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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**50**If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CHK Oil Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for your information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

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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 AND NOTICE OF SGM

Financial adviser to the Company



Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders



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Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 4 to 19 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on pages 20 to 21 of this circular. A letter from Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 46 of this circular.

A notice convening the SGM to be held at 10:00 a.m. on Friday, 21 March 2025 at Units 2617-18, 26/F, Mira Place, Tower A, No. 132 Nathan Road, Kowloon, Hong Kong is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to Tricor Tengis Limited (Tricor Investor Services Limited, effect from 7 March 2025) at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the SGM (i.e. before 10:00 a.m. on Wednesday, 19 March 2025 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or any adjourned meeting thereof should you so wish.

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context requires otherwise:*

“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 Financial Adviser”	Red Solar Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in relation to the Loan Settlement

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## DEFINITIONS

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“Independent Shareholders”	Shareholder(s) other than those that 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
“Latest Practicable Date”	25 February 2025, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“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 Latest Practicable Date
“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)
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“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

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## DEFINITIONS

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“SFO”	The Securities and Futures 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
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“USA”	The United States of America
“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 Latest Practicable Date, representing approximately 67.67% of the issued Shares
“%”	per cent

*If there is any discrepancy between the Chinese version and English version of this circular, the English version shall prevail.*

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## LETTER FROM THE BOARD

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**中港石油有限公司\***  
**CHK OIL LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 632)**

*Executive Directors:*

Mr. Yu Zhibo (*Chairman*)  
Mr. Jin Ailong  
Ms. Yang Yuyan  
Ms. Sun Xiaoze

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Non-executive Directors:*

Mr. Lin Qing Yu  
Mr. Zheng Ye

*Headquarters and principal place of  
business in Hong Kong*

Unit 2617-18, 26/F  
Mira Place Tower A  
No. 132 Nathan Road  
Kowloon, Hong Kong

*Independent Non-executive Directors:*

Ms. Zhong Bifeng  
Ms. Huang Qingwei  
Mr. Shen Shigang

28 February 2025

*To the Shareholders*

Dear Sirs,

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

**1. INTRODUCTION**

Reference is made to the Company's announcement dated 17 January 2025 in relation to the Loan Settlement.

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.

\* For identification purpose only

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, 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" in the "Letter from the Board" of this circular.

As at the Latest Practicable Date, Xin Hua is a controlling shareholder of the Company who beneficially owns 580,172,014 Shares, representing approximately 67.67% 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.

The purpose of this circular is to provide you with, among other things, (i) further information on 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) other information as required under the Listing Rules; and (v) notice of SGM.

## 2. 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 Latest Practicable Date, Xin Hua is a controlling shareholder of the Company who beneficially owns 580,172,014 Shares, representing approximately 67.67% of the issued Shares.

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## LETTER FROM THE BOARD

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### *Number of Capitalisation Shares:*

As at the Latest Practicable Date, the Company has 857,305,482 Shares in issue. The Capitalisation Shares represent (i) approximately 1.41% of the issued Shares as at the Latest Practicable Date; and (ii) approximately 1.39% 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 Latest Practicable Date 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 discount of approximately 11.70% to the closing price of HK\$0.470 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) 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;
- (iii) 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;
- (iv) 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
- (v) a premium of approximately 49.82% to the latest unaudited consolidated net asset value per Share (“NAV per Share”) as at 30 June 2024 of approximately HK\$0.277 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 857,305,482 Shares in issue as at the Latest Practicable Date.



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## LETTER FROM THE BOARD

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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 Shares, having considered (a) the Issue Price falls within the range of the historical closing prices of Shares, with the lowest closing price of HK\$0.076 per Share and the highest closing price of HK\$0.73 per Share, during the period from 16 July 2024 to 17 January 2025, (the “**Review Period**”); (b) the Issue Price represents a premium of approximately 92.13% and 131.84% to the average closing price of approximately HK\$0.216 per Share and the median closing price of approximately HK\$0.179 per Share respectively; and (c) 92 trading days out of 108 trading days during the Review Period were closed below the Issue Price;
- (ii) the Group's historical financial performances and financial position, having considered (a) the loss-making positions of the Group for the two years ended 31 December 2023 and the six months ended 30 June 2024; and (b) the net assets of the Group attributable to the Shareholders of approximately HK\$237,381,000 as at 30 June 2024. The Directors noted that the Issue Price represents a premium of approximately 49.82% to the NAV per Share as at 30 June 2024 of approximately HK\$0.277. The Issue Price of HK\$0.415 per Capitalisation Share represents a premium over the closing prices of Shares during the majority of the Review Period and a premium over the NAV per Share as at 30 June 2024, which reflect the continuous support and solid confidence given by Xin Hua and its ultimate beneficial owner to the Company towards the long-term development of the Group;

## LETTER FROM THE BOARD

- (iii) the current market condition, having reviewed the relevant connected transactions for subscription of new shares under specific mandate for cash consideration of other companies listed on the Stock Exchange (the “**Issue Price Comparables**”) during the Review Period and identified an exhaustive list of ten Issue Price Comparables (excluding those transactions involved (a) issuance of new shares for restructuring scheme, emolument or acquisition purposes; (b) issuance of A shares or domestic shares; and (c) application for whitewash waiver or general offer obligations under the Takeovers Code). The Directors consider that a review period of six months can represent the recent and general reference of market terms under the recent market condition and sentiment. Details of the Issue Price Comparables are set out below:

No.	Name of company (stock code)	Date of initial announcement	Premium/ (Discount) of the subscription price over/(to) the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement	Premium/ (Discount) of the subscription price over/(to) the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of agreement	Premium/ (Discount) of the subscription price over/(to) the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement
			(%)	(%)	(%)
1.	Well Link Securities Holdings Limited (8350)	2 September 2024	65.60	66.90	64.40
2.	China Hongguang Holdings Limited (8646)	4 September 2024	(42.80)	(34.40)	(22.91)
3.	CircuTech International Holdings Limited (8051)	4 October 2024	(2.60)	0.30	6.80
4.	Virtual Mind Holding Company Limited (1520)	10 October 2024	13.64	38.89	47.06
5.	Honbridge Holdings Limited (8137)	17 October 2024	(75.00)	(77.01)	(73.47)
6.	Zhi Sheng Group Holdings Limited (8370)	21 October 2024	(60.53)	(60.63)	(58.79)
7.	China Resources Power Holdings Company Limited (836)	23 October 2024	(5.06)	(3.48)	(3.98)

## LETTER FROM THE BOARD

No.	Name of company (stock code)	Date of initial announcement	Premium/ (Discount) of the subscription price over/(to) the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement	Premium/ (Discount) of the subscription price over/(to) the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of agreement	Premium/ (Discount) of the subscription price over/(to) the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement
			(%)	(%)	(%)
8.	Directel Holdings Limited (8337)	24 October 2024	138.10	138.10	138.10
9.	Bonjour Holdings Limited (653)	12 November 2024	0.00	(1.00)	(2.65)
10.	True Partner Capital Holding Limited (8657)	27 December 2024	(13.00)	(13.00)	(13.00)
		Maximum	138.10	138.10	138.10
		Minimum	(75.00)	(77.01)	(73.47)
		Average	1.84	5.47	8.16
		Median	(3.83)	(2.24)	(3.32)
	The Company (632)	17 January 2025	5.06	(5.03)	(15.65)

Source: Website of the Stock Exchange (<https://www.hkex.com.hk/>)

