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中港石油有限公司*

CHK OIL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

**CONNECTED TRANSACTION
LOAN CAPITALISATION INVOLVING
ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE**

LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

On 17 January 2025 (after trading hours), the Company and Xin Hua entered into the Loan Settlement Agreement, pursuant to which, the parties have conditionally agreed that the partial and aggregated principal amount of Loan from Xin Hua of HK\$5,000,000 will be partially settled through allotment and issuance of 12,048,192 Capitalisation Shares at the Issue Price of HK\$0.415 per Capitalisation Share to Xin Hua. As at the date of the Loan Settlement Agreement, the outstanding principal amount of Loan from Xin Hua in aggregate amounted to HK\$11,010,000. Upon Completion, the partial and aggregated principal amount of HK\$5,000,000 under the Loan from Xin Hua shall be deemed to have been repaid. After Completion, the remaining and aggregated principal amount of HK\$6,010,000 under the Loan from Xin Hua will remain as a liability of the Group and is expected to be repaid by the Group's internal financial resources. The Loan Settlement is subject to various conditions set forth in the paragraph headed "Conditions Precedent" below in this announcement.

The Capitalisation Shares represent (i) approximately 1.43% of the issued Shares as at the date of this announcement; and (ii) approximately 1.41% of the issued Shares as enlarged by the allotment and issue of the Capitalisation Shares immediately after Completion, assuming that there will be no change in the total number of issued Shares (other than the issue of the Capitalisation Shares) between the date of this announcement and Completion. The Capitalisation Shares to be allotted and issued to Xin Hua will be allotted and issued under the Specific Mandate to be obtained at the SGM.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Xin Hua is a controlling shareholder of the Company who beneficially owns 580,172,014 Shares, representing approximately 68.91% of the issued Shares. Xin Hua is ultimately owned by Mr. Yu, the executive Director, as to 46.28%, Ms. Chen Junyan as to 34.92% and Mr. Chen Yaxin as to 18.80%. Xinhua, Mr. Yu, Ms. Chen Junyan and Mr. Chen Yaxin are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Loan Settlement Agreement, the Loan Settlement, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate) constitute a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Yu (the chairman of the Board and an executive Director), being the shareholder of Xin Hua, is considered to have material interest in the transactions contemplated under the Loan Settlement Agreement. Therefore, Mr. Yu had abstained from voting on the relevant resolution(s) of the Board. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, none of the other Directors has any material interest in the Loan Settlement Agreement, the Loan Settlement, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate) or is otherwise required to abstain from voting on the relevant resolution(s) of the Board.

SGM

The SGM will be convened and held for the purpose of considering and, if thought fit, approving the Loan Settlement Agreement, the Loan Settlement, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate).

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transaction and its associates will abstain from voting on the relevant resolutions at the SGM. Accordingly, as at the date of this announcement, (i) Xin Hua who beneficially owns 580,172,014 Shares, representing approximately 68.91% of the issued Shares; and (ii) Mr. Yu, Ms. Chen Junyan and Mr. Chen Yaxin who ultimately own as to 46.28%, 34.92% and 18.80% respectively of Xin Hua, will be required to abstain from voting on the resolution(s) to approve the Loan Settlement Agreement, the Loan Settlement, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the SGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than Xin Hua, Mr. Yu, Ms. Chen Junyan and Mr. Chen Yaxin, no other Shareholder has a material interest in the transactions contemplated under the Loan Settlement Agreement (including the grant of the Specific Mandate), and will be required to abstain from voting on the resolution(s) to approve the Loan Settlement Agreement, the Loan Settlement, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the SGM.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders (i) whether the terms of the Loan Settlement Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole; and (ii) on how to vote at the SGM. Independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Loan Settlement Agreement, the Loan Settlement, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice convening the SGM; and (v) other information required under the Listing Rules, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules. As additional time is required to prepare the information to be included in the circular containing, among other things, further details of the Loan Settlement, the recommendation letter from the independent financial adviser and other information required under the Listing Rules, it is expected that the circular will be despatched to the Shareholders on or before 31 March 2025.

