MIE HOLDINGS CORPORATION
MI 能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1555)

ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2015

Dear Shareholders,

On behalf of the Board of Directors ("Board") of MIE Holdings Corporation ("MIEH" or the "Company", together with the subsidiaries, the "Group"), I hereby present the annual results of the Company for the year ended December 31, 2015 ("FY2015").

Since the third quarter of 2014 and throughout FY2015, the global energy industry has witnessed the drastic drop of crude oil prices of over US$70/barrel. Whilst these gloomy fundamentals appear to have carried forward into 2016, crude oil prices are likely to remain volatile in the near term. That being said, as the international commodities market and oil producers have been responding to such low levels with various measures, we are optimistic that the nature of boom and bust cycle of the worldwide oil business shall anticipate a recovery at some point.

When operating under such challenging macro environment, the Group focuses on the ability to react promptly to these drastic changes with flexibility. In FY2015, the Group continued to adapt and rebalance in response to the lower commodity prices by way of managing and lowering our operating and administrative costs, while maintaining safe and reliable operations. Capital investments were significantly lowered and we expect further reductions in the year ending December 31, 2016 ("FY2016") as we place liquidity as our top priority.

As a result of scaled back capital expenditure ("Capex") and lower realized oil prices, the Group's total operated oil and gas production was 7.7 million barrels of oil equivalent ("BOE", converting at 6 thousand standard cubic feet ("MSCF") of gas to 1 BOE for reference purpose only) and net oil and gas production was 4.2 million BOE. The Group's total sales revenue slid 66% to about RMB1.0 billion, whilst adjusted EBITDA dropped to RMB370 million accordingly. The Group reported a net loss of approximately RMB1.5 billion in FY2015, primarily due to the above factors, as well as non-cash accounting impairment of our oil and gas property assets as a result of lower commodity price assumptions as of year-end FY2015, as compared to year ended December 31, 2014 ("FY2014"). In order to preserve sufficient cash to support the Group's liquidity and operations under uncertain crude oil price environment, the Board did not recommend payment of final dividend for FY2015.

For FY2015, some highlights of the Group's results include:

- **Focused development activities raise the Group's reserves**. Based on reports issued by independent technical consultants, the Group's total net Proved ("1P") oil and gas reserves as of year-end FY2015 compared to year-end FY2014 decreased slightly by 3% to 113.9 million BOE, while total net Proved + Probable ("2P") oil and gas reserves increased by 6% to 232.2 million BOE, and total net Proved + Probable + Possible ("3P") oil and gas reserves increased by 7% to 311.1 million BOE. The net present value before tax and discounted at 10% ("NPV 10") of the Group's net 2P oil and gas reserves as at year-end FY2015 was approximately US$3.0 billion, a 25% decrease versus the NPV 10 of US$4.0 billion reported at year-end FY2014, reflecting the global crude oil price decline as well as the reduced drilling and capital expenditure program implemented during FY2015.

  A key component in the Group's reserves improvement was the contribution from the Sino Gas & Energy Limited ("SGE") project, where the successful drilling program in FY2015 led to further significant upgrade in the project's reserves. According to our independent consultant's review of year-end FY2015 reserves and resources for the Linxing and Sanjiaobei blocks, the net 1P reserves (attributed to the Group, same for other reserves figures in the paragraph) increased by 3% to 376 billion cubic feet ("BCF") (or 10.6 billion cubic meters ("BCM"), where 1 cubic meter = 35.315 cubic feet), and net 2P reserves increased by 23% to 574BCF (16.3BCM). The year-end FY2015 reserves assessment indicates that, based on 2P gas reserves, the Group's net share of the SGE's NPV 10 is estimated at about US$1.3 billion. The reserves increases at the SGE project were driven by a successful drilling campaign which led to increases in 2P reserves of 29% and 15% for the Linxing and Sanjiaobei blocks, respectively. On a BOE-basis, the Group's net 2P gas reserves share of 574 BCF for the SGE project represents 95.7 million BOE, which is approximately equivalent to the 2P oil reserves of Emir-Oil LLP ("Emir-Oil") (96.2 million barrels), and about four times the combined net 2P oil reserves of Daan plus Moliqing (24.4 million barrels).

- **Stable, low cost China assets provide solid liquidity foundation**. Our China oil projects (Daan and Moliqing) continued to operate at low operating costs with direct lifting costs[1] of approximately US$9.49/barrel and EBITDA of approximately US$31.66/barrel for FY2015. Even at current low crude oil prices, our oil operations in China with 2,600+ existing wells continue to attribute strong positive net cash flow and profitability to the Group, enhancing the Group's overall operational and financial flexibility and stability.

[1] Lifting cost includes directly controllable costs to produce a barrel of oil. Other production costs such as safety fee, environment expenses, technical & research expenses and overhead have not been included above since they are not directly attributable to the production of a barrel of oil.

- **Enhanced operating efficiency drives significant reductions in operating costs**. The Group made admirable inroads in reducing costs, particularly at our China and Kazakhstan operations. In addition to the further reduction of 10.6% in our China oil projects to US$9.49/barrel, lifting costs in our Kazakhstan project further decreased by 24.6% to US$3.66/barrel. In SGE, average vertical well drilling costs were down approximately 10%. Also, for the overall Group, total headcount was trimmed from about 2,100 as of year-end FY2014 to about 1,700 as of year-end FY2015. These efficiency improvements boost both our EBITDA and cashflow and position the Group in good stead to weather the downturn in commodity prices.

- **SGE well-positioned to drive future growth and provide diversity**. The second central gathering station ("CGS") for SGE, namely the Linxing CGS, was put into operation in October 2015, bringing total gas gathering capacity for SGE to 24,700 MSCF/day (or 700,000 cubic meters/day). Average daily gas production of SGE for FY2015 was 3,702 MSCF/day, representing an increase of 892.5% compared to FY2014. SGE also achieved significant improvements in production test flow rates in FY2015, reflecting improved technology and operational efficiency in well completions. The average absolute open flow or AOF[2] , increased by approximately 33% to 734 MSCF/day (or 20,785 cubic meters/day) compared with 554 MSCF/day (or 15,697 cubic meters/day) in FY2014.

  Despite the current low oil price environment and the recent National Development and Reform Commission ("NDRC") reduction of city-gate prices, the price and demand for natural gas in China remains strong, with SGE securing robust FY2016 gas sales prices between RMB1.615 and RMB1.63/cubic meter (approximately US$7.04/MSCF and US$7.10/MSCF, respectively).

  Following the recent receipt of pilot gas sales proceeds from the Linxing production sharing contract ("PSC"), which shall be applied to finance a significant portion of the project's Capex for FY2016 and beyond, we are excited that SGE shall undergo further production revenue growth, whilst we await similar progress in respect of the Sanjiaobei PSC.

- **Access to equity capital markets boosts liquidity position**. Despite the volatility in global crude oil price and capital markets, the Group successfully completed an equity placement in October 2015 and raised approximately US$32 million. The equity placement underscores the confidence that investors have in the Group and management team, and our approach in tackling the current downturn.

[2] AOF potential of a well is the calculated rate at which the well would produce against zero back pressure. AOF is used as a measure of gas well performance as it quantifies the ability of a reservoir to deliver gas to the wellbore. The AOF values provided herein are for reference purposes only.

- **Proposed disposal of 60% equity interests in Palaeontol B.V**. On 5 March 2016, the Group entered into a Sale and Purchase Agreement with Reach Energy Berhad in relation to the proposed disposal of 60% interests in Palaeontol B.V., the parent company of Emir-Oil. Upon completion of this transaction, the partnership and collaboration with Reach Energy Berhad shall allow us to maximize the growth and economic value of this asset with enormous 2P reserves and high potential of further reserves/resources upgrade. In addition, this divestment opportunity enhances the financial strength and liquidity of the Group under current volatile oil price environment whilst keeping a sizeable stake in the asset for potential upside gain.

In summary, the sharp slump of international crude oil prices since the second half of 2014 undoubtedly affected oil producers around the world. Oil companies ranging from independents to international majors have announced further substantial cuts to work plans and budgets for the coming year. Accordingly, whilst we continue to closely monitor the development of global oil & gas market and keep abreast of attractive assets that would fit well with the Group's long term development and growth, for FY2016 we shall maintain a strategy of reduced Capex, minimal drilling and work programs, as well as focusing on operational efficiency and cost reduction. We plan to drill 23 gross wells (including 21 wells in SGE), with China oil projects and Emir-Oil's total budgeted Capex approximating US$35 million and anticipated SGE's cash call approximating US$20 million. The expected net oil production is 9,240 to 10,540 barrels/day and the expected net gas production is 11,100 to 12,100 MSCF/day. We are confident that this program will provide a balanced basis for the Group's continued operational and financial stability and long-term growth, amid current challenging crude price environment.

To conclude, I thank you, our Board, staff, shareholders, bondholders, and business partners for your continued trust and support.

Zhang Ruilin
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**1,032,734**	2,982,909
Depreciation, depletion and amortization		**(596,893)**	(928,447)
Taxes other than income taxes	*5*	**(153,971)**	(695,092)
Employee benefit expense		**(174,405)**	(215,634)
Purchases, services and other direct costs		**(169,675)**	(337,340)
Geological and geophysical expense		**–**	(20,047)
Distribution expense		**(89,435)**	(36,595)
General and administrative expense		**(115,469)**	(123,733)
Impairment charges		**(724,032)**	(154,570)
Other(losses)/gains, net	*6*	**(378,669)**	302,020
Finance income	*7*	**20,496**	18,491
Finance costs	*7*	**(328,575)**	(499,818)
Share of losses of investments accounted for using the equity method		**(26,627)**	(55,432)
(Loss)/profit before income tax		**(1,704,521)**	236,712
Income tax credit/(expense)	*8*	**179,233**	(214,163)
(Loss)/profit for the year		**(1,525,288)**	22,549
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss			
Currency translation differences		**(29,937)**	4,001
Items that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets		**(24,762)**	(20,285)
		(54,699)	(16,284)
Total comprehensive (loss)/income for the year		**(1,579,987)**	6,265

	Note	Year ended December 31, **2015** *RMB'000*	2014 *RMB'000*
(Loss)/profit for the year attributable to:			
Owners of the Company		**(1,523,203)**	58,482
Non-controlling interests		**(2,085)**	(35,933)
		(1,525,288)	22,549
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(1,577,902)**	42,198
Non-controlling interests		**(2,085)**	(35,933)
		(1,579,987)	6,265
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company for the year (expressed in RMB per share)			
Basic (loss)/earnings per share	*9*	**(0.59)**	0.02
Diluted (loss)/earnings per share	*9*	**(0.59)**	0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at December 31, 2015 RMB'000	2014 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**5,214,718**	6,629,673
Intangible assets		**355,810**	494,552
Investments accounted for using the equity method		**505,994**	499,284
Deferred income tax assets		**23,795**	20,538
Available-for-sale financial assets		**27,105**	75,541
Prepayments, deposits and other receivables	*10*	**496,214**	210,389
Restricted cash		**8,495**	12,955
		6,632,131	7,942,932
Current assets			
Inventories		**44,308**	41,046
Prepayments, deposits and other receivables	*10*	**221,184**	622,013
Trade receivables	*11*	**82,595**	158,957
Restricted cash		**462,669**	139,411
Cash and cash equivalents		**199,166**	689,208
		1,009,922	1,650,635
Assets of disposal group classified as held for sale		**448,052**	–
		1,457,974	1,650,635
Total assets		**8,090,105**	9,593,567
Equity			
Equity attributable to owners of the Company			
Share capital		**1,068,796**	842,520
Other reserves		**65,457**	153,864
Retained earnings		**1,037,434**	2,560,637
		2,171,687	3,557,021
Non-controlling interests		**39,309**	7,490
Total equity		**2,210,996**	3,564,511