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## LETTER FROM THE BOARD

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As shown in the above table, the Directors noted that:

- (1) the pricing of the subscription price in the Issue Price Comparables to the respective closing prices of their shares on/prior to the date of respective subscription agreements represents a range from a premium of approximately 138.10% to a discount of approximately 75.00% (the “**LTD Market Range**”) with an average premium of approximately 1.84% and a median discount of approximately 3.83%. The premium represented by the Issue Price to the closing price of Shares on the date of Loan Settlement Agreement of approximately 5.06%, whilst falling within the LTD Market Range, is above the average premium and the median discount of the LTD Market Range;
  - (2) the pricing of the subscription price in the Issue Price Comparables to the respective closing prices of their shares in the last five consecutive trading days prior to/up to and including the date of respective subscription agreements represents a range from a premium of approximately 138.10% to a discount of approximately 77.01% (the “**Five Days LTD Market Range**”) with an average premium of approximately 5.47% and a median discount of approximately 2.24%. The discount represented by the Issue Price to the closing price of Shares in the last five consecutive trading days up to and including the date of Loan Settlement Agreement of approximately 5.03%, whilst falling within the Five Days LTD Market Range, is close to the median discount of the Five Days LTD Market Range; and
  - (3) the pricing of the subscription price in the Issue Price Comparables to the respective closing prices of their shares in the last ten consecutive trading days prior to/up to and including the date of respective subscription agreements represents a range from a premium of approximately 138.10% to a discount of approximately 73.47% (the “**Ten Days LTD Market Range**”) with an average premium of approximately 8.16% and a median discount of approximately 3.32%. The discount represented by the Issue Price to the closing price of Shares in the last ten consecutive trading days up to and including the date of Loan Settlement Agreement of approximately 15.65%, whilst falling within the Ten Days LTD Market Range; and
- (iv) the reasons as discussed in the paragraph headed “Reasons for and benefits of the Loan Settlement” in the “Letter from the Board” of this circular.

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.

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## LETTER FROM THE BOARD

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### ***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.

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## LETTER FROM THE BOARD

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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 Latest Practicable Date, 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).

### **3. 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.

### **4. SPECIFIC MANDATE**

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

### **5. 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.

## LETTER FROM THE BOARD

### 6. REASONS FOR AND BENEFITS OF THE LOAN SETTLEMENT

As at the Latest Practicable Date, 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 <i>HK\$'000</i>	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
<b>Total amount</b>		<b><u>11,010</u></b>			

As at the Latest Practicable Date, (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.

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## LETTER FROM THE BOARD

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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. As at 31 December 2024, the Group's unaudited bank balances and cash was approximately HK\$13.5 million. The Directors consider that it is prudent to maintain certain amount of cash for the Group's business operations. 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.

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.

### **7. FINANCIAL EFFECT OF THE LOAN SETTLEMENT**

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 Latest Practicable Date, 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.



## LETTER FROM THE BOARD

Based on the total indebted amount owed by the Company to Xin Hua under the Loan of HK\$11,010,000 as at the Latest Practicable Date 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.

### 8. 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 Latest Practicable Date.

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
15 January 2025 and 5 February 2025	Placing of new Shares under general mandate	The gross proceeds and the net proceeds of the placing amounted to approximately HK\$5.9 million and approximately HK\$5.5 million, respectively.	(i) approximately 50%, or HK\$2.75 million for the development, operation and working capital needs of the Group's oil fields in the USA; and	(i) approximately HK\$2.57 million have been utilised as intended, and the remaining of approximately HK\$0.18 million will be utilised as intended; and
			(ii) approximately 50%, or HK\$2.75 million for other business operation and general working capital of the Group.	(ii) approximately HK\$2.75 million have been utilised as intended .

## LETTER FROM THE BOARD

### 9. EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 857,305,482 Shares in issue. The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; 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:

	<b>As at the Latest Practicable Date</b>		<b>Immediately after the allotment and issue of the Capitalisation Shares</b>	
	<i>Number of Shares</i>	<i>Approximate (%) (Note 1)</i>	<i>Number of Shares</i>	<i>Approximate (%) (Note 1)</i>
<b>Controlling shareholders</b>				
Xin Hua (Note 2)	580,172,014	67.67	592,220,206	68.12
<b>Directors</b>				
Ms. Zhong Bifeng	5,000,000	0.58	5,000,000	0.58
Mr. Jin Ailong	4,726,000	0.55	4,726,000	0.54
Public Shareholders	267,407,468	31.20	267,407,468	30.76
<b>Total</b>	<b>857,305,482</b>	<b>100.00</b>	<b>869,353,674</b>	<b>100.00</b>

*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.

### 10. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Xin Hua is a controlling shareholder of the Company who beneficially owns 580,172,014 Shares, representing approximately 67.67% 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.

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## LETTER FROM THE BOARD

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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.

### **11. ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE**

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. Red Solar Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **12. THE 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). The aforesaid approval shall be obtained by way of poll. A notice convening the SGM of the Company to be held at 10:00 a.m. on Friday, 21 March 2025 at Units 2617-18, 26/F, Mira Place, Tower A, No. 132 Nathan Road, Kowloon, Hong Kong is set out on pages SGM-1 to SGM-2 of this circular.

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 Latest Practicable Date, (i) Xin Hua who beneficially owns 580,172,014 Shares, representing approximately 67.67% 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.

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## LETTER FROM THE BOARD

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Whether or not you are able to attend the SGM, you are requested to complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited (Tricor Investor Services Limited, effect from 7 March 2025), at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the SGM (i.e. 10:00 a.m. on Wednesday, 19 March 2025 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

Pursuant to Rule 13.39 of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution to be considered and, if thought fit, approved at the SGM will be voted by way of poll by the Shareholders. An announcement on the poll vote results will be made by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### **13. CLOSURE OF REGISTER OF MEMBERS**

In order to determine entitlement of Shareholders to the right to attend and vote at the SGM (or any adjournment thereof), the register of member of the Company will be closed from Monday, 17 March 2025 to Friday, 21 March 2025, both days inclusive, during which period no share transfer will be effected. In order to qualify for the entitlement to attend and vote at the SGM, all transfer of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited (Tricor Investor Services Limited, effect from 7 March 2025), at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 14 March 2025.

### **14. RECOMMENDATION**

The Board (including the independent non-executive Directors but 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)) 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 so far as the Independent Shareholders are concerned, and in the interests of the Company and Shareholders as a whole.

Accordingly, the Board (including the independent non-executive Directors but 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)) recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM 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).

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## LETTER FROM THE BOARD

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### 15. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders, the letter from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and additional information of the Group set out in the appendix to this circular.

**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.**

By order of the Board

**CHK Oil Limited**

**Yu Zhibo**

*Chairman and Executive Director*

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# LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the full text of a letter from the Independent Board Committee setting out its recommendation for the purpose of inclusion in this circular.*

28 February 2025

*To the Shareholders*

Dear Sirs,

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

We refer to the circular dated 28 February 2025 issued by the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee 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.

Red Solar Capital Limited has been appointed to act as the Independent Financial Adviser with our approval to advise the Independent Board Committee and the Independent Shareholders in respect of the terms 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). The text of the letter of advice from the Independent Financial Adviser containing their recommendation and the principal factors they have taken into account in arriving at their recommendation is set out on pages 22 to 46 of the Circular.

