



CHK Oil Limited 中港石油有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 632



INTERIM REPORT 2023

* For identification purpose only

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

The board of directors (the "Board") of CHK Oil Limited (the "Company") reports the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2023 (the "Period") as follows:

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Revenue	4	39,952	368,222
Cost of sales		(39,460)	(342,434)
Gross profit		492	25,788
Other income		137	93
Administrative expenses		(8,119)	(9,878)
Finance costs		(120)	(48)
(Loss) Profit before tax	5	(7,610)	15,955
Income tax expense	6	(10)	(4,973)
(Loss) Profit for the period		(7,620)	10,982
(Loss) Profit attributable to:			
Owners of the Company		(7,620)	10,982
Non-controlling interests		—	—
		(7,620)	10,982
Other comprehensive loss for the period, net of tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(4,723)	(6,415)
Total comprehensive (loss) income for the period		(12,343)	4,567
Total comprehensive (loss) income attributable to:			
Owners of the Company		(12,343)	4,567
Non-controlling interests		—	—
		(12,343)	4,567
(Loss) Earnings per share			
Basic and diluted	8	(HK0.91 cent)	HK1.30 cents

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		55,401	55,442
Intangible assets		332,249	332,249
Right-of-use assets		3,722	4,628
Statutory deposits and other assets		2,622	2,622
		<u>393,994</u>	<u>394,941</u>
Current assets			
Trade receivables	9	8,086	17,448
Prepayments, deposits and other receivables		124,536	125,962
Bank balances and cash		5,662	15,147
		<u>138,284</u>	<u>158,557</u>
Current liabilities			
Trade and other payables	10	15,777	23,246
Lease liabilities		1,799	1,735
Tax payable		12,564	13,120
		<u>30,140</u>	<u>38,101</u>
Net current assets		<u>108,144</u>	<u>120,456</u>
Total assets less current liabilities		<u>502,138</u>	<u>515,397</u>
Non-current liabilities			
Deferred tax liabilities		51,754	51,754
Lease liabilities		1,983	2,899
Asset retirement obligations		82	82
		<u>53,819</u>	<u>54,735</u>
Net assets		<u>448,319</u>	<u>460,662</u>
Equity			
Share capital	11	168,376	168,376
Reserves		278,928	291,271
Equity attributable to owners of the Company		447,304	459,647
Non-controlling interests		1,015	1,015
Total equity		<u>448,319</u>	<u>460,662</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Treasury shares reserve	Capital reserve	Statutory reserve	Translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 31 December 2022 (Audited)	168,376	2,815,677	(10,556)	403,851	12,196	(904)	(2,928,993)	459,647	1,015	460,662
Loss for the period	-	-	-	-	-	-	(7,620)	(7,620)	-	(7,620)
Other comprehensive loss for the period										
Exchange difference arising from translation of foreign operations	-	-	-	-	-	(4,723)	-	(4,723)	-	(4,723)
Total comprehensive loss for the period	-	-	-	-	-	(4,723)	(7,620)	(12,343)	-	(12,343)
At 30 June 2023 (Unaudited)	168,376	2,815,677	(10,556)	403,851	12,196	(5,627)	(2,936,613)	447,304	1,015	448,319
At 31 December 2021 (Audited)	168,376	2,815,677	(10,556)	403,851	10,790	9,146	(2,926,394)	470,890	1,015	471,905
Profit for the period	-	-	-	-	-	-	10,982	10,982	-	10,982
Other comprehensive loss for the period										
Exchange difference arising from translation of foreign operations	-	-	-	-	-	(6,415)	-	(6,415)	-	(6,415)
Total comprehensive income for the period	-	-	-	-	-	(6,415)	10,982	4,567	-	4,567
At 30 June 2022 (Unaudited)	168,376	2,815,677	(10,556)	403,851	10,790	2,731	(2,915,412)	475,457	1,015	476,472

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2023	2022
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Net (used in) cash from operating activities	(13,658)	18,521
Net cash from (used in) investing activities	110	(69)
Net cash used in financing activities	<u>(1,092)</u>	<u>(2,774)</u>
Net (decrease) increase in cash and cash equivalents	(14,640)	15,678
Effect on exchange rate changes	5,155	(39)
Cash and cash equivalents at beginning of period	<u>15,147</u>	<u>9,069</u>
Cash and cash equivalents at end of period, represented by bank balances and cash	<u>5,662</u>	<u>24,708</u>



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 when otherwise indicated.

2. BASIS OF PREPARATION

The Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 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 2022.

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.