		As at December 31,	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Liabilities			
Non-current liabilities			
Borrowings	*14*	**4,424,247**	4,174,878
Deferred income tax liabilities		**120,130**	312,971
Trade and notes payable	*12*	**36,589**	54,739
Provisions, accruals and other liabilities	*13*	**82,340**	141,350
		4,663,306	4,683,938
Current liabilities			
Trade and notes payable	*12*	**354,151**	654,373
Provisions, accruals and other liabilities	*13*	**281,933**	346,841
Current income tax liabilities		**4,412**	4,449
Borrowings	*14*	**529,872**	339,455
		1,170,368	1,345,118
Liabilities of disposal group classified as held for sale		**45,435**	–
		1,215,803	1,345,118
Total liabilities		**5,879,109**	6,029,056
Total equity and liabilities		**8,090,105**	9,593,567

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended December 31,	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Net cash generated from operating activities	*15*	**326,072**	1,180,423
Cash flows from investing activities			
Purchases of property, plant and equipment		**(644,939)**	(1,314,023)
Net cash flow from investment in available for sale financial assets		**28,324**	(71,986)
Receipts of proceeds from disposal of subsidiaries		**45,152**	532,479
Deposit (refunded)/received in relation to disposal of subsidiaries		**(48,482)**	46,400
Capital contribution to investments accounted for using the equity method		**(30,901)**	(269,375)
Loans to investments accounted for using equity method		**(155,210)**	(163,856)
Increase in restricted cash		**(318,798)**	(103,411)
Interest received		**645**	14,364
Proceeds from contingent consideration receivable		**–**	8,134
Proceeds from realized gain of oil option		**–**	10,208
Others		**(235)**	–
Net cash used in investing activities		**(1,124,444)**	(1,311,066)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**199,963**	–
Proceeds from borrowings		**512,759**	411,545
Proceeds from issue of senior notes payable, net of issuance costs		**–**	2,986,181
Repayments of senior notes		**–**	(2,465,600)
Payment of premium related to the repayments of senior notes		**–**	(120,198)
Payment for shares purchased under Share Award Scheme		**(11,063)**	–
Payment for settlement of share options		**–**	(10,385)
Repayments of borrowings		**(360,095)**	(126,455)
Dividends paid		**–**	(60,952)
Dividends on repurchased shares held in trust		**–**	970
Payment of loan arrangement fee and others		**–**	(14,994)
Payment of fees of modification of terms in indenture of senior notes		**(25,917)**	–
Payment for repurchase of shares and cancellation		**(17,645)**	(13,614)
Payment for settlement of options to acquire shares of subsidiaries		**–**	(44,605)
Net cash generated from financing activities		**298,002**	541,893

		Year ended December 31,	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Net (decrease)/increase in cash and cash equivalents		**(500,370)**	411,250
Cash and cash equivalents at beginning of the year		**689,208**	274,529
Exchange gains on cash and cash equivalents		**14,129**	3,429
Cash and cash equivalents at end of the year		**202,967**	689,208
Included in cash and cash equivalents per the statement of financial position		**199,166**	689,208
Included in the assets of disposal group classified as held for sale		**3,801**	–

1. GENERAL INFORMATION

MIE Holdings Corporation (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the exploration, development, production and sale of oil and other petroleum products in the People's Republic of China (the "PRC"), the Republic of Kazakhstan (the "Kazakhstan"), and the United States of America ("USA") under production sharing contracts ("PSC") and other similar arrangements. The Group currently has two producing oil PSCs in the PRC, an exploration contract and four production contracts in Kazakhstan and a working interest in the Niobrara shale oil and gas assets in the USA. The Group also participates through a joint venture in the exploration of two unconventional gas assets located on the eastern flank of the Ordos Basin in the PRC pursuant to two separate PSCs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2014, as described therein.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after January 1, 2015:

- Amendment to IAS 39 'Defined benefit plan: employees contributions'. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

- Amendments from annual improvements to IFRSs — 2010–2012 Cycle, on IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures'. For IFRS 8, 'Operating segments', the standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported. For IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. For IAS 24, 'Related party disclosures', The reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

- Amendments from annual improvements to IFRSs — 2011–2013 Cycle, on IFRS 3, 'Business combinations' and IFRS 13, 'Fair value measurement'. For IFRS 3, 'Business combinations', it clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11 in the financial statements of the joint arrangement. For IFRS 13, 'Fair value measurement', it clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

The adoption of the above new and amended standards did not result in any significant impact to the Group's financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on January 1, 2015 are not material to the Group.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(b) New standards, amendments and interpretations not effective for the financial year beginning January 1, 2015 and not yet adopted

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

  IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

  IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

The Group has already commenced an assessment of the related impact of the above revised standards, amendments and interpretations to the Group's financial statements and is not expecting any significant impact to the Group's financial position and results.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Property, plant and equipment

Property, plant and equipment, including oil and gas properties, is stated at historical cost less accumulated depreciation, depletion, amortization and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The cost of oil and gas properties is amortized at the field level based on the unit of production method. Unit of production rates are based on oil and gas proved and probable developed producing reserves estimated to be recoverable from existing facilities based on the current terms of the respective production agreements. The Group's reserves estimates represent crude oil and gas which management believes can be reasonably produced within the current terms of their production agreements.

Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Buildings and improvements	7–10 years
Office equipment	3 years
Motor vehicles and production equipment	10 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other gains, net' in profit or loss.

2.3 Exploration and evaluation expenditure

The successful efforts method of accounting is used for oil and gas exploration and production activities. Under this method, all costs for development wells, supporting equipment and facilities, and proved mineral interests in oil and gas properties are capitalized. Geological and geophysical costs are expensed when incurred. Costs of exploratory wells (including certain geophysical costs which are directly attributable to the drilling of these wells) are capitalized as exploration and evaluation assets pending determination of whether the wells find proved oil and gas reserves. Proved oil and gas reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

Exploratory wells in areas not requiring major capital expenditures are evaluated for economic viability within one year of completion of drilling. The related well costs are expensed as dry holes if it is determined that such economic viability is not attained. Otherwise, the related well costs are reclassified to oil and gas properties and subject to impairment review. For exploratory wells that are found to have economically viable reserves in areas where major capital expenditure will be required before production can commence, the related well costs remain capitalized only if additional drilling is under way or firmly planned. Otherwise the related well costs are expensed as dry holes. The Group does not have any costs of unproved properties capitalized in oil and gas properties.

Identifiable exploration assets acquired are recognized as assets at their fair value, as determined by the requirements of business combinations. Exploration and evaluation expenditure incurred subsequent to the acquisition of an exploration asset in a business combination is accounted for in accordance with the policy outlined above.

2.4 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Estimation of proved and probable reserves

Proved reserves are those quantities of petroleum that by analysis of geoscience and engineering data can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. Economic conditions include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. Proved developed producing reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate. Proved undeveloped reserves are quantities expected to be recovered through future investments: from new wells on undrilled acreage in known accumulations, from extending existing wells to a different (but known) reservoir, or from infill wells that will increase recovery. Probable reserves are additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

The Group's reserve estimates were prepared for each oilfield and include only reserves that the Group believes can be reasonably produced within current economic and operating conditions.

Proved and probable reserves cannot be measured exactly. Reserve estimates are based on many factors related to reservoir performance that require evaluation by the engineers interpreting the available data, as well as price and other economic factors. The reliability of these estimates at any point in time depends on both the quality and quantity of the technical and economic data, and the production performance of the reservoirs as well as engineering judgement. Consequently, reserve estimates are subject to revision as additional data become available during the producing life of a reservoir. When a commercial reservoir is discovered, proved reserves are initially determined based on limited data from the first well or wells. Subsequent data may better define the extent of the reservoir and additional production performance. Well tests and engineering studies will likely improve the reliability of the reserve estimate. The evolution of technology may also result in the application of improved recovery techniques such as supplemental or enhanced recovery projects, or both, which have the potential to increase reserves beyond those envisioned during the early years of a reservoir's producing life.

In general, changes in the technical maturity of reserves resulting from new information becoming available from development and production activities and change in oil and gas price have tended to be the most significant cause of annual revisions.

(ii) Depletion, depreciation and amortization of property, plant and equipment and intangible assets

In addition to the depletion, depreciation and amortization of oil and gas properties, mining extraction and mining rights using the unit of production method (Notes 2.2) based on the estimated reserves as disclosed in Note 3.1(i), management of the Group determines the estimated useful lives and related depreciation and amortization charges for other property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions, or based on value-in-use calculations or market valuations according to the estimated periods that the Group intends to derive future economic benefits from the use of intangible assets.

Management will adjust the estimated useful lives where useful lives vary with previously estimated useful lives. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require material adjustments to the carrying amount of property, plant and equipment and intangible assets.

(iii) Estimation of impairment of property, plant and equipment and intangible assets

Property, plant and equipment, including oil and gas properties, and intangible assets are reviewed for possible impairments when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involve management estimates and judgements such as future prices of crude oil and production profile. However, the impairment reviews and calculations are based on assumptions that are consistent with the Group's business plans. Favourable changes to some assumptions may allow the Group to avoid the need to impair any assets in these years, whereas unfavourable changes may cause the assets to become impaired.

For the year ended December 31, 2015 the Group recognized an impairment charge on property, plant and equipment and intangible assets amounting to RMB473.4 million (2014: RMB29.3 million), RMB16.7 million (2014: RMB125.3 million) and RMB233.9 million (2014: RMB nil) for assets under the Group's operation in the PRC, USA and Kazakhstan respectively.

(iv) Provision for remediation and restoration

Provision for remediation and restoration included environmental remediation costs, assets retirements obligation and similar obligation in relation to the Group's operations. Provision is made when the related environmental disturbance and present obligations occur, based on the net present value of estimated future costs. The ultimate cost of environmental disturbances, asset retirement and similar obligation are uncertain and management uses its judgment and experience to provide for these costs over the life of operations. Cost estimates can vary in response to many factors including changes to the relevant legal requirements, the Group's related policies, the emergence of new restoration techniques and the effects of inflation. Cost estimates are updated throughout the life of the operation. The expected timing of expenditure included in cost estimates can also change, for example in response to changes in reserves, or production volumes or economic conditions. Expenditure may occur before and after closure and can continue for an extended period of time depending on the specific site requirements. Some expenditures can continue into perpetuity. Cash flows must be discounted if this has a material effect. The selection of appropriate sources on which to base calculation of the risk free discount rate used for this purpose also requires judgment. As a result of all of the above factors there could be significant adjustments to the provision for close down, restoration and clean-up costs which would affect future financial results.

The Group currently operates mainly in PRC and Kazakhstan. The outcome of environmental and other similar obligations under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material. Under existing legislation, however, the directors of the Company are in their opinion that there are no probable liabilities that are in addition to amounts which have already been reflected in the financial statements that will have a materially adverse effect on the financial position of the Group.

(v) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors of the Company that are used to make strategic decisions.

The Board of Directors considers the business performance of the Group from a geographic perspective being the PRC, Kazakhstan and USA. The PRC segment derives its revenue substantially from the sale of oil. Revenue is realized from the sale of the Group's share of crude oil to PetroChina pursuant to respective PSCs. The Kazakhstan segment derives its revenue from the sale of oil and gas through the operation of an oil and gas exploration and four production contracts in Kazakhstan. The USA segment derives its revenue from the sale of shale oil and gas through working interest in the Niobrara asset in the USA.

The Board of Directors assesses the performance of the operating segments based on each segment's operating result.

