中港石油有限公司*

CHK OIL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

(1) INTERIM RESULTS ANNOUNCEMENT 2024; AND (2) RESUMPTION OF TRADING

The board (the "**Board**") of directors (the "**Director(s)**") of CHK Oil Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2024 (the "**Period**") with comparative figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**36,705**	39,952
Cost of sales		**(36,584)**	(39,460)
Gross profit		**121**	492
Other income		**251**	137
Administrative expenses		**(12,458)**	(8,119)
Selling expenses		**(155)**	–
Finance costs		**(148)**	(120)
Loss before tax	*5*	**(12,389)**	(7,610)
Income tax expense	*6*	**–**	(10)
Loss for the period		**(12,389)**	(7,620)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Loss attributable to:			
Owners of the Company		**(12,389)**	(7,620)
Non-controlling interests		**–**	–
		(12,389)	(7,620)
Other comprehensive loss for the period, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(2,553)**	(4,723)
Total comprehensive loss for the period		**(14,942)**	(12,343)
Total comprehensive loss attributable to:			
Owners of the Company		**(14,942)**	(12,343)
Non-controlling interests		**–**	–
		(14,942)	(12,343)
Loss per share			
Basic and diluted	*8*	**(HK1.47 cents)**	(HK0.91 cents)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	30 June 2024 (Unaudited) HK$'000	31 December 2023 (Unaudited) (Restated) HK$'000
Non-current assets			
Property, plant and equipment		**15,819**	15,813
Intangible assets		**129,458**	129,458
Right-of-use assets		**2,418**	3,353
Statutory deposits and other assets		**2,622**	2,622
		150,317	151,246
Current assets			
Trade receivables	*9*	**7,276**	7,679
Prepayments, deposits and other receivables	*10*	**126,497**	176,945
Bank balances and cash		**40,285**	1,252
		174,058	185,876
Current liabilities			
Trade and other payables	*11*	**56,604**	50,729
Loans from ultimate holding company		**11,560**	2,980
Bank loan and other borrowings		**2,793**	13,854
Lease liabilities		**1,941**	1,888
Tax payable		**11,448**	11,716
		84,346	81,167
Net current assets		**89,712**	104,709

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	**30 June 2024 (Unaudited)** *HK$'000*	31 December 2023 (Unaudited) (Restated) *HK$'000*
Total assets less current liabilities		**240,029**	255,955
Non-current liabilities			
Deferred tax liabilities		**1,043**	1,043
Lease liabilities		**590**	1,574
		1,633	2,617
Net assets		**238,396**	253,338
Equity			
Share capital	*12*	**168,376**	168,376
Reserves		**69,005**	83,947
Equity attributable to owners of the Company		**237,381**	252,323
Non-controlling interests		**1,015**	1,015
Total equity		**238,396**	253,338

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The principal activities of the Group are investment holding, exploring, exploiting and sale of oil and natural gas ("**Oil and gas sales**") and trading of oil, oil-related and other products.

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars ("**HK$**") which is 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

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

These unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2023 including the announcements of the Company dated 15 August 2024 and 27 September 2024 (collectively, the "**Announcements**").

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

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

Restatement adjustments

The Group held exploitation interest in the gas and oil fields in the State of Utah, United States of America (the "**USA**") (the "**Utah Gas and Oil Field**"), through four leases with the Bureau of Land Management ("**BLM**") of the United States Department of Interior and two leases with State of Utah of Department of Natural Resources. In August 2024, the Company discovered that three of the leases with BLM would have been terminated at earliest as at 26 September 2022, being 60 days after the Group received BLM's 22 June 2022 written order (the "**Relevant Leases**"). For details, please refer to the Announcements.

