Yanchang International achieves business turnaround in 2018
Turnover surged 45% to HK$5.93 billion
Operating profit rose 25 folds to HK$99.7 million

2018 Annual Results Highlights

- Revenue rose 45% to HK$5.9 billion
- Profit for the year reached HK$6.3 million
- Novus operating profit increased by 5 times to HK$104.3 million, with daily production of 2,313 BOE
- Revenue of refined oil business in mainland China up 50% to HK$5.7 billion

(1 April 2019 – Hong Kong) Yanchang Petroleum International Limited (“Yanchang Petroleum International” or the “Company”, together with its subsidiaries the “Group”; stock code: 00346), announced today its annual results for the year ended 31 December 2018 (“the year under review”). During the year under review, the Group’s revenue increased by 45% to approximately HK$5.9 billion. Operating profit surged 25 times to HK$99.7 million, while profit for the year was HK$6.3 million (2017: HK$58.6 million loss).

Novus, the upstream oil producing arm in Canada, achieved an average daily production of 2,313 barrels of oil equivalent (“BOE”), and Henan Yanchang, the downstream refined oil trading business arm, recorded sales of 3.2 million tons of refined oil.

Mr. Bruno Deruyck, CEO and Executive Director of Yanchang Petroleum International, said, “I am pleased to see significant improvements of both operating and net profits. Both our upstream oil producing business in Canada and downstream refined oil trading business in mainland China delivered much improved performances. These provide a solid foundation and stable revenue streams for our future expansion.”
Upstream Oil and Gas Producing Business in Canada

During the year under review, Novus achieved production of oil and gas of 844,000 BOE and contributed production income of HK$272.9 million. Despite oil prices fluctuations, Novus recorded an operating profit of HK$104.3 million in 2018, as compared to a profit of HK$17.4 million in 2017.

With an improvement in drilling technique, Novus has increased the length of horizontal section of “Viking” oil wells from 700 metres to 1,000-1,400 meters, resulting in a reduction of unit development cost. Also, a new logging-while-drilling tool has been employed by Novus for more precise geosteering, achieving over 95% of drilling-encounter ratio, i.e. the percentage of horizontal section in target’s oil layer, and such percentage is above the average of the regional peers.

In addition, Novus has successfully adopted an open-hole completion technology for the multiple horizontal sections of single wells, allowing Novus to be the pioneer of oil exploitation of the “Success” oil play. In 2018, Novus completed three oil wells in the “Success” oil play, with an initial daily production of 80 to 100 BOEPD.

Downstream Refined Oil Trading Business in PRC

In 2018, sales volume of refined oil trading business of Henan Yanchang amounted to 3.2 million tons, compared to 2.8 million tons in 2017. Due to the increase in sales volume and average selling price, the segment revenue of Henan Yanchang increased by 50% from HK$3.8 billion in 2017 to HK$5.7 billion in 2018 and its operating profit increased to HK$20.2 million from HK$17.4 million in 2017.

In 2018, Henan Yanchang has expanded its market by adding more customers and establishing new sales spots outside Henan. The sales volume of refined oil in six sales spots, namely Lin Tong, Yan Lian, Jing Bian, Yong Ping, Zibo in Shandong and Yulin, soared by approximately 100% in 2018. In addition, Henan Yanchang has effectively enhanced the turnover rate of oil storage by partially leasing space storage capacity and acting as subcontractor of oil refining works, to maximise the profit growth.

- End –
About Yanchang Petroleum International (stock code: 00346)
Yanchang Petroleum International is principally engaged in the following activities (i) exploration, exploitation and operation of oil and gas; and (ii) fuel oil trading and distribution. In its upstream operations, Yanchang Petroleum International possesses operating oilfields in Saskatchewan and Alberta, Canada, through its wholly owned subsidiary Novus, a Canadian enterprise. Novus engages in the business of acquiring, exploring for, developing and producing crude oil and natural gas. In its downstream operations, Yanchang Petroleum International is principally engaged in wholesale, retail, storage and transportation of oil products through its 70% owned subsidiary, Henan Yanchang Petroleum Sales Co., Limited, and which has been granted valid licenses for distribution and sales of oil products in China.

For details, please refer to http://www.yanchanginternational.com

Issued by Cornerstones Communications Ltd. on behalf of Yanchang Petroleum International Limited. For further information, please contact:

Cornerstones Communications Ltd.
Harriet Lau / Lizzy Ke
T: +852 2903 9290 / 2903 9281
E: yanchang@cornerstonescom.com