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(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE (3) RIGHTS SHARES FOR EVERY EIGHT (8)
EXISTING SHARES HELD ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS**

PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of approximately HK\$45.9 million before expenses by way of a rights issue of 229,603,495 Rights Shares at a price of HK\$0.20 per Rights Share on the basis of three (3) Rights Shares for every eight (8) existing Shares held by the Qualifying Shareholders on the Record Date. The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$44.5 million.

The Rights Issue is only available to the Qualifying Shareholders and will not be available to the Non-Qualifying Shareholders. Pursuant to the Rights Issue, the Qualifying Shareholders will be provisionally allotted three (3) Rights Shares in nil-paid form for every eight (8) existing Shares held on the Record Date.

The Company will not provisionally allot and issue and will not accept application for any fraction of the Rights Shares. All fractions of Rights Shares will be aggregated (rounded down to the nearest whole number). All nil-paid Rights Shares arising from such aggregation will be provisionally allotted (in nil-paid form) and sold in the market for the benefit of the Company if a premium (net of expenses) can be obtained.

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* with the then existing Shares in issue in all respects. Holders of fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

* *For identification purpose only*

Subject to the fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

THE IRREVOCABLE UNDERTAKING

As at the date of this announcement, Xin Hua, being a Controlling Shareholder of the Company, directly holds 365,625,096 Shares (representing 59.72% of the issued share capital of the Company as at the date of this announcement). On 19 October 2020, the Company received from Xin Hua the Irrevocable Undertaking, pursuant to which Xin Hua has irrevocably undertaken to the Company, among other things, to:

- (i) subscribe for 137,109,411 Rights Shares which will be provisionally allotted to it nil-paid in respect of the 365,625,096 Shares legally and beneficially owned by it, pursuant to the terms of the Prospectus Documents;
- (ii) ensure that the 365,625,096 Shares currently legally and beneficially owned by it will remain legally and beneficially owned by it on the Record Date; and
- (iii) to apply, by way of excess application, for an additional 92,494,084 Rights Shares.

The Company has not received, as at the date of this announcement, any information or irrevocable undertaking from any other substantial Shareholder of the Company of any intention in relation to the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue.

LISTING RULES IMPLICATIONS

As the Company has not conducted any rights issue or open offer within the 12-month period prior to the date of this announcement, the Rights Issue will not increase the issued share capital or market capitalisation of the Company by more than 50% and any issue of the Rights Shares pursuant to the Irrevocable Undertaking is fully exempted from the requirements of Chapter 14A of the Listing Rules, the Rights Issue is not subject to the Shareholders' approval under the Listing Rules. The Rights Issue will be carried out in compliance with Rule 7.21(1)(a) of the Listing Rules.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is subject to the fulfilment and/or waiver (where applicable) of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in this announcement. Shareholders and potential investors of the Company should note that if the conditions of the Rights Issue are not satisfied and/or waived (where applicable), the Rights Issue will not proceed. Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled and/or waived (where applicable), and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

Subject to the fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares.

GENERAL

The Company expects to despatch the Rights Issue Documents to the Qualifying Shareholders on or before the Posting Date and the Prospectus with the Overseas Letter for information only to the Non-Qualifying Shareholders (if any). A copy of the Prospectus will also be made available on the Stock Exchange’s website (www.hkexnews.hk) and the Company’s website (www.chkoilltd.com).

PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of approximately HK\$45.9 million before expenses by way of a rights issue of 229,603,495 Rights Shares at a price of HK\$0.20 per Rights Share on the basis of three (3) Rights Shares for every eight (8) existing Shares held by the Qualifying Shareholders on the Record Date. The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be approximately HK\$44.5 million.

The terms of the Rights Issue are set out below:

Issue Statistics

Basis of the Rights Issue	:	three (3) Rights Shares for every eight (8) existing Shares held on the Record Date
Subscription Price	:	HK\$0.20 per Rights Share
Number of existing Shares in issue as at the date of this announcement	:	612,275,987 Shares
Number of Rights Shares	:	229,603,495 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	Up to approximately HK\$45,920,699
Amount to be raised before expenses (assuming all Rights Shares will be taken up)	:	approximately HK\$45.9 million before expenses (based on the number of existing Shares in issue as at the date of this announcement, and assuming no Shares have been allotted and issued on or before the Record Date)
Number of Rights Shares undertaken to be taken up	:	Xin Hua has undertaken to take up an aggregate of 137,109,411 Rights Shares under its assured entitlement (representing approximately 59.72% of the total Rights Shares proposed to be provisionally allotted by the Company) and to apply, by way of excess application, for an additional 92,494,084 Rights Shares pursuant to the Irrevocable Undertaking
Total number of Shares in issue as enlarged by the Rights Shares upon completion of the Rights Issue	:	841,879,482 Shares

Assuming no new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue, the aggregate number of Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represents approximately 37.5% of the Company's entire issued share capital as at the date of this announcement and will represent approximately 27.27% of the Company's entire issued share capital as enlarged by the issue of the Rights Shares immediately after completion of the Rights Issue.