The segment information provided to the Board of Directors for the reportable segments for the year ended December 31, 2015 is as follows:

	PRC *RMB'000*	Kazakhstan *RMB'000*	USA *RMB'000*	Corporate and others *RMB'000*	Total *RMB'000*
Segment revenue	716,758	310,549	5,427	–	1,032,734
Depreciation, depletion and amortization	(460,984)	(130,325)	(5,127)	(457)	(596,893)
Taxes other than income taxes *(Note 5)*	(4,334)	(130,640)	(217)	(18,780)	(153,971)
Employee benefit expense	(71,672)	(30,561)	–	(72,172)	(174,405)
Purchases, services and other direct costs	(115,687)	(48,709)	(5,279)	–	(169,675)
Distribution expense	(20,516)	(68,919)	–	–	(89,435)
General and administrative expense	(27,304)	(16,238)	(3,798)	(68,129)	(115,469)
Impairment charges	(473,439)	(233,888)	(16,705)	–	(724,032)
Other (losses)/gains, net	(344,073)	(2,226)	30,733	(63,103)	(378,669)
Finance income	670	886	3,073	15,867	20,496
Finance costs	(85,950)	112,809	(3,414)	(352,020)	(328,575)
Share of losses of investments accounted for using the equity method	–	–	–	(26,627)	(26,627)
(Loss)/profit before income tax	(886,531)	(237,262)	4,693	(585,421)	(1,704,521)
Income tax credit/(expense)	121,261	58,115	–	(143)	179,233
(Loss)/profit for the year	(765,270)	(179,147)	4,693	(585,564)	(1,525,288)
Total assets	3,494,762	3,036,764	47,177	1,063,350	7,642,053
Total assets includes:					
Property, plant and equipment	2,619,525	2,551,430	9,728	34,035	5,214,718
Intangible assets	11,304	343,738	768	–	355,810
Investments accounted for using the equity method	–	–	–	505,994	505,994
Additions to non-current assets	7,735	349,407	4,371	12	361,525
Total liabilities	698,653	553,499	4,519	4,577,003	5,833,674

All segment information above represented segment results after elimination of inter-segment transactions, which primarily include interest income or expense from intra-group accounts and loans.

The revenue reported to the Board of Directors is measured consistently with that in the consolidated statement of comprehensive income. The amounts provided to the Board of Directors with respect to total assets and total liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset.

The assets of disposal group/non-current assets classified as held for sale are not considered to be segment assets. Liabilities of disposal group classified as held for sale are not considered to be segment liabilities.

Reportable segments' assets are reconciled to total assets as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Segment assets for reportable segments	**7,642,053**	9,593,567
Unallocated:		
Assets of disposal group non-current assets classified as held for sale	**448,052**	–
Total assets per consolidated statement of financial position	**8,090,105**	9,593,567

Reportable segments' liabilities are reconciled to total liabilities as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Segment liabilities for reportable segments	**5,833,674**	6,029,056
Unallocated:		
Liabilities of disposal group classified as held for sale	**45,435**	–
Total liabilities per consolidated statement of financial position	**5,879,109**	6,029,056

Entity-wide information

Analysis of revenue by category

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Sales of oil and gas	**1,024,029**	2,970,017
Provision of services	**8,705**	12,892
	1,032,734	2,982,909

For the year ended December 31, 2015, total revenue from crude oil sales in the PRC amounting to RMB707.1 million (2014: RMB2,204.1 million) are derived solely from PetroChina. For Kazakhstan, Euro-Asian Oil SA was the Group's main customer and revenue amounting to RMB288.7 million (2014: RMB624.6 million) are derived from it. Revenues from PetroChina and Euro-Asian Oil SA accounted for 68.5% and 28.0% (2014: 73.9% and 20.9%) of the Group's total revenue for the year ended December 31, 2015, respectively.

5. TAXES OTHER THAN INCOME TAXES

	Year ended December 31, **2015**	2014
	RMB'000	*RMB'000*
PRC:		
Special oil levy	**–**	328,878
Urban construction tax and education surcharge	**3,849**	12,110
Others	**484**	444
	4,333	341,432
Kazakhstan:		
Mineral extraction tax	**18,533**	44,588
Rent export tax	**35,302**	176,536
Rent export duty expenditures	**56,703**	87,328
Property tax	**20,102**	23,508
	130,640	331,960
USA:		
Withholding tax	**–**	930
Severance tax	**217**	534
	217	1,464
Corporate:		
Withholding tax *(Note)*	**18,781**	20,236
	153,971	695,092

Note: For the year ended December 31, 2015, all (2014: all) withholding tax is related to interest expense arising from the intra-group loans.

6. OTHER (LOSSES)/GAINS, NET

	Year ended December 31, **2015**	2014
	RMB'000	*RMB'000*
Gains on disposal of subsidiaries	**–**	259,389
Gains on oil put options	**–**	19,564
Gains on changes in value of financial assets at fair value	**–**	11,723
Loss on fair value change of warrants	**–**	(408)
Gains on write-off payables, net	**29,387**	–
Provisions for bad debt	**(86,673)**	–
Loss on re-measurement of disposal group classified as held for sale	**(328,541)**	–
Others	**7,158**	11,752
	(378,669)	302,020

7. FINANCE COSTS — NET

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Finance income		
Interest income on deposits	**20,496**	18,491
Finance costs		
Interest expenses at coupon rates/bank rates	**(352,029)**	(335,521)
Amortization of discounts	**(56,591)**	(33,288)
Premium and unwinding of unamortized costs from early redemption of borrowings	**–**	(154,902)
Other fees	**(5,740)**	(8,903)
	(414,360)	(532,614)
Exchange gains, net	**85,785**	32,796
	(328,575)	(499,818)
Finance costs — net	**(308,079)**	(481,327)

8. INCOME TAX EXPENSE

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Current income tax — overseas	**7,191**	134,833
Deferred income tax	**(186,424)**	79,330
	(179,233)	214,163

Taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
(Loss)/profit before income tax	**(1,704,521)**	236,712
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(250,099)**	116,501
Tax effects of:		
— Income not subject to tax	**–**	(1,125)
— Expenses not deductible for tax purposes	**27,884**	40,859
— Tax losses and temporary differences for which no deferred income tax asset was recognized	**49,951**	55,105
— Adjustments in respect of prior years	**(9,069)**	1,482
— Others	**(16,038)**	1,341
Tax charge	**(179,233)**	214,163

The weighted average effective tax rate was 11% (2014: 90%) for the year ended December 31, 2015.

Deferred tax in Kazakhstan has been re-measured to reflect the changes in excess profit tax rate of Kazakhstan will be applied in the future, which is mainly caused by changes in management forecast of future capital expenditures and other tax rates.

The excess profit tax rate is based on rate of return on subsurface use operations and requires estimation of future taxable income, capital expenditures and other assumptions which affect the estimations of amounts and periods when deductible/taxable temporary differences existing at the reporting date are reversed/settled.

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
(Loss)/profit attributable to owners of the Company	**(1,523,203)**	58,482
Weighted average number of ordinary shares *(thousands)*	**2,599,744**	2,603,617
(Loss)/earnings per share, Basic *(RMB per share)*	**(0.59)**	0.02

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding which are potentially dilutive. A calculation is performed to determine the number of ordinary shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the weighted average number of outstanding share options. The number of ordinary shares calculated above for basic earnings per share is increased by the number of ordinary shares that would have been issued assuming the exercise of the share options at the date later of beginning of the relevant period or the date of issue.

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company used to determine diluted earnings per share	**(1,523,203)**	58,482
Weighted average number of ordinary shares *(thousands)*	**2,599,744**	2,603,617
Adjustments for:		
— share options *(thousands)*	**1,595**	3,461
Weighted average number of diluted potential ordinary shares for diluted earnings per share *(thousands)*	**2,601,339**	2,607,078
(Loss)/earnings per share, Diluted *(RMB per share)*	**(0.59)**	0.02

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

At December 31, 2015, prepayments, deposits and other receivables are summarized as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Amounts due from related parties	**488,507**	375,519
Loans and other receivables	**107,578**	128,341
Receivables arising from realized gain of oil option	**–**	16,925
Interest receivable	**16,867**	7,698
Consideration receivables from disposal of subsidiaries	**41,307**	84,071
Deposits	**55,196**	58,131
Advances to employees	**2,715**	5,829
	712,170	676,514
Less: provision for bad debt *(note)*	**(68,183)**	(1,090)
	643,987	675,424
Value-added-tax recoverable	**36,454**	71,107
Prepaid expenses	**11,966**	25,855
Advances to suppliers	**41,409**	41,610
Current income tax prepayment	**4,825**	18,406
Less: provision for bad debt of advances to suppliers *(note)*	**(21,243)**	–
	717,398	832,402
Current	**221,184**	622,013
Non-current	**496,214**	210,389
	717,398	832,402

Note:

Movements on the provision for bad debt of advances to suppliers, loans and other receivables are as follows:

	2015	2014
	RMB'000	*RMB'000*
At January 1,	**1,090**	2,106
Unused amounts reversed	**(1,157)**	(1,024)
Provision for bad debt	**86,673**	–
Exchange differences	**2,820**	8
At December 31,	**89,426**	1,090

The creation and release of provision for bad debt of receivables have been included in 'other (losses)/gains net' in the consolidated statement of comprehensive income.

The other classes within prepayments and other receivables do not contain assets made bad debt provisions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of prepayments and other receivables mentioned above. The Group does not hold any collateral as security.

The fair value of loans and receivables approximates to their carrying amounts.

As of December 31, 2015, prepayments and other receivables of RMB89.4 million (2014: RMB1.1 million) were made bad debt provisions. The individually prepayments, deposits and other receivables made bad debt provisions mainly relate to debtors that have indications of experiencing significant financial difficulty and default. It was assessed that a portion of the receivables is expected to be recovered. The aging of these receivables is as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Over 6 months	**89,426**	1,090
	89,426	1,090

11. TRADE RECEIVABLES

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Trade receivables from PetroChina	**49,822**	94,339
Trade receivables from other third parties	**14,030**	10,197
Unbilled receivables from PetroChina	**18,743**	54,421
	82,595	158,957
Less: allowance for impairment of trade receivables	**–**	–
Trade receivables — net	**82,595**	158,957

The fair value of trade receivables approximates their carrying amount.

The aging analysis of trade receivables were as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Up to 30 days	**73,649**	158,764
31–180 days	**7,004**	193
Over 180 days	**1,942**	–
	82,595	158,957

The Group's trade receivables have credit terms of between 30 days to 180 days. As at December 31, 2015 and 2014, there were no trade receivables past due which are impaired.

At December 31, 2015 and 2014, the trade receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables. The Group does not hold any collateral as security.

12. TRADE AND NOTES PAYABLE

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Trade payables	**390,740**	682,005
Notes payable	**–**	27,107
	390,740	709,112
Less: non-current portion of trade payables	**(36,589)**	(54,739)
Current	**354,151**	654,373

At December 31, 2015 and 2014, the aging analysis of the trade and notes payable is as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Up to 6 months	**184,216**	427,290
6 months–1 year	**151,579**	176,906
1–2 years	**44,359**	68,275
2–3 years	**6,090**	19,139
Over 3 years	**4,496**	17,502
Total	**390,740**	709,112

The fair values of trade and notes payables approximate their carrying amounts.

13. PROVISIONS, ACCRUALS AND OTHER LIABILITIES

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Asset retirement obligations	**41,160**	54,684
Interest payable	**93,198**	75,627
Salary and welfare payable	**30,112**	47,713
Special oil levy	**–**	31,910
Withholding and other tax payable	**35,000**	71,409
Deposit received in relation to disposal of a subsidiary	**–**	46,400
Payable in relation to settlement of options to acquire shares of subsidiaries	**–**	50,971
Other payables	**164,803**	109,477
	364,273	488,191
Less: non-current portion of		
— Asset retirement obligations	**(41,160)**	(54,684)
— Withholding tax payable	**(32,892)**	(28,611)
— Other payables	**(8,288)**	(58,055)
	(82,340)	(141,350)
Current	**281,933**	346,841

The fair values of provisions, accruals and other liabilities approximate their carrying amounts.

