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, 2016

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of MIE Holdings Corporation ("MIE" or the "Company", together with the subsidiaries, the "Group"), I hereby present the annual results of the Company for the year ended December 31, 2016 ("FY2016").

During FY2016, the Group's average realized oil price was US$36.74/barrel ("bbl"), a record low in the past decade. Despite oil prices dropping from a high of over US$140/barrel to less than US$40/barrel during the 2008 subprime mortgage crisis, the Group's FY2009 average realized oil price was still US$58.58/barrel, signifying the severe market environment and unprecedented challenges the Group faced. Faced with such a challenging environment, the Group's main focus in FY2016 revolved around "cash". Our first focus was to sell certain projects that were not expected to contribute cashflow in the near future so as to raise valuable cash for the Group during this depressed market environment. In July 2016, the Group completed the sale of 100% equity interest in Asia Gas & Energy Ltd. ("AGE") (holding company for 51% equity interest in Sino Gas & Energy Limited ("SGE")) and received a consideration of approximately US$208 million. In November 2016, the Group completed the sale of 60% of Palaeontol B.V. ("PBV") (holding company for 100% equity interest in Kazakhstan Emir-Oil LLP) to Malaysia listed company Reach Energy Berhad ("REB") for a consideration of approximately US$176 million, of which the Group has received around US$132 million. Secondly, in the Company's mature projects such as China Daan project and Moliqing project, full efforts were made to control cost and stabilize the natural decline in old wells so as to generate higher operating cashflow for the Group. In FY2016, the all-in cash cost for China oil project was only US$14/barrel, while the natural rate was successfully controlled at 12%, such positive results were only achieved by a handful of onshore oilfields in China. Based on the aforementioned two aspects, the Group successfully achieved its targets that were set at the beginning of 2016 and the results embody the hard work done by all levels of the Group from the operating personnel to the management level, and I would like to thank everyone for their hard work.

On the Company's performance, due to the fact that no drilling has been carried out for more than two years in our main production blocks and the sale of projects, the Group's total operated oil and gas production dropped 11.3% to 6.6 million barrels of oil equivalent ("BOE", converting at 6 thousand standard cubic feet ("MSCF") of gas to 1 BOE for reference purpose only) while net oil and gas production decreased 11.9% to 3.6 million BOE. As a result of lower production and oil prices, the Group's total sales revenue slid 25.9% to RMB535.0 million, adjusted EBITDA dropped to RMB283.3 million, and reported a net loss of RMB1.3 billion.

Despite the recent recovery in oil prices, the challenges that the Group has faced still persist. Since the Group's initial public offering in Hong Kong in 2010, we have maintained close ties with the international capital market and created returns for market participants. We are cognizant that our bondholders are paying close attention to both bonds which are due in 2018 and 2019, and we will spend our utmost efforts in 2017 to balance both the development of the Company and the optimization of our capital structure. Finally, I would like to take this opportunity to express my heartfelt thanks to our Board and staff for riding through these trying times with us and also our shareholders, bondholders, and business partners for your continued trust and support.

Zhang Ruilin
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended December 31, 2016** *RMB'000*	2015 *RMB'000* Re-presented *Note 2.1.1*
Continuing operations			
Revenue	*3*	**534,974**	722,185
Depreciation, depletion and amortization		**(363,860)**	(520,239)
Taxes other than income taxes	*4*	**(13,414)**	(23,331)
Employee benefit expense		**(133,291)**	(143,844)
Purchases, services and other direct costs		**(105,573)**	(120,966)
Distribution expense		**(18,172)**	(20,516)
General and administrative expense		**(67,666)**	(99,231)
Impairment charges		**(234,667)**	(765,014)
Other gains/(losses), net	*5*	**297,849**	(47,902)
Finance income	*6*	**17,490**	19,610
Finance costs	*6*	**(403,951)**	(441,384)
Share of profits of investments in associates		**35,682**	–
Share of losses of investments in joint ventures		**(3,382)**	(26,627)
Loss before income tax		**(457,981)**	(1,467,259)
Income tax (expense)/credit	*7*	**(147,166)**	121,118
Loss for the year from continuing operations		**(605,147)**	(1,346,141)
Discontinued operations			
Loss for the year from discontinued operations		**(717,086)**	(179,147)
Loss for the year		**(1,322,233)**	(1,525,288)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets		**18,405**	(24,762)
Share of other comprehensive income of investments in associates		**2,799**	–
Currency translation differences		**(129,976)**	(29,937)
Other comprehensive loss for the year, net of tax		**(108,772)**	(54,699)
Total comprehensive loss for the year		**(1,431,005)**	(1,579,987)