As at the date of this announcement, the Company has no outstanding derivatives, convertible securities, options, warrants or other similar securities in issue which would otherwise confer any right to subscribe for, convert or exchange into Shares. The Company has no intention to issue or grant any Shares, convertible securities and/or options on or before the Record Date.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder's name must appear on the register of members of the Company on the Record Date, which is currently expected to be Wednesday, 11 November 2020 and such Shareholder must not be a Non-Qualifying Shareholder. In order to be registered as a member of the Company on the Record Date, any transfer of Shares (together with the relevant share certificate(s)) must be lodged with the branch share registrar of the Company in Hong Kong for registration by 4:30 p.m. on the Last Day for Transfer. The register of members of the Company will be closed from Wednesday, 4 November 2020 to Wednesday, 11 November 2020, both days inclusive.

The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The last day of dealings in the Shares on a cum-rights basis is Friday, 30 October 2020. The Shares will be dealt with on an ex-rights basis from Monday, 2 November 2020.

The Latest Time for Acceptance is expected to be 4:00 p.m. on the Final Acceptance Date.

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

The Company expects to send the Rights Issue Documents to the Qualifying Shareholders on or before the Posting Date. Subject to the advice of the Company's legal advisers in the relevant jurisdiction(s) and to the extent reasonably practicable, the Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL or EAF to them. A copy of the Prospectus will also be made available on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.chkoilltd.com).

Closure of Register of Members

For the purpose of determining entitlements to the Rights Issue, the register of members of the Company will be closed from Wednesday, 4 November 2020 to Wednesday, 11 November 2020, both days inclusive. No transfer of Shares will be registered during this period.

Non-Qualifying Shareholders

The Rights Issue Documents are not intended to be registered or filed under the applicable securities legislation or equivalent legislation of any jurisdictions other than Hong Kong.

The Company is in the process of making enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. The Company notes the requirements specified in section 140 of the Companies Ordinance and Rule 13.36(2)(a) of the Listing Rules and will only exclude from the Rights Issue the Overseas Shareholders whom the Directors, after making enquiries, consider it necessary or expedient to exclude on account of either the legal restrictions under the laws of the relevant jurisdictions or any requirements of the relevant regulatory bodies or stock exchanges in such jurisdictions. The basis of exclusion of the Non-Qualifying Shareholders from the Rights Issue, if any, will be disclosed in the Prospectus. The Company will not offer the Rights Shares to the Non-Qualifying Shareholders. Accordingly, no provisional allotment of Rights Shares will be sent to the Non-Qualifying Shareholders. The Company will, subject to the advice of the Company's legal advisers in the relevant jurisdiction(s) where the Non-Qualifying Shareholders are located and to the extent reasonably practicable, send copies of the Prospectus with the Overseas Letter to the Non-Qualifying Shareholders (if any) for their information only, but the Company will not send any PAL and EAF to them.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders had they been Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before dealings in the nil-paid Rights Shares end, if a premium in excess of all expenses of sale can be obtained. The aggregate net proceeds of such sale will be distributed by the Company to the Non-Qualifying Shareholders (pro-rata to their respective entitlements on the Record Date and round down to the nearest cent) in Hong Kong dollars, provided that if any of such Non-Qualifying Shareholders would be entitled to a sum not less than HK\$100. In view of administrative costs, the Company will retain individual amount of less than HK\$100 for its own benefit. Any unsold nil-paid Rights Shares to which such Non-Qualifying Shareholders (if any) would otherwise have been entitled will be made available for excess application by the Qualifying Shareholders under the EAFs.

Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should note that they may or may not be entitled to the Rights Issue pursuant to section 140 of the Companies Ordinance and Rule 13.36(2)(a) of the Listing Rules subject to the results of the enquiries made by the Board. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should exercise caution when dealing in the Shares.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. Shareholders and beneficial owners of the Shares (including, without limitation, their respective agents, custodians, nominees and trustees) should inform themselves of and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

TERMS OF THE RIGHTS ISSUE

Subscription Price

The Subscription Price of HK\$0.20 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

- (i) a premium of approximately 26.58% to the Last Closing Price;
- (ii) a premium of approximately 26.26% to the average closing price of approximately HK\$0.1584 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days ending on and including the Last Trading Day;
- (iii) a premium of approximately 23.30% to the average closing price of approximately HK\$0.1622 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days ending on and including the Last Trading Day;
- (iv) a premium of approximately 17.99% to the theoretical ex-right price of approximately HK\$0.1695 based on the Last Closing Price;

- (v) a discount of approximately 50.54% to the unaudited consolidated net asset value per Share of approximately HK\$0.4044 (based on the latest published consolidated net asset value of the Group of approximately HK\$247,630,000 as at 30 June 2020 as disclosed in the interim report of the Company for the six months ended 30 June 2020 and 612,275,987 Shares in issue as at the date of this announcement); and
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a premium of approximately 6.96%, represented by the theoretical diluted price of approximately HK\$0.1705 per Share to the benchmarked price of approximately HK\$0.1594 per Share (as defined under Rule 7.27BA of the Listing Rules, taking into account the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of this announcement).

The par value of each Rights Share is HK\$0.20.

The Subscription Price and the subscription ratio were determined by the Directors with reference to (i) the market price of the Shares prior to and including the Last Trading Day; (ii) the net asset value per Share as at 30 June 2020 of the Company; (iii) the prevailing market conditions; (iv) the share price of the Company has been trading below its par value for some time; and (v) the fund-raising size intended by the Company after taking into consideration of the par value per Share of the Company. According to the relevant Bermuda laws, the Company shall not issue shares at a price below its par value.

The Directors consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of Provisional Allotments

The basis of the provisional allotment shall be three (3) Rights Shares for every eight (8) existing Shares held by the Qualifying Shareholders on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited on or before the Latest Time for Acceptance.

Fractional Entitlements to the Rights Shares

The Company will not provisionally allot and issue and will not accept application for any fraction of the Rights Shares and the entitlements of the Qualifying Shareholders will be rounded down to the nearest whole number. All fractions of Rights Shares will be aggregated (rounded down to the nearest whole number). All nil-paid Rights Shares arising from such aggregation will be provisionally allotted (in nil-paid form) and sold in the market for the benefit of the Company if a premium (net of expenses) can be obtained, and the Company will retain the proceeds from such sale. Any unsold fractions of Rights Shares will be made available for excess application by the Qualifying Shareholders under the EAFs.

Odd lot trading arrangement

Upon completion of the Rights Issue, the board lots of the Company will remain as 2,000 Shares. In order to facilitate the trading of odd lots of Shares which will arise upon the Rights Issue, the Company will procure Forwin Securities Group Limited to stand in the market and provide matching services on a best effort basis for the holders of odd lots of Shares during the period between Monday, 7 December 2020 to Monday, 28 December 2020 (both days inclusive). Holders of odd lots Shares who wish to take advantage of this facility either to dispose of their odd lots of Shares or to top up to board lots of 2,000 Shares may contact Forwin Securities Group Limited as soon as possible during the period. Forwin Securities Group Limited is an independent third party not connected with the Company or any of the directors, chief executives, or substantial shareholders of the Company or any of its subsidiaries or associates. Holders of Shares in odd lots should note that the matching services mentioned above are on a “best effort” basis only and successful matching of the sale and purchase of odd lots of Shares is not guaranteed and will depend on there being adequate amount of odd lots of Shares available for matching. Shareholders are advised to consult their financial advisers if they are in doubt about the above arrangements. Further details of the odd lot matching services will be provided in the Prospectus.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* with the then existing Shares in issue in all respects. Holders of fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

Application for Excess Rights Shares

Qualifying Shareholders are entitled to apply for, by way of excess application:

- (i) any unsold entitlements to the Rights Shares of the Non-Qualifying Shareholder(s) (if any);
- (ii) any unsold Rights Shares created by aggregating fractions of the Rights Shares; and

(iii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renounees or transferees of nil-paid Rights Shares.

(i) to (iii) are collectively referred to as “Untaken Rights”.