14. BORROWINGS

(i) Summary of borrowings

	As at December 31, 2015 RMB'000	2014 RMB'000
Non-current		
— senior notes payable *(Note)*	**4,424,247**	4,169,243
— unsecured bank loans	**–**	5,635
	4,424,247	4,174,878
Current		
— secured bank loans	**529,872**	122,380
— unsecured bank loans	**–**	217,075
	529,872	339,455
	4,954,119	4,514,333

Note:

	Coupon rate	Due date	As at December 31, 2015 RMB'000	2014 RMB'000
2018 Notes	6.875%	February 6, 2018	**1,266,562**	1,190,967
2019 Notes	7.5%	April 25, 2019	**3,157,685**	2,978,276
			4,424,247	4,169,243

On February 6, 2013, the Company issued US$200 million senior notes due 2018 (the "2018 Notes"). The 2018 Notes bear coupon rate of 6.875% per annum, payable semi-annually in arrears on February 6 and August 6 annually. The net proceeds, after deduction of discounts, fees, commissions and other expenses, amounted to approximately US$195 million (equivalent to RMB1,222 million). A substantial portion of the proceeds from the 2018 Notes was used to repay all of existing indebtedness of the Company's subsidiary, MIE, to Minsheng Bank. The remaining proceeds were used for capital expenditures, working capital and general corporate purposes of the Group.

On April 25, 2014, the Company issued US$500 million (equivalent to RMB3,076.4 million) senior notes due in April 2019 (the "2019 Notes"). The 2019 Notes bear coupon rate of 7.50% per annum, payable semi-annually in arrears on April 25 and October 25 annually. The net proceeds, after deduction of discounts, fees, commissions and other expenses, amounted to approximately US$485.0 million (equivalent to RMB2,986.1 million). The proceeds are used to (i) to redeem in full the US$400 million (equivalent to RMB2,461.1 million) 9.75% senior notes due 2016 issued by the Company on May 12, 2011 and fund the related redemption costs, including a call premium of US$19.5 million (equivalent to RMB120.2 million) and (ii) the remaining balance for capital expenditures, working capital and general corporate purposes.

The 2018 Notes and 2019 Notes (collectively "Senior Notes") are general obligation of the Company and are senior in right of payment to any existing and future obligations of the Company and its subsidiaries expressly subordinated in right of payment to the Senior Notes, respectively.

The Senior Notes and the guarantees provided by the certain subsidiaries will limit the ability of the Company and certain of its subsidiaries to, among other things (and subject to certain qualifications and exceptions) incur additional indebtedness, issue preferred stock and make investment.

At any time on or after February 6, 2016 and April 25, 2017, the Company may at its option redeem the 2018 Notes and 2019 Notes, respectively, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest to the redemption date, if redeemed during the 12-month period commencing on February 6 and April 25, respectively, of any year set forth below:

	Redemption Price
2018 Notes:	
2016	103.4375%
2017	101.71875%
2019 Notes:	
2017	103.750%
2018	101.875%

At any time prior to February 6, 2016 and April 25, 2017, the Company may at its option redeem the 2018 Notes and the 2019 Notes, respectively, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2018 Notes and 2019 Notes, respectively, plus the applicable premium and accrued and unpaid interest to the redemption date.

In addition, at any time prior to February 6, 2016, the Company may redeem up to 35% of the aggregate principal amount of the 2018 Notes, with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 106.875% of the principal amount of 2018 Notes, plus accrued and unpaid interest, if any to (but excluding) the redemption date, provided that at least 65% of the aggregate principal amount of the 2018 Notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering

At any time prior to April 25, 2017 the Company may redeem up to 35% of the aggregate principal amount of 2019 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an equity offering at a redemption price of 107.50% of the principal amount of 2019 Notes, plus accrued and unpaid interest, if any, to (but excluding) the redemption date; provided that at least 65% of the aggregate principal amount of 2019 Notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

All Senior Notes are listed on the Singapore Exchange Securities Trading Limited.

(ii) Effective interest rate at the end of reporting period are as follows:

	Bank borrowings	**Senior Notes**	**Total**
Effective interest rate:			
As at December 31, 2015	1.5% to 7.5%	8.47% to 8.79%	1.50% to 8.79%
As at December 31, 2014	6.77% to 8.00%	8.14% to 8.55%	6.77% to 8.55%
Estimated fair value			
As at December 31, 2015	529,872	2,061,718	2,591,590
As at December 31, 2014	345,090	3,408,283	3,753,373

The fair values of Senior Notes are based on its closing prices quoted on Singapore Exchange Securities Trading Limited and are within level 1 of the fair value hierarchy; and the fair value of bank borrowings is based on the borrowing rate from 1.5% to 8.79% (2014: 6.77% to 8.55%) and within level 2 of the fair value hierarchy.

(iii) The exposure of the Group's floating rate bank borrowings to contractual interest rate changes based on LIBOR and the base rate as published by the People's Bank of China at December 31, 2015 are as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Up to 1 year:	**–**	217,075
1-2 years:	**–**	2,910
2-5 years:	**–**	2,725
	–	222,710

The Senior Notes which bear fixed interest rates are not subject to interest rate changes.

(iv) The carrying amount of the borrowing are denominated in the following currencies:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
RMB	**96,100**	8,545
US$	**4,858,019**	4,505,788
	4,954,119	4,514,333

(v) The Group has the following undrawn banking facilities:

	As at December 31, **2015** *RMB'000*	2014 *RMB'000*
Floating rate:		
— Expiring within one year	**290,000**	290,000
— Expiring beyond one year	**–**	–
Fixed rate:		
— Expiring within one year	**143,900**	220,025
— Expiring beyond one year	**–**	–
	433,900	510,025

15. CASH GENERATED FROM OPERATING ACTIVITIES

	Year ended December 31, **2015** *RMB'000*	2014 *RMB'000*
(Loss)/profit before income tax	**(1,704,521)**	236,712
Adjustments for:		
Depreciation, depletion and amortization	**596,893**	928,447
Interest expenses — net *(Note 7)*	**393,864**	514,122
Exchange gains *(Note 7)*	**(85,785)**	(32,796)
Impairment charge	**724,032**	154,570
Loss on re-measurement of disposal group classified as held for sale *(Note 6)*	**328,541**	–
Gains on disposal of subsidiaries *(Note 6)*	**–**	(259,389)
Gain on change in fair value of available-for-sale financial assets	**–**	(11,314)
Gains on oil hedge options	**–**	(19,564)
Gains on write-off payables *(Note 6)*	**(29,387)**	–
Value of employee services under stock option schemes	**22,515**	12,315
Share of losses of investments accounted for using the equity method	**26,627**	55,432
Provision for bad debt *(Note 6)*	**86,673**	–
Changes in working capital:		
Inventories	**(123)**	(2,478)
Trade and other receivable	**344,686**	226,175
Trade and other payable	**(29,518)**	(140,530)
Cash generated from operations	**674,497**	1,661,702
Cash flows from operating activities		
Cash generated from operations	**674,497**	1,661,702
Interest paid	**(337,903)**	(326,022)
Income tax paid	**(10,522)**	(155,257)
Net cash generated from operating activities	**326,072**	1,180,423

16. COMMITMENTS AND CONTINGENCIES

(a) Commitments

(i) Capital commitments for the purchase of property, plant and equipment

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Authorized by the Board of Directors but not contracted for	**598,993**	409,072
Contracted but not provided for	**31,377**	236,400
	630,370	645,472

(ii) Operating lease commitments

The Group has operating lease commitments related to its non-cancellable operating leases for offices. The future aggregate minimum lease payments under these operating leases are as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Less than 1 year	**10,662**	13,195
Within 1–2 years	**7,680**	5,733
Within 2–5 years	**7,373**	693
Over 5 years	**52**	–
	25,767	19,621

(iii) According to the production contracts for four blocks in Kazakhstan, the Group is obligated to perform minimum work program during the life of the production contracts. Set out below is the commitments for the minimum work program:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Less than 1 year	**571,278**	578,409
Within 1–2 years	**525,628**	538,322
Within 2–5 years	**1,446,634**	1,419,575
Over 5 years	**4,791,292**	4,953,807
	7,334,832	7,490,113

The minimum work program includes capital expenditure of RMB1,915 million (2014: RMB2,022 million) to be incurred over the life of the production contracts expiring in 2036. Other commitments represent mainly other direct operation and maintenance costs of wells and related facilities.

(iv) The Group has a commitment to provide funding if called by SGE in accordance with the 2016 SGE annual budget as approved by its board of directors up to US$19.9 million (equivalent to RMB129.2 million).

(b) Contingencies

On August 28, 2000, MIE entered into a PSC with Sinopec for exploration and development of Luojiayi 64 block at Shengli oilfield in Shandong Province, which was suspended since the end of 2004. In April 2005, MIE requested an extension from Sinopec to restart the project. On September 27, 2006, MIE received a letter from Sinopec denying the request to restart the project and seeking to terminate the PSC on the grounds that the extension period of the trial-development phase had expired and MIE had not met its investment commitment under the PSC. The Company believes its investment in the project at Shengli oilfield had met the required commitment amount under the PSC. The PSC with Sinopec has not been formally terminated and the dispute has not entered any judicial proceedings. As advised by the external legal counsel of the Company, the probability of claim from Sinopec for unfulfilled investment commitment, if any, in relation to the pilot-development phase is remote as the statute of limitations has run out.

Apart from the above, the Group has contingent liabilities in respect of claims or other legal procedures arising in its ordinary course of business from time to time. As at December 31, 2015, the directors of the Company did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Overview

A race to pump by OPEC crude producers, US shale and Non-OPEC suppliers created an unprecedented global glut that drove oil prices to a second year of steep declines since 2014. The dramatic drop and volatility in crude prices reverberated around the world, prompting changes in both government spending and private sector investment.

Despite the challenging environment, we are pleased with the achievements made in managing and lowering our costs and the adaptability exhibited in executing our FY2015 work program. In particular, lifting costs in our China oil projects dropped by 10.6% to US$9.49/barrel, while those of Emir-Oil in Kazakhstan decreased by 24.6% to US$3.66/barrel. In our SGE project in Shanxi Province, China, vertical well drilling costs were also down approximately 10%. In terms of overall overhead, the total headcount of the Group was reduced from about 2,100 as of year-end FY2014 to about 1,700 as of year-end FY2015.

Based on the year-end FY2015 oil and gas reserves and resources estimates prepared by independent technical consultants, the Group's reserves were enhanced, despite the low oil price environment, with the Group's 2P oil and gas reserves at 232.2 million BOE, representing a 6% increase from year-end FY2014. The increase in total 2P oil and gas reserves is largely attributable to the gas reserves increases achieved in the SGE project, where a successful FY2015 drilling and well-testing program increased 2P gas reserves by 23% to 574BCF (16.3BCM).

Successful exploration drilling in SGE and Emir-Oil provided significant reserves additions. At SGE, new gas reserves were discovered by three exploration wells within the Linxing East block, expanding the discovered resource area of the Linxing PSC by 40 square kilometers (7% increase) to 613 square kilometers, and adding approximately 33 BCF to the Group's net 2P gas reserves share of the SGE project. On a BOE-basis, the Group's net 2P gas reserves share of 574 BCF for the SGE project represents 95.7 million BOE, which is approximately equivalent to the 2P oil reserves of Emir-Oil (96.2 million barrels), and about four times the combined 2P oil reserves of Daan plus Moliqing (24.4 million barrels). Furthermore, important exploration success was also achieved in Kazakhstan where Emir-Oil tested the North Kariman-1 well at an initial production rate of 1,520 barrels of oil per day ("BOPD"). As a result, 2P reserves for the North Kariman discovery were increased by approximately 55%, helping to keep Emir-Oil's total 2P oil reserves essentially flat versus year-end 2014.

The Group drilled a total of 23 new wells in FY2015 (including 20 wells in SGE), less than our original guidance, as we strategically scaled down drilling activities and deferred a portion of SGE's work program. As of year-end FY2015, the Group operated a total of 2,772 wells, of which, 2,719 are located in China, 48 in Kazakhstan, and 5 in the USA.