NOTES TO THE 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 2022. 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION (continued)

Segment reporting (continued)

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	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
Sales of oil and gas	–	4
Sales of oil, oil-related and other products	39,952	368,218
	39,952	368,222
Disaggregated by geographical location of customers		
United States of America (“USA”)	–	4
People’s Republic of China (“PRC”)	39,952	368,218
	39,952	368,222

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION (continued)

Operating segment information

	Six months ended 30 June 2023		
	Oil and gas sales (Unaudited) <i>HK\$'000</i>	Trading of oil, oil-related and other products (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
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 30 June 2023		
	Oil and gas sales (Unaudited) <i>HK\$'000</i>	Trading of oil, oil-related and other products (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment assets	383,065	132,283	515,348
Unallocated assets			16,930
Total assets			532,278
Segment liabilities	2,018	22,965	24,983
Deferred tax liabilities			51,754
Unallocated liabilities			7,222
Total liabilities			83,959



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION (continued)

Operating segment information (continued)

	Six months ended 30 June 2022		
	Oil and gas sales (Unaudited) <i>HK\$'000</i>	Trading of oil, oil-related and other products (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue	<u>4</u>	<u>368,218</u>	<u>368,222</u>
Segment (loss) profit	<u>(717)</u>	<u>23,582</u>	22,865
Unallocated income			74
Unallocated expenses			(6,936)
Finance costs			<u>(48)</u>
Profit before tax			15,955
Income tax expense			<u>(4,973)</u>
Profit for the period			<u>10,982</u>

	At 31 December 2022		
	Oil and gas sales (Audited) <i>HK\$'000</i>	Trading of oil, oil-related and other products (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
Segment assets	383,078	142,933	526,011
Unallocated assets			<u>27,487</u>
Total assets			<u>553,498</u>
Segment liabilities	2,600	29,075	31,675
Deferred tax liabilities			51,754
Unallocated liabilities			<u>9,407</u>
Total liabilities			<u>92,836</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION (continued)

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 2023	2022	As at 30 June 2023	As at 31 December 2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong				
(place of domicile)	-	-	3,861	4,802
USA	-	4	390,123	390,123
PRC	39,952	368,218	10	16
	<u>39,952</u>	<u>368,218</u>	<u>10</u>	<u>16</u>
	39,952	368,222	393,994	394,941

5. (LOSS) PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation		
- Property, plant and equipment	41	97
- Right-of-use assets	906	701
Finance costs		
- Interest on lease liabilities	120	48
Employee benefit expense, including directors' emoluments:		
- Salaries and allowances	4,654	4,901
- Retirement scheme contributions	177	357
	<u>177</u>	<u>357</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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. Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

PRC Enterprise Income tax (“EIT”)

EIT has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2022: 25%).

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current Tax		
– EIT		
Current period	10	3,762
Under provision in prior year	–	1,211
	<u>10</u>	<u>4,973</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. DIVIDENDS

The board of directors does not recommend the payment of an interim dividend for the Period (2022: Nil).

8. (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:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
(Loss) Profit for the period attributable to owners of the Company (HK\$'000)	<u>(7,620)</u>	<u>10,982</u>
Weight average number of ordinary shares in issue ('000)	<u>841,636</u>	<u>841,636</u>
Basic and diluted (loss) earnings per share (HK cents)	<u>(0.91)</u>	<u>1.30</u>

(a) Basic (loss) earnings per share

Basic (loss) earnings per share is calculated by dividing the (loss) profit 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 2023 and 2022, 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 (loss) earnings per share for the periods ended 30 June 2023 and 2022 as there were no dilutive potential ordinary shares during both periods.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. TRADE RECEIVABLES

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Trade receivables from third parties	8,086	17,448

As at 30 June 2023, 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 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
0 to 30 days	-	-
31 to 60 days	-	-
61 to 180 days	-	48
181 to 365 days	-	7,463
Over 365 days	8,086	9,937
	8,086	17,448

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. TRADE AND OTHER PAYABLES

	<i>Note</i>	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Trade payables to third parties	(a)	109	7,279
Other payables			
Accruals		2,365	2,965
Accrued directors' fee and salaries		1,046	1,361
Deposits received from customers		2,849	1,981
Value-added tax and other tax payables		9,007	9,325
Other payables		401	335
		15,668	15,967
		15,777	23,246

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 (2022: 90) days. The ageing analysis of the trade payables, based on the invoice date is as follows:

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
0 to 30 days	-	7,166
31 to 60 days	-	-
61 to 180 days	-	-
181 to 365 days	-	-
Over 365 days	109	113
	109	7,279

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. SHARE CAPITAL

	Authorised ordinary shares of HK\$0.20 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
	<i>'000</i>	
At beginning of the period/year and at end of the period/year	100,000,000	20,000,000
	Issued and fully paid ordinary shares of HK\$0.20 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
	<i>'000</i>	
At beginning of the period/year and at end of the period/year	841,879	168,376

