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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)

CONNECTED TRANSACTION SUPPLEMENTAL LOAN AGREEMENT

SUPPLEMENTAL LOAN AGREEMENT

References are made to the announcement of the Company dated 30 June 2021 and the circular of the Company dated 29 July 2021 in relation to, among others, the Loan Agreement. On 3 September 2021, the Company drew down the loan amount of US\$22,000,000, which is repayable in three years from the utilisation date pursuant to the Loan Agreement, being 2 September 2024.

On 8 August 2024 (after trading hours), the Company (as the Borrower) entered into the Supplemental Loan Agreement with Yanchang Petroleum HK (as the Lender), pursuant to which Yanchang Petroleum HK conditionally agreed to renew the Loan for a term of three years and the Loan is secured by the Share Charge.

IMPLICATION UNDER THE LISTING RULES

As the highest of applicable percentage ratio in respect of the amount of the Loan exceeds 5% and the Loan exceeds HK\$10,000,000, the Supplemental Loan Agreement is subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Ms. Wang Haining is both the Director and the supervisor of the Finance Center and deputy secretary of the Party Committee of Yanchang Petroleum Group, and for good corporate governance, she had voluntarily abstained from voting on the relevant resolutions at the Board meeting. Save for the above, none of the other Directors had any material interest in the Supplemental Loan Agreement and the transaction and matters contemplated thereunder, and therefore should abstain from voting on the relevant resolutions at the Board meeting.

As at the date of this announcement, Yanchang Petroleum HK is the Controlling Shareholder holding 634,310,161 Shares, representing approximately 57.66% of the existing issued share capital of the Company. As such, Yanchang Petroleum HK is a connected person of the Company as defined under the Listing Rules and hence the transaction contemplated under the Supplemental Loan Agreement will constitute connected transaction of the Company under Chapter 14A of the Listing Rules. Yanchang Petroleum HK together with its associates will abstain from voting at the SGM.

As Yanchang Petroleum HK is directly and wholly owned by Yanchang Petroleum Group, Yanchang Petroleum Group and its associates shall abstain from voting in favour of the Supplemental Loan Agreement and the transaction and matters contemplated thereunder at the SGM. Save for Yanchang Petroleum Group and its associates, to the best knowledge, information and belief of the Directors, no other Shareholders or any of their respective associates have a material interest in the Supplemental Loan Agreement and the transaction and matters contemplated thereunder, and accordingly are required to abstain from voting at the SGM.

SGM

A circular and a notice of the SGM containing details of the resolutions to be proposed at the SGM will be despatched to the shareholders of the Company in due course.

INTRODUCTION

References are made to the announcement of the Company dated 30 June 2021 and the circular of the Company dated 29 July 2021 in relation to, among others, the Loan Agreement. On 3 September 2021, the Company drew down the loan amount of US\$22,000,000, which is repayable in three years from the utilisation date pursuant to the Loan Agreement, being 2 September 2024.

On 8 August 2024 (after trading hours), the Company (as the Borrower) entered into the Supplemental Loan Agreement with Yanchang Petroleum HK (as the Lender), pursuant to which Yanchang Petroleum HK conditionally agreed to renew the Loan for a term of three years and the Loan is secured by the Share Charge.

THE SUPPLEMENTAL LOAN AGREEMENT

The principal terms of the Supplemental Loan Agreement are summarised as follows:

Date:	8 August 2024 (after trading hours)
Parties:	(1) the Company (as the Borrower); and (2) Yanchang Petroleum HK (as the Lender)
Principal amount:	US\$22,000,000 (equivalent to approximately HK\$171,820,000)
Interest rate:	5.2% per annum, which shall be payable every three months from the Renewal Request Date, representing US\$286,000 (equivalent to approximately HK\$2,233,660) for every three months. If any interest payment date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next Business Day in that calendar month (if any).
Term:	Commencing from the Renewal Request Date and expiring on the third anniversary of the Renewal Request Date.
Principal conditions precedent:	Completion of the Supplemental Loan Agreement is subject to, among others, the Company having obtained all necessary approvals in relation to the Supplemental Loan Agreement and the transaction contemplated under the Listing Rules, including but not limited to, obtaining approvals from the Independent Shareholders at the SGM.
Repayment arrangement:	The principal of the Loan shall be repaid in full by the maturity.
Early repayment:	The Borrower can repay all of the Loan that have been drawn but not yet repaid at any time before the planned repayment dates set out in the repayment schedule, provided that the Borrower shall provide a notice of no less than 7 Business Days in advance to the Lender and obtain the written consent of the Lender.