Completion of the Loan Settlement is subject to the fulfilment or waiver (as the case may be) of the Conditions Precedent. As such, the Loan Settlement may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

On 17 January 2025 (after trading hours), the Company and Xin Hua entered into the Loan Settlement Agreement, pursuant to which, the parties have conditionally agreed that the partial and aggregated principal amount of Loan from Xin Hua of HK\$5,000,000 will be partially settled through allotment and issuance of 12,048,192 Capitalisation Shares at the Issue Price of HK\$0.415 per Capitalisation Share to Xin Hua. As at the date of the Loan Settlement Agreement, the outstanding principal amount of Loan from Xin Hua in aggregate amounted to HK\$11,010,000. Upon Completion, the partial and aggregated principal amount of HK\$5,000,000 under the Loan from Xin Hua shall be deemed to have been repaid. After Completion, the remaining and aggregated principal amount of HK\$6,010,000 under the Loan from Xin Hua will remain as a liability of the Group and is expected to be repaid by the Group's internal financial resources.

THE LOAN SETTLEMENT AGREEMENT

The principal terms of the Loan Settlement Agreement are summarised as follows:

Date

17 January 2025 (after trading hours)

Parties

- (i) The Company; and
- (ii) Xin Hua

As at the date of this announcement, Xin Hua is a controlling shareholder of the Company who beneficially owns 580,172,014 Shares, representing approximately 68.91% of the issued Shares.

Number of Capitalisation Shares

As at the date of this announcement, the Company has 841,879,482 Shares in issue. The Capitalisation Shares represent (i) approximately 1.43% of the issued Shares as at the date of this announcement; and (ii) approximately 1.41% of the issued Shares as enlarged by the allotment and issue of the Capitalisation Shares immediately after Completion, assuming that there will be no change in the total number of issued Shares (other than the issue of the Capitalisation Shares) between the date of this announcement and Completion. The Capitalisation Shares to be allotted and issued to Xin Hua will be allotted and issued under the Specific Mandate to be obtained at the SGM.

Based on the closing price of the Shares of HK\$0.395 per Share on the Last Trading Day, the Capitalisation Shares have a market value of approximately HK\$4,759,036 and an aggregate nominal value of approximately HK\$2,409,638.

The Issue Price

The Issue Price is HK\$0.415 per Capitalisation Share, and the aggregate Issue Price of all Capitalisation Shares of approximately HK\$5,000,000 payable by Xin Hua shall be satisfied by capitalising and setting off against the partial and aggregated principal amount of HK\$5,000,000 under the Loan from Xin Hua upon Completion.

The Issue Price represents:

- (i) a premium of approximately 5.06% to the closing price of HK\$0.395 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 5.03% to the average closing price of approximately HK\$0.437 per Share for the last five trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a discount of approximately 15.65% to the average closing price of approximately HK\$0.492 per Share for the last ten trading days as quoted on the Stock Exchange up to and including the Last Trading Day; and
- (iv) a premium of approximately 47.16% to the latest unaudited consolidated net asset value per Share as at 30 June 2024 of approximately HK\$0.282 calculated based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$237,381,000 as at 30 June 2024 as set out in the Company's interim report 2024 and 841,879,482 Shares in issue as at the date of this announcement.

The net Issue Price (after deduction of all professional fees and related expenses) is estimated to be approximately HK\$0.382 per Capitalisation Share. The professional fees and related expenses for the Loan Settlement, which amount to approximately HK\$0.4 million, will be settled by the Group's internal financial resources.

The Issue Price was determined after arm's length negotiations between the Company and Xin Hua with reference to (i) the prevailing market price of the Shares; (ii) the Group's historical financial performances and financial position as well as the current market condition; and (iii) the reasons as discussed in the paragraph headed "Reasons for and benefits of the Loan Settlement" below in this announcement. In view of the above, the Board (excluding (i) the independent non-executive Directors who will form an opinion after considering the recommendation of the independent financial adviser; and (ii) Mr. Yu who is considered to have material interest in the transactions contemplated under the Loan Settlement Agreement) is of the view that the Issue Price is fair and reasonable.