RESULT AND REVIEW OF OPERATIONS

For the six months ended 30 June 2023 (“the Period” or “1H 2023”), the Company and its subsidiaries (the “Group”) recorded a consolidated revenue of approximately HK\$39,952,000 (2022 Interim: approximately HK\$368,222,000) contributed from the trading of oil, oil-related products, and other products business. Basic and diluted loss per share for the Period was HK0.91 cents (2022 Interim: Basic and diluted earnings per share was HK1.30 cents). Basic and diluted (loss) earnings per share were based on the weighted average of approximately 842 million shares (2022: approximately 842 million shares) in issue for the Period. Gross profit for the Period amounted to approximately HK\$492,000 (2022 Interim: Gross profit amounted to approximately HK\$25,788,000), which was contributed by the trading of oil and oil-related products in Mainland China. The net loss attributable to the owners of the Company for the Period was approximately HK\$7,620,000, as compared with the net profit attributable to owners of the Company of approximately HK\$10,982,000 for the six months ended 30 June 2022 (“1H 2022”). The decrease in the net profit for 1H 2023 is mainly attributable to approximately 89% decrease in revenue of the Group for 1H 2023 in the sales of oil and oil-related products as compared to that of 1H 2022.

BUSINESS REVIEW

Trading Business

Since the beginning of 2023, the travel restrictions relating to COVID-19 were loosened in the Mainland China. However, the economy’s rebound and recovery of domestic consumption were below anticipated level and the manufacturing industry has been adversely affected by the geopolitical tension, causing significant impact on performance for the trading business. During the Period, the Group recorded revenue of approximately HK\$39,952,000 (1H 2022: HK\$368,218,000) 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 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.



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.

In the 1H 2023, oil price fluctuated between US\$72 and US\$89 and natural gas was 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\$89.9 in mid-January 2023 and closed at US\$75.41 per barrel in June 2023. From July to early August 2023, oil prices closed high at above US\$85.3 per barrel. For the trading price of natural gas, the price of Natural Gas started at US\$4.4 at the beginning of 2023 and closed at US\$2.8 in June 2023 and US\$2.7 in early August 2023. (Source: <https://markets.businessinsider.com/>)

Oil and natural gas 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 resulted from the high degree of uncertainty in the growth of the global economy and geopolitical tensions. 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 counterparties to mitigate the risks associated with the third-party service providers.

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 22% and 24% respectively during the Period, while Henry Hub natural gas price has fallen by approximately 123%. Specifically, the price of Brent crude oil rose from US\$85.1 per barrel at the beginning of 2023 to US\$88.2 per barrel in late January 2023 and falling to US\$75.4 at the end of June 2023. Likewise, the price of WTI crude oil rose from US\$80.5 per barrel at the beginning of 2023 to US\$83.3 in mid-April 2023 and falling to US\$70.6 at the end of June 2023. Henry Hub natural gas price has fallen from US\$4.4 per MMBtu at the beginning of 2023 to US\$2.8 at the end of June 2023. The Russia-Ukraine crisis is still causing fluctuations in the prices of oil and gas.

Based on its most recent monthly report released on 8 August 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\$86 per barrel in second half of 2023.

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

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, 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 consider possible investments in clean energy and renewable energy to reduce emission and achieve long-term sustainability.



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2023, the Group had no outstanding loan balance (as at 31 December 2022: Nil) and cash and bank balances was approximately HK\$5,662,000 (As at 31 December 2022: Approximately HK\$15,147,000). The decrease in cash and cash balances was mainly due to the net cash used in operating activities. As at 30 June 2023, the current ratio (calculated on the basis of the Group's current assets over current liabilities) was 4.59 (As at 31 December 2022: 4.16) and the gearing ratio (debt-to-asset ratio) (calculated as total liabilities divided by total assets) was approximately 15.77% (As at 31 December 2022: 16.77%).

During the Period, the Group conducted its business transactions principally in RMB and US dollars. The management will continue to monitor the foreign exchange exposure position and will take any future prudent measure it deems appropriate.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no material contingent liabilities (31 December 2022: Nil).

CHARGES ON GROUP ASSETS

As at 30 June 2023, the Group did not have any charges on assets (31 December 2022: 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 report, there were no future plans for material investments or capital assets.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2023, the interests of the Directors, chief executive, and their associates in the Shares, underlying Shares, and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code set out in Appendix 10 to the Rules (the “Listing Rules”) Listing of Securities on the Stock Exchange were as follows:

Long positions in shares, underlying shares and debentures of the Company

Name of director	Capacity	Number of issued ordinary shares held	Approximately percentage of the issued share capital of the Company ¹
Yu Zhibo	Interest in controlled corporation	580,172,014 ²	68.91%
Chen Junyan	Interest in controlled corporation	580,172,014 ²	68.91%
Zhong Bifeng	Beneficial owner	5,000,000	0.59%

Notes:

- The Company had 841,879,482 Shares in issue as at 30 June 2023.
- These 580,172,014 Shares are held by Xin Hua Petroleum (Hong Kong) Limited, which, in turn, is owned by Mr. Yu Zhibo as to 46.28%, Ms. Chen Junyan as to 34.92% and Mr. Chen Yaxin as to 18.80%.