Default: If the Borrower fails to repay the principal and accrued interests of the Loan or commits any of the default events as specified under the Supplemental Loan Agreement, the Lender shall have the right to declare the Loan, the interests due, and any amounts to be paid under the Supplemental Loan Agreement to be immediately payable or exercise all or any of the rights or compensation under the Supplemental Loan Agreement.

Security: The Loan is secured by the Share Charge as described under the paragraph headed “Share Charge” as below in this announcement.

SHARE CHARGE

The Loan is secured by 70% of the issued share capital of Henan Yanchang indirectly held by the Borrower under the Share Charge Deed pursuant to which the Borrower agreed to provide a guarantee in favour of the Lender that the Borrower shall procure on the best effort basis the carrying valuation of Henan Yanchang will be not less than US\$31,430,000. In case of breach the such carrying valuation guaranteed, the Borrower and the Lender can negotiate to take remedies within 30 days and the Borrower shall not be deemed to have breached the Share Charge Deed after taking up the remedies.

Forever Peace Investment is an investment holding company indirectly wholly owned by the Company incorporated in Hong Kong which holds 70% of the issued shares of Henan Yanchang. Henan Yanchang is principally engaged in wholesale, retail, storage and distribution of refined oil.

INFORMATION ON THE PARTIES TO THE SUPPLEMENTAL LOAN AGREEMENT

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

Yanchang Petroleum HK is a company incorporated in Hong Kong with limited liability which is directly wholly owned by Yanchang Petroleum Group. As at the date of this announcement, Yanchang Petroleum HK is the Controlling Shareholder holding 634,310,161 Shares, representing approximately 57.66% of the issued share capital of the Company. Accordingly, the Yanchang Petroleum HK is a connected person of the Company.

The principal activities of Yanchang Petroleum HK are investment holding and trading of crude oil.

The principal activities of Yanchang Petroleum Group include oil and gas exploration, engineering construction, technical research and development, equipment manufacturing, oil and gas development, petrochemical engineering, oil refining, comprehensive chemical engineering of oil, gas, coal, and salt, and pipeline transport.

REASONS FOR AND BENEFITS OF ENTERING INTO SUPPLEMENTAL LOAN AGREEMENT

As at the date of this announcement, the outstanding principal amount drawn down under the Loan Agreement is US\$22,000,000 (equivalent to approximately HK\$171,820,000), and the Company is required to repay all outstanding amount on or prior to 2 September 2024.

According to the annual report of the Company for the twelve months ended 31 December 2023 (the “**2023 Annual Report**”), the cash and bank balances of the Group amounted to approximately HK\$226.2 million as at 31 December 2023, which includes amounts in RMB equivalent to approximately HK\$118.5 million and was maintained in the subsidiaries of the Group in the PRC for their daily operation. As such, it is not expected that the Company would have sufficient internal resources to repay the outstanding principal amount of US\$22,000,000 drawn down under the Loan Agreement upon maturity.

As at 31 December 2023, the gearing ratio of the Group, measured on the basis of total liabilities as a percentage of total equity, was approximately 173.3%. The Company has approached several banks regarding the possibility and feasibility of refinancing, however, such banks declined to provide financial assistance to the Company in view of the Group’s financial position, leverage and lack of available assets as security. The Company has also considered equity fund raising activities such as placing, rights issue or open offer. The Directors are of the view that the process of such fund-raising activities is relatively lengthy and time-consuming and would inevitably incur more transaction costs, including but not limited to placing/underwriting commission. Furthermore, negotiating with potential investors were also challenging given the unfavourable current market situation for equity fund raising.