Ranking of the Capitalisation Shares

The Capitalisation Shares when allotted and issued, shall rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Capitalisation Shares including all dividends declared or payable or distribution made or proposed on or after the Completion Date.

Conditions Precedent

Completion is conditional upon the fulfilment (or, where applicable, waiver) of the following Conditions Precedent:

- (i) the Company has provided Xin Hua with a copy of the resolutions of its directors approving the Loan Settlement Agreement and the transactions contemplated by the Loan Settlement Agreement, which shall be certified as true and complete by one of its directors;
- (ii) Xin Hua has provided the Company with a copy of the resolution of its directors approving the Loan Settlement Agreement and the transactions contemplated by the Loan Settlement Agreement, which shall be certified as true and complete by one of its directors;
- (iii) the Company has obtained at the SGM the necessary approval from the Shareholders for the Loan Settlement Agreement and the transactions contemplated thereunder including but not limited to authorising the Directors to allot and issue the Capitalisation Shares to Xin Hua (or its designated person) at the Issue Price by way of the Specific Mandate in accordance with the relevant requirements of the Listing Rules;
- (iv) the Listing Committee of the Stock Exchange has granted approval for the listing of, and permission to deal in, the Capitalisation Shares on the Stock Exchange;
- (v) Xin Hua has provided the Company with an application for shares duly completed and signed by Xin Hua (or its designated person) in respect of the Capitalisation Shares; and
- (vi) the Company is not in material breach of any representation or warranty made by it pursuant to the Loan Settlement Agreement.

The Company undertakes to use its best and reasonable endeavours to procure the satisfaction of the Conditions Precedent set out above (other than those set out in sub-paragraph (ii) and (v)) on or before the Long Stop Date. Xin Hua undertakes to use its best and reasonable endeavours to procure the satisfaction of the Conditions Precedent set out in sub-paragraphs (ii) and (v) on or before the Completion Date. Neither the Company nor Xin Hua shall be entitled to waive any of the Conditions Precedent except that Xin Hua shall be entitled to waive in writing the Conditions Precedent set out in sub-paragraph (vi) at any time on or before the Long Stop Date.

If any of the Conditions Precedent has not been satisfied (or, if applicable, waived) in full by the Long Stop Date, Xin Hua may terminate the Loan Settlement Agreement by written notice to the Company after the Long Stop Date, whereupon the rights and obligations of the Company and Xin Hua under the Loan Settlement Agreement shall forthwith cease and terminate (other than the terms in relation to, among others, Conditions Precedent, confidentiality, fees, notice and applicable law and jurisdiction). Neither party shall have any claim against the other party in respect of the Loan Settlement Agreement, provided that it shall not prejudice or affect any right of either party under the Loan Settlement Agreement to pursue any breach of any term of the Loan Settlement Agreement by the other party prior to the termination of the Loan Settlement Agreement.

As at the date of this announcement, except conditions (i) and (ii) which have been fulfilled, none of the other Conditions Precedent set out above has been fulfilled. In terms of condition (iv), application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Capitalisation Shares.

Completion

Completion will take place on the fifth business days after the fulfilment (or, if applicable, waiver) of the Conditions Precedent (or such later date as may be agreed between the Company and Xin Hua in writing).

APPLICATION FOR LISTING OF THE CAPITALISATION SHARES

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Capitalisation Shares.

SPECIFIC MANDATE

The Capitalisation Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the SGM.

INFORMATION ON THE PARTIES

The Company and the Group

The Company is a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 632). The principal activities of the Group are investment holding, exploring, exploiting and sale of oil and natural gas and trading of oil, oil-related and other products.