Upon the termination of the Relevant Leases, the Group's oil and gas processing rights in the State of Utah, the USA under intangible assets and the oil and gas properties under the property, plant and equipment related to the Relevant Leases as at 31 December 2022 and 2023, and 30 June 2023 were not properly recorded. The consolidated financial statements for the financial years ended 31 December 2022 and 2023 and the condensed consolidated interim financial statements for the six months ended 30 June 2023 would have been restated.

The effect of the restatements on those financial statements relevant to the condensed consolidated interim financial statements for the six months ended 30 June 2024 is summarised as follows.

	Previously reported	**Restatement adjustments**	**Restated**
	HK$'000	*HK$'000*	*HK$'000*
For the year ended 31 December 2022			
Consolidated Statement of Financial Position			
Reserves	291,271	(173,204)	118,067
– Accumulated losses	(2,928,993)	(173,204)	(3,102,197)
Equity attributable to owners of the Company	459,647	(173,204)	286,443
Total equity	460,662	(173,204)	287,458
For the year ended 31 December 2023			
Consolidated Statement of Financial Position			
Property, plant and equipment	48,812	(32,999)	15,813
Intangible assets	292,379	(162,921)	129,458
Non-current assets	347,166	(195,920)	151,246
Total assets less current liabilities	451,875	(195,920)	255,955
Deferred tax liabilities	42,027	(40,984)	1,043
Non-current liabilities	43,601	(40,984)	2,617
Net assets	408,274	(154,936)	253,338
Reserves	238,883	(154,936)	83,947
– Accumulated losses	(2,978,545)	(154,936)	(3,133,481)
Equity attributable to owners of the Company	407,259	(154,936)	252,323
Total equity	408,274	(154,936)	253,338
For the six months period ended 30 June 2023			
Condensed Consolidated Interim Statement of Financial Position			
Reserves	278,928	(173,204)	105,724
– Accumulated losses	(2,936,613)	(173,204)	(3,109,817)
Equity attributable to owners of the Company	447,304	(173,204)	274,100
Total equity	448,319	(173,204)	275,115

Going concern

These unaudited condensed consolidated interim 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$12,389,000 for the six months ended 30 June 2024 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$47,059,000, of which HK$46,469,000 are due for repayment within the next twelve months after 30 June 2024, and also the Group had only bank balances and cash of HK$40,285,000. 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 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 unaudited condensed consolidated interim 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 these unaudited condensed consolidated interim financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies used in preparing these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 December 2023. The adoption of the new/revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA which are relevant to the Group's operation and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

As at the date of authorisation of these unaudited condensed consolidated interim financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted. The Group is in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs but it is not yet in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

Each of the operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that:

- finance costs
- income tax
- corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets exclude corporate assets which are not directly attributable to the business activities of any operating segment. Corporate assets include certain property, plant and equipment, right-of-use assets, prepayments, deposits and other receivables and bank balances and cash.

Segment liabilities exclude deferred tax liabilities and corporate liabilities which are not directly attributable to the business activities of any operating segment. Corporate liabilities include certain other payables and accruals, loan from a substantial shareholder, lease liabilities and tax payable.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products and geographical location of customers is as follows:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
Sales of oil, oil-related and other products	**36,705**	39,952
Disaggregated by geographical location of People's Republic of China ("**PRC**")	**36,705**	39,952

Operating segment information

	Six months ended 30 June 2024		
	Oil and gas sales (Unaudited)	**Trading of oil, oil-related and other products (Unaudited)**	**Total (Unaudited)**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue	**–**	**36,705**	**36,705**
Segment loss	**(4,791)**	**(876)**	**(5,667)**
Unallocated income			**–**
Unallocated expenses			**(6,574)**
Finance costs			**(148)**
Loss before tax			**(12,389)**
Income tax expense			**–**
Loss for the period			**(12,389)**