The following table provides a recap of the Group's key operational metrics and product prices for the FY2015:

	FY2015	FY2014	% Change	FY2015 Guidance
Average Daily Operated Production [1] (BOE/day)	21,047	27,418	(23.2%)	
Average Daily Net Production [1, 4] (BOE/day)	11,153	16,341	(31.7%)	
Average Daily Net Oil Production (BOPD)	10,153	15,326	(33.8%)	9,800–11,100
Average Daily Net Gas Production [4] (MSCF/day)	6,002	6,090	(1.5%)	5,100
Average Realized Oil Price (US$/barrel)	45.79	86.15	(46.8%)	
Average Realized Gas Price [4] (US$/MSCF)	1.03	1.27	(19.0%)	
SGE Average Daily Net Production [5] (MSCF/day)	1,491	117	1,175.2%	
Total Wells Drilled	23	193	(88.1%)	32

Notes:

(1) For reference purpose only, barrels of oil equivalent is calculated using the conversion factor of 6 MSCF of natural gas being equivalent to one barrel of oil

(2) Gross production includes production from all assets operated by the Group

(3) Net production includes entitlement from all assets operated by the Group

(4) Figures do not include SGE

(5) Figures do not include Sanjiaobei

The following table is the summary of the expenditures incurred in our exploration, development and production activities for FY2015:

(millions of RMB)	**Exploration expenditures**	**Development expenditures**	**Production/ operating expenditures**
China	125	32	145
— Oil Projects (Daan, Moliqing)	–	32	116
— Gas Projects (Linxing, Sanjiaobei)	125	–	29
Kazakhstan (Emir-Oil)	39	310	49
USA (Condor)	–	4	5
Total	164	346	199

Review of Operations by Segment

- ***China Operations***

  (1) Oil Projects (Jilin Province: Daan, Moliqing)

  During FY2015, total gross operated production for our two China oil projects, Daan and Moliqing, decreased by 15.4% to 15,942 BOPD, as compared to FY2014 (excluding the production of Pan-China Resources Ltd. ("PCR") and Miao Three Energy Limited ("Miao Three")). Total net production allocated to the Group decreased by 24.5% to 6,687 BOPD (excluding the production of PCR and Miao Three), mainly due to the scale back of Capex. In line with the decline in global crude oil prices, the average realized Daqing oil price averaged approximately US$46.65/barrel for FY2015, representing a decrease of 52.1% year-on-year, compared to US$97.31 for FY2014.

  No new wells were drilled for the China oil projects in FY2015. Total net Capex relating to converting development wells to injection wells and other surface engineering incurred was US$5 million.

  Direct lifting costs for Daan and Moliqing decreased by US$1.13/barrel, or 10.6%, from US$10.62/barrel for FY2014 to US$9.49/barrel for FY2015 as a result of lower fuel, electricity, transportation and downhole operating costs, as well as enhanced operational efficiency and maintenance scheduling adjustments.

  EBITDA per barrel for our China oil projects decreased by US$34.04/barrel, or 51.8%, from US$65.70/barrel for FY2014 to US$31.66/barrel for FY2015. The decline in EBITDA per barrel was primarily due to the drop in average realized oil price, which was partially offset by the decrease of special oil levy for the China oil projects and the decrease in direct lifting cost.

  (2) Gas Projects (Shanxi Province: Linxing, Sanjiaobei)

  In FY2015, SGE made significant progress on testing, pilot production, gas sales, as well as preparation of China reserve reports ("CRR") and overall development plans ("ODP").

  SGE well testing program continued to be successful in FY2015. The most notable test results was at the Linxing West vertical well TB-27, located in the northeast part of the block, where a flow rate of 1.8 MMSCF/day (or 50,940 cubic meters/day) at a pressure of 630 psi (or 4.2Mpa) was recorded from an un-fracked reservoir zone. This represents the second highest flow rate ever achieved from an un-stimulated reservoir zone in the SGE project area. The significantly improved test results underscore the tremendous potential of both the Linxing and Sanjiaobei PSCs. The test improvements also highlight SGE's strong and rapidly expanding technological and operational knowhow in gas well fracking and completion operations for both horizontal and vertical wells.

In FY2015, a total of 20 new wells were drilled by SGE, including 17 wells in Linxing block (including 2 horizontal wells, TB-3H and TB-4H) and 3 wells in Sanjiaobei block, bringing the total number of new wells drilled since the Group's acquisition of its 51% stake in SGE in July 2012 to 99 wells. SGE's net incurred Capex attributed to the Group was about US$22 million. Particularly notable were results achieved in SGE's new horizontal wells. The horizontal well TB-3H has lateral section of 1,051 meters and logs have indicated excellent development potential, while TB-4H has lateral section of 1,184 meters and is adjacent to TB-3H. Furthermore, efficiencies and improved rig rates drove an approximate 10% decrease in average well costs in FY2015 compared to FY2014. As a result, average costs for both exploration wells and vertical development wells were approximately US$100,000 lower in FY2015, at about US$900,000 and US$1.1 million, respectively.

In terms of pilot production and sales, SGE's Linxing CGS was officially put into pipeline pilot production in October 2015, providing the project substantial room for rapid production ramp up. As of year-end FY2015, a total of 14 wells have been connected to the Linxing CGS. 10 wells were producing, with a combined total pilot production rate of about 7 MMSCF per day (or approximately 200,000 cubic meters per day). In addition, SGE has recently signed attractive terms for two new gas sales agreements for FY2016, amid the recent NDRC announcements on the reduction in city-gate prices. For Sanjiaobei gas production, a revised wellhead gas sales price of RMB1.63 per cubic meter (approximately US$7.10/MSCF) has been signed with a new local gas buyer, Shanxi Guoxin Energy, under the Shanxi provincial government. For Linxing gas production, a revised wellhead gas sales price of RMB1.615 per cubic meter (approximately US$7.04/MSCF) has been signed with Shanxi Guohua Energy Limited Company.

Sanjiaobei CRR has been submitted to PetroChina Coalbed Methane Company Limited ("PCCBM") and is currently progressing through technical review with approval expected in the middle of 2016, while approval for Linxing West CRR is anticipated by the end of FY2016. During the FY2015, SGE also completed the geology and gas reservoir engineering section of the Sanjiaobei ODP.

As mentioned above, SGE's successful drilling and testing programs have led to further significant increases in the project's reserves. According to the independent technical consultant's review of year-end FY2015 reserves and resources for the Linxing and Sanjiaobei blocks, the net 1P reserves, attributed to the Group increased by 3% to 376 BCF (or 10.6BCM) and 2P reserves increased by 23% to 574BCF (16.3BCM). Furthermore, the year-end FY2015 reserves assessment indicates that, based on 2P gas reserves, the Group's net share NPV 10 is estimated at about US$1.3 billion. In the current global low oil price scenario, the price and demand for natural gas in China has remained strong, and SGE currently sells gas at between RMB1.615 to RMB1.63/cubic meter (US$7.04 to US$7.10 per MSCF). With huge net contingent and prospective resources attributed to the Group totaling more than 1,521 BCF (43.1BCM, Best Estimate Prospective Resources + 2C Contingent Resources) in an extensive area of about 3,000 square kilometers, SGE still has further enormous growth potential.

Furthermore, SGE has recently confirmed the receipt of pilot gas sales revenue for the Linxing PSC since December 2014, which accordingly shall be applied to finance a significant portion of the project's Capex for FY2016 and beyond. Meanwhile, the discussion with PCCBM in respect of a similar pilot gas sales allocation for the Sanjiaobei block is progressing well. As such, we remain excited that the SGE project will contribute significant profitability and shareholders' value to the Group in the foreseeable future.

- ***Kazakhstan Operations (Emir-Oil)***

Due to the strategic shut-in of low efficiency wells during this period of low global oil prices, the average daily oil production for Emir-Oil decreased by 34.4% from 5,201 BOPD in FY2014 to 3,412 BOPD in FY2015. The average realized oil price for Emir-Oil was US$43.95/barrel for FY2015, representing a drop of 30.6% year-on-year, compared to US$63.34/barrel for FY2014. The average realized export oil price (after deducting export sales and transportation commission (the "Commission") of US$5.56/barrel) and domestic oil price were US$48.41/barrel and US$12.02/barrel respectively during FY2015, compared to US$70.63/barrel (export) and US$39.68/barrel (domestic) realized for FY2014. The drop in average realized oil price was mainly due to lower export and domestic realized oil prices which were partially offset by an increase in export:domestic sales mix from 76:24 for FY2014 to 88:12 during FY2015.

As of year-end FY2015, Emir-Oil operated a total of 48 wells, of which 16 wells were producing. In FY2015, Emir-Oil completed 2 development wells and 1 exploration well that were spudded in FY2014. Total Capex for Emir-Oil incurred in FY2015 amounted to about US$56 million, which was mainly related to the construction of central processing facility ("CPF"). As of year-end FY2015, the Group has incurred a total of approximately US$46 million for the CPF. Amid the continued challenging operating environment, whilst ancillary oil and gas pipeline as well as external ground work amounting to approximately US$33 million shall be further deferred beyond 2016, it is anticipated that Emir-Oil's CPF construction will be completed by fourth quarter of 2016.

On the exploration front, North Kariman-1, the second exploration well drilled in the North Kariman block commenced testing at the end of September 2015, and produced about 830 cubic meters of oil during the first 82 hours (approximately 1,520 BOPD), representing another high production well for the Group, following the success of North Kariman-2 well. The success at North Kariman-1 and North Kariman-2 further enhances the reserve base for Emir-Oil, and more importantly, it also makes the integration of the North Kariman block into the Kariman production license more realistic and likely, leading to the potential for further reserves upgrades, based on the possibility of one continuous accumulation in the overall Kariman — North Kariman area.

In order to enhance operating profit margins, particularly in light of the current low oil price environment, Emir-Oil executed a new sales agreement with our Kazakhstan export oil marketing company, Euro-Asian Oil SA (formerly Titan Oil), effective January 2016. Under the previous agreement, the benchmark price was Urals (RCMB) and the Commission payable by Emir-Oil was around US$5/barrel. Under the new export sales agreement, the benchmark price is Brent (ICE) and the Commission is about US$8/barrel. The increase in Commission is offset by the expected decrease in distribution expenses. As such, an overall net gain of approximately US$2–3/barrel is expected to be enjoyed from this new sales agreement with Euro-Asian Oil in FY2016, as compared to the previous export sales agreement.

The direct lifting cost for Emir-Oil decreased by US$1.19/barrel, or 24.6%, from US$4.85/barrel for FY2014 to US$3.66/barrel for FY2015. The decrease in lifting cost was primarily due to the operation of higher efficiency wells, reduction in administrative expenses, change in sales route, depreciation of Tenge and higher operation efficiencies.

EBITDA per barrel for the export sales oil of Emir-Oil decreased by US$14.41/barrel, or 87.8%, from US$16.41/barrel for FY2014 to US$2.00/barrel for FY2015. The EBITDA per barrel for the domestic sales oil of Emir-Oil decreased by US$24.32/barrel, or 127.8%, from US$19.04/barrel for FY2014 to US$(5.29)/barrel for FY2015. Weighted average EBITDA per barrel for Emir-Oil decreased by US$16.49/barrel, or 96.8%, from US$17.03/barrel for FY2014 to US$0.54/barrel for FY2015. The decrease in EBITDA per barrel was primarily due to the decrease of the average realized oil price.

- ***USA Operations (Condor)***

  There were no drilling activities during FY2015 in our US business. The Group's subsidiary, Condor Energy Technology LLC, operates 5 horizontal wells in the Niobrara project. For FY2015, the average daily operated oil and gas production was 71 BOPD and 136 MSCF/day, net oil and gas production was 54 BOPD and 109 MSCF/day, respectively. Average realized oil and gas price was US$40.68/barrel and US$2.61/MSCF, respectively.

Review of Reserves and Resources

Below are the highlights of the oil and gas reserves and resources review results for the Group at year-end 2015, as conducted by the independent technical consultants:

1. Comparing with year-end 2014, the Group's total net 1P oil and gas reserves as of year-end 2015 decreased slightly by 3% to 113.9 million BOE, while total net 2P oil and gas reserves increased 6% to 232.2 million BOE, and total net 3P oil and gas reserves increased 7% to 311.1 million BOE.