Xin Hua Petroleum (Hong Kong) Limited

Xin Hua is a company incorporated under the laws of Hong Kong with limited liability and principally engaged in investment holding. Xin Hua is a controlling shareholder of the Company and is ultimately owned as to 46.28%, 34.92% and 18.80% by Mr. Yu, Ms. Chen Junyan and Mr. Chen Yaxin, respectively.

REASONS FOR AND BENEFITS OF THE LOAN SETTLEMENT

As at the date of the Loan Settlement Agreement, the outstanding principal amount of Loan from Xin Hua in aggregate amounted to HK\$11,010,000, details of which are set out below:

No.	Items	Principal amount HK\$'000	Interest rate per annum (%)	Security	Maturity date
1.	Loan from Xin Hua	1,000	–	Unsecured	10 March 2025
2.	Loan from Xin Hua	2,000	–	Unsecured	19 March 2025
3.	Loan from Xin Hua	2,000	–	Unsecured	25 March 2025
4.	Loan from Xin Hua	1,800	–	Unsecured	8 April 2025
5.	Loan from Xin Hua	750	–	Unsecured	29 April 2025
6.	Loan from Xin Hua	1,000	–	Unsecured	10 May 2025
7.	Loan from Xin Hua	500	–	Unsecured	11 May 2025
8.	Loan from Xin Hua	800	–	Unsecured	12 May 2025
9.	Loan from Xin Hua	1,000	–	Unsecured	13 May 2025
10.	Loan from Xin Hua	50	–	Unsecured	11 June 2025
11.	Loan from Xin Hua	50	–	Unsecured	7 July 2025
12.	Loan from Xin Hua	<u>60</u>	–	Unsecured	14 July 2025
Total amount		<u>11,010</u>			

As at the date of the Loan Settlement Agreement, (i) items 1 to 3 of the above table are expected to be settled by the Loan Settlement; and (ii) items 4 to 12 of the above table are expected to be settled by the Group's internal financial resources.

The Loan Settlement enables the Group to settle its existing liabilities without utilising the Group's existing internal financial resources and can avoid cash outflows. After Completion, the Group's gearing level will be reduced, thereby improving the financial position of the Group. As disclosed in the Company's annual report 2023, the Group requires additional capital from time to time to maintain operations and maximise trading return. The Group's source of funds primarily generated from the business activities and the Group adopts a relatively conservative treasury policy to reduce business risks. The Loan Settlement represents an opportunity in improving the Group's financial position, enabling the Group to align with these objectives.

In addition, the Directors consider that the Loan Settlement can reflect the continuous support and solid confidence given by Xin Hua and its ultimate beneficial owners (i.e., Mr. Yu, Ms. Chen Junyan and Mr. Chen Yaxin) to the Company towards the long-term development of the Group.

The Directors had considered other alternative means of fund raising to settle the partial and aggregated principal amount of HK\$5,000,000 under the Loan from Xin Hua, such as equity financing (including but not limited to rights issue and open offer) or debt financing and bank borrowings. However, in terms of the equity financing, including rights issue and open offer, the Directors considered that (i) the equity financing typically necessitate substantial negotiations with potential underwriters or placing agents; (ii) financing expenses, such as underwriting commission, placing commission and a range of professional service fees, will likely be incurred; and (iii) given the Group's recent financial performance, the Company will likely be required to issue Shares at a certain discount in order to secure a pre-emptive fundraising, such as rights issue and open offer. In terms of debt financing and bank borrowings, the Directors also considered that additional interest burden will be incurred for obtaining additional bank borrowings to settle the Loan. The Company considers that the Loan Settlement would be the best financing option as compared to the above other financing alternatives.

There will be no proceeds arising from the Loan Settlement as the entire aggregate Issue Price will set off against the partial and aggregated principal amount of HK\$5,000,000 under the Loan from Xin Hua on a dollar-to-dollar basis. As at the date of the Loan Settlement Agreement, the outstanding principal amount of Loan from Xin Hua in aggregate amounted to HK\$11,010,000. Upon Completion, the partial and aggregated principal amount of HK\$5,000,000 under the Loan from Xin Hua shall be deemed to have been repaid. After Completion, the remaining and aggregated principal amount of HK\$6,010,000 under the Loan from Xin Hua will remain as a liability of the Group and is expected to be repaid by the Group's internal financial resources.

