中港石油有限公司*

CHK OIL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "**Board**") of CHK Oil Limited (formerly known as Pearl Oriental Oil Limited) (the "**Company**") announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*5*	**175,467**	74,036
Cost of sales		**(175,439)**	(75,781)
Gross profit/(loss)		**28**	(1,745)
Other income		**3,992**	220
Administrative expenses		**(32,514)**	(38,392)
Impairment loss on intangible assets	*11*	**(25,739)**	–
Expenditure on settlement of indebtedness	*7(ii)*	**(210,572)**	–
Finance costs	*6*	**(10,100)**	(19,645)
Loss before tax	*7*	**(274,905)**	(59,562)
Income tax credit	*8*	**5,936**	860
Loss for the year		**(268,969)**	(58,702)

* *For identification purpose only*

	Notes	2019 HK$'000	2018 HK$'000
Attributable to:			
Owners of the Company		**(268,841)**	(58,415)
Non-controlling interests		**(128)**	(287)
		(268,969)	(58,702)
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**91**	–
Total comprehensive loss for the year		**(268,878)**	(58,702)
			(Restated)
Loss per share (HK cents)	*10*		
– Basic and diluted		**(70.66)**	(36.00)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-current assets			
Property, plant and equipment		**40,340**	42,734
Intangible assets	*11*	**230,068**	255,944
Right-of-use assets		**3,224**	–
Statutory deposits and other assets		**2,622**	–
		276,254	298,678
Current assets			
Trade receivables	*12*	**3,837**	–
Prepayments, deposits and other receivables		**8,892**	19,344
Bank balances and cash		**53,889**	993
		66,618	20,337
Current liabilities			
Other payables and accruals		**12,592**	39,588
Unsecured loans	*13*	**36,186**	102,093
Obligations under finance lease due within one year		**–**	120
Lease liabilities		**3,146**	–
Tax payable		**141**	2
		52,065	141,803
Net current assets/(liabilities)		**14,553**	(121,466)
Total assets less current liabilities		**290,807**	177,212
Non-current liabilities			
Deferred tax liabilities		**29,020**	34,984
Obligations under finance lease due after one year		**–**	372
Lease liabilities		**246**	–
Asset retirement obligations		**82**	3,579
		29,348	38,935
Net assets		**261,459**	138,277
Equity			
Share capital		**122,455**	324,552
Reserves		**137,989**	(187,418)
Equity attributable to owners of the Company		**260,444**	137,134
Non-controlling interests		**1,015**	1,143
Total equity		**261,459**	138,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

For the year ended 31 December 2019

1. GENERAL INFORMATION

CHK OIL LIMITED (formerly known as PEARL ORIENTAL OIL LIMITED) (the "**Company**") is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is situated at Suites 1905-07, 19th Floor, Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

In the opinion of the directors of the Company, the Company's parent and ultimate holding company is Xin Hua Petroleum (Hong Kong) Limited ("**Xin Hua**"), a company incorporated in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**") which is same as the functional currency of the Group and all values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements for the year ended 31 December 2019 were approved for issue by the board of directors on 31 March 2020.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosures requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The consolidated financial statements have been prepared on the historical cost basis.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 4.

Going concern basis

The Group reported a net loss attributable to the owners of the Company of approximately HK$268,841,000 and had net operation cash outflow of approximately HK$45,529,000 for the year ended 31 December 2019, and as at 31 December 2019, the Group had balance of cash and cash equivalents amounting to approximately HK$53,889,000.

As disclosed in Note 13, unsecured loans in the principal amount of HK$25,000,000 due to NPCC (Hong Kong) Limited (the "Lender") was overdue as at 31 December 2019. The Company is given to understand from the Lender that the Lender's parent company is undergoing certain internal restructuring procedures and cannot confirm the repayment details of the Lender. These loans were still outstanding up to the date of this announcement.

