中港石油有限公司*

CHK OIL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the "**Board**") of CHK Oil Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** **HK$'000**	2022 HK$'000
Revenue	*5*	**161,497**	355,277
Cost of sales		**(159,988)**	(340,000)
Gross profit		**1,509**	15,277
Other income		**6,351**	7,016
Administrative expenses		**(19,086)**	(20,465)
Selling expenses		**(1,304)**	–
(Provision for) Reversal of impairment loss of property, plant and equipment	*11*	**(6,630)**	1,105
(Provision for) Reversal of impairment loss of intangible assets	*12*	**(39,870)**	6,645
Finance costs	*6*	**(249)**	(124)

* *For identification purpose only*

	Notes	**2023** ***HK$'000***	2022 *HK$'000*
(Loss) Profit before tax	*7*	**(59,279)**	9,454
Income tax credit (expense)	*8*	**9,727**	(10,647)
Loss for the year		**(49,552)**	(1,193)
Other comprehensive loss for the year, net of tax			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		**(2,836)**	(10,050)
Total comprehensive loss for the year		**(52,388)**	(11,243)
Loss attributable to:			
Owners of the Company		**(49,552)**	(1,193)
Non-controlling interests		**–**	–
		(49,552)	(1,193)
Total comprehensive loss attributable to:			
Owners of the Company		**(52,388)**	(11,243)
Non-controlling interests		**–**	–
		(52,388)	(11,243)
		HK cents	*HK cents*
Loss per share			
– Basic and diluted	*10*	**(5.89)**	(0.14)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	*11*	**48,812**	55,442
Intangible assets	*12*	**292,379**	332,249
Right-of-use assets		**3,353**	4,628
Statutory deposits and other assets		**2,622**	2,622
		347,166	394,941
Current assets			
Trade receivables	*13*	**7,679**	17,448
Prepayments, deposits and other receivables	*14*	**176,945**	125,962
Bank balances and cash		**1,252**	15,147
		185,876	158,557
Current liabilities			
Trade and other payables	*15*	**50,729**	23,246
Loans from ultimate holding company		**2,980**	–
Bank loan and other borrowings	*16*	**13,854**	–
Lease liabilities		**1,888**	1,735
Tax payable		**11,716**	13,120
		81,167	38,101
Net current assets		**104,709**	120,456
Total assets less current liabilities		**451,875**	515,397
Non-current liabilities			
Deferred tax liabilities		**42,027**	51,754
Lease liabilities		**1,574**	2,899
Other liabilities		**–**	82
		43,601	54,735
Net assets		**408,274**	460,662

	Notes	**2023**	2022
		HK$'000	*HK$'000*
Equity			
Share capital	*17*	**168,376**	168,376
Reserves		**238,883**	291,271
Equity attributable to owners of the Company		**407,259**	459,647
Non-controlling interests		**1,015**	1,015
Total equity		**408,274**	460,662

NOTES

For the year ended 31 December 2023

1. GENERAL INFORMATION

CHK Oil Limited (the "**Company**", together with its subsidiaries are collectively referred to as the "**Group**") 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 Units 2617–18, 26th Floor, Mira Place Tower A, No. 132 Nathan Road, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of 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.

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

2. BASIS OF PREPARATION

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

The measurement basis used in the preparation of these consolidated financial statements is the historical cost basis.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year, and which the Group elected to early adopt in the current year.

(b) Going concern

The consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the cash requirements to meet its financial obligations as and when they fall due within the next twelve months. The Group incurred a net loss attributable to owners of the Company of HK$49,552,000 for the year ended 31 December 2023 and, as of that date, the Group's total trade and other payables (excluding contract liabilities), loans from ultimate holding company, bank loan and other borrowings, lease liabilities, tax payable in aggregated to approximately HK$50,581,000, of which HK$49,007,000 are due for repayment within the next twelve months after 31 December 2023, and also the Group had only bank balances and cash of HK$1,252,000. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are of the Company are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of approval of the consolidated financial statements which can be prepared on a going concern basis, after taking into consideration of the followings:

