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**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 2022**

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 2022 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Revenue</b>	5	<b>355,277</b>	1,528,065
Cost of sales		<b>(340,000)</b>	(1,432,258)
<b>Gross profit</b>		<b>15,277</b>	95,807
Other income		<b>7,016</b>	1,900
Administrative expenses		<b>(20,465)</b>	(18,777)
Reversal of impairment loss of property, plant and equipment	11	<b>1,105</b>	15,887
Reversal of impairment loss of intangible assets	12	<b>6,645</b>	95,536
Finance costs	6	<b>(124)</b>	(228)
<b>Profit before tax</b>	7	<b>9,454</b>	190,125
Income tax expense	8	<b>(10,647)</b>	(42,305)

\* For identification purpose only

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>(Loss) Profit for the year</b>		<b>(1,193)</b>	147,820
<b>Other comprehensive (loss) income for the year, net of tax</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences arising on translation of foreign operations		<u>(10,050)</u>	<u>5,936</u>
<b>Total comprehensive (loss) income for the year</b>		<b><u>(11,243)</u></b>	<b><u>153,756</u></b>
<b>(Loss) Profit attributable to:</b>			
Owners of the Company		(1,193)	147,820
Non-controlling interests		<u>–</u>	<u>–</u>
		<b><u>(1,193)</u></b>	<b><u>147,820</u></b>
<b>Total comprehensive (loss) income attributable to:</b>			
Owners of the Company		(11,243)	153,756
Non-controlling interests		<u>–</u>	<u>–</u>
		<b><u>(11,243)</u></b>	<b><u>153,756</u></b>
<b>(Loss) Earnings per share (<i>HK cents</i>)</b>			
– Basic and diluted	10	<b><u>(0.14)</u></b>	<b><u>17.56</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	55,442	54,374
Intangible assets	12	332,249	325,604
Right-of-use assets		4,628	1,052
Statutory deposits and other assets		2,622	2,622
		<u>394,941</u>	<u>383,652</u>
<b>Current assets</b>			
Trade receivables	13	17,448	74,534
Prepayments, deposits and other receivables	14	125,962	150,285
Bank balances and cash		15,147	9,069
		<u>158,557</u>	<u>233,888</u>
<b>Current liabilities</b>			
Trade and other payables	15	23,246	74,262
Loan from a substantial shareholder		–	2,000
Lease liabilities		1,735	1,105
Tax payable		13,120	18,053
		<u>38,101</u>	<u>95,420</u>
<b>Net current assets</b>		<u>120,456</u>	<u>138,468</u>
<b>Total assets less current liabilities</b>		<u>515,397</u>	<u>522,120</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		51,754	50,133
Lease liabilities		2,899	–
Asset retirement obligations		82	82
		<u>54,735</u>	<u>50,215</u>
<b>Net assets</b>		<u><u>460,662</u></u>	<u><u>471,905</u></u>

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>Equity</b>			
Share capital	16	<b>168,376</b>	168,376
Reserves		<b>291,271</b>	302,514
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>459,647</b>	470,890
Non-controlling interests		<b>1,015</b>	1,015
		<hr/>	<hr/>
<b>Total equity</b>		<b>460,662</b>	471,905
		<hr/> <hr/>	<hr/> <hr/>

## NOTES

For the year ended 31 December 2022

### 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 Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) which is 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

These 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. These 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 the 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 2021 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year, or which the Group has elected to early adopt in the current year.

### 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 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework

#### **Amendments to HKAS 16: Proceeds before Intended Use**

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

### **Amendments to HKAS 37: Cost of Fulfilling a Contract**

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

### **Amendments to HKFRS 3: Reference to the Conceptual Framework**

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

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.