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The management of the Company has taken the following steps to improve the Group's financial position:

(1) Monitoring of the Group's operating cash flows

The Group has taken various measures to tighten cost controls over operating costs and expenses with the aim to attain profitable and positive cash flow operations. The directors are taking steps to improve the Group's liquidity and financial performance including active cost-saving and other measures to improve the Group's operating cash flows and financial position.

(2) Financial support from a director of the Company

In addition, a director of the Company has confirmed to provide financial support to the Group to meet its financial obligations as they fall due, if required.

The directors of the Group have reviewed the Group's cash flow projections prepared by the management. The cash flow projections covered a period of not less than twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors of the Group are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2019 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements for the year ended 31 December 2019.

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

New and amendments to HKFRSs that are mandatory effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16, *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8 (b) (ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application.

	At 1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**6,850**
Lease liabilities discounted at relevant incremental borrowing rates	
Less: Total future interest expenses	**(743)**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	**6,107**
Add: Obligations under finance leases recognised at 31 December 2018	**492**
Lease liabilities as at 1 January 2019	**6,599**
Analysed as	
Current	**3,206**
Non-current	**3,393**
	6,599

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	**Carrying amounts under HKFRS 16 at 1 January 2019**
	HK$'000	*HK$'000*	***HK$'000***
Non-current assets			
Property, plant and equipment	42,734	(494)	**42,240**
Intangible assets	255,944	–	**255,944**
Right-of-use assets	–	6,601	**6,601**
	298,678	6,107	**304,785**
Current assets			
Prepayments, deposits and other receivables	19,344	–	**19,344**
Bank balances and cash	993	–	**993**
	20,337	–	**20,337**
Current liabilities			
Other payables and accruals	39,588	–	**39,588**
Unsecured loans	102,093	–	**102,093**
Obligations under finance lease due within one year	120	(120)	**–**
Leases liabilities	–	3,206	**3,206**
Tax payable	2	–	**2**
	141,803	3,086	**144,889**
Net current liabilities	(121,466)	(3,086)	**(124,552)**
Total assets less current liabilities	177,212	3,021	**180,233**
Non-current liabilities			
Deferred tax liabilities	34,984	–	**34,984**
Obligations under finance lease due after one year	372	(372)	**–**
Lease liabilities	–	3,393	**3,393**
Asset retirement obligations	3,579	–	**3,579**
	38,935	3,021	**41,956**
Net assets	138,277	–	**138,277**

notes:

(i) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to approximately HK$494,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of approximately HK$120,000 and HK$372,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

(ii) For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8, Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of oil and natural gas reserves

Changes in proved oil and natural gas reserves will affect the depreciation, depletion and amortisation under the unit-of-production method recorded in the Group's consolidated financial statements for property, plant and equipment and intangible assets related to oil and gas production activities. The proved oil and natural gas reserves are also key determinants in assessing whether the carrying value of the Group's oil and gas properties and intangible assets have been impaired. Proved reserves are determined using estimates such as oil in place, future product prices and drilling and development plans.

Estimation of impairment of oil and gas assets and intangible assets

Oil and gas assets and intangible assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves the management estimates and judgements such as future price of oil and gas, the production profile and any significant changes in factors or assumptions used in estimating reserves.

Estimation of asset retirement obligations

Provision is recognised for the future decommissioning and restoration of oil and gas assets. The amounts of the provision recognised are the present values of the estimated future expenditures. The estimation of the future expenditures is based on current local conditions and requirements, including legal requirements, technology, price level, etc. In addition to these factors, the present values of these estimated future expenditures are also impacted by the estimation of the economic lives of oil and gas assets. Changes in any of these estimates will impact the operating results and the financial position of the Group.

Trading of oil-related and other products business acts as a principal

The Group assesses its business relationship with suppliers and customers in respect of the trading of oil-related and other products business and determines that the Group acts as a principal.

The factors taken into account by the management include:

(i) The Group has the primary responsibility for fulfilling the promise to provide the specified goods.

(ii) The Group has inventory risk before the specified goods have been transferred to a customer and the Group is exposed to significant inventory risk.