Applications for excess Rights Shares may be made by completing an EAF and lodging the same with a separate remittance for the full amount payable for the excess Rights Shares being applied for. The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them as far as practicable on a pro-rata basis by reference to the number of the excess Rights Shares applied for under each application;
- (ii) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;
- (iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings; and
- (iv) pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by any Controlling Shareholder or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees.

The Company shall disregard the Relevant Shareholders’ applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

It is noted that Xin Hua has, pursuant to the Irrevocable Undertaking, irrevocably undertaken to the Company to apply, by way of excess application for an additional 92,494,084 Rights Shares.

If the aggregate number of Rights Shares underlying the Untaken Rights is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

Investors whose Shares are held by a nominee (or which are held in CCASS) should note that the Board will regard the nominee (including HKSCC Nominees Limited) whose name appears on the register of members of the Company (the “**Registered Nominee**”) as a single Shareholder under the aforesaid arrangement in relation to the allocation of excess Rights Shares. Beneficial owners who hold Shares through a Registered Nominee are advised to consider whether they would like to arrange for the registration of their Shares in their own names prior to the Record Date.

Investors whose Shares are held by a Registered Nominee and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for completion of the relevant registration by 4:30 p.m. on the Last Day for Transfer. The register of members of the Company will be closed from Wednesday, 4 November 2020 to Wednesday, 11 November 2020, both dates inclusive.

Qualifying Shareholders who wish to apply for excess Rights Shares in addition to their provisional allotment must complete and sign an EAF and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited on or before the Latest Time for Acceptance.

Share Certificates and Refund Cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for fully paid Rights Shares are expected to be posted to those who have accepted and (where applicable) applied for, and paid for, the Rights Shares by ordinary post at their own risk on or before Friday, 4 December 2020. Each Shareholder will receive one share certificate for all allotted Rights Shares, expect HKSCC Nominees Limited. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted to the applicants by ordinary post at their own risk on or before Friday, 4 December 2020.

Application for Listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. No part of the securities of the Company is listed, or dealt in, or for which listing or permission to deal is being or is proposed to be sought, on any other stock exchange. Nil-paid Rights Shares are expected to be traded in board lots of 2,000 (as the Shares are currently traded on the Stock Exchange in board lots of 2,000).

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day after the date of the transaction. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Stamp duty and other applicable fees and charges

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, the Securities and Futures Commission transaction levy and other applicable fees and charges in Hong Kong.

The Rights Issue on a non-underwritten basis

Subject to the fulfilment and/or waiver (where applicable) for the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that there is an under-subscription of the Rights Issue as a result of Untaken Rights and such are not taken up by the Qualifying Shareholders (excluding Xiu Hua), Xin Hua has, pursuant to the Irrevocable Undertaking, irrevocably undertaken to the Company to apply, by way of excess application, for an additional 92,494,084 Rights Shares. For further details, please refer to the section headed “Irrevocable Undertaking” in this announcement. No general offer obligation will be triggered by the Irrevocable Undertaking and the issue of Rights Shares to Xin Hua pursuant to the Irrevocable Undertaking in accordance to the note to Rule 7.19(5)(b) of the Listing Rules. There is no minimum amount to be raised under the Rights Issue. The legal advisers of the Company have confirmed that there are no statutory requirements regarding minimum subscription levels in respect of the Rights Issue.

Conditions of the Rights Issue

The Rights Issue is conditional upon the fulfilment or waiver (as appropriate) of each of the following conditions:

- (a) the Stock Exchange having authorised the registration of, and the Companies Registry in Hong Kong having registered, respectively, not later than one Business Day prior to the Posting Date, each of the Prospectus Documents is duly certified in compliance with section 342C of the Companies (WUMP) Ordinance (and all other documents required to be attached thereto or otherwise filed or delivered) and otherwise complying with the requirements of the Companies (WUMP) Ordinance and the Listing Rules;
- (b) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus with the Overseas Letter to the Non-Qualifying Shareholder(s), if any, and for information purposes only, on or before the Posting Date;
- (c) the Listing Committee granting and not having revoked, listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Posting Date and such listings and permission to deal not having been withdrawn or revoked;
- (d) each condition to enable the Rights Shares in their nil-paid or fully-paid forms to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied on or before the Business Day prior to the commencement of trading of the Rights Shares (in their nil paid and fully-paid forms, respectively) and no notification having been received by the Company from the HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused;
- (e) compliance with and performance of all undertakings and obligations of Xin Hua under the Irrevocable Undertaking in all material respects; and
- (f) there shall not have occurred and be continuing any of the following:
 - (i) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Company in any material respect affect the success of the Rights Issue (such success being the taking up of the Rights Shares by the Shareholders or the transferees of the nil-paid rights) or otherwise in the absolute opinion of the Company makes it inexpedient or inadvisable or inappropriate for the Company to proceed with the Rights Issue; or