	Note	Year ended December 31, 2016 RMB'000	2015 RMB'000 Re-presented Note 2.1.1
Loss for the year attributable to:			
Owners of the Company		**(1,322,453)**	(1,523,203)
Non-controlling interests		**220**	(2,085)
		(1,322,233)	(1,525,288)
Loss for the year attributable to owners of the Company arising from:			
Continuing operations		**(605,367)**	(1,344,056)
Discontinued operations		**(717,086)**	(179,147)
		(1,322,453)	(1,523,203)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(1,431,225)**	(1,577,902)
Non-controlling interests		**220**	(2,085)
		(1,431,005)	(1,579,987)
Total comprehensive loss attributable to owners of the Company arising from:			
Continuing operations		**(714,139)**	(1,429,628)
Discontinued operations		**(717,086)**	(148,274)
		(1,431,225)	(1,577,902)
Losses per share for loss attributable to owners of the Company for the year (expressed in RMB per share)			
Basic losses per share	*8*		
From continuing operations		**(0.21)**	(0.52)
From discontinued operations		**(0.25)**	(0.07)
		(0.46)	(0.59)
Diluted losses per share	*8*		
From continuing operations		**(0.21)**	(0.52)
From discontinued operations		**(0.25)**	(0.07)
		(0.46)	(0.59)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
		2016	2015
	Note	***RMB'000***	*RMB'000*
			Re-presented
			Note 2.1.1
Assets			
Non-current assets			
Property, plant and equipment		**2,407,958**	5,633,576
Intangible assets		**8,849**	359,595
Investments in associates		**246,667**	–
Investments in joint ventures		**–**	505,994
Deferred income tax assets		**40,590**	23,795
Available-for-sale financial assets		**63,330**	27,105
Prepayments, deposits and other receivables		**820,224**	497,878
Restricted cash		**–**	8,495
		3,587,618	7,056,438
Current assets			
Inventories		**30,155**	53,356
Prepayments, deposits and other receivables		**1,131,001**	223,719
Trade receivables	*10*	**103,568**	90,956
Derivative financial instruments		**90,325**	–
Restricted cash		**–**	462,669
Cash and cash equivalents		**904,961**	202,967
		2,260,010	1,033,667
Total assets		**5,847,628**	8,090,105
Equity			
Equity attributable to owners of the Company			
Share capital		**1,068,796**	1,068,796
Other reserves		**(143,963)**	65,457
(Accumulated losses)/retained earnings		**(285,019)**	1,037,434
		639,814	2,171,687
Non-controlling interests		**(27)**	39,309
Total equity		**639,787**	2,210,996

	Note	As at December 31, 2016 RMB'000	2015 RMB'000 Re-presented Note 2.1.1
Liabilities			
Non-current liabilities			
Borrowings	*12*	**4,586,555**	4,424,247
Deferred income tax liabilities		**66,401**	137,882
Trade and notes payable	*11*	**14,161**	37,329
Provisions, accruals and other liabilities		**60,809**	87,897
		4,727,926	4,687,355
Current liabilities			
Trade and notes payable	*11*	**74,199**	372,615
Provisions, accruals and other liabilities		**226,999**	284,855
Current income tax liabilities		**54,141**	4,412
Derivative financial instruments		**20,576**	–
Borrowings	*12*	**104,000**	529,872
		479,915	1,191,754
Total liabilities		**5,207,841**	5,879,109
Total equity and liabilities		**5,847,628**	8,090,105