(iii) The Group has discretion in establishing the price for the oil-related and other products with the customers.

5. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in (i) exploring, exploiting and sales of oil and natural gas ("**Oil and gas sales**"); and (ii) trading of oil-related and other products.

2019

	Oil and gas sales *HK$'000*	Trading of oil-related and other products *HK$'000*	Total *HK$'000*
Revenue			
– Sales of oil and gas:			
recognised at a point in time			
– United States of America ("**USA**")	111	–	111
– Sales of oil-related and other products:			
recognised at a point in time			
– Hong Kong	–	127,220	127,220
– People's Republic of China ("**PRC**")	–	48,136	48,136
	111	175,356	175,467
Segment (loss)/profit	(24,217)	1,097	(23,120)
Unallocated income			496
Unallocated expenses			(242,181)
Finance costs			(10,100)
Loss before tax			(274,905)
Income tax credit			5,936
Loss for the year			(268,969)
Segment assets	271,361	34,928	306,289
Unallocated assets			36,583
Total assets			342,872
Segment liabilities	2,053	11,406	13,459
Deferred tax liabilities			29,020
Unallocated liabilities			38,934
Total liabilities			81,413
Depreciation, depletion and amortisation	249	–	
Impairment loss on intangible assets	25,739	–	

2018

	Oil and gas sales *HK$'000*	Trading of oil-related and other products *HK$'000*	Total *HK$'000*
Revenue			
– Sales of oil and gas:			
recognised at a point in time			
– USA	191	–	191
– Sales of oil-related and other products:			
recognised at a point in time			
– Hong Kong	–	73,845	73,845
	191	73,845	74,036
Segment (loss)/profit	(2,585)	230	(2,355)
Unallocated income			100
Unallocated expenses			(37,662)
Finance costs			(19,645)
Loss before tax			(59,562)
Income tax credit			860
Loss for the year			(58,702)
Segment assets	297,446	12,628	310,074
Unallocated assets			8,941
Total assets			319,015
Segment liabilities	5,490	12,402	17,892
Deferred tax liabilities			34,984
Unallocated liabilities			127,862
Total liabilities			180,738
Depreciation, depletion and amortisation	279	–	

The Group's revenue from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customers		Specified non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	***HK$'000***	HK$'000
Hong Kong (place of domicile)	**127,220**	73,845	**5,310**	4,366
USA	**111**	191	**270,944**	294,312
PRC	**48,136**	–	**–**	–
	175,467	74,036	**276,254**	298,678

The geographical location of customers is based on the location at which the goods are delivered. The geographical location of the specified non-current assets is based on physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets.

The Group's customer base includes five (2018: five) customers with whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to these customers were amounted to approximately HK$48,627,000, HK$25,777,000, HK$25,128,000, HK$25,101,000 and HK$19,350,000 respectively (2018: HK$20,085,000, HK$14,921,000, HK$11,569,000, HK$9,228,000 and HK$8,348,000 respectively) were related to trading of oil-related and other products segment.

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest expenses on unsecured loans *(notes (i) and (ii))*	**9,512**	8,933
Debts settlement expenses *(note (iii))*	**–**	10,692
Finance charges on obligations under finance lease	**–**	17
Interest on lease liabilities	**588**	–
Interest on bank overdrafts	**–**	3
	10,100	19,645

notes:

(i) On 13 February 2019, the Company, Xin Hua and Noble Pioneer Limited ("**Noble**") entered into the first subscription agreement (the "**First Subscription Agreement**"), pursuant to which the interest payable to Xin Hua in the amount of approximately HK$5,428,000 was waived.

(ii) Include in interest expenses on unsecured loans there was approximately HK$4,071,000 related to overdue unsecured loans.

(iii) Include in debts settlement expenses there was HK$561,000 related to overdue interest payable to a trade creditor and HK$10,131,000 related to unsecured loans which was settled under the debt settlement agreement in 2018.