OTHER INFORMATION

Long positions in the shares of our associated corporation (as defined in the SFO)

Name of director	Name of associated corporation	Capacity	Number of issued ordinary shares held	Percentage in the associated corporation
Yu Zhibo	Xin Hua Petroleum (Hong Kong) Limited	Beneficial owner	4,628	46.28%
Chen Junyan	Xin Hua Petroleum (Hong Kong) Limited	Beneficial owner	3,492	34.92%

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executives had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDER

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 30 June 2023, so far as known to the Directors and other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

Name of substantial shareholders	Capacity	Number of shares/ underlying shares held	Approximate percentage to the issued share capital of the Company ¹
Xin Hua Petroleum (Hong Kong) Limited	Beneficial owner	580,172,014 ²	68.91%

Notes:

1. The Company had 841,879,482 Shares in issue as at 30 June 2023.
2. These 580,172,014 Shares are held by Xin Hua Petroleum (Hong Kong) Limited which, in turn, is owned by Mr. Yu Zhibo as to 46.28%, Ms. Chen Junyan as to 34.92% and Mr. Chen Yaxin as to 18.80%.

Save as disclosed above, the Company has not been notified of any other person (other than Directors and chief executives of the Company) who had interest or short positions in the Shares and/or underlying Shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

On 12 December 2019, a share option scheme (the “Share Option Scheme”) which complies with the requirement of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company.

There have been no share options granted in accordance to the Share Option Scheme up to the date of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the number of employees of the Group was about 25 (31 December 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.

ACTIVITIES ON UTAH GAS AND OIL FIELD

The Group has not undertaken any further exploration and development on the oil and gas fields in Utah during this Period. During the Period, the expenditure incurred on its associated cost was approximately HK\$1,010,000.

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 Period.

OTHER INFORMATION

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.

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 Period with the CG Code as contained in Appendix 14 to the Listing Rules.

CHANGES IN DIRECTORS' INFORMATION

Upon specific enquiry by the Company and following confirmations from the Directors, save as disclosed hereunder, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules since the Company's last published annual report. The change of Directors' information is set out below:

- Mr. Yu Jiyuan's annual remuneration has been adjusted from HK\$1,083,000 to HK\$2,123,000 and shall be entitled to receive a discretionary bonus at each financial year end, with effect from 17 April 2023.

COMPLIANCE WITH RULE 3.10A OF THE LISTING RULES DURING THE PERIOD

Reference is made to the announcement of the Company dated 17 April 2023 in respect of appointment of executive director, resignation and re-designation of directors of the Company. Following the above changes, the composition of the Board comprised five executive directors, three non-executive directors and three independent non-executive directors. As a result, the number of the independent non-executive directors was less than one-third of the Board as required under Rule 3.10A of the Listing Rules.

On 14 July 2023, the Company appointed Ms. Lam Shuk Yi Mariana (“Ms. Lam”) as an independent non-executive Director. Following the appointment of Ms. Lam, there are altogether four independent non-executive directors of the Company. As such, the number of independent non-executive directors of the Company represents one-third of the Board and is in compliance with the requirements under Rule 3.10A of the Listing Rules. For details, please refer to the announcement of the Company on 14 July 2023.

AUDIT COMMITTEE REVIEW

The 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 condensed consolidated interim financial information for the six months ended 30 June 2023 contains adequate disclosure as required by the Listing Rules. The Audit Committee also discussed financial reporting matters including a general review of the unaudited interim financial report for the Period.

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

OTHER INFORMATION

DIRECTORS' RESPONSIBILITY OF FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of financial statements of the Company for each financial period with a true and fair presentation of the financial position of the Group. The Company's financial statements are prepared in accordance with all statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and the related interpretations, adjustments and estimates made are prudent and reasonable and the financial statements have been prepared on a going concern basis.

The Directors are aware of conditions, as disclosed in basis of preparation of the unaudited condensed consolidated interim financial statements, indicating the Group's ability to continue as a going concern is dependent on the ongoing availability of funds to the Group. Taken into account these considerations, the Directors are of the opinion that the Group will have sufficient funds to meet in full its financial obligations as and when they fall due.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the six months ended 30 June 2023 and up to the date of this report.

BOARD OF DIRECTORS

As at the date hereof, 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.

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

Hong Kong, 25 August 2023