Based on the total indebted amount owed by the Company to Xin Hua under the Loan of HK\$11,010,000 as at the date of the Loan Settlement Agreement and the partial repayment amount of HK\$5,000,000 to be offset against the Loan Settlement, upon Completion, it is expected that (i) the net current liabilities of the Group will be decreased by HK\$5,000,000; and (ii) the net assets position of the Group will be increased by HK\$5,000,000.

The financial effect of the Loan Settlement as set out in the foregoing paragraph is presented for illustrative purpose only and is subject to change upon Completion, review and final audit by the auditor of the Company.

In view of the above, the Board (excluding Mr. Yu (who had abstained from voting on the relevant resolution(s) of the Board in respect of the Loan Settlement Agreement, the Loan Settlement, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder) and the independent non-executive Directors (whose view will be provided after taking into account the recommendation of the independent financial adviser)) consider that although the Loan Settlement is not in the ordinary and usual course of the Group's business, the terms of the Loan Settlement Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

FUND RAISING ACTIVITIES BY THE COMPANY IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund-raising activity in the past twelve months immediately prior to the date of this announcement.

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
15 January 2025	Placing of new Shares under general mandate	The gross proceeds and the net proceeds of the placing amounted to approximately HK\$7.7 million and approximately HK\$7.3 million, respectively.	(i) approximately 50%, or HK\$3.65 million for the development, operation and working capital needs of the Group's oil fields in the United States of America; and (ii) approximately 50%, or HK\$3.65 million for other business operation and general working capital of the Group.	Placing of new Shares under general mandate is in progress.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 841,879,482 Shares in issue. The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion, assuming there will be no change in the issued Shares other than the allotment and issue of the Capitalisation Shares:

	As at the date of this announcement		Immediately after the allotment and issue of the Capitalisation Shares	
	<i>Number of Shares</i>	<i>Approximate (%) (Note 1)</i>	<i>Number of Shares</i>	<i>Approximate (%) (Note 1)</i>
Controlling shareholders				
Xin Hua (Note 2)	580,172,014	68.91	592,220,206	69.35
Directors				
Ms. Zong Bifeng	5,000,000	0.59	5,000,000	0.59
Mr. Jin Ailong	4,726,000	0.56	4,726,000	0.55
Public Shareholders	<u>251,981,468</u>	<u>29.94</u>	<u>251,981,468</u>	<u>29.51</u>
Total	<u>841,879,482</u>	<u>100.00</u>	<u>853,927,674</u>	<u>100.00</u>

Notes:

1. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.
2. Xin Hua is ultimately owned as to 46.28%, 34.92% and 18.80% by Mr. Yu, Ms. Chen Junyan and Mr. Chen Yaxin, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Xin Hua is a controlling shareholder of the Company who beneficially owns 580,172,014 Shares, representing approximately 68.91% of the issued Shares. Xin Hua is ultimately owned by Mr. Yu, the executive Director, as to 46.28%, Ms. Chen Junyan as to 34.92% and Mr. Chen Yaxin as to 18.80%. Xinhua, Mr. Yu, Ms. Chen Junyan and Mr. Chen Yaxin are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Loan Settlement Agreement, the Loan Settlement, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate) constitute a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Yu (the chairman of the Board and an executive Director), being the shareholder of Xin Hua, is considered to have material interest in the transactions contemplated under the Loan Settlement Agreement. Therefore, Mr. Yu had abstained from voting on the relevant resolution(s) of the Board. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, none of the other Directors has any material interest in the Loan Settlement Agreement, the Loan Settlement, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate) or is otherwise required to abstain from voting on the relevant resolution(s) of the Board.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders (i) whether the terms of the Loan Settlement Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole; and (ii) on how to vote at the SGM. Independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

The SGM will be convened and held for the purpose of considering and, if thought fit, approving the Loan Settlement Agreement, the Loan Settlement, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate).