## 5. REVENUE AND SEGMENT INFORMATION

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

	<b>2022</b>		
	<b>Oil and gas sales <i>HK\$'000</i></b>	<b>Trading of oil, oil-related and other products <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Revenue</b>			
– Sales of oil and gas: recognised at a point in time			
– United States of America (“USA”)	8	–	8
– Sales of oil, oil-related and other products: recognised at a point in time			
– Hong Kong	–	–	–
– People’s Republic of China (“PRC”)	–	355,269	355,269
	<u>8</u>	<u>355,269</u>	<u>355,277</u>
<b>Segment profit</b>	<b>5,660</b>	<b>19,186</b>	<b>24,846</b>
Unallocated income			190
Unallocated expenses			(15,458)
Finance costs			<u>(124)</u>
Profit before tax			9,454
Income tax expenses			<u>(10,647)</u>
Loss for the year			<u><u>(1,193)</u></u>

2022

	Trading of oil, oil-related and other			
	Oil and gas sales <i>HK\$'000</i>	products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>	<b>383,078</b>	<b>142,933</b>	–	<b>526,011</b>
Unallocated assets	–	–	27,487	<u>27,487</u>
Total assets				<u><u>553,498</u></u>
<b>Segment liabilities</b>	<b>2,600</b>	<b>29,075</b>	–	<b>31,675</b>
Deferred tax liabilities	–	–	51,754	51,754
Unallocated liabilities	–	–	9,407	<u>9,407</u>
Total liabilities				<u><u>92,836</u></u>
<b>Other information</b>				
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	–	–	<u>6,645</u>

	2021		
	Oil and gas sales <i>HK\$'000</i>	Trading of oil, oil-related and other products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>			
– Sales of oil and gas: recognised at a point in time			
– USA	79	–	79
– Sales of oil, oil-related and other products: recognised at a point in time			
– Hong Kong	–	18,591	18,591
– PRC	–	1,509,395	1,509,395
	<u>79</u>	<u>1,527,986</u>	<u>1,528,065</u>
<b>Segment profit</b>	110,038	93,506	203,544
Unallocated income			764
Unallocated expenses			(13,955)
Finance costs			<u>(228)</u>
Profit before tax			190,125
Income tax expenses			<u>(42,305)</u>
Profit for the year			<u><u>147,820</u></u>

2021

	Oil and gas sales <i>HK\$'000</i>	Trading of oil, oil-related and other products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>	383,005	223,677	–	606,682
Unallocated assets	–	–	10,858	10,858
Total assets				<u>617,540</u>
<b>Segment liabilities</b>	2,010	88,454	–	90,464
Deferred tax liabilities	–	–	50,133	50,133
Unallocated liabilities	–	–	5,038	5,038
Total liabilities				<u>145,635</u>
<b>Other information</b>				
Interest income	–	–	20	20
Finance costs	–	–	228	228
Depreciation				
– Property, plant and equipment	–	10	170	180
– Right-of-use assets	–	–	1,472	1,472
Reversal of impairment loss				
– Property, plant and equipment	15,887	–	–	15,887
– Intangible assets	95,536	–	–	95,536

## 6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on lease liabilities	<u>124</u>	<u>228</u>

## 7. PROFIT BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Employee benefit expense, including director emoluments:		
– Salaries and allowances	10,052	8,596
– Retirement scheme contributions	<u>626</u>	<u>314</u>
	<u>10,678</u>	<u>8,910</u>
Cost of inventories	340,000	1,432,258
Depreciation		
– Property, plant and equipment	191	180
– Right-of-use assets	<u>1,432</u>	<u>1,472</u>

## 8. INCOME TAX EXPENSE

### PRC Enterprise Income Tax (“EIT”)

EIT has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2021: 25%).

### PRC withholding tax

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.

### US tax

The tax rate adopted to measure the deferred tax balances is 21%.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax on profit for the year		
Hong Kong Profits Tax	–	46
PRC EIT	5,309	21,146
PRC withholding tax	2,332	–
Under-provision of income tax in prior year		
PRC EIT	<u>1,385</u>	<u>–</u>
	9,026	21,192
Deferred tax	<u>1,621</u>	<u>21,113</u>
	<u>10,647</u>	<u>42,305</u>

## 9. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## 10. (LOSS) EARNINGS PER SHARE

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

	2022	2021
(Loss) Profit for the year attributable to owners of the Company ( <i>HK\$'000</i> )	<u>(1,193)</u>	<u>147,820</u>
Weighted average number of ordinary shares ( <i>'000</i> )	<u>841,636</u>	<u>841,636</u>
Basic and diluted (loss) earnings per share ( <i>HK cents</i> )	<u>(0.14)</u>	<u>17.56</u>

### (a) Basic (loss) earnings per share

Basic (loss) earnings per share is calculated by dividing the (loss) profit 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 2022 and 2021, excluding ordinary shares held as treasury shares.