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, **2016** *RMB'000*	2015 *RMB'000* Re-presented *Note 2.1.1*
Cash flows from operating activities			
Continuing operations			
Cash generated from operations	*12*	**162,742**	480,807
Interest paid		**(382,997)**	(337,903)
Income tax paid		**(69,567)**	(9,055)
Discontinued operations		**(81,057)**	192,223
Net cash (used in)/generated from operating activities		**(370,879)**	326,072
Cash flows from investing activities			
Continuing operations			
Purchases of property, plant and equipment		**(21,621)**	(249,591)
Decrease/(increase) in restricted cash		**462,646**	(324,052)
(Increase)/decrease in financial assets		**(96,422)**	28,324
Proceeds from disposals of subsidiaries		**2,283,724**	45,152
Loans and deposits to third parties		**(375,045)**	(48,482)
Contribution and loans to/acquisition of investments accounted for using equity method		**(277,007)**	(186,111)
Interest received		**20,171**	645
Others		**–**	(235)
Discontinued operations		**(205,736)**	(390,094)
Net cash generated from/(used in) investing activities		**1,790,710**	(1,124,444)

	Note	Year ended December 31, 2016 RMB'000	2015 RMB'000 Re-presented Note 2.1.1
Cash flows from financing activities			
Continuing operations			
Repayments of borrowings		**(930,224)**	(360,095)
Proceeds from borrowings		**491,534**	512,759
Payment for repurchase and cancellation of 2019 Notes		**(110,739)**	–
Cash paid to non-controlling interest for additional interest in subsidiary		**(103,919)**	–
Payments relating to share-based compensation		**(63,706)**	(28,708)
Proceeds from issuance of ordinary shares		**–**	199,963
Others		**(33,206)**	(25,917)
Net cash (used)/generated from financing activities		**(750,260)**	298,002
Net increase/(decrease) in cash and cash equivalents		**669,571**	(500,370)
Cash and cash equivalents at beginning of the year		**202,967**	689,208
Exchange gains on cash and cash equivalents		**32,423**	14,129
Cash and cash equivalents at end of the year		**904,961**	202,967

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") under production sharing contracts ("PSC") and other similar arrangements. The Group currently has two producing oil PSCs in the PRC, an exploration contract and a working interest in the Niobrara shale oil and gas assets in the United States of America (the "USA"). The Group also participates as associates in the exploration, development and production of petroleum assets located in the Republic of Kazakhstan (the "Kazakhstan"), the western Canada and the northern part of the South China Sea in the PRC.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Maples Corporate Services Limited, P.O. Box 309 Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company's shares are listed on the Stock Exchange of Hong Kong Limited ("SEHK").

The financial statements are presented in Chinese Renminbi ("RMB") unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

2.1.1 Re-presentation of comparative figures

In preparing the Company's Consolidated financial statements for the year ended December 31, 2016, the directors of the Company have identified the following matters requiring re-presentation of comparative figures. As a result of the impact on comparatives, prior year financial statements had to be re-presented.

(a) Discontinued operation

On March 5, 2016, the Company, Palaeontol Cooperatief U.A., an indirectly wholly-owned subsidiary of the Company (the "Seller") and Reach Energy Berhad (the "Purchaser" or "REB") entered into a sale and purchase agreement in relation to the disposals of the shares in 60% equity interest in Palaeontol B.V., which holds 100% interest in Emir-Oil LLP ("Emir-Oil"), by the Seller to the Purchaser and the assignment and transfer of the shareholder loans in proportion to the relevant percentage by the Company to the Purchaser. The completion took place on November 25, 2016. The transaction consideration after adjustment at completion was US$175.9 million (equivalent to approximately RMB1,211.0 million).

As Emir-Oil represents the Kazakhstan operation of the Group, the Directors regard the Kazakhstan segment as discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5"). As required under IFRS 5, the comparative figures related to the discontinued operation have been re-presented on a consistent basis accordingly.