Independent Shareholders are recommended to read the letter of advice from the Independent Financial Adviser, the letter from the Board contained in the Circular as well as the additional information set out in the appendix to the Circular. Having considered the terms of the Loan Settlement Agreement and the advice from Independent Financial Adviser, we 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, the Loan Settlement, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in respect 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) to be proposed at the SGM.

By order of the Independent Board Committee

**Ms. Zhong Bifeng**  
*Independent non-executive  
Director*

**Ms. Huang Qingwei**  
*Independent non-executive  
Director*

**Mr. Shen Shigang**  
*Independent non-executive  
Director*

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from Red Solar Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Transactions for the purpose of inclusion in this Circular.*



Unit 402B, 4/F  
China Insurance Group Building  
No.141 Des Voeux Road Central  
Central, Hong Kong

28 February 2025

*To: The Independent Board Committee and the Independent Shareholders*

Dear Sirs,

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

### INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect 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) (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 28 February 2025 (the “**Circular**”), of which this letter of advice forms a part. Unless the context requires otherwise, capitalised terms used in this letter of advice shall have the same meanings as defined in the Circular.

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.

### Listing Rules implications

As at the Latest Practicable Date, Xin Hua is a controlling shareholder of the Company who beneficially owns 580,172,014 Shares, representing approximately 67.67% 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.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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. .

### THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Ms. Zhong Bifeng, Mr. Huang Qingwei and Mr. Shen Shigang, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Transactions. We, Red Solar Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

### OUR INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, save for this engagement of us as the Independent Financial Adviser, no other relationship has been formed and no direct engagement has been performed between the Group, the other party(ies) to the Transactions, or a close associate or core connected person of any of them and us. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, the other party(ies) to the Transactions, or a close associate or core connected person of any of them and us, or other parties that could reasonably be regarded as relevant to our independence. Apart from the normal advisory fee payable to us in connection with our engagement as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company and its subsidiaries or their respective substantial shareholders or any party acting in concert, or presumed to be acting in concert, with any of them. Accordingly, we considered that we are independent to act as the Independent Financial Adviser in respect of the Transactions pursuant to Rule 13.84 of the Listing Rules.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular). We have reviewed the documents including but not limited to (i) the announcement dated 17 January 2025 in relation to the Transactions; (ii) other information provided by the Directors and/or the senior management of the Company (the **“Management”**); (iii) the opinions expressed by and the representations of the Directors and the Management; and (v) the interim report of the Company for the six months ended 30 June 2024 (the **“2024 Interim Report”**). We have assumed that the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the SGM. The Shareholders will be informed should there be any material change of information in the Circular up to the date of the SGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the Management in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility of the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Transactions, we have considered the following principal factors and reasons:

### I. Background of the Group

#### (i) Background information of the Group

The Group is an investment holding company principally engaged in oil and gas businesses. It conducts its operations through two main segments. The Oil and Gas Sales segment specializes in the exploration, extraction, and sale of petroleum and natural gas, while the Trading of Oil-related Products segment is involved in the trading of oil-related products. The Group carries out its business activities in both Hong Kong and the United States of America.

#### (ii) Historical financial performance and position of the Group

The following table sets out key consolidated financial information of the Group for the six month ended 30 June 2024 and 2023 as extracted from the 2024 Interim Report:

	For the sixth month ended	
	2024	2023
	HK\$'000	HK\$'000
Revenue	36,705	39,952
Oil and Gas sales	—	—
Trading of oil, oil-related and other products	36,705	39,952
Gross Profit	121	492
Gross Profit Margin	0.33%	1.23%
Loss for the period	(12,389)	(7,620)

According to the 2024 Interim Report, the revenue decreased from approximately HK\$39.95 million for the six months ended 30 June 2023 to approximately RMB36.71 million for the six months ended 30 June 2024. The gross profit margin decreased from approximately 1.23% for the six months ended 30 June 2023 to approximately 0.33% for the six months ended 30 June 2024. Such decrease was mainly attributable to unfavorable oil price movements, some oil refineries faced thin margins or even losses, and scaled down their production, which eventually limited the extent of trade activities and caused significant impact on performance for the Group's trading business in term of trading volume and profit margin.

The Group recorded losses for both the six months ended 30 June 2023 and 2024 of approximately RMB7.62 million and RMB12.39 million, respectively.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below are certain key consolidated financial information of the Group as extracted from the consolidated balance sheet set out in the 2024 Interim Report.

	As at	
	<b>30 June 2024</b>	<b>31 December 2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Total Assets	324,375	337,122
Total Liabilities	85,979	83,784
Net Assets	238,396	253,338
Bank balances and cash	40,285	1,252

The total assets of the Group amounted to approximately HK\$324.38 million as at 30 June 2024, representing a decrease of approximately RMB12.75 million or approximately 3.78%, as compared to RMB337.12 million as at 31 December 2023. The decrease was primarily due to (i) the decrease in prepayments, deposits and other receivables of approximately RMB50.45 million; and (ii) the increase in bank balances and cash of approximately RMB39.03 million. The total liabilities of the Group amounted to approximately RMB85.98 million as at 30 June 2024, representing an increase of approximately RMB2.20 million or approximately 2.62%, as compared to RMB83.78 million as at 31 December 2023. The increase was primarily due to (i) the increase in loans from ultimate holding company of approximately RMB8.58 million; and (ii) the decrease in bank loan and other borrowings of approximately RMB11.06 million. The net assets of the Company amounted to approximately RMB238.40 million as at 30 June 2024, representing a decrease of approximately RMB14.94 million or approximately 5.90%, as compared to RMB253.34 million as at 31 December 2023. Such decrease was mainly attributable to losses incurred during the six months ended 30 June 2024. The Group's cash and cash equivalents amounted to approximately RMB40.29 million and RMB1.25 million as at 30 June 2024 and 31 December 2023, respectively.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## II. Reasons for and Benefits of the Loan Settlement

As at the Latest Practicable Date, 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 <i>HK\$'000</i>	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
<b>Total amount</b>		<b><u>11,010</u></b>			

As at the Latest Practicable Date, (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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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. As at 31 December 2024, the Group's unaudited bank balances and cash was approximately HK\$13.5 million. The Directors consider that it is prudent to maintain certain amount of cash for the Group's business operations.

The following table summarizes the amount of bank balances and cash of the Group as at 31 December 2020, 2021, 2022, 2023 and 2024 respectively:

	As at 31 December				
	2020	2021	2022	2023	2024
	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)
	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million
Bank balances and cash	27.9	9.1	15.1	1.3	13.5

The above analysis indicates that the Group's bank balances and cash as at 31 December 2024 have returned to a level within the range observed during 2020 to 2022. However, if the bank balances and cash were to be used as Loan Settlement, the resulting bank balance and cash position would be significantly reduced, potentially leaving insufficient liquidity to sustain the Group's business operations.

In light of the above, we concur with the Directors' view that it is prudent to maintain a certain level of cash to ensure the Group's financial stability and operational continuity. 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

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 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.

### *Our view*

As outlined in the Letter from the Board, regarding debt financing and bank borrowings, the Directors have considered that: (i) one of the key rationales for the Loan Settlement is to improve the Group's gearing ratio, which cannot be effectively achieved through debt financing; and (ii) obtaining additional bank borrowings to settle the Loan would result in incurring higher finance costs. Nevertheless, we have discussed with the Management and understand that the Management has attempted to seek for debt financing as alternative means of settling the Loan, but the results have not been satisfactory.