### (b) Diluted (loss) earnings per share

The calculation of diluted (loss) earnings per share is the same as basic earnings per share for the years ended 31 December 2022 and 2021 as there were no dilutive potential ordinary shares during both years.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>				
At 1 January 2021	90,116	89	1,170	91,375
Additions	–	–	57	57
At 31 December 2021 and 1 January 2022	90,116	89	1,227	91,432
Additions	–	–	156	156
Exchange difference	–	–	(3)	(3)
<b>At 31 December 2022</b>	<b>90,116</b>	<b>89</b>	<b>1,380</b>	<b>91,585</b>
<b>Accumulated depreciation and impairment losses</b>				
At 1 January 2021	51,857	7	901	52,765
Change for the year	–	44	136	180
Impairment loss reversed	(15,887)	–	–	(15,887)
At 31 December 2021 and 1 January 2022	35,970	51	1,037	37,058
Change for the year	–	38	153	191
Exchange difference	–	–	(1)	(1)
Impairment loss reversed	(1,105)	–	–	(1,105)
<b>At 31 December 2022</b>	<b>34,865</b>	<b>89</b>	<b>1,189</b>	<b>36,143</b>
<b>Net book value</b>				
<b>At 31 December 2022</b>	<b>55,251</b>	<b>–</b>	<b>191</b>	<b>55,442</b>
At 31 December 2021	54,146	38	190	54,374

## 12. INTANGIBLE ASSETS

	<b>Oil and gas processing rights</b> <i>HK\$'000</i>
<b>Costs</b>	
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<b>2,818,920</b>
<b>Accumulated amortisation and impairment</b>	
At 1 January 2021	2,588,852
Impairment loss reversed	(95,536)
At 31 December 2021 and 1 January 2022	2,493,316
Impairment loss reversed	(6,645)
<b>At 31 December 2022</b>	<b>2,486,671</b>
<b>Net carrying amounts</b>	
<b>At 31 December 2022</b>	<b>332,249</b>
At 31 December 2021	325,604

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	<b>17,448</b>	74,534

The following is an aged analysis of trade receivables presented based on the delivery/invoice dates.

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	–	72,312
31–60 days	–	2,222
61–180 days	<b>48</b>	–
181–365 days	<b>7,463</b>	–
Over 365 days	<b>9,937</b>	–
	<b>17,448</b>	74,534

#### 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Prepayments		1,278	1,211
Rental and other deposits paid		632	605
Trade deposits paid	(a)	123,746	148,210
Deposit paid for acquiring Russia oil fields, net		–	69,929
Other receivables		306	1,939
		<u>125,962</u>	<u>221,894</u>
Less: Impairment losses	(b)	<u>–</u>	<u>(71,609)</u>
		<u><b>125,962</b></u>	<u><b>150,285</b></u>

*Note:*

**(a) Trade deposits paid**

These prepayments to suppliers are unsecured, interest bearing at 3.88% per annum (2021: Nil) and will be used to utilize in future purchases from suppliers.

**(b) Impairment losses on deposits paid and other receivables**

Impairment losses on deposit paid of approximately US\$9,000,000 (equivalent to approximately HK\$69,929,000) and other receivables of HK\$1,680,000 made previously was written off, the deposit paid and other receivables are considered to be no reasonable expectation of recovering in view of the prolonged outstanding.

