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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
FORMATION OF A JOINT VENTURE

The Board is pleased to announce that on 20 June 2013, Sino Union Energy (H.K.), being an indirect wholly owned subsidiary of the Company entered into the Joint Venture Agreement with Yanchang Zhongli and Beijing Junkai, pursuant to which the parties agreed to establish the JV Company with a registered capital of RMB50 million. Pursuant to the Joint Venture Agreement, the equity interests of the JV Company will be owned as to 70% by Sino Union Energy (H.K.), 15% by Yanchang Zhongli and 15% by Beijing Junkai. Upon completion of its formation, the JV Company will become an indirect non-wholly owned subsidiary of the Company and the financial results of the JV Company will be consolidated to that of the Group.

Yanchang Zhongli is a non-wholly owned subsidiary of Yanchang Petroleum, a substantial shareholder of the Company, and is also a substantial shareholder of Henan Yanchang, an indirect non-wholly owned subsidiary of the Company. Therefore Yanchang Zhongli is a connected person of the Company as defined under the Listing Rules. In addition, Beijing Junkai is wholly and beneficially owned by Ms. Zhu Meirong and her associates. As Ms. Zhu Meirong is a substantial shareholder of Henan Yanchang and therefore Beijing Junkai is a connected person of the Company as defined under the Listing Rules. Accordingly, the formation of the JV Company under the Joint Venture Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratios for the formation of the JV Company under the Joint Venture Agreement exceed 0.1% but less than 5%, the formation of the JV Company is only subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements under the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 20 June 2013, Sino Union Energy (H.K.), being an indirect wholly owned subsidiary of the Company, entered into the Joint Venture Agreement with Yanchang Zhongli and Beijing Junkai, pursuant to which the parties agreed to establish the JV Company with a registered capital of RMB50 million. A summary of the principal terms are set out below.

THE JOINT VENTURE AGREEMENT

Date

20 June 2013 (after the trading hours)

Parties

(i) Sino Union Energy (H.K.);

(ii) Yanchang Zhongli; and

(iii) Beijing Junkai

Registered Capital

The registered capital of the JV Company will be RMB50 million, to be contributed as follows:

(1) 70% (equivalent to RMB35 million) by Sino Union Energy (H.K.);

(2) 15% (equivalent to RMB7.5 million) by Yanchang Zhongli; and

(3) 15% (equivalent to RMB7.5 million) by Beijing Junkai.

The capital contribution shall be made in cash and in one tranche within 30 days after completion of incorporation registration of the JV Company in the PRC. Funding of Sino Union Energy (H.K.)'s portion of the registered capital in the JV Company will be financed by internal resources of the Group.

Scope of business

The scope of business of the JV Company will be primarily engaged in the construction and operation of oil and gas pipelines and depots.

Board composition

The board of directors of the JV Company shall be composed of five directors, three of whom shall be nominated by Sino Union Energy (H.K.), one by Yanchang Zhongli and one by Beijing Junkai. The chairman of the board of directors shall be elected among the directors nominated by Sino Union Energy (H.K.) and the vice-chairman shall be the director nominated by Beijing Junkai. The directors shall have a term of office for four years and may be re-appointed upon expiry of the term.

Transfer of equity interests

Each equity holder in the JV Company may transfer its equity interests either in whole or in part in the JV Company to another equity holder in the JV Company. Any transfer of equity interests in the JV Company to parties who are not equity holders in the JV Company shall require the majority consent of the other equity holders. Any equity holder in the JV Company who raises objection to any transfer of equity interests in the JV Company shall acquire the equity interests subject to such transfer or otherwise be deemed to consent to the transfer. Equity holders in the JV Company shall have priority to acquire any equity interests subject to any transfer consented by the equity holders on the same terms offered to non-equity holders in the JV Company in proportion to the capital contribution ratio or as otherwise agreed by such equity holders.

INFORMATION OF THE CONTRIBUTING PARTIES

Sino Union Energy (H.K.) is a limited company incorporated in Hong Kong and is an indirect wholly owned subsidiary of the Company.

Yanchang Zhongli is a company incorporated in the PRC and is principally engaged in the sales of refined oil and manufacturing and sales of methanol in the PRC. Yanchang Zhongli is a non-wholly owned subsidiary of Yanchang Petroleum, a substantial shareholder of the Company, and is also a substantial shareholder of Henan Yanchang, an indirect non-wholly owned subsidiary of the Company.