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after crediting:

	2019	2018
	HK$'000	*HK$'000*
Depreciation, depletion and amortisation		
– owned property, plant and equipment	**1,985**	2,213
– right-of-use assets *(note)*	**3,377**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17 *(note)*	**–**	3,657
Amortisation of intangible assets	**137**	56
Auditor's remuneration:		
– Annual audit	**720**	800
– Non-assurance services	**151**	150
Impairment loss on intangible assets *(Note)*	**25,739**	–
Expenditure on settlement of indebtedness *(note)*	**210,572**	–
Legal and professional fees	**7,116**	7,755
Financial advisory fee	**222**	1,458
Employee benefit expense, including directors' emoluments:		
– Salaries and allowances	**11,564**	16,330
– Retirement scheme contributions	**111**	190

notes:

(i) The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balance at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative informative is not restated. Further details on impact of the transition to HKFRS 16 are set out in Note 3.

(ii) As stated in Note 13, 4,000,000,000 Xin Hua Subscription Shares of HK$0.02 each were issued for the settlement of unsecured loans due to Xin Hua of HK$80,000,000. The aggregate fair values of the shares issued amounted to HK$296,000,000 and the difference between the fair value and the settlement of unsecured loan of HK$80,000,000, set-off with the waived interest payable to Xin Hua in the amount of approximately HK$5,428,000, was recognised.

8. INCOME TAX CREDIT

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year (2018: Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the country in which the Group operates.

The tax rate adopted to measure the deferred tax balances is reduced to 21% to reflect the reduction in the US federal tax rate since 1 January 2018.

	2019 ***HK$'000***	2018 *HK$'000*
Current income tax on profits for the year		
– Hong Kong Profits Tax	**2**	–
– PRC Enterprise Income Tax	**26**	–
Deferred tax credit	**(5,964)**	(860)
	(5,936)	(860)

9. DIVIDENDS

The directors of the Group did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

10. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the followings:

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Loss for the year attributable to owners of the Company *(HK$'000)*	**(268,841)**	(58,415)
Weighted average number of ordinary shares in issue *('000)*	**380,495**	162,276
Basic loss per share *(HK cents)*	**(70.66)**	(36.00)

The weighted average number of ordinary shares has been retrospectively adjusted for the share consolidations which was completed on 10 July 2019.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

11. INTANGIBLE ASSETS

	Oil and gas processing rights *HK$'000*
Cost	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	2,818,920
Accumulated amortisation and impairment	
At 1 January 2018	2,562,920
Amortisation for the year	56
At 31 December 2018 and 1 January 2019	2,562,976
Amortisation for the year	137
Impairment loss	25,739
At 31 December 2019	**2,588,852**
Net carrying amounts	
At 31 December 2019	**230,068**
At 31 December 2018	255,944

The intangible assets represent oil and gas processing rights in Utah, the United States of America. The intangible assets are amortised upon the commercial production of oil and natural gas on a unit-of-production basis over the total proved reserves.

For the purpose of impairment testing, property, plant and equipment and intangible assets have been allocated to the oil and gas segment of the Group, which is an individual CGU.

The recoverable amount for this CGU was determined based on fair value, reflecting market conditions less cost of disposal calculation with reference to a valuation performed by an independent valuer, BMI Appraisals Limited. The fair value less cost of disposal calculations use cash flow projections of 36 years, which is the expected period of time estimated by the management to fully utilise the reserve as per the latest competent person report, and a discount rate of 11.77% (2018: 14.31%). The management determined the key assumptions based on past performance and expectation on market development by reference to market information such as forecast to future oil and gas prices, historical growth rate of oil and gas prices and expectation on oil and gas consumption.

The fair value measurement in the impairment assessment is categorised in level 3 of the fair value hierarchy.

After assessing the information, the impairment loss on intangible assets in the amount of approximately HK$25,739,000 in relation to oil and gas processing rights was recognised during the year (2018: Nil).

12. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**3,837**	–

These receivables were not past due and were expected to be recovered within one year.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates.