#### 15. TRADE AND OTHER PAYABLES

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Trade payables to third parties</b>	(a)	<u>7,279</u>	<u>44,877</u>
<b>Other payables</b>			
Accruals		2,965	2,819
Accrued directors' fee and salaries		1,361	881
Deposits received from customers		1,981	14,408
Value-added tax and other tax payables		9,325	10,928
Other payables		335	349
		<u>15,967</u>	<u>29,385</u>
		<u><b>23,246</b></u>	<u><b>74,262</b></u>

Note:

- (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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	7,166	44,877
31–60 days	–	–
61–180 days	–	–
181–365 days	–	–
Over 365 days	113	–
	<u>7,279</u>	<u>44,877</u>

## 16. SHARE CAPITAL

	2022		2021	
	Number of shares '000	<i>HK\$'000</i>	Number of shares '000	<i>HK\$'000</i>
<b>Authorised:</b>				
At beginning of the reporting period and at end of the reporting period, ordinary shares of HK\$0.2 each	<u>100,000,000</u>	<u>20,000,000</u>	<u>100,000,000</u>	<u>20,000,000</u>
<b>Issued and fully paid:</b>				
At beginning and at the end of the reporting period, ordinary shares of HK\$0.2 each	<u>841,879</u>	<u>168,376</u>	<u>841,879</u>	<u>168,376</u>

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 2022 (the “Year” or “FY2022”), the Company and its subsidiaries (the “Group”) recorded a consolidated revenue of approximately HK\$355,277,000 (2021: approximately HK\$1,528,065,000) mainly contributed from the trading of oil, oil-related products and other products business. Basic and diluted loss per share for the Year was HK0.14 cents (2021: Basic and diluted earnings per share was HK17.56 cents). Basic and diluted (loss) earnings per share were based on the weighted average of approximately 842 million shares (2021: approximately 842 million shares) in issue for the Year. Gross profit for the Year amounted to approximately HK\$15,277,000 (2021: Gross profit amounted to approximately HK\$95,807,000), 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\$1,193,000, as compared with the net profit attributable to owners of the Company of approximately HK\$147,820,000 for the year ended 31 December 2021 (“FY2021”). The decrease in the net profit for FY2022 is mainly attributable to a more than 76% decrease in both the revenue and the gross profit of the Group for FY2022 in the sales of oil and oil-related products as compared to that of FY2021, such decrease in revenue for FY2022 is partially offset by approximately HK\$7,750,000 of the reversal of impairment loss on the cash-generating unit (including oil and gas properties and intangible assets) in the oil and gas segment.

### BUSINESS REVIEW

#### Trading Business

With the Russia-Ukraine war broke out in late February 2022, the international oil market has highly fluctuated during the Year. At the beginning of 2022, the price of Brent crude oil started at US\$79.0 per barrel, surged to a high of US\$139.1 in early March 2022 and dropped in the last few months of the Year, and closed at US\$85.9 at the end of December 2022. In early March 2023, the oil price closed above US\$81.0. The significant fluctuations in oil prices throughout the Year have hindered our plans to expand international trade in oil and oil-related products. Since the first quarter of 2022, a new wave of COVID-19 pandemic has flared up in Mainland China. A variety of strict pandemic prevention measures and travel restrictions have been implemented, causing significant disruption to transportation in the western and northern parts of China. As a result, the revenue generated from the sales of oil and oil-related products in China (including the affected regions) has dropped by 76% from HK\$1,509,395,000 in FY2021 to HK\$355,269,000 in FY2022.

## 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 COVID-19 was ravaging the globe during the Year, imposing new challenges and difficulties for the energy industry. On top of this, affairs in the arena of international politics (e.g., the Russia-Ukraine crisis which led to the fluctuation of oil prices) 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.

## Principal Risks and Uncertainties Facing the Group

### *Price risk*

The revenue and results of our operation at 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.

At the beginning of 2022, the price of Brent crude oil started at US\$79.0 per barrel, surged to a high of US\$139.1 in early March 2022 with the outbreak of the Russia-Ukraine war in late February 2022, and closed at US\$85.9 per barrel in December 2022. In early March 2023, oil prices still closed high at above US\$81.0 per barrel.