	At 30 June 2024		
	Oil and gas sales (Unaudited)	**Trading of oil, oil-related and other products (Unaudited)**	**Total (Unaudited)**
	HK$'000	***HK$'000***	***HK$'000***
Segment assets	**140,769**	**171,636**	**312,405**
Unallocated assets			**11,970**
Total assets			**324,375**
Segment liabilities	**6,212**	**60,688**	**66,900**
Deferred tax liabilities			**1,043**
Unallocated liabilities			**18,036**
Total liabilities			**85,979**

	Six months ended 30 June 2023		
	Oil and gas sales (Unaudited) *HK$'000*	Trading of oil, oil-related and other products (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue	–	39,952	39,952
Segment (loss) profit	(1,010)	289	(721)
Unallocated income			110
Unallocated expenses			(6,879)
Finance costs			(120)
Loss before tax			(7,610)
Income tax expense			(10)
Loss for the period			(7,620)

	At 31 December 2023		
	Oil and gas sales (Unaudited) (Restated) *HK$'000*	Trading of oil, oil-related and other products (Audited) *HK$'000*	Total (Unaudited) (Restated) *HK$'000*
Segment assets	140,709	183,802	324,511
Unallocated assets			12,611
Total assets			337,122
Segment liabilities	2,023	69,314	71,337
Deferred tax liabilities			1,043
Unallocated liabilities			11,404
Total liabilities			83,784

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

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		As at 30 June	As at 31 December
	2024	2023	**2024**	2023
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited) (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**–**	–	**2,494**	3,460
USA	**–**	–	**147,703**	147,703
PRC	**36,705**	39,952	**120**	83
	36,705	39,952	**150,317**	151,246

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation		
– Property, plant and equipment	**45**	41
– Right-of-use assets	**935**	906
Finance costs		
– Interest on lease liabilities	**87**	120
– Interest on bank loan	**61**	–
Employee benefit expense, including directors' emoluments:		
– Salaries and allowances	**4,805**	4,654
– Retirement scheme contributions	**181**	177
Penalties	**4,212**	–

6. INCOME TAX EXPENSE

Hong Kong Profits tax

The two-tiered profits tax rates regime has been implemented in Hong Kong since 1 April 2018. For the periods ended 30 June 2024 and 2023, 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 period.

PRC Enterprise Income tax ("EIT")

EIT has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2023: 25%).

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current Tax		
− EIT		
Current period	**–**	10

7. DIVIDENDS

The board of directors does not recommend the payment of an interim dividend for the Period (2023: Nil).

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company *(HK$'000)*	**(12,389)**	(7,620)
Weight average number of ordinary shares in issue *('000)*	**841,636**	841,636
Basic and diluted loss per share *(HK cents)*	**(1.47)**	(0.91)

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the periods ended 30 June 2024 and 2023, excluding ordinary shares held as treasury shares.

(b) Diluted loss per share

The calculation of diluted loss per share is the same as basic loss per share for the periods ended 30 June 2024 and 2023 as there were no dilutive potential ordinary shares during both periods.

9. TRADE RECEIVABLES

	As at 30 June 2024 (Unaudited) *HK$'000*	As at 31 December 2023 (Audited) *HK$'000*
Trade receivables from third parties	**7,276**	7,679

As at 30 June 2024, all trade receivables were from trading of oil, oil-related and other products segment. These receivables were expected to be recovered within one year. Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

The following is an ageing analysis of trade receivables net of allowance for credit losses presented based on the date of delivery/invoice date.

	As at 30 June 2024 (Unaudited) *HK$'000*	As at 31 December 2023 (Audited) *HK$'000*
0 to 30 days	**–**	–
31 to 60 days	**–**	–
61 to 180 days	**–**	–
181 to 365 days	**–**	–
Over 365 days	**7,276**	7,679
	7,276	7,679

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	As at 30 June 2024 (Unaudited) *HK$'000*	As at 31 December 2023 (Audited) *HK$'000*
Prepayments		**235**	244
Rental and other deposits paid		**639**	641
Trade deposits paid	*(a)*	**124,816**	169,684
Interest receivable on trade deposits paid		**–**	5,575
Other receivables		**807**	801
		126,497	176,945

(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$115,528,000 (31 December 2023: HK$118,250,000) are unsecured and interest-free (31 December 2023: interest-bearing at 4.35% per annum).