(b) Cessation of continuing classifying a subsidiary as disposal group held for sale

On December 31, 2016, the Directors of the Company resolved not to proceed its active program to sell Riyadh, which were initially classified as held for sale on June 30, 2015. The Directors reached the resolution by re-adjusting its strategy regarding assets portfolio. As result of the change in management's intention and strategy, the assets and liabilities related to Riyadh ceased to qualify for the classification as held for sale on December 31, 2016. Under IFRS 5, the assets and liabilities related to Riyadh Energy Limited (Riyadh), are required to be re-presented into individual financial statement line items and re-measured as if Riyadh had not been classified as held for sale.

For the year ended December 31, 2015, the re-measurement would result increases in depreciation, depletion and amortisation by RMB53.7 million and impairment loss by RMB274.8 million, and a decrease in other losses by RMB328.5 million. Retained earnings of the Group as of December 31, 2015 was unchanged due to the re-presentation and re-measurement.

2.1.2 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, 2016:

- Accounting for acquisitions of interests in joint operations — Amendments to IFRS 11
- Clarification of acceptable methods of depreciation and amortisation — Amendments to IAS 16 and IAS 38
- Annual improvements to IFRSs 2012–2014 cycle, and
- Disclosure initiative — amendments to IAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

IFRS 9, "Financial instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

The other financial assets held by the Group include:

- equity instruments currently classified as AFS for which a FVOCI election is available

- equity investments currently measured at fair value through profit or loss (FVPL) which would likely continue to be measured on the same basis under IFRS 9

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group is yet to undertake a detailed assessment, it would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 9 must be applied for financial years commencing on or after January 1, 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before February 1, 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt IFRS 9 before its mandatory date.

IFRS 15, "Revenue from contracts with customers"

The new standard for the recognition of revenue will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service — the application of IFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for certain costs incurred in fulfilling a contract — certain costs which are currently expensed may need to be recognised as an asset under IFRS 15, and

- rights of return IFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

IFRS 15 is mandatory for financial years commencing on or after January 1, 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

IFRS 16, "Leases"

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The new standard is mandatory for financial years commencing on or after January 1, 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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.

3. SEGMENT INFORMATION

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

The Board considers the business performance of the Group from a geographic perspective being the PRC, Kazakhstan and North America. 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. Before the disposal of 60% equity interest in Palaeontol B.V., 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. After the disposal, the Kazakhstan segment derives its share of profit from the remaining 40% equity investment in the Palaeontol B.V.. The North America segment derives its revenue from the sale of shale oil and gas through working interest in the Niobrara asset in the USA and its share of profit from the investment in associate in Canada.

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

The segment information provided to the Board for the reportable segments for the year ended December 31, 2016 is as follows:

	PRC *RMB'000*	Kazakhstan *RMB'000*	North America *RMB'000*	Corporate and others *RMB'000*	Total *RMB'000*
From continuing operations					
Segment revenue	**530,908**	**–**	**4,066**	**–**	**534,974**
Depreciation, depletion and amortization	**(360,141)**	**–**	**(3,258)**	**(461)**	**(363,860)**
Taxes other than income taxes *(Note 4)*	**(2,935)**	**–**	**–**	**(10,479)**	**(13,414)**
Employee benefit expense	**(65,683)**	**–**	**(2,019)**	**(65,589)**	**(133,291)**
Purchases, services and other direct costs	**(102,017)**	**–**	**(3,556)**	**–**	**(105,573)**
Distribution expense	**(18,172)**	**–**	**–**	**–**	**(18,172)**
General and administrative expense	**(20,495)**	**–**	**(2,687)**	**(44,484)**	**(67,666)**
Impairment charges	**(150,245)**	**–**	**(3,083)**	**(81,339)**	**(234,667)**
Other (losses)/gains, net	**(133,952)**	**–**	**(6,188)**	**437,989**	**297,849**
Finance income	**700**	**–**	**3,277**	**13,513**	**17,490**
Finance costs	**(24,724)**	**–**	**(43)**	**(379,184)**	**(403,951)**
Share of profits of investments in associates	**–**	**–**	**35,682**	**–**	**35,682**
Share of profits of investments in joint venture	**–**	**–**	**–**	**(3,382)**	**(3,382)**
(Loss)/profit before income tax	**(346,756)**	**–**	**22,191**	**(133,416)**	**(457,981)**
Income tax expense	**(29,503)**	**–**	**(52)**	**(117,611)**	**(147,166)**
(Loss)/profit for the year from continuing operations	**(376,259)**	**–**	**22,139**	**(251,027)**	**(605,147)**
From discontinued operations					
Loss for the year from discontinued operations	**–**	**(717,086)**	**–**	**–**	**(717,086)**
Loss for the year	**(376,259)**	**(717,086)**	**22,139**	**(251,027)**	**(1,322,233)**