(i) the Group's ultimate holding company and its substantial beneficial shareholder have committed to provide continuous financial support to the Group as is necessary to enable the Group to meet its day-to-day operations and its financial obligations as they fall due;

(ii) with reference to the cash flow projection for the next twelve months, the Group will maintain sufficient cash and cash equivalents through internally generated cash flows to finance its activities and pay its debts as and when they fall due;

(iii) the Group will consider other financing arrangements and fund-raising alternatives with a view to increasing the Group's capitalisation/equity and to support the daily operations of the Group; and

(iv) the Group will continue to improve the operating efficiency by implementing measures to tighten cost controls over various operating expenses in order to enhance its profitability and to improve the cash flows from its operation in future.

Having regard to the cash flow projection of the Group, which are prepared assuming that the above measures are successful, the directors of the Company are of the opinion that, in light of the measures taken to-date, together with the expected results of the other measures in progress, the Group will have sufficient funding resources to satisfy its future working capital and other financing requirements.

However, should the above measures not be able to implement successfully, the Group may not have sufficient funds to operate as a going concern, in which case adjustments might have to be made to reduce the carrying values of the Group's assets to their net realisable amounts, to reclassify the non-current assets and non-current liabilities as current assets and current liabilities, respectively and to provide for any further liabilities which might arise. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW/REVISED HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to HKAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements. Management has reviewed the disclosure of accounting policy information and considered it is consistent with the amendments.

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences. The adoption of the amendments does not have any significant impact on the consolidated financial statements.

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 or there has been a favourable change in the estimates used to determine the recoverable amount. Determination as to whether and how much an asset is impaired or impairment loss is reversed 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 impairment of trade deposits paid

The Group's management estimates the loss allowance for trade deposits paid by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade deposit paid. If the ECL rates on the trade deposits paid over 365 days had been 1% higher (lower) at the end of the reporting period, with other assumptions held constant, the loss allowance would have been HK$1,200,000 (2022: HK$Nil) higher (lower).

5. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in oil and gas sales; and trading of oil and oil-related and other products.

	2023		
	Oil and gas sales *HK$'000*	**Trading of oil, oil-related and other products** *HK$'000*	**Total** *HK$'000*
Revenue			
– Sales of oil and gas: recognised at a point in time			
– United States of America ("**USA**")	–	–	–
– Sales of oil-related and other products: recognised at a point in time			
– PRC	–	**161,497**	**161,497**
	–	**161,497**	**161,497**
Segment (loss) profit	**(48,091)**	**3,519**	**(44,572)**
Unallocated income			**203**
Unallocated expenses			**(14,687)**
Finance costs			**(223)**
Loss before tax			**(59,279)**
Income tax credit			**9,727**
Loss for the year			**(49,552)**

	2023			
	Oil and gas sales	**Trading of oil, oil-related and other products**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**336,629**	**183,802**	**–**	**520,431**
Unallocated assets	**–**	**–**	**12,611**	**12,611**
Total assets				**533,042**
Segment liabilities	**2,023**	**69,314**	**–**	**71,337**
Deferred tax liabilities	**42,027**	**–**	**–**	**42,027**
Unallocated liabilities	**–**	**–**	**11,404**	**11,404**
Total liabilities				**124,768**
Other information				
Interest income	**49**	**5,613**	**110**	**5,772**
Finance costs	**–**	**26**	**223**	**249**
Depreciation				
– Property, plant and equipment	**–**	**21**	**67**	**88**
– Right-of-use assets	**–**	**–**	**1,840**	**1,840**
Provision for impairment loss				
– Property, plant and equipment	**6,630**	**–**	**–**	**6,630**
– Intangible assets	**39,870**	**–**	**–**	**39,870**

	2022		
	Oil and gas sales *HK$'000*	Trading of oil, oil-related and other products *HK$'000*	Total *HK$'000*
Revenue			
– Sales of oil and gas:			
recognised at a point in time			
– USA	8	–	8
– Sales of oil-related and other products:			
recognised at a point in time			
– PRC	–	355,269	355,269
	8	355,269	355,277
Segment profit	5,660	19,186	24,846
Unallocated income			190
Unallocated expenses			(15,458)
Finance costs			(124)
Profit before tax			9,454
Income tax expense			(10,647)
Loss for the year			(1,193)