Given the Group's current financial performance and position, as detailed in the section titled "I. Background of the Group" in this letter, the Directors note that obtaining bank borrowings generally involves extensive due diligence, internal risk assessments, and prolonged negotiations with banks. Additionally, such borrowings typically require the borrower to provide suitable assets as collateral, which the Group does not currently have available. As a result, the Directors, with whom we agree, believe that debt financing is both uncertain and time-consuming. Furthermore, even if bank borrowings were secured, they would inevitably increase the Group's interest burden and further worsen its gearing ratio. Based on these considerations and the Management's stated objective of reducing the Group's gearing ratio, we concur with the Directors' assessment that taking on additional liabilities to settle the Loan would not be in the Group's best interests.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Regarding equity financing options such as rights issues or open offers, the Board has considered that the likelihood to issue new shares with substantial discount is high due to the Group's historical loss-making performance, coupled with prevailing market conditions and sentiment. Furthermore, as highlighted in the section "III (iii) (a). Analysis of the Issue Price – (b) Review on trading liquidity of the Shares," the Group's recent financial performance and the limited liquidity of its Shares make it challenging to raise funds through equity financing without offering a substantial discount to the prevailing market price of the Shares, in order to attract potential investors or Shareholders.

In light of the above, the Directors are of the view and we concur that it is unlikely for the Group to raise funds by way of placing or rights issue or open offer of new Shares without a deep discount to the prevailing market price of the Shares so as to attract subscription by the potential investors or Shareholders.

Having considered the above and, in particular that:

- (i) the likelihood of success in obtaining additional bank borrowing with favourable terms is low. And even if the Group could obtain bank borrowings as an alternative mean of settling the Loan, such bank borrowings will inevitably increase interest burden and further deteriorate the gearing level of the Group which is not aligned with the Company's goal of reducing gearing;
- (ii) significant discount to the prevailing closing price of the Shares would be inevitable for any equity fundraising exercise by the Company, in order to encourage participation from shareholders and/or potential investors, given the low trading volume of the Shares. In contrast, the Issue Price under the Loan Settlement Agreement represents a premium over the closing price of the Shares as at the date of the Loan Settlement Agreement;
- (iii) the likelihood of issuing new shares with substantial discount is high considering the Group's history of loss-making performance, along with the prevailing market conditions and investor sentiment;
- (iv) equity fundraising typically involves prolonged discussions with potential commercial underwriters and involve high amounts of professional fee;
- (v) the Loan is repayable in March 2025; and the Group's cash position will be reduced if internal resources are used to settle the Loan;
- (vi) the Group's gearing will be reduced immediately after Completion;
- (vii) the Loan Settlement demonstrated 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; and
- (viii) the analysis of the Issue Price as discussed in the paragraph headed "III (iii) (a). Analysis of the Issue Price" below,



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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we concur with the view of 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) 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.

### III. The Loan Settlement Agreement

#### *(i) Background information of the Parties*

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.

#### *(ii) Principal terms of the 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 Latest Practicable Date, Xin Hua is a controlling shareholder of the Company who beneficially owns 580,172,014 Shares, representing approximately 67.67% of the issued Share.

**Number of Capitalisation Shares:**

As at the Latest Practicable Date, the Company has 857,305,482 Shares in issue. The Capitalisation Shares represent (i) approximately 1.41% of the issued Shares as at the Latest Practicable Date; and (ii) approximately 1.39% 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 Latest Practicable Date 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 discount of approximately 11.70% to the closing price of HK\$0.470 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) 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;
- (iii) 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;
- (iv) 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
- (v) a premium of approximately 49.82% to the latest unaudited consolidated net asset value per Share (“NAV per Share”) as at 30 June 2024 of approximately HK\$0.277 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 857,305,482 Shares in issue as at the Latest Practicable Date.

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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 Shares, having considered (a) the Issue Price falls within the range of the historical closing prices of Shares, with the lowest closing price of HK\$0.076 per Share and the highest closing price of HK\$0.73 per Share, during the period from 16 July 2024 to 17 January 2025, (the “**Review Period**”); (b) the Issue Price represents a premium of approximately 92.13% and 131.84% to the average closing price of approximately HK\$0.216 per Share and the median closing price of approximately HK\$0.179 per Share respectively; and (c) 92 trading days out of 108 trading days during the Review Period were closed below the Issue Price;
- (ii) the Group's historical financial performances and financial position, having considered (a) the loss-making positions of the Group for the two years ended 31 December 2023 and the six months ended 30 June 2024; and (b) the net assets of the Group attributable to the Shareholders of approximately HK\$237,381,000 as at 30 June 2024. The Directors noted that the Issue Price represents a premium of approximately 49.82% to the NAV per Share as at 30 June 2024 of approximately HK\$0.277. The Issue Price of HK\$0.415 per Capitalisation Share represents a premium over the closing prices of Shares during the majority of the Review Period and a premium over the NAV per Share as at 30 June 2024, which reflect the continuous support and solid confidence given by Xin Hua and its ultimate beneficial owner to the Company towards the long-term development of the Group;
- (iii) the current market condition, having reviewed the relevant connected transactions for subscription of new shares under specific mandate for cash consideration of other companies listed on the Stock Exchange (the “**Issue Price Comparables**”) during the Review Period and identified an exhaustive list of ten Issue Price Comparables (excluding those transactions involved (a) issuance of new shares for restructuring scheme, emolument or acquisition purposes; (b) issuance of A shares or domestic shares; and (c) application for whitewash waiver or general offer obligations under the Takeovers Code). The Directors consider that a review period of six months can represent the recent and general reference of market terms under the recent market condition and sentiment. Details of the Issue Price Comparables are set out below:

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Name of company (stock code)	Date of initial announcement	Premium/(Discount) of the subscription price over/(to) the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement (%)	Premium/(Discount) of the subscription price over/(to) the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of agreement (%)	Premium/(Discount) of the subscription price over/(to) the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of agreement (%)
1.	Well Link Securities Holdings Limited (8350)	2 September 2024	65.60	66.90	64.40
2.	China Hongguang Holdings Limited (8646)	4 September 2024	(42.80)	(34.40)	(22.91)
3.	CircuTech International Holdings Limited (8051)	4 October 2024	(2.60)	0.30	6.80
4.	Virtual Mind Holding Company Limited (1520)	10 October 2024	13.64	38.89	47.06
5.	Honbridge Holdings Limited (8137)	17 October 2024	(75.00)	(77.01)	(73.47)
6.	Zhi Sheng Group Holdings Limited (8370)	21 October 2024	(60.53)	(60.63)	(58.79)

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Name of company (stock code)	Date of initial announcement	Premium/(Discount) of the subscription price over/(to) the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement (%)	Premium/(Discount) of the subscription price over/(to) the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of agreement (%)	Premium/(Discount) of the subscription price over/(to) the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of agreement (%)
7.	China Resources Power Holdings Company Limited (836)	23 October 2024	(5.06)	(3.48)	(3.98)
8.	Directel Holdings Limited (8337)	24 October 2024	138.10	138.10	138.10
9.	Bonjour Holdings Limited (653)	12 November 2024	0.00	(1.00)	(2.65)
10.	True Partner Capital Holding Limited (8657)	27 December 2024	(13.00)	(13.00)	(13.00)
		<b>Maximum</b>	<b>138.10</b>	<b>138.10</b>	<b>138.10</b>
		<b>Minimum</b>	<b>(75.00)</b>	<b>(77.01)</b>	<b>(73.47)</b>
		<b>Average</b>	<b>1.84</b>	<b>5.47</b>	<b>8.16</b>
		<b>Median</b>	<b>(3.83)</b>	<b>(2.24)</b>	<b>(3.32)</b>
	<b>The Company (632)</b>	<b>17 January 2025</b>	<b>5.06</b>	<b>(5.03)</b>	<b>(15.65)</b>