	PRC	North America	Corporate and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**2,998,635**	**9,750**	**2,839,243**	**5,847,628**
Total assets includes:				
Property, plant and equipment	**2,400,696**	**6,053**	**1,209**	**2,407,958**
Intangible assets	**8,849**	**–**	**–**	**8,849**
Investments in associates	**–**	**246,667**	**–**	**246,667**
Additions to non-current assets	**581**	**1,393**	**14**	**1,988**
Total liabilities	**303,611**	**3,972**	**4,900,258**	**5,207,841**

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

	PRC Re-presented	Kazakhstan Re-presented	North America	Corporate and others	Total
	Note 2.1.1	*Note 2.1.1*			
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
From continuing operations					
Segment revenue	716,758	–	5,427	–	722,185
Depreciation, depletion and amortization	(514,655)	–	(5,127)	(457)	(520,239)
Taxes other than income taxes *(Note 4)*	(4,334)	–	(217)	(18,780)	(23,331)
Employee benefit expense	(71,672)	–	–	(72,172)	(143,844)
Purchases, services and other direct costs	(115,687)	–	(5,279)	–	(120,966)
Distribution expense	(20,516)	–	–	–	(20,516)
General and administrative expense	(27,304)	–	(3,798)	(68,129)	(99,231)
Impairment charges	(748,309)	–	(16,705)	–	(765,014)
Other (losses)/gains , net	(15,532)	–	30,733	(63,103)	(47,902)
Finance income	670	–	3,073	15,867	19,610
Finance costs	(85,950)	–	(3,414)	(352,020)	(441,384)
Share of losses of investments in joint venture	–	–	–	(26,627)	(26,627)
(Loss)/profit before income tax	(886,531)	—	4,693	(585,421)	(1,467,259)
Income tax (credit)/expense	121,262	–	–	(144)	121,118
(Loss)/profit for the year from continuing operations	(765,269)	–	4,693	(585,565)	(1,346,141)
From discontinued operations					
Loss for the year from discontinued operations	–	(179,147)	–	–	(179,147)
(Loss)/profit for the year	(765,269)	(179,147)	4,693	(585,565)	(1,525,288)

	PRC	Kazakhstan	North America	Corporate and others	Total
	Re-presented	Re-presented			
	Note 2.1.1	*Note 2.1.1*			
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	3,942,814	3,036,764	47,177	1,063,350	8,090,105
Total assets includes:					
Property, plant and equipment	3,038,383	2,551,430	9,728	34,035	5,633,576
Intangible assets	15,089	343,738	768	–	359,595
Investments in joint venture	–	–	–	505,994	505,994
Additions to non-current assets	10,306	349,407	4,371	12	364,096
Total liabilities	744,088	531,269	4,519	4,599,233	5,879,109

All segment information above re-presented 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 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.

Entity-wide information

Analysis of revenue by category

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
		Re-presented
		Note 2.1.1
Sales of oil and gas	**524,331**	713,480
Provision of services	**10,643**	8,705
	534,974	722,185

For the year ended December 31, 2016, total revenue from crude oil sales in the PRC amounting to RMB519.6 million (2015: RMB707.1 million) are derived solely from PetroChina. Crude oil sales revenues from PetroChina accounted for 97.1% (2015: 97.9%) of the Group's total revenue for the year ended December 31, 2016.