	2019	2018
	HK$'000	*HK$'000*
0-30 days	**2,815**	–
31-60 days	**–**	–
61-90 days	**–**	–
Over 90 days	**1,022**	–
	3,837	–

13. UNSECURED LOANS

	HK$'000
At 1 January 2018	58,300
Proceeds from unsecured loans	114,253
Repayment of unsecured loans	(70,460)
At 31 December 2018 and 1 January 2019	102,093
Proceeds from unsecured loans	28,076
Repayment of unsecured loans	(93,983)
At 31 December 2019	36,186

Unsecured loans of RMB10,000,000 (equivalent to approximately HK$11,186,000) (2018: HK$70,000,000) carrying interest at 8.2% (2018: 12%) per annum is repayable within one year.

As at 31 December 2019, unsecured loans in the principal amount of HK$25,000,000 due to the Lender was overdue and carried overdue interest rate of 16% per annum. The Company is given to understand from the Lender that the Lender's parent company is undergoing certain internal restructuring procedures and cannot confirm the repayment details of Lender. These loans were still outstanding up to the date of this announcement.

On 13 February 2019, the Company, Xin Hua and Noble entered into the First Subscription Agreement (as amended and supplemental by the supplemental agreement dated 29 March 2019), pursuant to which the Company agreed to allot and issue and Xin Hua agreed to subscribe for 7,300,000,000 subscription shares at an issue price of HK$0.02 per subscription share (the "**Xin Hua Subscription Shares**").

On 3 April 2019, the Company and Noble entered into the second subscription agreement (the "**Second Subscription Agreement**"), pursuant to which the Company agreed to allot and issue and Noble agreed to subscribe for 1,700,000,000 subscription shares at an issue price of HK$0.02 per subscription share (the "**Noble Subscription Shares**").

These subscription agreements were approved at the special general meeting held on 24 June 2019 and the Company completed the allotment and issue of the Xin Hua Subscription Shares and the Noble Subscription Shares on 8 July 2019. The Company received gross proceeds being the aggregate consideration for Xin Hua Subscription Shares and Noble Subscription Shares amounts to HK$146,000,000 and HK$34,000,000, respectively.

On 8 July 2019, 3,300,000,000 Xin Hua Subscription Shares were issued for the cash consideration of HK$66,000,000 and the remaining 4,000,000,000 Xin Hua Subscription Shares of HK$0.02 each were issued for the settlement of unsecured loans due to Xin Hua of HK$80,000,000, set-off with the waived interest payable to Xin Hua in the amount of approximately HK$5,428,000 was recognised.

As at 31 December 2018, unsecured loans in the principal amounts of HK$25,000,000 and HK$1,990,000 were overdue and carried interest rate of 16% per annum. During the financial year of 2019, the unsecured loan of HK$1,990,000 was repaid.

As at 31 December 2018, included in unsecured loans were amount of HK$4,623,000 and HK$480,000 due to former directors Ms. Fan Amy Lizhen and Mr. Tang Yau Sing, respectively. Except for the amount of HK$4,000,000 due to Ms. Fan Amy Lizhen carrying interest at 8% per annum and repayable within one year, all the remaining balances were interest free and repayable on demand.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following paragraphs are extracted from the Independent Auditor's Report on the Group's consolidated financial statements for the year ended 31 December 2019:

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 to the consolidated financial statements, which indicates that the Group reported a net loss attributable to the owners of the Group of approximately HK$268,841,000 and had net operating cash outflow of approximately HK$45,529,000 for the year ended 31 December 2019, and as at 31 December 2019, the Group had (i) balance of cash and cash equivalents amounting to approximately HK$53,889,000; and (ii) unsecured loans of approximately HK$25,000,000 were overdue and still outstanding up to the date of this report. As stated in Note 2.1, these conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND REVIEW OF OPERATIONS