Source: Website of the Stock Exchange (<https://www.hkex.com.hk/>)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the above table, the Directors noted that

- (1) the pricing of the subscription price in the Issue Price Comparables to the respective closing prices of their shares on/prior to the date of respective subscription agreements represents a range from a premium of approximately 138.10% to a discount of approximately 75.00% (the “**LTD Market Range**”) with an average premium of approximately 1.84% and a median discount of approximately 3.83%. The premium represented by the Issue Price to the closing price of Shares on the date of Loan Settlement Agreement of approximately 5.06%, whilst falling within the LTD Market Range, is above the average premium and the median discount of the LTD Market Range;
  - (2) the pricing of the subscription price in the Issue Price Comparables to the respective closing prices of their shares in the last five consecutive trading days prior to/up to and including the date of respective subscription agreements represents a range from a premium of approximately 138.10% to a discount of approximately 77.01% (the “**Five Days LTD Market Range**”) with an average premium of approximately 5.47% and a median discount of approximately 2.24%. The discount represented by the Issue Price to the closing price of Shares in the last five consecutive trading days up to and including the date of Loan Settlement Agreement of approximately 5.03%, whilst falling within the Five Days LTD Market Range, is close to the median discount of the Five Days LTD Market Range; and
  - (3) the pricing of the subscription price in the Issue Price Comparables to the respective closing prices of their shares in the last ten consecutive trading days prior to/up to and including the date of respective subscription agreements represents a range from a premium of approximately 138.10% to a discount of approximately 73.47% (the “**Ten Days LTD Market Range**”) with an average premium of approximately 8.16% and a median discount of approximately 3.32%. The discount represented by the Issue Price to the closing price of Shares in the last ten consecutive trading days up to and including the date of Loan Settlement Agreement of approximately 15.65%, whilst falling within the Ten Days LTD Market Range; and
- (iv) the reasons as discussed in the paragraph headed “Reasons for and benefits of the Loan Settlement” in the “Letter from the Board” of this circular.

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) is of the view that the Issue Price is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 Latest Practicable Date, 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).

### ***(iii) Analysis of the Issue Price***

In order to assess the fairness and reasonableness of the Issue Price, we have performed a review on the daily closing prices and trading volume of the Shares from 16 July 2024 to 17 January 2025, being a period of six months prior to and including the Last Trading Day (the “**Review Period**”) and compared with the Issue Price.

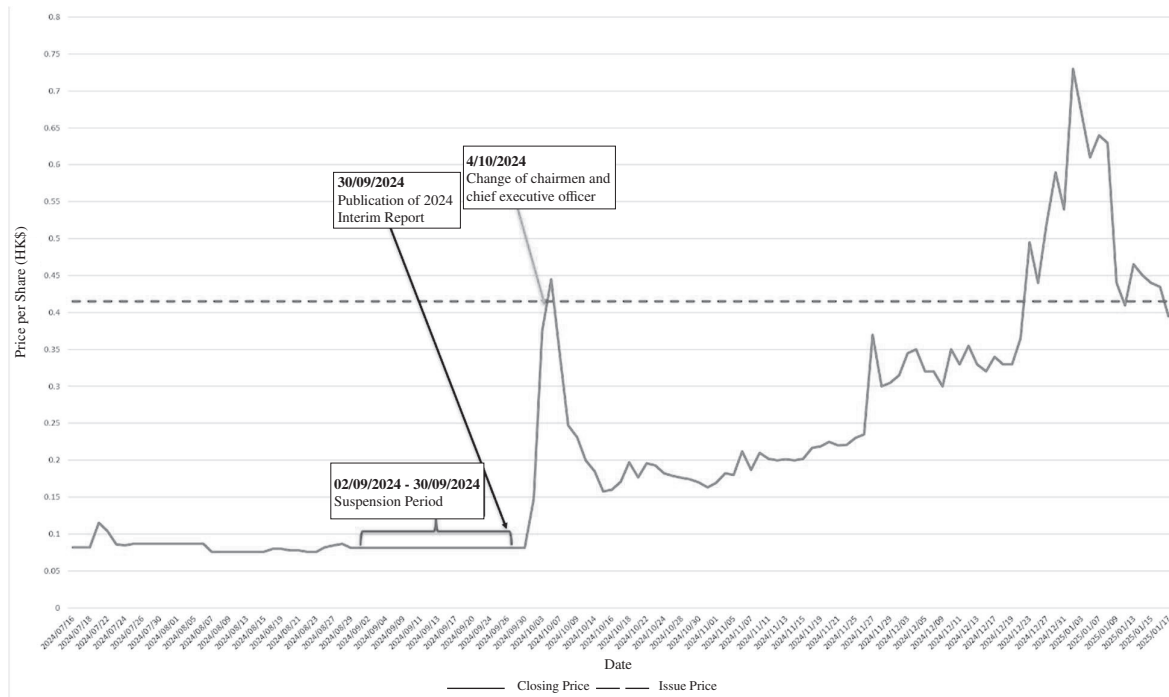
In relation to the six-months Review Period adopted in our analysis, we note that (i) it represents a reasonable period to provide a general overview of the recent price performance of the Shares which has fully reflected relevant information of the Group’s performance; (ii) a shorter period (e.g. 3 months) may not sufficiently illustrate a meaningful historical trend for a proper assessment; and (iii) a longer period (e.g. 12 months) may have been too distant in time making such historical trend less relevant with reference to the dynamic financial markets. Accordingly, we consider that the sampling period of six months for the Review Period is appropriate when conducting an analysis on the historical daily closing price of the Shares, trading volume and the Issue Price.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### (a) Analysis on historical Share price performance

The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:



Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

As shown in the chart above, during the Review Period, the daily closing prices of the Shares ranged from HK\$0.076 per Share (the “**Lowest Closing Price**”) recorded during the period from 7 August 2024 to 15 August 2024 and the period from 22 August 2024 to 23 August 2024 to HK\$0.73 per Share (the “**Highest Closing Price**”) recorded on 2 January 2025, with the average closing price of the Shares amounted to approximately HK\$0.216 per Share (the “**Average Closing Price**”).