2. The gas component of the Group's reserves has continued to increase. The Group's 2P and 3P net reserves are now about evenly divided between gas and oil. At year-end 2015, on a BOE basis, our reserves were 40%, 52% and 52% oil for 1P, 2P and 3P, respectively. The strong growth in gas reserves from the successful drilling campaign at our SGE project in China's Ordos Basin has significantly increased the gas component of our reserves. Compared to year-end 2014, on a BOE basis, the gas portion of the Group's total net reserves has increased for 1P, 2P and 3P by 2%, 5% and 7%, respectively. Despite the current global low oil price environment, demand and sales price for natural gas remains high in China. The Group is very pleased with the strong growth of the China gas component in our total net reserves.

3. The Group's net 1P, 2P and 3P gas reserves at year-end 2015 were 412.1 BCF (11.7BCM), 667.3 BCF (18.9 BCM) and 903.9 BCF (25.6 BCM), respectively, which correspond to 68.7 million BOE, 111.2 million BOE and 150.7 million BOE, respectively. The Group net gas reserves increased by 3.8 BCF (0.1 BCM), 103.4 BCF (2.9 BCM) and 192.2 BCF (5.4 BCM), or by 1%, 18% and 27% for 1P, 2P and 3P, respectively. The majority of the increases are attributable to the increases of 11.7 BCF (0.3 BCM), 107.6 BCF (3.0 BCM) and 202.0 BCF (5.7 BCM) for 1P, 2P and 3P net gas reserves, respectively in our SGE Ordos Basin properties.

4. Based on the year-end 2015 reserves estimates reviewed by the independent technical consultants, NPV 10 of the Group's net 2P oil and gas reserves is approximately US$3.0 billion, which represents a 25% decrease compared with the NPV 10 of US$4.0 billion reported at year-end 2014. Given the decrease in commodity prices globally, such a decrease in NPV10 is not unexpected, and furthermore, the Group's ability to increase net 2P reserves in the current low price environment, has minimized the scale of the NPV10 decrease.

The following were the prices used to determine the reserves and resources at the year-end of FY2014 and FY2015:

Segment	Basin	FY2014	FY2015
China — Gobi/Riyadh	Songliao/Jiayi	Constant oil price of US$96.05 per barrel (average of FY2014), and gas price 13.25 $/Mcf, unescalated,	Escalated price profile based on average price projections published by Sproule and McDaniel and Associates Consultants Ltd (January 2016) for WTI Crude (US$45/barrel for FY2016 and escalating thereafter). A US$2.55/ barrel differential between Daqing and WTI was applied to this average price projection
China — SGE	Ordos	Low, Medium and High gas prices of US$8.30, US$9.76 and US$11.23 per MCF respectively (equivalent to 1.76, 2.11 and 2.43 RMB per cubic meter at 6.12 RMB/US$), escalating at 3.75% per annum	Low, Medium and High gas prices of US$5.22, US$7.16 and US$9.80 per MCF respectively (equivalent to 1.19, 1.63 and 2.23 RMB per cubic meter at 6.45 RMB/US$), escalating at 3.75% per annum
Kazakhstan — Emir-Oil	Mangistau	FY2014 average, constant prices, unescalated: export oil at US$80.10 per barrel (US$101.21 Dated Brent price less US$21.11 for marketing and transportation discount), domestic oil at US$39.06 before VAT per barrel and gas at US$1.13 per MCF	Export oil at escalated price profile based on average price projections published by Sproule and McDaniel and Associates Consultants Ltd (January 2016) for Brent Crude (US$46.25/barrel for FY2016 and escalating thereafter). Domestic oil price forecast based on actual domestic sales price per relationship with Brent and trend related year 2014 and 2015. Domestic gas price based on actual sales prices net of VAT in FY2015 (US$0.85/MSCF)
US-Condor	Niobrara	Constant prices, unescalated: US$82.68 per barrel, US$6.47 per MCF (both are realized prices)	Escalated price profile based on average price projections published by Sproule and McDaniel and Associates Consultants Ltd (January 2016) for WTI (US$45/barrel for FY2016 and escalating thereafter). Appropriate oil and gas price offsets were determined by examining Condor's current oil and gas sales contracts and comparing them to historical prices Condor has actually received

We consider it a significant accomplishment for the Group that our 2P oil and reserves increased by 6% for year-end FY2015 on a BOE-basis, as compared with year-end FY2014. Despite the global low oil price environment and scaled back capital expenditures and work programs, the fact that we were able to increase 2P reserves is a testament to the quality of our assets and the Group's technical capability in enhancing our reserves/resources. Particular bright spots were the SGE project where we had a 23% increase in 2P gas reserves, and Emir-Oil where 2P oil reserves remained almost flat, despite a greatly reduced work program.

FY2016 Guidance

The following is our preliminary guidance for FY2016. The Group will closely monitor the situation and we may revise our work program in a timely fashion, based on, among others, changes in oil prices. We believe it is very important to maintain a high degree of flexibility in order to ensure the stability and profitability of our business in this current volatile oil price environment.

	Numbers of Wells (Gross)	Net Investments (millions of US$)	Net Production	Comments
China Oil Projects (Daan, Moliqing)	–	$5	5,600–6,300 BOPD	Represents certain producer-injector well conversions, reservoir re-fracturing, new equipment, surface engineering
China Gas Projects (Cash Call from SGE)	21	$20	5,000 MCFD[(1)]	Based on the gross 2016 Capex Budget of US$45mm approved by the SGE Board
Kazakhstan (Emir-Oil)	2	$30	3,600–4,200 BOPD 6,000–7,000 MCFD	Comprises of the final c. US$14m investment in CPF and 2 exploration wells
USA (Condor)	–	–	40 BOPD 100 MCFD	
Group in Total	23	$55	9,240–10,540 BOPD 11,100–12,100 MCFD	

Note 1: Net production guidance only reflects Linxing's figures

FINANCIAL RESULTS

Revenue

The Group's revenue is generated from sales of oil and gas products and rendering of services.

The Group's revenue from sales of oil and gas decreased by RMB1,946.0 million, or 65.5%, from RMB2,970.0 million for FY2014 to RMB1,024.0 million for FY2015.

This decrease was mainly due to the significant drop in crude oil prices over 2015 as well as the decrease of the Group's overall sales volumes. In addition, the Group's FY2015 results do not include PCR and Miao Three, two subsidiaries that were divested in 2H2014. PCR and Miao Three's revenue totaled RMB266.5 million in FY2014. Average realized oil price was US$45.79 per barrel for FY2015, compared to US$86.15 per barrel for FY2014. The Group's total crude oil sales volume was 3.55 million barrels for FY2015, compared to 5.58 million barrels for FY2014.

The Group's revenue from rendering of services is RMB8.7 million for FY2015.

- ***China***

  In FY2015, our China oil fields realized revenue of RMB707.1 million. The average realized oil price was US$46.65 per barrel for FY2015, compared to US$97.89 per barrel for FY2014. Our sales volume was 2.44 million barrels for FY2015, compared to 3.66 million barrels for FY2014.

- ***Kazakhstan***

  In FY2015, Emir-Oil realized revenue from oil and gas sales of RMB310.5 million, compared to RMB746.3 million for FY2014. The decrease in revenue was primarily due to the drop in realized oil price and a decrease in sales volumes.

  (a) *Crude oil sales*

    The sales volumes decreased from 1,883,235 barrels for FY2014 (comprising 1,439,846 barrels from export sales and 443,389 barrels from domestic sales) to 1,089,285 barrels for FY2015 (comprising 955,750 barrels from export sales and 133,535 barrels from domestic sales).

    The average realized oil price for FY2015 was US$48.41 per barrel from export sales (after Commission of US$5.56 per barrel) and US$12.02 per barrel from domestic sales. The average realized oil price for FY2014 was US$70.63 per barrel from export sales (after Commission of US$20.98 per barrel) and US$39.68 per barrel from domestic sales. As a result of the new export sales agreement effective February 2015, the new export transportation and marketing commissions payable to Euro-Asian Oil SA decreased from US$20.98 per barrel in FY2014 to US$5.56 per barrel in FY2015, which was partially offset by an additional distribution expense averaging US$7.8 per barrel under the new agreement.

(b) Gas sales

In FY2015, Emir-Oil realized revenue from gas sales of RMB11.8 million, with a realized gas price of US$0.95 per MSCF and total gas sales volume of 2,001,150 MSCF. In FY2014, Emir-Oil realized revenue from gas sales of RMB13.6 million, with a realized gas price of US$1.14 per MSCF and total gas sales volume of 1,954,375 MSCF.

- ***USA***

In FY2015, our USA oil fields realized revenue from crude oil sales of RMB5.1 million. The average realized oil price was US$40.68 per barrel, with sales volume of 20,085 barrels. In FY2014, our USA oil fields realized revenue from crude oil sales of RMB17.0 million. For FY2014, the average realized oil price was US$83.11 per barrel, with sales volume of 33,272 barrels.

Our USA operations realized revenue from gas sales of RMB0.3 million, with a realized gas price of US$2.61 per MSCF and total gas sales volume of 20,124 MSCF for FY2015. In FY2014, revenue from gas sales of RMB2.4 million was recorded from realized gas price of US$6.44 per MSCF and total gas sales volume of 59,961 MSCF.

Depreciation, depletion and amortization

The Group's depreciation, depletion and amortization decreased by RMB331.5 million, or 35.7%, from RMB928.4 million for FY2014 to RMB596.9 million for FY2015. The decrease in depreciation, depletion and amortization was mainly due to: (i) the decrease in sales and production volumes in FY2015; (ii) our exclusion two subsidiaries, PCR and Miao Three in FY2015, which were divested 2H2014 and whose depreciation, depletion and amortization amounted to RMB64.8 million in FY2014; and (iii) no depreciation, depletion and amortization expenses recorded for Riyadh's property, plant and equipment and intangible assets during, after Riyadh's assets and liabilities are reclassified to "held for sale" on June 30, 2015.

Taxes other than income taxes

The Group's taxes other than income taxes decreased by RMB541.1 million, or 77.8%, from RMB695.1 million for FY2014 to RMB154.0 million for FY2015. The following table summarizes taxes other than income taxes for FY2015 and FY2014:

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
PRC		
Special oil levy	**–**	328,878
Urban construction tax and education surtax	**3,849**	12,110
Others	**484**	444
	4,333	341,432
Kazakhstan		
Mineral extraction tax	**18,533**	44,588
Rent export tax	**35,302**	176,536
Rent export duty expenditures	**56,703**	87,328
Property tax	**20,102**	23,508
	130,640	331,960
USA		
Withholding tax	**–**	930
Severance tax	**217**	534
Corporate		
Withholding tax	**18,781**	20,236
	153,971	695,092

- ***China***

  The Ministry of Finance of the People's Republic of China ("MOF") announced that the threshold of the special oil income levy was revised from US$55 to US$65 per barrel, effective from 1 January 2015. As no sales were realized at or above US$65 per barrel during FY2015, no special oil levy was incurred for our China oilfields.

- ***Kazakhstan***

  In 2015, Emir-Oil's taxes other than income taxes amounted to RMB130.6 million, which is a decrease of RMB201.4 million, or 60.7% compared to RMB332.0 million for 2014. This decrease in taxes other than income taxes for our Kazakhstan operation was primarily due to: (i) the drop in realized oil price and sales volumes leading to the substantial decrease in both rent export tax as well as mineral extraction tax; and (ii) rent export duty expenditure was lowered from US$80 per metric ton to US$60 per metric ton with effect from April 2015.

  Set out below are the various taxes that our Kazakhstan operation is subject to:

  Rent Export Tax

  Rent Export Tax is payable on export oil and is calculated based on realized prices for crude oil. Rent Export Tax rate ranges from 0% (if export price is less than US$40 per barrel) to 32% (if export price is higher than US$190 per barrel).