Beijing Junkai is a company incorporated in the PRC and is engaged in the provision of management consultancy, market survey, translation, marketing planning, corporate image planning, public relations planning, investment consultancy, trade consultancy and conference and exhibition services in the PRC. Beijing Junkai is wholly and beneficially owned by Ms. Zhu Meirong and her associates.

REASONS FOR AND BENEFITS OF ENTERING INTO THE JOINT VENTURE AGREEMENT

The Group is principally engaged in the activities of: (i) investment in the oil, gas and energy related business; (ii) oil and gas exploration, exploitation and operation; and (iii) trading and distribution of oil related products.

The establishment of the JV Company is to cope with the Group's refined oil business in the PRC engaged by its non-wholly owned subsidiary, 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 refined oil business in the PRC.

The Directors believe that the Group through creating synergy with the JV Company will further enhance its refined oil business by strengthening the trading position and enlarging the distribution network in the PRC.

The Directors (including the independent non-executive Directors) are of the view that the formation of the JV Company is in the usual and ordinary course of business of the Group; and that the terms of the Joint Venture Agreement are on normal commercial terms, fair and reasonable and the entering into of the Joint Venture Agreement is in the interest of the Company and its Shareholders as a whole.

None of the Directors has a material interest in the Joint Venture Agreement and were required to abstain from voting on the relevant board resolution of the Company approving the entering into of the Joint Venture Agreement and the transactions contemplated thereunder.

IMPLICATION UNDER THE LISTING RULES

Yanchang Zhongli is a non-wholly owned subsidiary of Yanchang Petroleum, a substantial shareholder of the Company, and is also a substantial shareholder of Henan Yanchang, an indirect non-wholly owned subsidiary of the Company. Therefore Yanchang Zhongli is a connected person of the Company as defined under the Listing Rules. In addition, Beijing Junkai is wholly and beneficially owned by Ms. Zhu Meirong and her associates. As Ms. Zhu Meirong is a substantial shareholder of Henan Yanchang and therefore Beijing Junkai is a connected person of the Company as defined under the Listing Rules. Accordingly, the formation of the JV Company under the Joint Venture Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratios for the formation of the JV Company under the Joint Venture Agreement exceed 0.1% but less than 5%, the formation of the JV Company is only subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements under the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

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

"Beijing Junkai"	Beijing Junkai Management Consultancy Limited* (北京君開管理諮詢有限公司), a company incorporated under the PRC laws and is wholly and beneficially owned by Ms. Zhu Meirong and her associates. Ms. Zhu Meirong is also a substantial shareholder of Henan Yanchang
"Board"	the board of Directors
"Company"	Yanchang Petroleum International Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Henan Yanchang"	Henan Yanchang Petroleum Sales Co., Limited* (河南延長石油銷售有限公司), a limited company incorporated under the PRC laws which is an indirect non-wholly owned subsidiary of the Company and owned as to 15% by Yanchang Zhongli, 15% by Ms. Zhu Meirong and 70% by the Group as at the date of this announcement
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Joint Venture Agreement"	a joint venture agreement dated 20 June 2013 entered into among Sino Union Energy (H.K.), Yanchang Zhongli and Beijing Junkai in relation to the establishment of the JV Company
"JV Company"	Henan Yanchang Petroleum Energy Technology Limited* (河南延長石油能源科技有限公司), the joint venture company to be established by Sino Union Energy (H.K.), Yanchang Zhongli and Beijing Junkai pursuant to the Joint Venture Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"PRC"	the People's Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Share(s)"	existing ordinary share(s) of HK$0.02 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Sino Union Energy (H.K.)	Sino Union Energy (H.K.) Limited, a limited company incorporated in Hong Kong, which is an indirect wholly owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Yanchang Petroleum"	Shaanxi Yanchang Petroleum (Group) Co., Limited (陝西延長石油(集團)有限責任公司), a state-owned corporation registered in the PRC with limited liability, being a substantial Shareholder holding 2,440,769,547 Shares representing approximately 29.96% of the existing issued share capital of the Company as at the date of this announcement
"Yanchang Zhongli"	Shaanxi Yanchang Zhongli New Energy Co., Limited* (陝西延長中立新能源股份有限公司, a limited company incorporated under the PRC laws which is a non-wholly owned subsidiary of Yanchang Petroleum and is also a substantial shareholder of Henan Yanchang
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

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

Hong Kong, 20 June 2013

* *the English translation of the Chinese name is for information purposes only, and should not be regarded as the official English translation of such name.*

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