Under the context of fluctuating international oil prices in 2023 and decreased sales volume, the revenue of the Group from oil and by-products trading business in the PRC decreased to approximately HK\$27.2 billion for the year ended 31 December 2023 from approximately HK\$29.5 billion for the year ended 31 December 2022. As set out in the 2023 Annual Report, in 2024, the Russo-Ukrainian war, the Israeli-Palestinian conflict, and the Yemeni Houthi armed forces continue to be the main geopolitical risks. The US elections and the direction of OPEC policies are set to increase market uncertainties, with the international oil and gas market outlook still presenting both challenges and opportunities. The market is expected to remain in a state of tense equilibrium, influenced by a variety of factors, with the potential for further intensification of oil price volatility. Overall, the demand for international crude oil is expected to continue to rise, albeit at a slower pace, with WTI prices estimated to range between US\$70 and US\$80 per barrel. Against this backdrop, the Company will adhere to the general working principle of seeking progress while maintaining stability, continuously consolidating and enhancing the competitive advantages in existing business sectors.

The Loan Renewal demonstrates the continuous financial support provided by the Controlling Shareholder to the Group. The terms of the Supplemental Loan Agreement, including the applicable interest rate, are entered into after arm's length negotiations between the parties and taking into account, among others, the prevailing market interest rates and practices.

Taking into account (i) the imminent deadline for the repayment of outstanding amount drew down under the Loan Agreement on or prior to 2 September 2024; (ii) the financial situation of the Company as discussed above; (iii) the cash level to be maintained for the daily operation of the Company's subsidiaries in the PRC; and (iv) the alternative funding activities considered and tried by the Company, the Directors (excluding the independent non-executive Directors who will express their view after considering the advice from the Independent Financial Adviser) are of the opinion that, though the Supplemental Loan Agreement are not entered into under the ordinary and usual course of business, are on normal commercial terms, fair, reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

As the highest of applicable percentage ratio in respect of the amount of the Loan exceeds 5% and the Loan exceeds HK\$10,000,000, the Supplemental Loan Agreement is subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Ms. Wang Haining is both the Director and the supervisor of the Finance Center and deputy secretary of the Party Committee of Yanchang Petroleum Group, and for good corporate governance, she had voluntarily abstained from voting on the relevant resolutions at the Board meeting. Save for the above, none of the other Directors had any material interest in the Supplemental Loan Agreement and the transaction and matters contemplated thereunder, and therefore should abstain from voting on the relevant resolutions at the Board meeting.

As at the date of this announcement, Yanchang Petroleum HK is the Controlling Shareholder holding 634,310,161 Shares, representing approximately 57.66% of the existing issued share capital of the Company. As such, Yanchang Petroleum HK is a connected person of the Company as defined under the Listing Rules and hence the transaction contemplated under the Supplemental Loan Agreement will constitute connected transaction of the Company under Chapter 14A of the Listing Rules. Yanchang Petroleum HK together with its associates will abstain from voting at the SGM.

As Yanchang Petroleum HK is directly and wholly owned by Yanchang Petroleum Group, Yanchang Petroleum Group and its associates shall abstain from voting in favour of the Supplemental Loan Agreement and the transaction and matters contemplated thereunder at the SGM. Save for Yanchang Petroleum Group and its associates, to the best knowledge, information and belief of the Directors, no other Shareholders or any of their respective associates have a material interest in the Supplemental Loan Agreement and the transaction and matters contemplated thereunder, and accordingly are required to abstain from voting at the SGM.

Independent Board Committee

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to, among other things, the Supplemental Loan Agreement and the transaction and matters contemplated thereunder and on how to vote. VBG Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

SGM

The Board announces that the SGM will be convened by the Company to seek approval from the Independent Shareholders for the Supplemental Loan Agreement and the transaction and matters contemplated thereunder by way of poll.

For determining the entitlement to attend and vote at the SGM or any adjournment thereof, the record date is fixed on Monday, 26 August 2024. Shareholders whose names appear on the register of members of the Company at the close of business on the record date will be entitled to attend and vote at the SGM.