- (ii) any event of force majeure including, without limiting the generality thereof, any act of God, war, fire, flood, explosion, epidemic, terrorism, which in any material respect adversely affect the business or the financial or trading position or prospects of the Company and its subsidiaries considered as a whole or the Rights Issue; or
- (iii) any other material adverse change in relation to the business or the financial or trading position or prospects of the Company and its subsidiaries considered as a whole occurs, whether or not of the same kind with any of the foregoing; or
- (iv) any suspension in the trading of the securities generally or the Company's securities on the Stock Exchange for a period of more than 30 consecutive trading days occurs, excluding any halt or suspension in connection with the clearance of the announcement or circular or prospectus of the Company for the Rights Issue or other announcements or circulars in connection with the Rights Issue.

Save for condition (e) and (f) which can be waived (conditionally or unconditionally) by the Company, none of the above conditions can be waived. If any of the conditions referred to above are not fulfilled, and/or not waived (where applicable) at or before 5:00 p.m. on Monday, 30 November 2020 (or such later time and/or date as the Company may determine), the Rights Issue will not proceed.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.

IRREVOCABLE UNDERTAKING

As at the date of this announcement, Xin Hua, being a Controlling Shareholder of the Company, directly holds 365,625,096 Shares (representing 59.72% of the issued share capital of the Company as at the date of this announcement).

On 19 October 2020, the Company received from Xin Hua the Irrevocable Undertaking, pursuant to which Xin Hua has irrevocably undertaken to the Company, among other things, to:

- (i) subscribe for 137,109,411 Rights Shares which will be provisionally allotted to it nil-paid in respect of the 365,625,096 Shares legally and beneficially owned by it, pursuant to the terms of the Prospectus Documents;
- (ii) ensure that the 365,625,096 Shares currently legally and beneficially owned by it will remain legally and beneficially owned by it on the Record Date; and
- (iii) to apply, by way of excess application, for an additional 92,494,084 Rights Shares.

The Company has not received, as at the date of this announcement, any information or irrevocable undertaking from any other substantial Shareholder of the Company of any intention in relation to the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders; and (iii) immediately after completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders other than Xin Hua which will take up the Rights Shares in accordance with the terms of the Irrevocable Undertaking, assuming there is no change in the number of Shares in issue since the date of this announcement:

	Upon completion of the Rights Issue					
	As at the date of this announcement		Immediately after completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders other than Xin Hua which will take up the Rights Shares in accordance With the Irrevocable Undertaking (Note 1))	
	<i>No of Shares</i>	<i>Approximate %</i>	<i>No of Shares</i>	<i>Approximate %</i>	<i>No of Shares</i>	<i>Approximate %</i>
Controlling Shareholder						
Xin Hua (Note 2)	<u>365,625,096</u>	<u>59.72</u>	<u>502,734,507</u>	<u>59.72</u>	<u>595,228,591</u>	<u>70.70</u>
Non-public Shareholder						
Pearl Oriental Logistics Sino Limited (Note 3)	243,600	0.04	334,950	0.04	243,600	0.03
Public Shareholders	<u>246,407,291</u>	<u>40.24</u>	<u>338,810,025</u>	<u>40.24</u>	<u>246,407,291</u>	<u>29.27</u>
TOTAL	<u>612,275,987</u>	<u>100.00</u>	<u>841,879,482</u>	<u>100.00</u>	<u>841,879,482</u>	<u>100.00</u>

Notes:

1. Assuming no excess applications are made by Qualifying Shareholders other than Xin Hua.
2. As at the date of this announcement, Xin Hua is owned as to 46.28% by Ms. Chen Junyan, 34.92% by Mr. Yu Zhibo and 18.80% by Mr. Chen Yaxin.

3. On 4 April 2007, the Company issued consideration Shares in relation to its acquisition of 60% of the issued share capital of Pearl Oriental Logistics Sino Limited (which is a subsidiary of the Company). Please refer to the Company's announcement dated 26 September 2006 and the Company's circular dated 18 October 2006 in relation to the acquisition of Pearl Oriental Logistics Sino Limited for more details. The 243,600 Shares held by Pearl Oriental Logistics Sino Limited consist of part of these consideration Shares and 40,600 bonus Shares which were issued to Pearl Oriental Logistics Sino Limited in May 2011.

EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below:

2020

Last day of dealings in the Shares on a cum-rights basis	Friday, 30 October
Commencement of dealings in the Shares on an ex-rights basis	Monday, 2 November
Latest time for lodging transfer of the Shares in order to be qualified for the Rights Issue	4:30 p.m. Tuesday, 3 November
Register of members closes for determining entitlements under the Rights Issue	Wednesday, 4 November to Wednesday, 11 November (both days inclusive)
Record Date for determining entitlements under the Rights Issue	Wednesday, 11 November
Register of members re-opens	Thursday, 12 November
Despatch of (i) Rights Issue Documents to Qualifying Shareholders; and (ii) the Prospectus with the Overseas Letter to Non-Qualifying Shareholders (if any)	Thursday, 12 November
First day of dealings in nil-paid Rights Shares	9:00 a.m. Monday, 16 November
Latest time for splitting nil-paid Rights Shares	4:30 p.m. Wednesday, 18 November
Last day of dealings in nil-paid Rights Shares	Monday, 23 November
Latest time for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. Thursday, 26 November

Latest time and date for the Rights Issue to
become unconditional 5:00 p.m. Monday, 30 November

Announcement of results of the Rights Issue to be
published in the respective websites of the Stock
Exchange and the Company on or before Thursday, 3 December

Refund cheques in respect of wholly or partially
unsuccessful applications for excess Rights Shares
expected to be posted on or before Friday, 4 December

Certificates for the Rights Shares expected to be despatched
on or before Friday, 4 December

Dealings in fully-paid Rights Shares commence 9:00 a.m Monday, 7 December

Note: All times and dates in this announcement refer to Hong Kong times and dates or deadlines specified in this announcement are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to Shareholders and the Stock Exchange appropriately.

EFFECT OF BAD WEATHER ON LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning issued by the Hong Kong Observatory:

- (1) in force in Hong Kong at any time before 12:00 noon and no longer in force after 12:00 noon on the Final Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (2) in force in Hong Kong at any time between 12:00 noon and 4:00 p.m. on the Final Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the currently scheduled date for the Final Acceptance Date, the dates mentioned in “Expected Timetable” in this announcement may be affected. The Company will notify the Shareholders by way of announcement of any change to the expected timetable as soon as practicable in this regard.

REASONS FOR THE PROPOSED RIGHTS ISSUE AND USE OF PROCEEDS

The Directors currently intend to use the net proceeds of approximately HK\$44.5 million as follows:

- Approximately 63.4% of the net proceeds (approximately HK\$28.2 million) will be used for the repayment of unsecured loans by the Group.
- Approximately 13.5% of the net proceeds (approximately HK\$6.0 million) will be used for the working capital of the Group's subsidiary, namely Pearl Oriental (Daqing) Oil Limited, for its business operations.
- The remaining 23.1% of the net proceeds (approximately HK\$10.3 million) will be used as general working capital.

Apart from the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing or an open offer. The Directors noted that bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Shareholders, and placings will dilute the interests of Shareholders without giving them the opportunity to take part in the exercise. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

Having considered the abovementioned alternatives, the Directors consider raising funds by way of the Rights Issue is more attractive in the current market condition and the Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position, while at the same time, allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company, and thus, in the interests of the Company and the Shareholders as a whole.

Based on the above, the Board considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, having considered the capital needs of the Group, the terms of the Rights Issue and the Subscription Price, the Board also considers that it is in the interests of the Company to proceed with the Rights Issue on a non-underwritten basis. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholder(s), if any, should note that their shareholdings will be diluted.**

The estimated expenses in relation to the Rights Issue, including financial, legal and other professional expenses, of approximately HK\$1.4 million, will be borne by the Company. The estimated net proceeds of the Rights Issue will be approximately HK\$44.5 million after the deduction of all estimated expenses of approximately HK\$1.4 million (assuming that no Shares will be allotted or issued on or before the Record Date).

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

Save for the Rights Issue, the Company has not engaged in any equity fund raising activities or any rights issue exercise during the past 12 months immediately before the date of this announcement.

TAXATION

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

INFORMATION ON THE GROUP

As at the date of this announcement, the Group principally engages in the exploration, exploitation, development, production and sale of oil and natural gas.