For the year ended 31 December 2019 (the "**Year**"), the Company and its subsidiaries (the "**Group**") recorded a consolidated revenue of approximately HK$175,467,000 (2018: approximately HK$74,036,000) mainly contributed from the trading of oil, oil-related products and electronic products business. Basic loss per share for the Year was HK$70.66 cents (2018 Restated: HK$36 cents). Loss per share was based on the weighted average of 380 million shares approximately (2018 Restated: approximately 162 million shares) in issue for the Year. Gross profit for the Year amounted approximately HK$28,000 (2018: Gross loss HK$1,745,000), which was mainly due to the overall decrease in the crude oil and decrease in gas prices over the past years. The loss attributable to the owners of the Company for the Year was approximately HK$268,969,000 because (i) approximately HK$210,572,000 loss was recognized and this is the difference between the fair values of the new shares issued at HK$0.02 per subscription share on 8 July 2019 for the settlement of unsecured loans due from the Company to Xin Hua Petroleum (Hong Kong) Limited of HK$80,000,000 ("**HK$80M Loan**") and the HK$80M Loan (ii) the impairment losses of approximately HK$25,739,000 of the Group's intangible assets due to the significant decline in the price of the natural gas worldwide. The comparable loss attributable to owners of the Company for the year ended 31 December 2018 was approximately HK$58,702,000 because the Company had a gross loss but with huge finance costs and legal and professional fees of approximately HK$19,645,000 and HK$7,755,000 respectively.

BUSINESS REVIEW

Trading Business

In order to maximize the shareholders' return, and after careful consideration, the Group extended its operations into the down-stream of the oil-products production chain in the year 2017 by starting the trade of oil-related products.

This Year, the Group continued to expand its trading business. By the end of the Year, the volume of products has increased, and new trade channels and partnerships have been explored. Specifically, to facilitate the Group's trading business throughout East and Southeast Asia, the Company has been developing a strategic trading platform by establishing subsidiaries in Hong Kong, Mainland China, Singapore, and Malaysia. Meanwhile, the Group also carefully considers the option of renting or purchasing floating vessels or tankers, in order to further promote the trading business. The Group also seeks to take full advantage of the major shareholders' ample experiences and extensive connections in the oil and gas business, which can lend more momentum for our trading business. In 2020, the Group expects to significantly increase its trade volume.

Oil and Gas Business

During the Year, the Utah Gas and Oil Field recorded gas sale of around 1,638 (2018: 3,371) thousand cubic feet to Anadarko's midstream operations and other purchasers. Oil sale was around 441 (2018: 873) barrels, with Plains All American Pipeline, L.P., USA being the main the purchaser.

After careful cost and benefit analysis along with multiple field trips to the Gas and Oil Field, the Group has decided to further exploit the reserves and conduct workover operations on wells that are of low productivity or out of service. At the end of 2019, the Group started the workover on one of the oil wells. Currently, the Group is reviewing workover on several other wells and setting up schedules for repair. In short, we expect to see steady growth in production in the coming year of 2020.

PROSPECTS

Utah Gas and Oil Field

In February 2020, the U.S. Energy Information Administration (EIA) estimated that the natural gas price would rise to around $2.36/MMBtu by the third quarter of 2020 and continue to grow to an average of $2.53/MMBtu for the year 2021. EIA also predicted that the worldwide crude oil prices would increase and average around $61 a barrel for 2020 and $68 for 2021. Although the COVID-19 outbreak presents further uncertainties to the market, there is still a good chance that the prices of natural gas and oil will increase in 2020 as predicted given such factors as the decline in the U.S. natural gas production and the increased demand for power generation through gas.

In terms of concrete actions to improve our profitability and financial stability, at the Utah oil & gas field, the Company has intensified such efforts as regular check-up and timely repair of drilling and storage equipment to sustain on-going operation and ensure smooth operation of existing businesses. Currently, well workover operations are being conducted while health reports are being carried out for two other wells. These measures can better the conditions of the wells and help boost the volume of production. Additionally, we are exploring the possibility of drilling new wells, the decision of which is to be made after careful cost-benefit analysis. If such cost-benefit analysis predicts large returns, we will be considering the possibility of new investors or partners to share the costs of drilling so as to maintain the Company's financial health.