11. TRADE AND OTHER PAYABLES

	Note	**As at 30 June 2024 (Unaudited) *HK$'000***	As at 31 December 2023 (Audited) *HK$'000*
Trade payables to third parties	*(a)*	**145**	148
Other payables			
Accruals		**7,235**	3,707
Accrued directors' fee and salaries		**1,565**	1,632
Deposits received from customers		**4,229**	4,770
Contract liabilities		**37,877**	32,160
Value-added tax and other tax payables		**4,640**	7,930
Other payables		**913**	382
		56,459	50,581
		56,604	50,729

The carrying amounts of other payables and accruals at the end of the Period approximate their fair values. All of the other payables and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

(a) The credit period of trade payables is normally within 90 (2023: 90) days. The ageing analysis of the trade payables, based on the invoice date is as follows:

	As at 30 June 2024 (Unaudited) *HK$'000*	As at 31 December 2023 (Audited) *HK$'000*
0 to 30 days	**–**	37
31 to 60 days	**–**	–
61 to 180 days	**–**	–
181 to 365 days	**37**	–
Over 365 days	**108**	111
	145	148

MANAGEMENT DISCUSSION & ANALYSIS

RESULT AND REVIEW OF OPERATIONS

For the six months ended 30 June 2024 ("**the Period**" or "**1H 2024**"), the Group recorded a consolidated revenue of approximately HK$36,705,000 (2023 Interim: approximately HK$39,952,000) contributed from the trading of oil, oil-related products, and other products business. Basic and diluted loss per share for the Period was HK1.47 cents (2023 Interim: Basic and diluted loss per share was HK0.91 cents). Basic and diluted loss per share were based on the weighted average of approximately 842 million shares (2023: approximately 842 million shares) in issue for the Period. Gross profit for the Period amounted to approximately HK$121,000 (2023 Interim: Gross profit amounted to approximately HK$492,000), which was contributed by the trading of oil and oil-related products in the PRC. The net loss attributable to the owners of the Company for the Period was approximately HK$12,389,000, as compared with the net loss attributable to owners of the Company of approximately HK$7,620,000 for the six months ended 30 June 2023 ("**1H 2023**"). The increase in the net loss for 1H 2024 is mainly attributable to approximately 75% decrease in gross profit of the Group for 1H 2024 in the sales of oil and oil-related products as compared to that of 1H 2023 and the provision of penalties imposed by the BLM.

BUSINESS REVIEW

Trading Business

For the Period, the PRC's domestic consumer spending remains sluggish in the post-pandemic era, further exacerbated by the bursting of the real estate bubble, which has impacted both investment and consumption of market in the PRC. The focus on technology-driven new productivity has led to the gradual phasing out of traditional small-scale refineries (less than 2 million tons/year), affecting the company's market. With international oil prices hovering around $80 per barrel, a lot of the domestic refining enterprises were operating at a loss. Given the circumstances, for the Period, the Group focused on trading petrochemical products (i.e.MBTE and C10). During the Period, the Group recorded revenue of approximately HK$36,705,000 (1H 2023: HK$39,952,000) in the trading of oil, oil-related and other products segment.

Utah Gas and Oil Field

During the Period, the Group maintained stable daily operations and maintenance of the Utah Gas and Oil Field. 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, additional time and proactive planning have been incorporated in our well overhauling schedule for the oil and gas field. 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 Gas and Oil Field, steadily push forward works, and promptly adjust our development direction and strategy in line with changes in the situation.

