had been pledged for obtaining the bank borrowings from the banks in the PRC (31 December 2012: Nil).

CONTINGENT LIABILITY

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

LITIGATION

As at 31 December 2013, the Group had no litigation.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group's total number of staff was around 90 (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 year ended 31 December 2013 amounted to HK$11,724,000 (2012: HK$11,615,000). 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 the employees. During the year, no share options were granted to the eligible participants under the Company's share option scheme and all outstanding share options were lapsed as at 31 December 2013 (31 December 2012: 12,000,000).

DIVIDENDS

The Board does not recommend the payment of any dividends for the year ended 31 December 2013 (31 December 2012: Nil).

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 year ended 31 December 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 less than one year and is considered to be short.

3. code provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. One of the independent non-executive Directors, Dr. Mu Guodong was unable to attend the special general meeting of the Company held on 23 December 2013 due to other ad hoc engagements.

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 year ended 31 December 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 results of the Group for the year ended 31 December 2013.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement for the year ended 31 December 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 annual report for 2013 will be despatched to the shareholders of the Company and available on the above websites in due course.

ANNUAL GENERAL MEETING

The 2014 AGM of the Company will be held on Thursday, 22 May 2014 and the notice of the 2014 AGM of the Company will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 20 May 2014 to 22 May 2014 (both days inclusive), during which period, no transfer of share(s) will be registered. In order to qualify for attending the AGM of the Company to be held on 22 May 2014, all share transfers, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration, not later than 4:00 p.m. on 19 May 2014.

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

Hong Kong, 28 March 2014

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

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