Trading Business

The Group and its subsidiaries intend to commence trading of crude oil, diluted bitumen, fuel oil, gasoline and diesel, condensate, raw oil, and oil-related products.

1. Crude oil and diluted bitumen businesses:

   The Group intends to purchase or rent floating warehouses in Singapore/Malaysia to commence crude oil blending and bitumen diluting businesses. The products will be primarily sold to markets around Singapore, refineries in China, PetroChina and more companies.

2. Fuel oil business:

   Floating warehouses will be used to store and blend fuel oil, and the products will then be sold to Singapore and markets in Southeast Asia, and Zhoushan, Nansha and other Chinese markets.

3. Gasoline, diesel and condensate businesses:

   They will be sourced primarily from Russia. Gasoline and diesel will be sold to Singapore and Southeast Asia, while the condensate will be sold primarily to mainland China.

4. Raw oil:

   It will be sourced primarily from China and sold to Sinopec and other domestic local refineries in China.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with issue of new shares, borrowings and internally generated resources.

On 8 July 2019, the Company completed the allotment and issuance of 9,000,000,000 new shares to Xin Hua Petroleum (Hong Kong) Limited ("**Xin Hua**") and Noble Pioneer Limited ("**Noble**"). Following completion of the subscriptions of the new shares by Xin Hua and Noble, the net proceeds was approximately HK$95 million. For details, please refer to the completion announcement of the Company dated on 8 July 2019 published on The Stock Exchange of Hong Kong Limited. As at 31 December 2019, the Group had approximately HK$36 million unsecured loans repayable within one year (2018: approximately HK$102 million). The current ratio (calculated on the basis of the Group's current assets over current liabilities) has increased to 1.28 as at 31 December 2019 (2018: 0.14).

During the Year, the Group conducted its business transactions principally in US dollars and Hong Kong dollars, or in the local currencies of the operating subsidiaries. The Directors considered that the Group had no significant exposure to foreign exchange fluctuations and believed it was not necessary to hedge against any exchange risk. Nevertheless, the management will continue to monitor the foreign exchange exposure position and will take any future prudent measure it deems appropriate.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section headed "Prospects" in this announcement, there were no future plans for material investments or capital assets.

SIGNIFICANT INVESTMENT

The Group did not have any significant investment during the Year.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the number of employees of the Group was about 31 (2018: 21). The remuneration packages of employees are maintained at competitive levels and include monthly salaries, mandatory provident fund, medical insurance and share option schemes; and other employee benefits include meal and travelling allowances and discretionary bonuses.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transaction by the Directors. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the required standards set out in the Model Code during the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Year.

SUBSEQUENT EVENTS

Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting of the Company held on 12 December 2019, the English name of the Company was changed from "Pearl Oriental Oil Limited" to "CHK Oil Limited" and new Chinese name of "中港石油有限公司" for identification purpose only has been adopted to replace the previous name of the Company in Chinese, namely "東方明珠石油有限公司" which was used for identification purposes only. The change of names took effect on 5 February 2020.

Details of the change of Company name are set out in the announcements of the Company dated 28 October 2019, 12 December 2019 and 5 February 2020 and the circular of the Company dated 20 November 2019.

Save as the above, there is no material event undertaken by the Company or the Group subsequent to 31 December 2019 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The board of Directors of the Company (the "**Board**") committed to achieving high standard of corporate governance. The Board regularly views our corporate governance practice to ensure that the Company is in compliant with the applicable laws, regulations and requirements of the Listing Rules. The Company's corporate governance practices are based on the principals as set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 of the Listing Rules.

In the opinion of the Board, the Company has complied throughout the Year with the Corporate Governance Code as contained in Appendix 14 to the Listing Rules, save for the following:

1. Code Provision A.2.1 – for the period from 17 June 2019 to 19 July 2019, the position of Chief Executive Officer was vacant and all duties of Chief Executive Officer were shared among the executive Directors, including the Chairlady of the Board. Following the appointment of Mr. Chen Bin as a new Chief Executive Officer and executive Director on 19 July 2019, the Company has re-complied with this requirement.