	2022			
	Oil and gas sales	Trading of oil, oil-related and other products	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	383,078	142,933	–	526,011
Unallocated assets	–	–	27,487	27,487
Total assets				553,498
Segment liabilities	2,600	29,075	–	31,675
Deferred tax liabilities	51,754	–	–	51,754
Unallocated liabilities	–	–	9,407	9,407
Total liabilities				92,836
Other information				
Interest income	46	4,984	28	5,058
Finance costs	–	–	124	124
Depreciation				
– Property, plant and equipment	–	13	178	191
– Right-of-use assets	–	–	1,432	1,432
Reversal of impairment loss				
– Property, plant and equipment	1,105	–	–	1,105
– Intangible assets	6,645	–	–	6,645

6. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest on bank loan	**26**	–
Interest on lease liabilities	**223**	124
	249	124

7. (LOSS) PROFIT BEFORE TAX

The Group's (loss) profit before tax is arrived at after charging (crediting):

	2023	2022
	HK$'000	*HK$'000*
Employee benefit expense, including directors' emoluments:		
– Salaries and allowances	**10,017**	10,052
– Retirement scheme contributions	**363**	626
	10,380	10,678
Cost of inventories	**159,988**	340,000
Depreciation		
– Property, plant and equipment	**88**	191
– Right-of-use assets	**1,840**	1,432

8. INCOME TAX CREDIT (EXPENSE)

Hong Kong Profits tax

The two-tiered profits tax rates regime has been implemented in Hong Kong since 1 April 2018.

For the years ended 31 December 2023 and 2022, no provision for Hong Kong profits tax has been made for the Hong Kong incorporated subsidiaries of the Group as they had no assessable profits for the year.

Overseas taxes

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevalling in the country in which the Group operates.

PRC Enterprise Income tax ("EIT")

EIT has not been provided as the subsidiaries operating in the PRC incurred a loss for taxation purposes for the year ended 31 December 2023. EIT had been provided on the estimated assessable profits of subsidiaries operating in the PRC at a statutory rate of 25% for the year ended 31 December 2022.

PRC withholding tax

In addition, according to the EIT law, dividends, interests, rent, royalties and gains on transfers of property received by a foreign enterprise, i.e. a non-Chinese tax resident enterprise, will be subject to PRC withholding tax at 10%.

Withholding income tax of 10% is provided on the dividends distributed or expected to be distributed by the PRC subsidiaries and associates of the Group. As at 31 December 2023 and 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Groups' subsidiaries established in the PRC of HK$79,295,000 (2022: HK$81,382,000). In the opinion of the directors, these accumulated undistributed profits, at the present time, are required for financing the continuing operations of the entities and no distribution would be made in the foreseeable future.

US tax

For the years ended 31 December 2023 and 2022, no provision for US tax has been made for the US incorporated subsidiaries of the Group as they had no assessable profits for the year. The tax rate adopted to measure the deferred tax balances is 21%.

	2023	2022
	HK$'000	*HK$'000*
Current income tax on profit for the year		
PRC EIT	–	5,309
PRC withholding tax	–	2,332
Under-provision of income tax in prior year		
PRC EIT	–	1,385
	–	9,026
Deferred tax	**(9,727)**	1,621
Total tax (credit) expense for the year	**(9,727)**	10,647

9. DIVIDENDS

The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: HK$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:

	2023	2022
Loss for the year attributable to owners of the Company *(HK$'000)*	**(49,552)**	(1,193)
Weighted average number of ordinary shares *('000)*	**841,636**	841,636
Basic and diluted loss per share *(HK cents)*	**(5.89)**	(0.14)

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2023 and 2022, excluding ordinary shares held as treasury shares.

(b) Diluted loss per share

The calculation of diluted loss per share is the same as basic earnings per share as there were no dilutive potential ordinary shares during the years ended 31 December 2023 and 2022.

11. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor Vehicles *HK$'000*	Total *HK$'000*
Cost					
At 1 January 2022	90,116	89	1,227	–	91,432
Additions	–	–	156	–	156
Exchange difference	–	–	(3)	–	(3)
At 31 December 2022 and 1 January 2023	90,116	89	1,380	–	91,585
Additions	–	–	–	88	88
At 31 December 2023	**90,116**	**89**	**1,380**	**88**	**91,673**
Accumulated depreciation and impairment losses					
At 1 January 2022	35,970	51	1,037	–	37,058
Charge for the year	–	38	153	–	191
Exchange difference	–	–	(1)	–	(1)
Impairment loss reversed	(1,105)	–	–	–	(1,105)
At 31 December 2022 and 1 January 2023	34,865	89	1,189	–	36,143
Charge for the year	–	–	80	8	88
Impairment loss	6,630	–	–	–	6,630
At 31 December 2023	**41,495**	**89**	**1,269**	**8**	**42,861**
Net book value					
At 31 December 2023	**48,621**	**–**	**111**	**80**	**48,812**
At 31 December 2022	55,251	–	191	–	55,442

12. INTANGIBLE ASSETS

	Oil and gas processing rights *HK$'000*
Costs	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	2,818,920
Accumulated amortisation and impairment	
At 1 January 2022	2,493,316
Impairment loss reversed	(6,645)
At 31 December 2022 and 1 January 2023	2,486,671
Impairment loss	39,870
At 31 December 2023	**2,526,541**
Net carrying amounts	
At 31 December 2023	**292,379**
At 31 December 2022	332,249

The intangible assets represent oil and gas processing rights in Utah, the USA. 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.

13. TRADE RECEIVABLES

	2023 ***HK$'000***	2022 *HK$'000*
Trade receivables from third parties	**7,679**	17,448

The credit period of trade receivables is normally within 60 – 365 days. The ageing analysis of the trade receivables based on the date of delivery/invoice date is as follows:

	2023 ***HK$'000***	2022 *HK$'000*
0–30 days	**–**	–
31–60 days	**–**	–
61–180 days	**–**	48
181–365 days	**–**	7,463
Over 365 days	**7,679**	9,937
	7,679	17,448

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	2023 HK$'000	2022 HK$'000
Prepayments		**244**	1,278
Rental and other deposits paid		**641**	632
Trade deposits paid	*(a)*	**169,684**	123,746
Interest receivable on trade deposits paid		**5,575**	–
Other receivables		**801**	306
		176,945	125,962
Less: Impairment losses	*(b)*	**–**	–
		176,945	125,962

(a) Trade deposits paid

Trade deposits paid represent prepayments to suppliers and will be utilised in future purchases from suppliers. Included in trade deposits paid of HK$118,250,000 (2022:HK$123,746,000) are unsecured and interest-bearing at 4.35% per annum (2022: 3.88% per annum). In view of changes in international situation which led to significant fluctuations in oil prices, changes in the demand of crude oil in the PRC and the underperformance of the economic recovery after the epidemic in the PRC, the Group has not carried out the procurement of crude oil in accordance with its original plan. On 9 October 2023, the Group entered into an agreement with the supplier for a full refund of the trade deposits paid of the balance of HK$118,250,000. Subsequent to the end of the reporting period, trade deposits paid and the corresponding interest receivable of HK$123,825,000 have been refunded.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each supplier. The default risk of the industry and country in which suppliers operate also has an influence on credit risk but to a lesser extent. At the end of each reporting period, the Group has a certain concentrations of credit risk as 70% (2022: 100%) and 100% (2022: 100%) of the total prepayments made to the Group's largest supplier and the five largest suppliers respectively.