As depicted in the above chart, the closing prices of the Shares fluctuated between HK\$0.082 and HK\$0.445 from 16 July 2024 to 4 October 2024. During this period, trading of the Shares was suspended from 2 September 2024 up to and including 30 September 2024 (the “**Suspension Period**”) due to the delay in the release of the 2024 interim results announcement. We have discussed with the Company on the increasing trend of the Share price and were advised that the publication of interim results announcement on 30 September 2024 and the announcement for change of chairmen and chief executive officer of the Company dated 4 October 2024 led to the increase in the price of the Shares. Then the closing prices of the Shares slid down from HK\$0.445 as at 4 October 2024 to HK\$0.158 as at 15 October 2024. As discussed with the Company, the management did not identify any specific reasons for the movements. From 15 October 2024 to 2 January 2025, the price demonstrated an upward trend from HK\$0.158 as at 15 October 2024 to HK\$0.73 as at 2 January 2025, and then decreased to HK\$0.395 on 17 January 2025. We have discussed with the Company on the increasing and decreasing trends of the Share price and were advised that the management did not identify any specific reasons for the fluctuation of the closing prices of the Shares.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note that the Issue Price of HK\$0.415 per Capitalisation Share represents (i) a premium of approximately 446.05% over the Lowest Closing Price of HK\$0.076 per Share; (ii) a discount of approximately 43.15% over the Highest Closing Price of HK\$0.73 per Share; and (iii) a premium of approximately 92.13% to the Average Closing Price of approximately HK\$0.216 per Share. Taking into consideration that the Issue Price reflects a significant premium over the Lowest and Average Closing Prices, we are of the view that the Issue Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**(b) Review on trading liquidity of the Shares**

	<b>Total trading volume of the Shares for the month/period</b>	<b>Number of trading days</b>	<b>Average daily trading volume of the Shares for the month/period (Note 1)</b>	<b>Percentage of the average daily trading volume over total number of issued Shares as at the end of the month/period</b>
<b>2024</b>				
July	1,389,096	12	115,758	0.01%
August	6,723,288	22	305,604	0.04%
September (Note 2)	–	–	–	–
October	144,382,753	21	6,875,369	0.82%
November	210,532,002	21	10,025,333	1.19%
December	290,099,665	20	14,504,983	1.72%
January (up to the date of the Loan Settlement Agreement)	162,590,698	12	13,549,225	1.61%
Maximum (excluding September 2024)			14,504,983	1.72%
Minimum (excluding September 2024)			115,758	0.01%
Average (excluding September 2024)			7,562,712	0.90%

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. It is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period.
2. As the trading in the shares of the Company on the Stock Exchange was suspended from 2 September 2024 to 30 September 2024 pending the publication of the announcement in relation to the 2024 interim results by the Company, September 2024 was considered as outlier and has been excluded for analysis purpose.

As illustrated from the table above, the average daily trading volume of the Shares ranged from 115,758 Shares to 14,504,983 Shares during the Review Period, representing approximately 0.01% to 1.72% of the total number of Shares in issue as at the end of relevant month/period. It illustrates that the trading volume of the Shares was relatively thin during the Review Period. The relatively thin trading liquidity may hinder independent placing agent(s) or underwriter(s) to participate when the Company attempt to conduct an equity fund raising exercise and even if there is such equity fund raising exercise, it is inevitable that significant discount to the current market price of Shares will be required to encourage participation of potential investors.

Having considered that (i) Xin Hua is willing to accept the Issue Price which is slightly higher than the closing price of the Shares as at the date of the Loan Settlement Agreement, this demonstrates his support and confidence to the Group's business operation and prospects; (ii) the thin trading volume and low liquidity of the Shares may hinder the success of an equity fund raising exercise of the Company; and (iii) the Loan Settlement will enable the Group to retain cash for general working capital and maximise trading return, we are of the view that the Issue Price of HK\$0.415 is on normal commercial terms, fair and reasonable.

*(c) Market comparable analysis*

To evaluate the fairness and reasonableness of the Issue Price in connection with the issuance of Shares, we have identified, to the best of our knowledge, effort and endeavor, an exhaustive list of 11 comparable transactions (the “**Comparables**”) based on the following criteria: (i) companies listed on the Stock Exchange; (ii) companies that had published announcements in relation to connected transactions for subscription of new shares (excluding transactions involving (a) issue of new shares for restructuring scheme, emolument or acquisition purposes, or A shares or domestic shares; and (b) whitewash waiver applications or general offer obligations under the Takeovers Code) under specific mandate for cash consideration for the period from 1 July 2024 to 17 January 2025 (being approximately six months prior to and including the Last Trading Day). The six-month period was adopted to capture recent market activity with a sufficient number of Comparables, we consider the six months period is reasonable and representative.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also noted that the terms of the transactions involving the Comparables may vary due to differences in financial positions, business performance, and future prospects of the respective companies. Nevertheless, we are of the view that the Comparables reflect recent trends in similar transactions under prevailing market conditions and can serve as a general reference. We set out our findings in the table below:

				Premium/ (Discount) of the subscription price over/to the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement	Premium/ (Discount) of the subscription price over/to the net asset value attributable to owners of the company per share
	Date of initial announcement	Stock code	Name of company	Premium/ (Discount) of the subscription price over/to the closing price per share on/prior to the date of agreement	Premium/ (Discount) of the subscription price over/to the net asset value attributable to owners of the company per share
1	27/12/2024	8657	True Partner Capital Holding Limited	(13.00%)	(13.00%)
2	12/11/2024	653	Bonjour Holdings Limited	0.00%	(1.00%)
3	24/10/2024	8337	Directel Holdings Limited	138.10%	138.10%
4	23/10/2024	836	China Resources Power Holdings Company Limited	(5.06%)	(3.48%)
5	21/10/2024	8370	Zhi Sheng Group Holdings Limited	(60.53%)	(60.63%)
6	17/10/2024	8137	Honbridge Holdings Limited	(75.00%)	(77.01%)
7	10/10/2024	1520	Virtual Mind Holding Company Limited	13.64%	38.89%
8	4/10/2024	8051	CircuTech International Holdings Limited	(2.60%) (Note 1)	0.30% (Note 1)

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

				Premium/ (Discount) of the subscription price over/to the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement	Premium/ (Discount) of the subscription price over/to the net asset value attributable to owners of the company per share
	Date of initial announcement	Stock code	Name of company	Premium/ (Discount) of the subscription price over/to the closing price per share on/prior to the date of agreement	Premium/ (Discount) of the subscription price over/to the net asset value attributable to owners of the company per share
9	4/9/2024	8646	China Hongguang Holdings Limited	(42.80%)	(34.40%) (63.15%)
10	2/9/2024	8350	Well Link Securities Holdings Limited	65.60%	66.90% 2,961.85% (Note 2)
11	8/7/2024	209	Winshine Science Company Limited	(9.10%)	(9.10%) Net liabilities
			<b>Maximum</b>	<b>138.10%</b>	<b>138.10%</b> <b>135.20%</b>
			<b>Minimum</b>	<b>(75.00%)</b>	<b>(77.01%)</b> <b>(86.72%)</b>
			<b>Average</b>	<b>1.19%</b>	<b>4.53%</b> <b>(2.44%)</b>
			<b>Median</b>	<b>(7.08%)</b>	<b>(6.29%)</b> <b>4.75%</b>
	<b>17/1/2025</b>	<b>632</b>	<b>The Company</b>	<b>5.06%</b>	<b>(5.03%)</b> <b>49.82%</b>

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

- The relevant subscription agreement includes two batches of subscriptions with varying prices and conditions precedent. The subscription that includes a profit guarantee as a condition precedent is excluded from the market comparable analysis, as the determination of its subscription price may be influenced by the existence of the profit guarantee.
- Well Link Securities Holdings Limited exhibited a significantly high premium on the subscription price compared to the net asset value per share attributable to the company's owners. This discrepancy may distort the overall market comparable analysis of net asset value. As a result, it has been excluded from the analysis on net asset value.
- The net asset value attributable to owners of the company per share are converted from Renminbi to HK\$, where applicable, at the exchange rate of RMB1 = HK\$1.064

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As illustrated in the table above, we noted that the subscription prices of the Comparables ranged from (i) a discount of approximately 75.00% to a premium of approximately 138.10% to/over the respective closing prices of the shares on the last trading day prior to/on the date of the relevant announcements (the “**Range**”), with a median discount of approximately 7.08% (the “**Median**”) and an average premium of approximately 1.19% (the “**Average**”); (ii) a discount of approximately 77.01% to a premium of approximately 138.10% to/over the respective average closing prices of the shares on the last five consecutive days up to and including the date of the relevant announcements (the “**Five Days Range**”), with a median discount of approximately 6.29% (the “**Five Days Median**”) and an average premium of approximately 4.53% (the “**Five Days Average**”); and (iii) a discount of approximately 86.72% to a premium of approximately 135.20% to/over their respective net asset value attributable to owners of the company per share (the “**NAV Range**”), with a median premium of approximately 4.75% (the “**NAV Median**”) and an average discount of approximately 2.44% (the “**NAV Average**”).