  Mineral Extraction Tax ("MET")

  For production of less than 250,000 tons per annum, MET is payable at a rate of 5% for export oil and 2.5% on domestic oil. MET for export oil is based on barrels of oil produced less barrels of domestic oil and barrels of internally consumed oil, multiplied by average realized price per barrel. MET for domestic oil is calculated based on barrels of domestic oil multiplied by production cost per barrel multiplied by 120%.

  Rent Export Duty Expenditure

  From April 14, 2013, Rent Export Duty expenditure payable on export oil was US$60 per metric ton multiplied by volume of export oil sales. From March 12, 2014, this duty was increased to US$80 per metric ton. Subsequently, from April 2015, this duty was revised down to US$60 per metric ton.

  Property Tax

  Property tax is payable on oil and gas assets which have been granted a production license at a rate of 1.5% based on average balance of oil and gas properties.

- ***Corporate***

  Withholding Tax

  Withholding tax represents accrual of withholding tax on interest charged on intercompany loans.

Employee compensation costs

The Group's employee compensation costs decreased by RMB41.2 million, or 19.1%, from RMB215.6 million for FY2014 to RMB174.4 million for FY2015. The decrease in employee compensation costs was primarily due to (i) a reduction of headcount during FY2015; and (ii) the exclusion of two subsidiaries (PCR and Miao Three) in FY2015, as we accounted for a total of RMB20.8 million employee compensation costs for FY2014.

Purchases, services and other expenses

Our purchases, services and other expenses decreased by RMB167.6 million, or 49.7%, from RMB337.3 million for FY2014 to RMB169.7 million for FY2015. The decrease in purchase, services and other expenses was primarily due to (i) the decrease of production and sales during FY2015; and (ii) the disposal of two subsidiaries (PCR and Miao Three) during 2H2014, which had accounted for a total of RMB48.7 million in purchases, services and other expenses for FY2014. The Group's results excluded these two companies during FY2015.

Distribution expenses

The Group's distribution expenses increased by RMB52.8 million, or 144.3%, from RMB36.6 million in FY2014 to RMB89.4 million in FY2015, primarily due to the new export sales route for our Kazakhstan operation which resulted in the recording of an average of US$7.80/barrel of distribution expense. The increase of distribution expenses incurred by our Kazakhstan operation was partially offset by the decrease of distribution expenses incurred by our China oilfields due to lower sales volume for FY2015.

General and administrative expenses

The Group's general and administrative expenses decreased by RMB8.2 million, or 6.6%, from RMB123.7 million for FY2014 to RMB115.5 million for FY2015. The decrease in administrative expenses was primarily due to: (i) the stringent cost control measures implemented by the Group; and (ii) the exclusion of two subsidiaries (PCR and Miao Three) in FY2015, which accounted for about RMB13.9 million in general and administrative expenses for FY2014. The above decreases were partially offset by the transaction expenses of RMB21.9 million incurred for the proposed acquisition of Long Run Exploration Ltd. in FY2015.

Impairment charges

Due to significant lower global oil prices in FY2015, the Group recognized an impairment charge amounting to RMB473.4 million, RMB233.9 million and RMB16.7 million on the long-live assets (including mineral extractions rights) relating to assets in the PRC, Kazakhstan and the working interest in the USA, respectively, to reflect their carrying value to the respective estimated recoverable amount calculated based on value-in-use.

Other (losses)/income

The Group incurred "other loss" of RMB378.7 million for FY2015, compared to other income of RMB302.0 million for FY2014. Other losses for FY2015 arose primarily from (i) provision for bad debts of RMB86.7 million; and (ii) loss on re-measurement of disposal group classified as held for sale of RMB328.5 million, regarding assets and liabilities related to Riyadh being presented as held for sale at June 30, 2015 following the approval of the Company to dispose Riyadh. At December 31, 2015, the assets and liabilities of Riyadh were remeasured at the lower of adjusted carrying amount and fair value less cost to sell at FY2015 following initial classification as held for sale. Other income for FY2014 includes mainly (i) RMB52.2 million gains from disposal of Miao Three and RMB207.2 million from disposal of PCR; (ii) realized gain of RMB19.6 million from oil hedge contracts for our FY2014 production; (iii) royalty income received by PCR for its interest in the Zhou 13 Bock in Daqing of RMB8.1 million; and (iv) non-cash revaluation gain of RMB3.6 million for this interest.

Finance income/(costs), net

The Group's finance income increased by RMB2.0 million, or 10.8%, from RMB18.5 million for FY2014 to RMB20.5 million for FY2015.

Finance cost decreased by RMB171.2 million, or 34.3%, from RMB499.8 million for FY2014 to RMB328.6 million for FY2015. This decrease was primarily due to certain one-off finance costs incurred during FY2014 including: (i) RMB120.2 million call premium for the early redemption of the US$400 million 9.75% senior notes due 2016 ("2016 Notes"); and (ii) RMB35.2 million unamortized expenses of the 2016 Notes charged to finance cost as a result of the redemption. For FY2015, a net exchange gain of RMB85 million (2014: RMB32 million) was recorded as net result of the devaluation of the Tenge, which was offset by the devaluation of the Renminbi.

Share of loss of joint ventures

The Group holds a 51% interest in SGE. This investment was accounted for as joint ventures by the Group and our share of loss of SGE decreased from RMB55.4 million in FY2014 to RMB26.6 million in FY2015. This is mainly due to lower loss incurred by SGE as SGE realized pilot gas sales in FY2015.

Loss before income tax

The Group's loss before income tax was RMB1,704.5 million for FY2015, compared to the profit before income tax RMB236.7 million for FY2014. This was primarily due to the cumulative effects of the above factors.

Income tax credit

The Group recorded an income tax credit of RMB179.2 million for FY2015, compared to an income tax expense of RMB214.2 million for FY2014. This change was primarily due to the Group incurred loss before income tax in FY2015. The effective tax rate for FY2015 is 11% compared to an effective tax rate for FY2014 of 90%.

Net (loss)/profit for the year

As a result of the foregoing, our net loss for FY2015 was RMB1,525.3 million, compared to a net profit of RMB22.6 million for FY2014.

EBITDA and adjusted EBITDA

We provide a reconciliation of EBITDA and adjusted EBITDA to profit for FY2015, our most directly comparable financial performance calculated and presented in accordance with IFRS. EBITDA refers to earnings before finance income, finance costs, income tax and depreciation, depletion and amortization. Adjusted EBITDA refers to EBITDA adjusted to exclude non-cash and non-recurring items such as share-based compensation expense, assets impairment loss, bad debt provision, geological and geophysical expense, withholding tax arising from intercompany loan, gains on write-off payables and any other non-cash or non-recurring income/expenses.

The Group's adjusted EBITDA reflects the Group's recurring cash flow earnings from its core operations.

We have included EBITDA and adjusted EBITDA as we believe EBITDA is a financial measure commonly used in the oil and gas industry. We believe that EBITDA and adjusted EBITDA are used as supplemental financial measures by our management and by investors, research analysts, bankers and others, to assess our operating performance, cashflow and return on capital as compared to those of other companies in our industry, and our ability to take on financing. However, EBITDA and adjusted EBITDA should not be considered in isolation or construed as alternatives to profit from operations or any other measure of performance or as an indicator of our operating performance or profitability. EBITDA and adjusted EBITDA fail to account for corporate tax, finance income, finance costs and other non-operating cash expenses. EBITDA and adjusted EBITDA do not consider any functional or legal requirements of the business that may require us to conserve and allocate funds for any purposes.

The following table presents a reconciliation of EBITDA and adjusted EBITDA to net (loss)/profit for the years ended December 31, 2015 and December 31, 2014:

	Year Ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Net (loss)/profit for the year	**(1,525,288)**	22,549
Income tax (credit)/expenses	**(179,233)**	214,163
Finance income	**(20,496)**	(18,491)
Finance cost	**328,575**	499,818
Depreciation, depletion and amortization	**596,893**	928,447
EBITDA	**(799,549)**	1,646,486
Share-based compensation expenses	**22,515**	12,315
Assets impairment loss	**724,032**	154,570
Loss on disposal of property, plant and equipment	**3,885**	–
(Gains)/Loss on oil hedge options	**–**	(19,564)
Bad debt provision of trade and other receivables	**86,673**	–
Geological and geophysical expense		
— Emir	**–**	20,047
— Share of SGE	**15,934**	19,842
Withholding tax on interest accrued for intercompany loans	**18,781**	21,166
Gain on disposal of subsidiaries	**–**	(259,389)
Income from bond investment	**(1,363)**	–
Loss on re-measurement of disposal group classified as held for sale	**328,541**	–
Gains on write-off payables,net	**(29,387)**	–
Adjusted EBITDA	**370,062**	1,595,473

The Group incurred EBITDA of RMB (799.5) million for FY2015, compared to the RMB1,646.5 million EBITDA for FY2014. The decrease in EBITDA in FY2015 was primarily due to: (i) the decrease in realized oil price and sales volume, (ii) impairment loss for our oil & gas properties and intangible assets; (iii) impairment loss for Riyadh assets and liabilities which were classified as held for sale; and (iv) the exclusion of two subsidiaries PCR and Miao Three in FY2015, which accounted for total EBITDA of RMB145.4 million in FY2014.

The Group's adjusted EBITDA decreased by approximately RMB1,225.4 million, or 76.8%, from approximately RMB1,595.5 million for FY2014 to approximately RMB370.1 million for FY2015. The decrease in adjusted EBITDA was also primarily due to the decrease in realized oil price and sales volume, and the disposal of the two subsidiaries during 2H2014.

The Group's EBITDA and Adjusted EBITDA by operating segment are set out below:

	Year Ended December 31, 2015				
	China	**Kazakhstan**	**USA**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net profit for the year	**(765,270)**	**(179,147)**	**4,693**	**(585,564)**	**(1,525,288)**
Income tax expenses	**(121,261)**	**(58,115)**	**–**	**143**	**(179,233)**
Finance income	**(670)**	**(886)**	**(3,073)**	**(15,867)**	**(20,496)**
Finance cost	**85,950**	**(112,809)**	**3,414**	**352,020**	**328,575**
Depreciation, depletion and amortization	**460,984**	**130,325**	**5,127**	**457**	**596,893**
EBITDA	**(340,267)**	**(220,632)**	**10,161**	**(248,811)**	**(799,549)**
Share-based compensation expenses	**5,388**	**417**	**–**	**16,710**	**22,515**
Assets impairment loss	**473,439**	**233,888**	**16,705**		**724,032**
Loss on disposal of property, plant and equipment	**–**	**3,885**	**–**	**–**	**3,885**
Bad debt provision of trade and other receivables	**18,926**	**2,226**	**–**	**65,521**	**86,673**
Geological and geophysical expense — Share of SGE	**–**	**–**	**–**	**15,934**	**15,934**
Withholding tax on interest accrued for intercompany loans	**1**	**–**	**–**	**18,780**	**18,781**
Income from bond investment		**–**	**–**	**(1,363)**	**(1,363)**
Loss on re-measurement of disposal group classified as held for sale	**328,541**	**–**	**–**	**–**	**328,541**
Gains on write-off payables,net	**–**	**–**	**(29,387)**	**–**	**(29,387)**
Adjusted EBITDA	**486,028**	**19,784**	**(2,521)**	**(133,229)**	**370,062**

	Year Ended December 31, 2014				
	China	Kazakhstan	USA	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net profit for the year	721,702	103,149	(149,422)	(652,880)	22,549
Income tax expenses	169,734	44,260	–	169	214,163
Finance income	(453)	(1,629)	(3,792)	(12,617)	(18,491)
Finance cost	20,347	(32,704)	1,771	510,404	499,818
Depreciation, depletion and amortization	806,894	97,527	23,548	478	928,447
EBITDA	1,718,224	210,603	(127,895)	(154,446)	1,646,486
Share-based compensation expenses	13,428	752	–	(1,865)	12,315
Assets impairment loss	29,282	–	125,288	–	154,570
(Gain)/Loss on oil hedge options	–	–	–	(19,564)	(19,564)
Geological and geophysical expense					
— Emir	–	20,047	–	–	20,047
— Share of SGE	–	–	–	19,842	19,842
Withholding tax arose from intercompany loan	–	–	930	20,236	21,166
Income on disposal of subsidiary	(259,389)	–	–	–	(259,389)
Adjusted EBITDA	1,501,545	231,402	(1,677)	(135,797)	1,595,473

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Group's primary sources of cash during FY2015 were cash flow from operating activities and cash flow from financing activities.