(b) Impairment losses on deposits paid and other receivables

The movement in the loss allowance for deposits paid and other receivables during the year is summarised below:

	2023 HK$'000	2022 HK$'000
At beginning of the reporting period	**–**	71,609
Written off	**–**	(71,609)
At end of the reporting period	**–**	–

15. TRADE AND OTHER PAYABLES

	Notes	2023 HK$'000	2022 HK$'000
Trade payables to third parties	*(a)*	**148**	7,279
Other payables			
Accruals		**3,707**	2,965
Accrued directors' fee and salaries		**1,632**	1,361
Deposits received from customers		**4,770**	1,981
Contract liabilities	*(b)*	**32,160**	–
Value-added tax and other tax payables		**7,930**	9,325
Other payables		**382**	335
		50,581	15,967
		50,729	23,246

Notes:

(a) The credit period of trade payables is normally within 90 days. The ageing analysis of the trade payables, based on the invoice date is as follows:

	2023 HK$'000	2022 HK$'000
0–30 days	**37**	7,166
31–60 days	**–**	–
61–180 days	**–**	–
181–365 days	**–**	–
Over 365 days	**111**	113
	148	7,279

(b) The contract liabilities from contracts with customers within HKFRS 15 at end of the reporting period and the movements (excluding those arising from increases and decreases both occurred within the same year) of the contract liabilities during the year are as follows:

	2023	2022
	HK$'000	*HK$'000*
At beginning of the reporting period	**–**	–
Receipt of advances	**32,160**	–
At end of the reporting period	**32,160**	–

At 31 December 2023, the contract liabilities are expected to be settled within next 12 months.

16. BANK LOAN AND OTHER BORROWINGS

		2023	2022
	Notes	***HK$'000***	*HK$'000*
Bank loan	*(a)*	**2,859**	–
Other borrowings	*(b)*	**10,995**	–
		13,854	–

(a) **Bank loan**

The bank loan represents the unsecured revolving banking facility of RMB2,600,000 (equivalent to HK$2,859,000) utilised, with a term of 1 year from 8 August 2023, that carries variable interest rate with reference to the PRC's Loan Prime Rate as determined by the National Interbank Funding Center plus 0.68% per annum. As at 31 December 2023, the effective interest rate of the bank loan was 4.23% per annum.

(b) **Other borrowings**

The other borrowings represents the loans from a third party which are unsecured, interest-free, and repayable on 9 December 2024.

17. SHARE CAPITAL

	2023		2022	
	Number of shares *'000*	***HK$'000***	Number of shares *'000*	*HK$'000*
Authorised:				
At beginning of the reporting period and at end of the reporting period, ordinary shares of HK$0.2 each	**100,000,000**	**20,000,000**	100,000,000	20,000,000
Issued and fully paid:				
At beginning and at the end of the reporting period, ordinary shares of HK$0.2 each	**841,879**	**168,376**	841,879	168,376

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND REVIEW OF OPERATIONS

For the year ended 31 December 2023 (the "**Year**" or "**FY2023**"), the Company and its subsidiaries (the "**Group**") recorded a consolidated revenue of approximately HK$161,497,000 (2022: approximately HK$355,277,000) mainly contributed from the trading of oil, oil-related products and other products business. Basic and diluted loss per share for the Year was HK5.89 cents (2022: HK0.14 cents). Basic and diluted loss per share were based on the weighted average of approximately 842 million shares (2022: approximately 842 million shares) in issue for the Year. Gross profit for the Year amounted to approximately HK$1,509,000 (2022: approximately HK$15,277,000), which was mainly contributed by the trading of oil and oil-related product in Mainland China.

The net loss attributable to the owners of the Company for the Year was approximately HK$49,552,000, as compared with the net loss attributable to owners of the Company of approximately HK$1,193,000 for the year ended 31 December 2022 ("**FY2022**"). The increase in the net loss for FY2023 is mainly attributable to approximately 55% decrease in the revenue of the Group for FY2023 in the sales of oil and oil-related products as compared to that of FY2022, such decrease in revenue for FY2023 is combined with approximately HK$46.5 million of the impairment loss on the oil and gas properties and intangible assets in the oil and gas segment.

In respect of the impairment loss on the oil and gas properties and intangible assets in the oil and gas segment, the decline in the fair value of oil and gas properties and intangibles is primarily attributable to lower natural gas and oil prices, with forecasts indicating a relatively stable outlook for oil prices. The current low natural gas prices are partly due to an overestimation of global gas demand during the previous winter season, further exacerbated by a build-up of excess gas inventory.