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transaction and its associates will abstain from voting on the relevant resolutions at the SGM. Accordingly, as at the date of this announcement, (i) Xin Hua who beneficially owns 580,172,014 Shares, representing approximately 68.91% of the issued Shares; and (ii) Mr. Yu, Ms. Chen Junyan and Mr. Chen Yaxin who ultimately own as to 46.28%, 34.92% and 18.80% respectively of Xin Hua, will be required to abstain from voting on the resolution(s) to approve the Loan Settlement Agreement, the Loan Settlement, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the SGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than Xin Hua, Mr. Yu, Ms. Chen Junyan and Mr. Chen Yaxin, no other Shareholder has a material interest in the transactions contemplated under the Loan Settlement Agreement (including the grant of the Specific Mandate), and will be required to abstain from voting on the resolution(s) to approve the Loan Settlement Agreement, the Loan Settlement, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the SGM.

GENERAL

A circular containing, among other things, (i) further details of the Loan Settlement Agreement, the Loan Settlement, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice convening the SGM; and (v) other information required under the Listing Rules, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules. As additional time is required to prepare the information to be included in the circular containing, among other things, details of the Loan Settlement, the recommendation letter from the independent financial adviser and other information required under the Listing Rules, it is expected that the circular will be despatched to the Shareholders on or before 31 March 2025.

Completion of the Loan Settlement is subject to the fulfilment or waiver (as the case may be) of the Conditions Precedent. As such, the Loan Settlement may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capitalisation Share(s)”	an aggregate of 12,048,192 new Shares to be allotted and issued by the Company at the Issue Price to Xin Hua according to the Loan Settlement Agreement
“Company”	CHK Oil Limited (stock code: 632), a company incorporated in Bermuda with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the allotment and issue of the Capitalisation Shares
“Completion Date”	the date of Completion
“Conditions Precedent”	the conditions precedent to Completion as set out in the Loan Settlement Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders in relation to the Loan Settlement

“Independent Shareholders”	Shareholder(s) other than those who are required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the SGM
“Independent Third Party(ies)”	person(s) or company(ies) who/which is(are) independent of the Company and its connected persons in accordance with the Listing Rules
“Issue Price”	the issue price of HK\$0.415 per Capitalisation Share
“Last Trading Day”	17 January 2025, being the last trading day of the Shares on the Stock Exchange immediately before the publication of this announcement
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	aggregated, unsecured and interest-free in the principal amount of HK\$11,010,000 due from the Group to Xin Hua as at the date of the Loan Settlement Agreement
“Loan Settlement”	the capitalisation of the partial and aggregated principal amount of HK\$5,000,000 under the Loan from Xin Hua through the allotment and issuance of the Capitalisation Shares according to the terms of the Loan Settlement Agreement
“Loan Settlement Agreement”	the loan settlement agreement dated 17 January 2025 entered between the Company and Xin Hua in relation to the Loan Settlement
“Long Stop Date”	30 June 2025 (or such other date as may be agreed between the Company and Xin Hua to the Loan Settlement Agreement in writing)
“Mr. Yu”	Mr. Yu Zhibo, being the chairman of the Board, an executive Director and a controlling shareholder of Xin Hua
“SFC”	The Securities and Futures Commission

“SFO”	The Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and approve, if thought fit, the Loan Settlement Agreement, the Loan Settlement, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Share(s)”	the ordinary share(s) of HK\$0.2 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM for the allotment and issue of the Capitalisation Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xin Hua”	Xin Hua Petroleum (Hong Kong) Limited, a company incorporated under the laws of Hong Kong with limited liability, the controlling shareholder of the Company who beneficially owns 580,172,014 Shares as at the date of this announcement, representing approximately 68.91% of the issued Shares
“%”	per cent

By order of the Board
CHK Oil Limited
Yu Zhibo
Chairman

Hong Kong, 17 January 2025

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