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

(Incorporated in Bermuda with limited liability)
(Stock Code: 00346)

PROFIT WARNING

This announcement is made by Yanchang Petroleum International Limited (the "Company", together with its subsidiaries, the "Group") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the "Board") of the Company would like to inform the shareholders of the Company and potential investors that based on the unaudited management accounts of the Group currently available, the Group is expected to record a loss of around HK$272 million for the year ended 31 December 2016, which has been significantly reduced as compared to a substantial loss of around HK$4.5 billion for the previous year.

Despite the sluggish economic climate and low international oil prices environment, the Group has achieved better operating results over the in-production oil and gas business in Canada through strengthening management, controlling operational costs and increasing production efficiency, and hence has managed to reduce operating loss to around HK$49 million for the year ended 31 December 2016 as compared to an operating loss of around HK$60 million for the previous year. As global economic recovery is still not prominent and the rebound of international oil prices remains uncertain, impairment provision has been made for the petroleum and natural gas properties in Canada as well as other related assets amounting to around HK$154 million. In addition to the impairment loss, there incurred the interest expense and the non-cash fair value loss amounting to around HK$53 million arisen from the convertible bonds issued in the previous year for the development of the Group's business. As a result, the Group is expected to record overall loss.

The recognition of the impairment loss on oil and gas assets and the fair value loss on convertible bonds are non-cash in nature and therefore will not have material negative impact on the cash flow and operation of the Group. Excluding the impacts of the impairment loss and the convertible bonds, the Group is expected to record an operating loss of around HK$65 million for the year ended 31 December 2016.

The recent rebound of oil prices is not significant enough for the Group to deviate from the principles of maintaining production volume, balancing cash flow and reducing loss, the Group continues to adopt measures, including controls over costs and capital expenditures, in order to mitigate operational pressure, enhance profitability and balance cash flow. Though it is challenged with the low oil prices environment, the Group's overall financial position is still robust and healthy. The Company is well positioned to seize acquisition opportunities to further expand the Group's business on one hand, and also continues to introduce more equity and strategic investors to further improve the Company's shareholding structure on the other.

As the Company is still in the process of finalising the annual results for the year ended 31 December 2016, the information contained in this announcement is only based on the preliminary assessment of the Group's unaudited management accounts which are subject to the audit of the Company's independent auditors, and is therefore subject to necessary adjustments. Formal announcement of the Group's audited annual results for the year ended 31 December 2016 is expected to be published on or about 30 March 2017.

Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

By Order of the Board
Yanchang Petroleum International Limited
Li Yi
Chairman

Hong Kong, 27 January 2017

Executive Directors:

Mr. Li Yi *(Chairman)*
Mr. Bruno Deruyck *(Chief Executive Officer)*
Mr. Shen Hao
Ms. Sha Chunzhi
Mr. Li Jun
Mr. Tan Meng Seng

Independent Non-Executive Directors:

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