BUSINESS REVIEW

Trading Business

The crude oil industry has its industry-specific characteristics as domestic supplies is concentrated in a few enterprises. Based on the industry practice in the PRC, to secure a steady crude oil supply for trade, procurement agreements usually would be signed with suppliers and prepayment of purchase would be made in advance. However, due to unfavorable price movements in 2023, some oil refineries faced thin margins or even losses, and scaled down their production, which eventually limited the extent of trade activities and caused significant impact on performance for our trading business in term of trading volume and profit margin. During the Year, the Group recorded revenue of approximately HK$161,497,000 (2022: HK$355,269,000) in the trading of oil, oil-related and other products segment.

Utah Gas and Oil Field

During the Year, the Group maintained stable daily operations and maintenance of the oil and gas field in Utah, the USA. Due to uncertainties (such as turnover of workers, tight construction schedule, and increased difficulties in purchase and transportation of equipment) in relation to local oil and gas service providers in Utah, our well overhaul schedule for the oil and gas field is expected to be prolonged. However, the Group will retain close attention and continuously follow up on the repairment works. In addition, the changes of international political landscape and the growing tensions in Sino-American relations brought further uncertainties to our business. The Group will continue to evaluate the situation in the Utah Oil and Gas Field, steadily push forward works, and promptly adjust our development direction and strategy in line with changes in the situation. With the impairment loss on the oil and gas properties and intangible assets in the oil and gas segment, the segment loss of oil and gas sales was recorded HK$48,091,000 in FY2023 (FY2022: segment profit of HK$5,660,000).

Principal Risks and Uncertainties Facing the Group

Price risk

The revenue and results of our operation at Utah Gas and Oil Field and our trading business are sensitive to changes in natural gas and oil prices and general economic conditions. Any substantial decline in natural gas or oil prices may result in delay or cancellation of existing or future drilling, exploration or reduction and closure of production. Furthermore, it could have a negative impact on the value and amount of our reserves, net income from production and trade, our cash flow and profitability.

In the 2023, oil price fluctuated between US$71.8 and US$96.6 and natural gas run with a downward trend. At the beginning of 2023, the price of Brent crude oil started at US$85.9 per barrel, surged to a high of US$96.6 in late-September 2023 and closed at US$77.0 per barrel in December 2023. From January to early March 2024, oil prices closed high at above US$83.6 per barrel. The price of Natural Gas started at US$4.4 at the beginning of 2023 and closed at US$2.5 in December 2023 and US$1.8 in early March 2024. (Source: https://markets.businessinsider.com/)

Natural gas and oil prices are both expected to fluctuate in the foreseeable future due to uncertain factors related to the supply and demand of these commodities in the market. These uncertain factors are in turn resulting from the high degree of uncertainty in the growth of the global economy and war situation between Russia and Ukraine. As such, it may be difficult to budget and project the returns on the development and exploitation projects. In order to alleviate the negative impact of the price uncertainties, the Group has reviewed its pricing policies to ensure that the contracts entered into by the Group include necessary price adjustment mechanism with reference to the quoted market price.

Cost risks and risk associated by hiring third party service providers

The exploration for and development of our well sites of Utah Gas and Oil Field requires a significant amount of capital investment. The operation of the Gas and Oil Field also depends on services provided by third parties, including, without limitation, processing pipelines for the transportation of products, equipment procurement, and operation and construction services on the certain infrastructure. The possible costs for the construction and production equipment as well as the services can inflate costs of project development and increase future production cost. Furthermore, the failure of any third service party to comply with the terms and conditions of the applicable agreements will have a negative impact on our operations. The Group actively seeks alternative third party service providers with reasonable cost and necessary licences across the world and conducts due diligence on the counter-parties to mitigate the risks associated with the third party service providers.

OPERATIONAL REVIEW AND UPDATE ON RESERVES

The Group has not undertaken any further exploration and development on the oil and gas fields in Utah this Year. During the Year, there have been no exploration, development or production activities in the oil and gas fields in Utah. The expenditure for the maintenance activities at the oil and gas fields in Utah during the Year was approximately HK$1,208,000.