The world saw a new wave of COVID-19 outbreaks starting in the first quarter of 2022, and the Russia-Ukraine war broke out in late February 2022. In this context, from the beginning of 2022 to early March 2023, natural gas prices continued to fluctuate dramatically, rising from US\$3.8 per MMBtu at the beginning of 2022 to over US\$9.6 in late August 2022, then falling to US\$4.5 at the end of December 2022, and fall to US\$2.4 in early March 2023. (Source: <http://markets.businessinsider.com>, <https://www.worldbank.org/>).

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 and 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.

## **PROSPECTS**

### **Utah Gas and Oil Field**

From the beginning of 2022 to December 2022, oil and natural gas prices continued to fluctuate greatly. During this Year, Brent and WTI crude oil prices rose by approximately 8.8% and 5.5% respectively, while Henry Hub natural gas price increased by approximately 17.3%. Specifically, the price of Brent crude oil rose from US\$79.0 per barrel at the beginning of 2022 to US\$139.1 per barrel in early March 2022 and falling to US\$85.9 at the end of December 2022. Likewise, the price of WTI crude oil rose from US\$76.1 per barrel at the beginning of 2022 to US\$123.7 in early March 2022 and falling to US\$80.3 at the end of December 2022. Henry Hub natural gas price has rising from US\$3.8 per MMBtu at the beginning of 2022 to over US\$9.6 in late August 2022, then falling to US\$4.5 at the end of December 2022, and keep falling to US\$2.4 in early March 2023.

The Russia-Ukraine crisis breaking out in late February 2022 has caused fluctuation in the prices of oil and gas. Based on its most recent monthly report released on 2 March 2023, the U.S. Energy Information Administration (EIA) forecasts for the future benchmark oil prices, under which the Brent price is expected to average US\$78 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**

As travel restrictions on the globe started to relax in early 2023, the recovery of international trade and tourism is expected to bring momentum to the global economy. As such, we can expect the oil demand and our oil trading business will resume gradually. However, the outlook for the oil market in 2023 will still depend on the international situation (such as Russia-Ukraine war) and the current high inflation in the US may affect the pace of global economic recovery. 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 industries, 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 consider possible investments in clean energy and renewable energy to reduce emission and achieve long-term sustainability.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

During the Year, the Group repaid the interest-free shareholder loan in the principal amount of HK\$2,000,000 carried forward from FY2021. As at 31 December 2022, there was no outstanding balance owed to the relevant substantial shareholder (As at 31 December 2021: HK\$2,000,000). The Group's cash and bank balances as at 31 December 2022 was approximately HK\$15,147,000 (approximately HK\$9,069,000 as at 31 December 2021), it was mainly due to the increase in the net cash from operating activities compared with last year. As at 31 December 2022, the current ratio (calculated on the basis of the Group's current assets over current liabilities) was 4.16 (As at 31 December 2021: 2.45) and the gearing ratio (debt-to-asset ratio) (calculated as total liabilities divided by total assets) was approximately 16.77% (As at 31 December 2021: 23.58%).

## **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", the Group did not have any significant investment during the Year.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2022, the number of employees of the Group was about 25 (2021: 36). 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 have purchased, sold or redeemed any listed securities of the Company during the Year.

## **EVENTS AFTER THE REPORTING PERIOD**

There were no significant events after the year ended 31 December 2022 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 2022 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. Pang Jun.

## **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 respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Mazars on the preliminary announcement.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND 2022 ANNUAL REPORT**

This annual results announcement is published on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.chkoilltd.com](http://www.chkoilltd.com)). The annual report of the Company for the year ended 31 December 2022 containing all information required by the Listing Rules will be despatched to the Shareholders and will also be available on websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chkoilltd.com](http://www.chkoilltd.com)) in due course.

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

Hong Kong, 24 March 2023

*As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Yu Jiyuan, Mr. Lin Qing Yu, Ms. Chen Junyan, Mr. Li Songtao, Ms. Yang Yuyan and Ms. Sun Xiaoze, two non-executive Directors, namely Mr. Yu Zhibo and Mr. Zheng Ye and four independent non-executive Directors, namely Ms. Zhong Bifeng, Mr. Pang Jun, Ms. Huang Qingwei and Mr. Shen Shigang.*