As disclosed in the Announcements, BLM issued written orders stating that BLM considered the Relevant Leases to have terminated on 31 July 2020 and 31 March 2021, respectively. Based on the legal advice from the Company's legal advisers in Utah, taking into account that no production in relation to the Relevant Leases had been restored within 60 days since the first written order issued by BLM on 22 June 2022, the Relevant Leases could be deemed terminated as at 26 September 2022, being 60 days after the receipt of BLM's first written order.

Principal Risks and Uncertainties Facing the Group

Macroeconomic Risk

The current geopolitical instability including Russia-Ukraine war and the Israeli-Palestinian conflicts, trade frictions between US and the PRC and, 2024 US election may have a negative impact on the supply and downstream demand of oil &gas and petrochemical products and therefore may lead to the unfavourable results of the Group.

Risk associated with the Utah Gas and Oil Field

As mentioned in above section headed "Business Review" in this announcement, the Company has been in the course of seeking legal advice from its legal advisers in Utah to assess the legal implications and penalty, if any, and the possible legal actions that may be taken under the applicable laws in respect of the Relevant Leases and the orders of BLM. As advised by its legal advisers in Utah, BLM's termination decision was led by the lack of production on the Relevant Leases since 2020, which was during the time of the Covid-19 pandemic and the restructuring of the third party service provider which had caused interruption to its provision of gas transportation pipeline on the Relevant Leases. If the Company does not fulfill the relevant production requirements, the Company may lose its leases and may be subject to penalty. The Company will closely monitor the development and take all possible actions to protect and safeguard the interests of the Company and its shareholders.

Cost risks and risk associated by hiring third party service providers

The exploration for and development of our well sites of the Utah Gas and Oil Field requires a significant amount of capital investment. The operation of the Utah 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-party service providers 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 counterparties to mitigate the risks associated with the third-party service providers.

Price risk

The revenue and results of our operation at the Utah Gas and Oil Field and trade 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 1H 2024, oil price fluctuated between US$75.9 and US$91.1 and natural gas price exhibited significant volatility. At the beginning of 2024, the price of Brent crude oil started at US$77.4 per barrel, surged to a high of US$91.1 in early April 2024 and closed at US$85 per barrel in June 2024. From July to early August 2023, oil prices dropped to below US$80 per barrel. For the trading price of natural gas, the price of natural gas was started at US$2.61 at the beginning of 2024 surged to a high of US$3.3 in mid-January 2024, then fall to US$1.58 in late March 2024 before closing at US$2.6 in June 2024 and US$2.14 in early August 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, result of United States presidential election, war situation between Russia and Ukraine as well as crisis in the Middle East. As such, it may be difficult to budget and project the returns on the development and exploitation projects. To alleviate the negative impact of the price uncertainties, the Group has reviewed its pricing policies to ensure that the contracts entered by the Group include necessary price adjustment mechanism with reference to the quoted market price.

PROSPECTS

Utah Gas and Oil Field

The Group had six leases within the oil and gas-rich territories of the State of Utah, the USA. Following the cessation of the Relevant Leases by BLM, we continue to retain possession of three leases (the "**Remaining Leases**") within the State of Utah, the USA. Our strategic focus is now directed towards restoring operational capacities within our natural gas and liquefied petroleum gas fields under the Remaining Leases. Presently, we oversee 4 wells under the Remaining Leases. In order to revitalise production, we are working with an oil services company for the maintenance of infrastructure for some of our wells. The maintenance works is expected to commence in the fourth quarter of 2024 and will continue to tackle these wells and resume production of those wells accordingly.

We have appointed a competent person to update the reserve assessments for our current wells and to provide expertise advice on oil and gas drilling and production techniques. Our commitment lies in advancing operational efficiency to ensure consistent and enhanced output from our oil and gas fields. Upon resuming production of the existing wells under the Remaining Leases, the Group will assess its financial resources and capacities to reformulate new drilling plan covering production of oil and gas. The Group will consider fund-raising options when funding needs arise. The Group is contemplating the introduction of modern oil and gas extraction tools to enhance production efficiency. Leveraging the extensive industry expertise of our vice chairman of the Board in the PRC's oil and gas sector, we are poised to introduce advanced oil and gas extraction technology from a reputable supplier in the PRC renowned for its advancements in exploration and exploitation technologies. Furthermore, we are set to implement an advanced surveillance system for real-time monitoring of our wells, reducing on-site labour costs while reinforcing both quality assurance and safety protocols.