In 2015, we had net cash generated from operating activities of RMB326.1 million, net cash used in investing activities of RMB1,124.4 million, net cash generated from financing activities of RMB298 million, an exchange gain on cash and cash equivalent of RMB14.1 million, and a net decrease in cash and cash equivalent of RMB500.4 million.

Cash generated from operating activities

Net cash generated from operating activities was RMB326.1 million in the year ended December 31, 2015. In the year ended December 31, 2015, our net cash generated in operating activities included loss before income tax of RMB1,704.5 million adjusted for, depreciation, depletion and amortization of RMB596.9 million, net interest expenses of RMB393.9 million, impairment charge of RMB724.0 million, loss on re-measurement of disposal group classified as held for sale of RMB328.5 million, provision for bad debt of RMB86.7 million, employee share option of RMB22.5 million, share of loss from investments in joint ventures of RMB26.6 million, offset by gains on write-off payables of RMB29.4 million, exchange gain of RMB85.8 million. The cash movements from changes in working capital which included decrease in trade and other payables of RMB29.5 million, a decrease in trade and other receivables of RMB344.7 million and a decrease in inventories of RMB0.1 million, and interest paid of RMB337.9 million and income tax paid of RMB10.5 million.

Net cash generated from operating activities was RMB1,180.4 million in the year ended December 31, 2014. In the year ended December 31, 2014, our net cash generated in operating activities included profit before income tax of RMB236.7 million adjusted for, depreciation, depletion and amortization of RMB928.4 million, net interest expenses of RMB514.1 million, employee share option of RMB12.3 million, share of loss from investments in joint ventures of RMB55.4 million, offset by gains on disposal of subsidiaries of RMB259.4 million, exchange gain of RMB32.8 million, and gains on changes of fair value of derivative financial instruments of RMB11.3 million, gains on oil hedge options of 19.6 million. The cash movements from changes in working capital which included decrease in trade and other payables of RMB140.5 million, a decrease in trade and other receivables of RMB226.2 million and a decrease in inventories of RMB2.5 million, and interest paid of RMB326.0 million and income tax paid of RMB155.3 million.

Cash used in investing activities

Net cash used in investing activities in the year ended December 31, 2015 amounted to RMB1,124.4 million, as a result of purchases of property, plant and equipment of RMB644.9 million, capital contribution to/acquisition of investments accounted for using the equity method of RMB30.9 million, loans to investments accounted for using equity method of RMB155.2 million, increase in restricted cash of RMB318.8 million, release of the deposit in relation to disposal of subsidiary of RMB48.5 million, offset by proceeds from disposal of RMB45.2 million, net cash inflow from investment in available for sale financial assets of RMB28.3 million, and interest received of RMB0.6 million.

Net cash used in investing activities in the year ended December 31, 2014 amounted to RMB1,311.1 million, as a result of purchases of property, plant and equipment of RMB1,314.0 million, capital contribution to/acquisition of investments accounted for using the equity method of RMB269.4 million, loans to investments accounted for using equity method of RMB163.9 million, increase in restricted cash of RMB103.4 million, purchase of available-for-sale financial assets of RMB72.0 million, offset by proceeds from disposal of interest in subsidiaries net of disposal expenses, cash and cash equivalent balance as at disposal date of RMB532.5 million, deposit from disposal of subsidiary of RMB46.4 million, proceeds from contingent consideration receivable of RMB8.1 million and interest received of RMB14.4 million.

Cash generated from financing activities

Net cash generated from financing activities in the year ended December 31, 2015 amounted to RMB298 million primarily due to: (i) repayments of borrowings of RMB360.1 million; (ii) payment of fees of modification of terms in indenture of senior notes of RMB25.9 million, (iii) payment for repurchase of shares and cancellation of RMB17.6 million; and (iv) payment for shares purchased under Share Award Scheme of RMB11.1 million, offset by: (i) proceeds from issuance of ordinary shares of RMB200.0 million; (ii) proceeds from borrowings of RMB512.8 million

Net cash generated from financing activities in the year ended December 31, 2014 amounted to RMB541.9 million primarily due to: (i) proceeds from the issue of the 2019 Notes of RMB2,986.2 million in April 2014, (ii) proceeds from bank borrowings of RMB411.5 million, comprising one RMB55 million and two RMB5 million short-term working capital loan from China Construction Bank ("CCB"), US$35 million from Deutsche Bank ("DB"), and US$20 million from Bank of Communication ("BCM"), and (iii) dividends on treasury shares of RMB1.0 million, offset by: (i) 2013 final cash dividend of RMB61.0 million paid in June 2014, (ii) RMB2,465.6 million used for repayment of the 2016 Notes in May 2014 and the repayment of RMB125 million short-term and RMB1.5 million long-term working capital loan from CCB, (iii) RMB120.2 million used for the payment of premium related to the repayments of the 2016 Notes, (iv) RMB10.4 million used for the payment for settlement of share options, (v) RMB15.0 million used for the payment of loan arrangement fees and other fees, (vi) settlement of options to consultants for investments in subsidiaries of RMB44.6 million and (vii) RMB13.6 million payment for buyback of shares and cancellation.

As at December 31, 2015, the Group's bank borrowings and Senior Notes amounted to approximately RMB4,954.1 million, representing an increase of approximately RMB439.8 million as compared to December 31, 2014. Among which, borrowings repayable within one year amounted to approximately RMB529.9 million, representing an increase of RMB190.4 million as compared to December 31, 2014. All of the Group's bank borrowings and Senior Notes are denominated in RMB and United States Dollars.

Our gearing ratio, which is defined as total borrowings less cash and cash equivalents ("Net Borrowings") divided by the sum of Net Borrowings and total equity, increased slightly from 51.8% as at December 31, 2014 to 68.3% as at December 31, 2015, principally due to a decrease in cash and cash equivalents balance.

Our total borrowings to Adjusted EBITDA ratio, which is defined as total borrowings divided by Adjusted EBITDA increased from 2.83 as at December 31, 2014 to 13.39 as at December 31, 2015.

MARKET RISKS

Our market risk exposures primarily consist of fluctuations in oil prices and exchange rates.

Oil price risk

Our realized oil prices are determined by reference to oil prices in the international market, changes in international oil prices will have a significant impact on us. Unstable and high volatility of international oil prices may have a significant impact on our revenue and profit.

Currency risk

The majority of the Group's China operation sales are in US dollars, while production and other expenses in China are incurred in RMB. The RMB is not a freely convertible currency and is regulated by the PRC government. Limitations on foreign exchange transactions imposed by the PRC government could cause future exchange rates to vary significantly from current or historical exchange rates.

The functional currency of the Kazakhstan subsidiary is in US dollars and all export sales are in US dollars. The transactions of the Kazakhstan subsidiary which are denominated in the Kazakhstan Tenge are exposed to fluctuations in the US dollars and Kazakhstan Tenge exchange rate. Management is not in a position to anticipate changes in the PRC foreign exchange regulations or the fluctuations between the US dollar and Kazakhstan Tenge exchange rates, and as such is unable to reasonably anticipate the impacts on the Group's results of operations or financial position arising from future changes in exchange rates.

EMPLOYEES

As at December 31, 2015, the Company had 1,684 employees, with 1,436 based in China (Mainland and Hong Kong), 244 based in Kazakhstan and 4 based in USA. There have been no material changes to the information disclosed in the Annual Report 2014 in respect of the remuneration of employees, remuneration policies and staff development.

CONTINGENCIES

On August 28, 2000, MI Energy Corporation ("MIE") entered into a PSC with Sinopec for exploration and development of Luojiayi 64 block at Shengli oilfield in Shandong Province, which was suspended since the end of 2004. In April 2005, MIE requested an extension from Sinopec to restart the project. On September 27, 2006, MIE received a letter from Sinopec denying the request to restart the project and seeking to terminate the PSC on the grounds that the extension period of the trial-development phase had expired and MIE had not met its investment commitment under the PSC. The Company believes its investment in the project at Shengli oilfield had met the required commitment amount under the PSC. The PSC with Sinopec has not been formally terminated and the dispute has not entered any judicial proceedings. As advised by the external legal counsel of the Company, the probability of claim from Sinopec for unfulfilled investment commitment, if any, in relation to the pilot-development phase is remote as the statute of limitations has run out.

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended December 31, 2015 (2014: NIL).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled on Friday, June 17, 2016 ("AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, June 15, 2016 to Friday, June 17, 2016, both days inclusive, during which no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all completed transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, June 14, 2016.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's consolidated financial statements for the year ended December 31, 2015 including the accounting policies adopted by the Group and has discussed the internal controls and financial reporting matters of the Group.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

BUY-BACK, DISPOSAL OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Pursuant to the share buy-back mandate granted to the Board of the Company at the annual general meeting of the Company held on May 16, 2014, the Company bought back 25,578,000 of its own ordinary shares of US$0.001 each in the capital of the Company for the year ended December 31, 2015 at the highest and lowest prices of HK$0.88 and HK$0.82 per share respectively ("Shares Buy-back"). The aggregate purchase price paid for the Shares Buy-back was approximately HK$22.3 million (including transaction cost) and was funded by internal resources of the Company. Such shares bought back by the Company represent approximately 0.97% of the issued share capital of the Company before the Shares Buy-back.

CORPORATE GOVERNANCE CODE

The Company has complied with the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Listing Rules for the year ended December 31, 2015, except for Code Provisions A.2.1 as explained below.

Code Provision A.2.1

Code Provision A.2.1 of the CG Code stipulates that the roles of the Chairman and Chief Executive Officer are required to be separated and not to be performed by the same individual. Mr. Zhang Ruilin ("Mr. Zhang") is the Chairman of the Board. In addition to the role of Chairman of the Board, the role of Chief Executive Officer is also designated to Mr. Zhang. This constitutes a deviation from Code Provision A.2.1. The reason for such deviation is set out below.

The Company is engaged in the oil and gas exploration and production business which is different from integrated oil companies engaging in both upstream and downstream operations. In light of this, the Board considers that the interest of the Company's oil and gas exploration and production business is best served when strategic planning decisions are made and implemented by the same person. The Nomination Committee of the Company also agreed that it is in the best interest of the Company that the roles of the Chairman of the Board and Chief Executive Officer be performed by the same individual. In this respect, the Company does not intend to designate another person as the Chief Executive Officer of the Company at the moment. However, the Company will continue to review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and Chief Executive Officer, are necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules and applied the same to the directors and the employees who are likely to be in possession of unpublished inside information of the Company.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended December 31, 2015. In addition, no incident of non-compliance of the Model Code by the employees was noted by the Company.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The electronic version of this annual results announcement is published on the websites of the Company (www.mienergy.com), Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and Singapore Exchange Securities and Trading Limited (www.sgx.com). An annual report for the year ended December 31, 2015 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the said websites in due course.

ANNUAL GENERAL MEETING

The AGM of the Company will be held in Hong Kong on Friday, June 17, 2016. Notice of the AGM will be published and sent to shareholders in due course.

By Order of the Board
MIE Holdings Corporation
Mr. Zhang Ruilin
Chairman

Hong Kong, March 23, 2016

As at the date of this announcement, the Board comprises (1) the executive directors namely Mr. Zhang Ruilin, Mr. Zhao Jiangwei, Mr. Tao Tak Yin Dexter, Mr. Andrew Sherwood Harper and Mr. Tian Hongtao; (2) the non-executive director namely Ms. Xie Na and; (3) the independent non-executive directors namely Mr. Mei Jianping, Mr. Jeffrey W. Miller and Mr. Guo Yanjun.