To the best of the Group's knowledge, as of 31 December 2023, there was no material difference in the reserves of the Utah Gas and Oil Field when compared with that of 2022.

PROSPECTS

Utah Gas and Oil Field

From the beginning of 2023, oil prices continued to fluctuate, and natural gas price reveals a predominant downward trend, Brent and WTI oil prices fluctuated by about 29% and 33% respectively during the year, while Henry Hub natural gas price has fallen by approximately 57%. Specifically, the price of Brent crude oil rose from US$85.9 per barrel at the beginning of 2023 to US$96.6 per barrel in late September 2023 and falling to US$77.4 at the end of December 2023. Likewise, the price of WTI crude oil rose from US$80.5 per barrel at the beginning of 2023 to US$93.7 in late September 2023 and falling to US$71.7 at the end of December 2023. Henry Hub natural gas price has fallen from US$4.4 per MMBtu at the beginning of 2023 to US$2.5 at the end of December 2023. The fluctuations in global supply and demand determine the changes in oil prices and natural gas prices this year.

Based on its most recent monthly report released on 6 February 2024, the U.S. Energy Information Administration (EIA) forecasts for the future benchmark oil prices, under which the Brent price is expected to average US$82 per barrel in 2024.

Given the expected continuous wild fluctuation of the oil and gas prices in the short run, and the uncertainties arising from the lasting international geopolitical tension, we must prudently re-evaluate our investment in the project to better manage the operating risks.

Trading and Service Business

Due to the improvement in the prices of petrochemical products at the beginning of 2024, it can be expected that more refineries will resume production as their profits returns to reasonable levels. Therefore, in the beginning of 2024, the Group signed a procurement contract with a supplier to secure supplies, in order to maintain expected trade demands for 2024. In the first quarter of 2024, the Company has been proactively discussing with its heavy industry customers and the Company entered into a framework agreement with one of its customers to arrange for delivery of cruel oil in the forthcoming year. The Group expects that, with the heavy and manufacturing industry sector gradually resuming normal in the PRC, the domestic demands for cruel oil and oil-related products and the Group's trading business will be improving in 2024. The Company will continue to strive to improve its operating results and financial position to address the going concern assumption for the subsequent reporting period. Looking ahead, the oil trading business is still affected by the progress of international trade normalization, especially in terms of China's low inflation and international political situations. In spite of the uncertainties and challenges ahead, the Group will continue to maintain and develop its existing business as well as explore new business opportunities in the following areas of international trade on oil and oil-related products; seeking high-quality leasable and purchasable projects in the upstream and the downstream of the industry, striving to achieve vertical synergies in the whole industries of the petroleum and petrochemical. In the mid-long run, providing oil field development and maintenance services to oil field owners including oil exploration, oil well constructions, oil field management, providing energy efficient equipment for oil exploration; in the long run, the Group will also explore potential investments in clean energy, waste-to-energy technology and renewable energy, aiming to minimise emissions, achieve long-term sustainability and environmentally friendly objectives.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2023, there were HK$2,980,000 outstanding balance of interest-free loans owed to its ultimate holding company (being the controlling shareholder of the Company) (As at 31 December 2022: Nil) and HK$13,854,000 outstanding balance of interest bearing loan owed to bank and interest-free loan owed to other borrower (As at 31 December 2022: Nil). The Group's cash and bank balances as at 31 December 2023 was approximately HK$1,252,000 (approximately HK$15,147,000 as at 31 December 2022), it was mainly due to the decrease in the net cash from operating activities compared with last year. As at 31 December 2023, the current ratio (calculated on the basis of the Group's current assets over current liabilities) was 2.29 (As at 31 December 2022: 4.16).

The Group's total finance costs was HK$249,000 for the Year (2022: HK$124,000). The increase was mainly due to the increase in bank borrowing amount, average interest rate on the bank borrowings and interest on lease liabilities during the Year.

Further details regarding the liquidity of the Group are set out in note 2(b) to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities (31 December 2022: Nil).

CHARGES ON GROUP ASSETS

As at 31 December 2023, the Group did not have any charges on assets (31 December 2022: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group had no material acquisition and disposal of subsidiaries and associated companies during the Year.