2. Code Provision I(f) and Rules 3.10(1) of the Listing Rules – for the period from 28 June 2019 to 14 August 2019, the number of Independent Non-Executive Directors for the composition of the Board has fallen below the minimum number required. Following the appointment of new Directors on 14 August 2019, the Company has re-complied this requirement.

3. Code Provision I(f) and Rule 3.10(2) of the Listing Rules – for the period from 28 June 2019 to 24 September 2019, the Company failed to meet the requirement that at least one Independent Non-Executive Director must have appropriate professional qualifications or accounting or related financial management expertise. Following the appointment of new Independent Non-Executive Director on 24 September 2019, the Company has re-complied with this requirement.

4. Code Provision I(f) and Rule 3.10A of the Listing Rules – for the period from 28 June 2019 to 24 September 2019, the number of Independent Non-Executive Directors for the composition of the Board has fallen below the minimum ratio required. Following the appointment of a new Independent Non-Executive Director on 24 September 2019, the Company has re-complied with this requirement.

5. Code Provision A.5.1 – for the period from 28 June 2019 to 14 August 2019, as the Board comprised no Independent Non-Executive Director, the positions in the nomination committee were vacant. Following the appointment of new Directors and the members of nomination committees on 14 August 2019, the Company has re-complied this requirement.

6. Rule 3.21 of the Listing Rules – for the period from 28 June 2019 to 24 September 2019, the number of members of the audit committee of the Company has fallen below the minimum number required. Following the appointment of new Independent Non-Executive Director on 24 September 2019, the Company has re-complied with this requirement.

7. Rule 3.25 of the Listing Rules – for the period from 28 June 2019 to 14 August 2019, the remuneration committee of the Company did not have a chairman who was an Independent Non-executive Director. Following the appointment of new Directors on 14 August 2019, the Company has recomplied with this requirement.

8. Code Provision E.1.2 – it is required under the Code Provision that the chairlady of the board to invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting. In their absence, she should invite another member of the committee or failing this his duly appointed delegate, to attend. The chairman and members of the Audit Committee and Remuneration Committee could not attend the annual general meeting of the Company held on 28 June 2019 due to other business commitments.

In respect of items (2), (3), (4), (5), (6) and (7) above, the Company deviated from the Code Provisions because the re-election of Ms. Fan Amy Lizhen, Mr. Xing Yong, Mr. Shi Wen Jiang, Mr. Chen Zhong Min, Mr. Jiang Cai Yi, Mr. Zhang Yue Yang, Mr. He Jun, Ms. Chen Xue Hui, Ms. Hu Jing and Ms. Lyu Jia Lian as Directors were not passed at the annual general meeting held on 28 June 2019 and all of them retired as Directors upon conclusion of the relevant annual general meeting. The Company appointed three independent Non-executive Directors, namely, Mr. Cao Wei, Mr. Xu Guoqiang, Ms. Zhong Bifeng on 14 August 2019 and one Independent Non-executive Director, Mr. Li Songtao, on 24 September 2019.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2019.

SCOPE OF WORK OF CHENG & CHENG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2019 have been agreed by the Group's auditor, Cheng & Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Cheng & Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Cheng & Cheng Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

The detailed results containing all the information required by paragraph 45 of Appendix 16 of the Listing Rules will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

By Order of the Board
CHK Oil Limited
Liu Gui Feng
Chairlady and Executive Director

Hong Kong, 31 March 2020

As at the date of this announcement, the Board comprises six executive Directors, namely Ms. Liu Gui Feng, Mr. Chen Bin, Mr. Lin Qing Yu, Ms. Chen Junyan, Mr. Yu Jiyuan and Mr. Yun Guangrui; and four independent non-executive Directors, namely Mr. Cao Wei, Mr. Xu Guoqiang, Ms. Zhong Bifeng and Mr. Li Songtao.