The Company's branch share register will be closed from Tuesday, 27 August 2024 to Friday, 30 August 2024, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share register in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 26 August 2024.

A circular and a notice of the SGM containing details of the resolutions to be proposed at the SGM will be despatched to the shareholders of the Company in due course.

General

A circular containing, amongst other things, (i) details of the Supplemental Loan Agreement; (ii) the recommendation of the Independent Board Committee; (iii) the letter from the Independent Financial Adviser; and (iv) a notice of the SGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 15 August 2024.

DEFINITION USED IN THIS ANNOUNCEMENT

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

“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Board”	the board of Directors
“Borrower”	the Company
“Business Day(s)”	any day (other than Saturday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“Company”	Yanchang Petroleum International Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 00346)
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Controlling Shareholder”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Forever Peace Investment”	Forever Peace Investment Limited (恒太投資有限公司), a company incorporated in Hong Kong with limited liability and is indirectly wholly owned by the Company
“Group”	the Company and its subsidiaries from time to time
“Henan Yanchang”	河南延長石油銷售有限公司 (Henan Yanchang Petroleum Sales Co., Limited*), a limited company incorporated under the PRC laws which is an indirect non-wholly owned subsidiary of the Company and 70% owned by the Group as at the date of this announcement

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors to be established to advise the Independent Shareholders on the Supplemental Loan Agreement and the transaction and matters contemplated thereunder
“Independent Financial Adviser”	VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Loan Agreement and the transaction and matters contemplated thereunder
“Independent Shareholders”	Shareholders other than Yanchang Petroleum Group and its associates
“Lender”	Yanchang Petroleum HK
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange and as amended from time to time
“Loan Agreement”	the agreement in relation to the Loan entered into between the Company and Yanchang Petroleum HK on 30 June 2021
“Loan”	the loan granted to the Company by Yanchang Petroleum HK in a principal amount of US\$22,000,000 (equivalent to approximately HK\$171,820,000) under the Loan Agreement
“Loan Renewal”	the renewal of the Loan pursuant to the Supplemental Loan Agreement
“PRC”	the People’s Republic of China, which shall, for the purpose of the Supplemental Loan Agreement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Renewal Request Date”	the date on which the Loan is to be renewed as requested by the Company
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Supplemental Loan Agreement and the transaction and matters contemplated thereunder
“Share(s)”	existing ordinary share(s) of HK\$0.4 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Charge”	the share charge given by Forever Peace Investment in favour of Yanchang Petroleum HK over 70% of the issued share capital of Henan Yanchang indirectly held by the Company as security for the Loan
“Share Charge Deed”	the deed dated 8 August 2024 entered into by Forever Peace Investment as chargor in favour of Yanchang Petroleum HK as chargee in relation to the Share Charge
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Loan Agreement”	the agreement in relation to the Loan Renewal entered into between the Company and Yanchang Petroleum HK on 8 August 2024 (including the Share Charge Deed)
“US\$”	United States dollar, the lawful currency of the United States of America
“Yanchang Petroleum Group”	陝西延長石油(集團)有限責任公司 (Shaanxi Yanchang Petroleum (Group) Co., Limited*), a state-owned corporation registered in the PRC with limited liability, is directly 100% interested in Yanchang Petroleum HK

“Yanchang Petroleum HK”

Yanchang Petroleum Group (Hong Kong) Co., Limited (延長石油集團(香港)有限公司), a company incorporated in Hong Kong with limited liability, being a substantial Shareholder holding 634,310,161 Shares representing approximately 57.66% of the existing issued share capital of the Company as at the date of this announcement

“%”

per cent.

For the purpose of this announcement, the exchange rate of HK\$7.81=US\$1.00 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged, at this or any other rates.

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

* For identification purposes only

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

Hong Kong, 8 August 2024

Executive Directors:

Mr. Feng Yinguo (*Chairman*)

Ms. Wang Haining

Mr. Ding Jiasheng

Non-executive Director:

Mr. Sun Jian

Independent Non-executive Directors:

Mr. Ng Wing Ka

Mr. Leung Ting Yuk

Mr. Sun Liming

Dr. Mu Guodong