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

Save as those disclosed under the section headed "Management Discussion and Analysis" in this announcement, the Group did not have any significant investment during the Year.

FOREIGN EXCHANGE EXPOSURE

The operating revenue of the Group is mainly denominated in RMB. The results of operations and the financial position of the Group may be affected by any changes in the exchange rates. The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. During the Year, the Group conducted its business transactions principally in US dollars and RMB or in the local currencies of the operating subsidiaries. Having considered (i) the historical trend of the exchange rates between the RMB and HK$; and (ii) the operation of the Group which does not involve significant volume of cross-border remittances, 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.

GEARING RATIO

As at 31 December 2023, the gearing ratio (debt-to-asset ratio) of the Group, calculated as total liabilities divided by total assets, was approximately 23.41% (31 December 2022: 16.77%).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the number of employees of the Group was about 27 (2022: 25). 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 travelling allowances and discretionary bonuses.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transactions by the Directors 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.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as otherwise disclosed in this announcement, there were no important events after the year ended 31 December 2023 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 reviews and monitors 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 principles as set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 of the Listing Rules.

Paragraph C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yu Jiyuan who is the Chairman of the Board and the CEO of the Company is also responsible for overseeing the general operations of the Group. The Board meets regularly to consider major matters concerning the operations of the Group and the Chairman has been encouraging each member of the Board and the senior management to raise any comments and concerns relating to the operation and management of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to a strong and consistent leadership enabling the Group to make and implement decisions promptly and efficiently.

Save for the above deviation, in the opinion of the Board, the Company has complied throughout the Year with the CG Code as contained in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed and confirmed with management the accounting principles and practices adopted by the Group and is of the opinion that the consolidated financial information for the year ended 31 December 2023 contains adequate disclosure as required by the Listing Rules. The Audit Committee also discussed financial reporting matters including a general review of the financial report for the Year. The Audit Committee has also discussed the auditing, financial reporting matters, risk management and internal control systems of the Company.

The Audit Committee consists of three independent non-executive Directors, namely Ms. Huang Qingwei (Chairlady), Ms. Zhong Bifeng and Mr. Shen Shigang.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures contained in this results announcement in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the Year have been agreed by the Group's auditor, Mazars CPA Limited ("**Mazars**"), to the amounts set out in the Group's draft audited consolidated financial statements for the Year. The work performed by Mazars in this announcement 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 opinion or assurance conclusion has been expressed by Mazars on this announcement.

MATERIAL UNCERTAINTY RELATED TO THE GOING CONCERN

The following is an extract of Mazars's report on the Group's consolidated financial statements for the year ended 31 December 2023.

We draw attention to the "Going concern" section in note 2(b) to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group incurred a net loss attributable to owners of the Company of HK$49,552,000 for the year ended 31 December 2023 and, as of that date, the Group's total trade and other payables (excluding contract liabilities), loans from ultimate holding company, bank loan and other borrowings, lease liabilities, tax payable in aggregated to approximately HK$50,581,000, of which HK$49,007,000 are due for repayment within the next twelve months after 31 December 2023, and also the Group had only bank balances and cash of HK$1,252,000. These conditions along with other matters as set forth in note 2(b) the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company, having considered the plans and measures being taken by the Group, are of opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND 2023 ANNUAL REPORT

This annual results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.chkoilltd.com). The annual report of the Company for the year ended 31 December 2023 containing all information required by the Listing Rules will be available on websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chkoilltd.com) in due course.

By Order of the Board
CHK Oil Limited
Yu Jiyuan
Chairman and Executive Director

Hong Kong, 28 March 2024

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Yu Jiyuan, Mr. Yu Zhibo, Mr. Jin Ailong, Ms. Yang Yuyan and Ms. Sun Xiaoze, three non-executive Directors, Mr. Lin Qing Yu, Ms. Chen Junyan and Mr. Zheng Ye and four independent non-executive Directors, namely Ms. Zhong Bifeng, Ms. Huang Qingwei, Mr. Shen Shigang and Ms. Lam Shuk Yi Mariana.