LISTING RULES IMPLICATIONS

As the Company has not conducted any rights issue or open offer within the 12-month period prior to the date of this announcement, the Rights Issue will not increase the issued share capital or market capitalisation of the Company by more than 50% and any issue of the Rights Shares pursuant to the Irrevocable Undertaking is fully exempted from the requirements of Chapter 14A of the Listing Rules, the Rights Issue is not subject to the Shareholders' approval under the Listing Rules. The Rights Issue will be carried out in compliance with Rule 7.21(1)(a) of the Listing Rules.

GENERAL

The Rights Issue Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders on Thursday, 12 November 2020 and the Prospectus with the Overseas Letter will be despatched to the Non-Qualifying Shareholder(s) (if any) for information only.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is subject to the fulfilment and/or waiver (where applicable) of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed "Conditions of the Rights Issue" in this announcement. Shareholders and potential investors of the Company should note that if the conditions of the Rights Issue are not satisfied and/or waived (where applicable), the Rights Issue will not proceed.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled and/or waived (where applicable), and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

Subject to the fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong; and for all other purposes, a day on which the Stock Exchange is open for transaction of business
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
“Company”	CHK Oil Limited (stock code: 632), a company incorporated in Bermuda and the shares of which are listed on the Main Board
“Controlling Shareholder”	shall have the meaning as ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EAF(s)”	the form(s) of application for excess Rights Shares to be issued in connection with the Rights Issue

“Final Acceptance Date”	the last date for acceptance and payment in respect of provisional allotments under the Rights Issue and for application and payment for excess Rights Shares, which is currently scheduled to be on Thursday, 26 November 2020 or such later date as determined by the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Irrevocable Undertaking”	a letter of irrevocable undertaking executed by Xin Hua in favour of the Company, the principal terms of which are disclosed in the section headed “Irrevocable Undertaking” in this announcement
“Last Closing Price”	the closing price of HK\$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day
“Last Day for Transfer”	Tuesday, 3 November 2020, being the last date for lodging transfer of Shares prior to the closure of register of members of the Company
“Last Trading Day”	Monday, 19 October 2020, being the last full trading day for the Shares before the release of this announcement
“Latest Time for Acceptance”	a time which is currently expected to be 4:00 p.m. on the Final Acceptance Date
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board of the Stock Exchange
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant places, consider it necessary or expedient to exclude them from the Rights Issue (if any)

“Overseas Letter”	the letter from the Company to the Non-Qualifying Shareholders explaining the circumstances in which the Non-Qualifying Shareholders (if any) are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued in connection with the Rights Issue
“Posting Date”	Thursday, 12 November 2020 or such other date as the Company determines for the despatch of the Rights Issue Documents to the Qualifying Shareholders or the Prospectus with Overseas Letter for information only to the Non-Qualifying Shareholders (if any), as the case may be
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear on the register of members of the Company on the Record Date
“Record Date”	Wednesday, 11 November 2020, or on such other date as the Company may determine, being the date of reference to which the Shareholders’ entitlements to the Rights Issue are to be determine
“Rights Issue”	the issue of 229,603,495 Rights Shares at the Subscription Price on the basis of three (3) Rights Shares for every eight (8) existing Shares held on the Record Date payable in full on acceptance
“Rights Issue Documents”	the Prospectus, PAL and EAF
“Rights Share(s)”	Up to 229,603,495 new Share(s) to be allotted and issued in respect of the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Share(s)”	ordinary share(s) of HK\$0.20 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.20 per Rights Share
“Xin Hua”	Xin Hua Petroleum (Hong Kong) Limited, the holder of 365,625,096 Shares, representing approximately 59.72% of the entire issued share capital of the Company and is a Controlling Shareholder
“%”	per cent

On behalf of the Board
CHK OIL LIMITED
Liu Gui Feng
Chairlady and Executive Director

Hong Kong, 19 October 2020

As at the date hereof, the Board comprises five executive Directors, namely Ms. Liu Gui Feng, Mr. Yu Jiyuan, Mr. Lin Qing Yu, Ms. Chen Junyan and Mr. Li Songtao, one non-executive Director, Mr. Yu Zhibo; and three independent non-executive Directors, namely Ms. Zhong Bifeng, Ms. Yang Yuyan and Mr. Pang Jun.

This announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chkoilltd.com.

* *for identification purposes only*