We observed that the Issue Price represents (i) premiums of approximately 5.06% and 49.82% over the closing Share price on the Last Trading Day and the net asset value attributable to owners of the Company per Share, respectively; and (ii) a discount of approximately 5.03% to the average closing Share price for the last five consecutive trading day immediately prior to and including the Last Trading Day, which (i) fall within the Range, Five Days Range and NAV Range; and (ii) are better than the Average, the Median, Five Days Median, NAV Median and NAV Average.

### *(d) Conclusion*

Having considered that:

- (i) the Issue Price was higher than the closing prices of the Shares on the Last Trading Day and on a significant number of trading days throughout the Review Period;
- (ii) the relatively low liquidity of Shares as discussed above; and
- (iii) for the Loan Settlement regarding the issue of Capitalisation Shares:
  - (a) the Issue Price represents a premium of approximately 5.06% over the closing Share price on the Last Trading Day falls within the Range and is better than the Average and the Median; (b) the Issue Price represents a discount of approximately 5.03% to the closing Share price for the last five consecutive trading days immediately prior to and including the Last Trading Day falls within the Five Days Range and is better than the Five Days Median; (c) the Issue Price represents a premium of approximately 49.82% over the net asset value attributable to owners of the Company per Share falls within the NAV Range and is better than the NAV Median and NAV Average,

we are of the view that the terms of the Loan Settlement Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Group and the Shareholders as a whole.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## IV. Potential dilution effects of the Loan Settlement

As at the Latest Practicable Date, the Company has 857,305,482 Shares in issue. The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; 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 Latest Practicable Date		Immediately after the allotment and issue of the Capitalisation Shares	
	Number of Shares	Approximate (%) (Note 1)	Number of Shares	Approximate (%) (Note 1)
<b>Controlling shareholders</b>				
Xin Hua (Note 2)	580,172,014	67.67	592,220,206	68.12
<b>Directors</b>				
Ms. Zhong Bifeng	5,000,000	0.58	5,000,000	0.58
Mr. Jin Ailong	4,726,000	0.55	4,726,000	0.54
Public Shareholders	267,407,468	31.20	267,407,468	30.76
<b>Total</b>	<b>857,305,482</b>	<b>100.00</b>	<b>869,353,674</b>	<b>100.00</b>

*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.

As shown in the above table, we noted that the shareholding in the Company held by the existing public Shareholders would be diluted from approximately 31.20% as at the Latest Practicable Date to approximately 30.76% immediately after the allotment and issue of the Capitalisation Shares, representing a dilution of approximately 0.44%. We are aware of the Loan Settlement will incur a dilution effect on the shareholding of the existing public Shareholders. Nonetheless, having considered that (i) the Loan Settlement can relieve part of the Group's existing borrowings without depleting its existing financial resources; (ii) the Capitalisation Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base and enhance the net asset position of the Group; and (iii) the terms of the Loan Settlement are fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the potential dilution effect on the shareholding interests of the public Shareholders to be acceptable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### V. Financial effects of the Loan Capitalisation

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 Latest Practicable Date, 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 Latest Practicable Date 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.

### VI. RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the opinion that although the Loan Settlement Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Company, the terms of the Loan Settlement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the relevant resolution(s) at the SGM to approve the transactions contemplated under the Loan Settlement Agreement.

Yours faithfully,  
For and on behalf of  
**RED SOLAR CAPITAL LIMITED**  
**Leo Chan**  
*Managing Director*

*Mr. Leo Chan is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 16 years of experience in corporate finance industry.*



**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS****a) Director's and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or, which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

***Long position in the Shares and underlying Shares:***

Name of Director	Capacity/ Nature of interest	Number of Shares interested	Approximate percentage of shareholding as at the Latest Practicable Date
Mr. Yu ( <i>Note</i> )	Interest in a controlled corporation	580,172,014	67.67%
Ms. Zhong Bifeng	Beneficial owner	5,000,000	0.58%
Mr. Jin Ailong	Beneficial owner	4,726,000	0.55%

*Note:* These Shares are held by Xin Hua. 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. Therefore, Mr. Yu is deemed, or taken, to be interested in the Shares held by Xin Hua for the purposes of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in any Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or, which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

**b) Substantial Shareholders' and other persons' interests and short positions in Shares and underlying Shares**

As at the Latest Practicable Date, the interests and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows.

*Long position in the Shares and underlying Shares:*

Name of Shareholder	Capacity/ Nature of interest	Number of Shares interested	Approximate percentage of shareholding as at the Latest Practicable Date
Xin Hua ( <i>Note 1</i> )	Beneficial owner	580,172,014	67.67%
Mr. Yu ( <i>Note 2</i> )	Interest in a controlled corporation	580,172,014	67.67%

*Notes:*

1. 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.
2. Mr. Yu beneficially owns 46.28% of the issued shares of Xin Hua, which in turn holds 67.67% of the Shares. Therefore, Mr. Yu is deemed, or taken, to be interested in the Shares held by Xin Hua for the purposes of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

**3. DIRECTORS' INTERESTS IN CONTRACTS OR ASSETS OR ARRANGEMENT**

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Group which is not expiring or determinable by the Group within one year without payment of any compensation, other than statutory compensation.

**5. DIRECTORS' COMPETING INTERESTS**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with business of the Group, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

**6. MATERIAL ADVERSE CHANGE**

The Directors confirmed that, save and except as disclosed below, there has been no material adverse changes in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

As disclosed in the Company's announcement dated 15 August 2024, the Group held exploitation interest in the gas and oil fields in the State of Utah, the USA, through four leases (the "**Leases**") with the Bureau of Land Management ("**BLM**") of the United States Department of Interior. On 9 August 2024, it came to the notice of the Company that, on 14 November 2022, BLM issued written orders stating that BLM considered three of the Leases (the "**Relevant Leases**") to have terminated on 31 July 2020 and 31 March 2021, respectively. The receipts of the written orders were not reported to the Board until 9 August 2024.

As disclosed in the Company's announcement dated 27 September 2024, the Company has sought legal advice to assess the legal implications and penalty, if any. Based on the legal advice from the Company's legal advisers in Utah, BLM's termination decision was led by the lack of production on the Relevant Leases since 2020, which was during the time of the Covid-19 pandemic and the restructuring of the third party service provider which had caused interruption to its provision of gas transportation pipeline on the Relevant Leases. Taking into account that no production in relation to the Relevant Leases had been restored within 60 days since the first written order issued by BLM on 22 June 2022, the Relevant Leases could be deemed terminated as at 26 September 2022, being 60 days after the receipt of BLM's first written order.