In light of the termination of the Relevant Leases, the Group is seeking legal advice. On 26 September 2024, the Group filed a request for review of BLM's decision. Considering the current estimated reserve of the oil and gas fields under the Relevant Leases, the Group will strive to restore the title of the Relevant Leases and recommence production from the wells associated with them.

Looking ahead, our strategic agenda encompasses the proactive promotion of cost-effectiveness while sustaining production growth. Emphasis will be placed on enhancing drilling and completion quality management, alongside vigilant cost control, to attain the mutual objectives of escalating productivity and operational efficiency.

TRADING AND SERVICE BUSINESS

With the global economy and trade returning to normal, it can be expected that the Group's trading business will gradually recover. However, looking ahead, the oil trading business is still constrained by the progress of international trade normalization, especially in terms of U.S. interest rate hikes, low inflation of the PRC, 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: international trade on oil and oil-related products; seeking high-quality leasable and purchasable projects in the upstream and the downstream of the industry; and 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. In the long run, the Group will also consider possible investments in clean energy and renewable energy to reduce emission and achieve long-term sustainability.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2024, there were HK$11,560,000 outstanding balance of interest-free loans owed to its ultimate holding company (being the controlling shareholder of the Company) (As at 31 December 2023: HK$2,980,000) and HK$2,793,000 outstanding balance of interest bearing loan owed to bank and interest-free loan owed to other borrower (As at 31 December 2023: HK$13,854,000). The Group's cash and bank balances as at 30 June 2024 was approximately HK$40,285,000 (approximately HK$1,252,000 as at 31 December 2023), it was mainly due to the decrease in prepayment compared with last year. As at 30 June 2024, the current ratio (calculated on the basis of the Group's current assets over current liabilities) was 2.06 (As at 31 December 2023: 2.29).

The Group's total finance costs was HK$148,000 for the Period (2023 1H: HK$120,000). 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 Period.

Further details regarding the liquidity of the Group are set out in note 2 to the consolidated financial statements in this announcement.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no material contingent liabilities (31 December 2023: Nil).

CHARGES ON GROUP ASSETS

As at 30 June 2024, the Group did not have any charges on assets (31 December 2023: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

The Group had no material acquisition and disposal of subsidiaries, associates and joint venture during the Period.

SIGNIFICANT INVESTMENT

During the Period, the Group had no significant investment.

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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the number of employees of the Group was about 23 (31 December 2023: 27). 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 C3 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 Period.

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 Period.

EVENTS AFTER THE REPORTING PERIOD

Save for the termination of the Relevant Leases as disclosed in the Announcements and in this announcement, there were no significant events after the six months ended 30 June 2024 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 C1 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 Period with the CG Code as contained in Appendix C1 to the Listing Rules.

AUDIT COMMITTEE REVIEW

The audit committee of the Company ("**Audit Committee**") has reviewed and confirmed with management the accounting principles and practices adopted by the Group and is of the opinion that the condensed consolidated interim financial information for the six months ended 30 June 2024 contains adequate disclosure as required by the Listing Rules.

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The electronic version of this announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk) and on the Company's website (http://www.chkoilltd.com). The interim report for the period ended 30 June 2024, containing all the information required by the Listing Rules, will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange and on the Company's website in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the Company's shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 September 2024, pending the release of this interim results announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Company's shares with effect from 09:00 a.m. on 2 October 2024.

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

Hong Kong, 30 September 2024

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

* *For identification purpose only*