As disclosed in the Company's annual report 2023, 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, the Group's well overhaul schedule for the oil and gas field has been prolonged. In addition, the changes of international political landscape and the growing tensions in Sino-American relations brought further uncertainties to the Group's business. Since 2023, the Group has not generated revenue from sales of oil and gas in the USA. The Group will continue to evaluate the situation in the oil and gas fields in Utah, steadily push forward works, and promptly adjust our development direction and strategy in line with changes in the situation.

As a result of the above, the Company would have restated the consolidated financial statement for the year ended 31 December 2023 and made prior year/ period adjustments on the carrying amount of the property, plant and equipment and intangible assets and related tax effect which are in relation to the Relevant Leases (the "**Restatement Adjustments**"). Such Restatement Adjustments would lead to adjustment to the Company's loss and net assets for the year ended 31 December 2023 but have no impact on the consolidated statement of cash flows for the year ended 31 December 2023. The Restatement Adjustments would have the following financial effects on the Group's consolidated financial statement for the year ended 31 December 2023:

- (i) the Group's loss for the year of 2023 decreased from approximately HK\$49.6 million to approximately HK\$31.3 million, which is mainly driven by (a) the decrease in provision for impairment loss of property, plant and equipment from approximately HK\$6.6 million to approximately HK\$2.5 million; (b) the decrease in provision for impairment loss of intangible assets from approximately HK\$39.9 million to approximately HK\$20.9 million; and partially offset by (c) the decrease in income tax credit from approximately HK\$9.7 million to approximately HK\$4.9 million; and
- (ii) the Group net assets as at 31 December 2023 decreased from approximately HK\$408.3 million to approximately HK\$253.3 million, which is mainly driven by (a) the decrease in property, plant and equipment from approximately HK\$48.8 million to approximately HK\$15.8 million; (b) the decrease in intangible assets from approximately HK\$292.4 million to approximately HK\$129.5 million; and (c) the decrease in deferred tax liabilities from approximately HK\$42.0 million to approximately HK\$1.0 million.

For detailed information of the Restatement Adjustments, please refer to the Company's announcement dated 27 September 2024.

**7. EXPERT AND CONSENT**

The following is the qualification of the expert who has given its opinion, letter or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Red Solar Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the expert named above (i) has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and references to its name and/or its advice in the form and context in which they respectively appear; (ii) was not beneficially interested in any share of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (iii) did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

**8. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE LOAN SETTLEMENT**

Board of Directors	<i>Executive Directors</i>
	Mr. Yu Zhibo
	Mr. Jin Ailong
	Ms. Yang Yuyan
	Ms. Sun Xiaoze
	<i>Non-executive Directors</i>
	Mr. Lin Qing Yu
	Mr. Zheng Ye
	<i>Independent non-executive Directors</i>
	Ms. Zhong Bifeng
	Ms. Huang Qingwei
	Mr. Shen Shigang
Registered office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Headquarter and principal place of business in Hong Kong	Unit 2617-18, 26/F Mira Place Tower A No. 132 Nathan Road Kowloon, Hong Kong

Authorised representatives	Mr. Yu Zhibo Unit 2617-18, 26/F Mira Place Tower A No. 132 Nathan Road Kowloon, Hong Kong  Mr. Lam Man Kit Unit 2617-18, 26/F Mira Place Tower A No. 132 Nathan Road Kowloon, Hong Kong
Company secretary	Mr. Lam Man Kit ( <i>HKICPA</i> )
Financial adviser to the Company	Dakin Capital Limited Suite 3111A, 31/F Tower 2, Lippo Centre 89 Queensway, Hong Kong
Legal adviser to the Company	<i>As to Hong Kong law:</i> Loeb & Loeb LLP 2206-19, Jardine House 1 Connaught Place Central, Hong Kong
Independent Financial Adviser	Red Solar Capital Limited 402B, 4/F China Insurance Group Building 141 Des Voeux Road Central Hong Kong
Hong Kong branch share registrar and transfer office	Tricor Tengis Limited (Tricor Investor Services Limited, effect from 7 March 2025) 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal share registrar and transfer office in the Bermuda	Appleby Global Corporate Services (Bermuda) Limited Canon's Court, 22 Victoria Street PO Box HM 1179, Hamilton HM EX Bermuda

**9. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chkoilltd.com/](http://www.chkoilltd.com/)) for 14 days from the date of this circular:

- (a) the Loan Settlement Agreement;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (d) the written consent referred to in the paragraph headed “7. Expert and consent” above in this Appendix; and
- (e) this circular.

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## NOTICE OF SGM

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**中港石油有限公司\***  
**CHK OIL LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 632)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** a special general meeting (the “**SGM**”) of CHK Oil Limited (the “**Company**”) will be held at 10:00 a.m. on Friday, 21 March 2025 at Units 2617-18, 26/F, Mira Place, Tower A, No. 132 Nathan Road, Kowloon, Hong Kong for the purposes of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

1. “**THAT**

- (a) the loan settlement agreement (the “**Loan Settlement Agreement**”) dated 17 January 2025 and entered into between the Company and Xin Hua Petroleum (Hong Kong) Limited (the “**Xin Hua**”) in relation to the capitalisation of the partial and aggregated principal amount of HK\$5,000,000 under the loan from Xin Hua (the “**Loan Settlement**”) through the allotment and issuance of an aggregate of 12,048,192 new shares (the “**Capitalisation Share(s)**”) at the issue price of HK\$0.415 per Capitalisation Share, a copy of which is tabled at the SGM and marked “**A**” and initialled by the chairman of the SGM for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting permission to deal in, the Capitalisation Shares, the directors (the “**Directors**”) of the Company be and are hereby granted a specific mandate authorising the Directors to exercise all the powers of the Company to allot and issue the Capitalisation Shares to Xin Hua subject to the terms of the Loan Settlement Agreement (the “**Specific Mandate**”), with such Specific Mandate being in additional to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and

\* For identification purpose only



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## NOTICE OF SGM

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- (c) any Director be and is hereby authorised to sign, execute, perfect and deliver all such documents, and do all such actions which are in their opinion necessary, appropriate, desirable or expedient for the implementation and giving effect to the Loan Settlement Agreement, the Loan Settlement, the allotment and issue of the Capitalisation Shares and the transactions contemplated thereunder, and to agree to the variation, amendment and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the Loan Settlement Agreement and are in the best interests of the Company.”

By order of the Board  
**CHK Oil Limited**  
**Yu Zhibo**  
*Chairman and Executive Director*

Hong Kong, 28 February 2025

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed. To be valid, the form of proxy, together with the notarially certified power of attorney or other authority (if any) under which it is signed must be lodged at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited (Tricor Investor Services Limited, effect from 7 March 2025), at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.
3. For determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Monday, 17 March 2025 to Friday, 21 March 2025, both days inclusive, during which period no transfer of ordinary shares of the Company will be registered. In order to be eligible to attend and vote at the meeting, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar in Hong Kong, Tricor Tengis Limited (Tricor Investor Services Limited, effect from 7 March 2025), at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 14 March 2025.
4. Where there are joint holders of any share, any one of such holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he were solely entitled to vote, but if more than one of such joint holders be present at the meeting in person or by proxy, the person so present whose name stands first in the register of member of the Company in respect of such share shall alone be entitled to vote in respect of it.
5. Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person at the meeting or any adjourned meeting if he so desires. If a member attends the meeting after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.
6. The votes to be taken at the meeting for the resolution will be by way of poll.
7. As at the date of this notice, the Board comprises 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.