4. TAXES OTHER THAN INCOME TAXES

	2016	2015
	RMB'000	*RMB'000*
		Re-presented
		Note 2.1.1
PRC:		
Urban construction tax and education surcharge	**2,839**	3,849
Others	**96**	484
	2,935	4,333
Corporate and other segments:		
Withholding tax and others *(Note)*	**10,479**	18,998
	13,414	23,331

Note: For the year ended December 31, 2016, all (2015: all) withholding tax is related to interest expense arising from the intra-group loans.

5. OTHER GAINS/(LOSSES), NET

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
		Re-presented
		Note 2.1.1
Gains on disposal of a subsidiary	**526,132**	–
Provisions for receivable	**(252,756)**	(84,447)
Negative goodwill arising from acquisition of an associate	**29,798**	–
Losses on financial instruments	**(19,595)**	–
Gains from write off of payables	**–**	29,387
Others	**14,270**	7,158
	297,849	(47,902)

6. FINANCE COSTS — NET

	Year ended December 31, 2016 *RMB'000*	2015 *RMB'000* Re-presented *Note 2.1.1*
Finance income		
Interest income on deposits	**17,490**	19,610
Finance costs		
Interest expenses at coupon rates/bank rates	**(369,061)**	(352,029)
Amortization of discounts	**(52,066)**	(53,716)
Gains on repurchase of 2019 Notes *(Note 12)*	**41,592**	–
Other fees	**(558)**	(1,607)
	(380,093)	(407,352)
Exchange losses, net	**(23,858)**	(34,032)
	(403,951)	(441,384)
Finance costs — net	**(386,461)**	(421,774)

7. INCOME TAX EXPENSE/(CREDIT)

	Year ended December 31, 2016 *RMB'000*	2015 *RMB'000* Re-presented *Note 2.1.1*
Current income tax — overseas	**115,312**	5,870
Deferred income tax	**31,854**	(126,988)
	147,166	(121,118)

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, 2016	2015
	RMB'000	*RMB'000*
		Re-presented *Note 2.1.1*
Loss before income tax	**(457,981)**	(1,467,259)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(90,440)**	(184,831)
Tax effects of:		
— Income not subject to tax	**(622)**	–
— Expenses not deductible for tax purposes	**10,641**	683
— Tax losses and temporary differences for which no deferred income tax asset was recognized	**163,027**	48,545
— Adjustments in respect of prior years	**64,560**	1,305
— Others	**–**	13,180
Tax charge	**147,166**	(121,118)

The weighted average effective tax rate was -32% (2015: 8%) for the year ended December 31, 2016.

8. 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, 2016	2015
	RMB'000	*RMB'000*
		Re-presented *Note 2.1.1*
Loss for the year attributable to owners of the Company arising from:		
Continuing operations	**(605,367)**	(1,344,056)
Discontinued operations	**(717,086)**	(179,147)
Weighted average number of ordinary shares *(thousands)*	**2,860,410**	2,599,744
Basic loss per share		
Continuing operations	**(0.21)**	(0.52)
Discontinued operations	**(0.25)**	(0.07)
	(0.46)	(0.59)

(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,	
	2016	2015
	RMB'000	*RMB'000*
		Re-presented
		Note 2.1.1
Loss for the year attributable to owners of the Company arising from:		
Continuing operations	**(605,367)**	(1,344,056)
Discontinued operations	**(717,086)**	(179,147)
Weighted average number of ordinary shares *(thousands)*		
Adjustments for:		
— share options *(thousands)*	**2,860,410**	2,599,744
Weighted average number of diluted potential ordinary shares for diluted earnings per share *(thousands)*	**2,860,410**	2,599,744
Diluted losses per share		
Continuing operations	**(0.21)**	(0.52)
Discontinued operations	**(0.25)**	(0.07)
	(0.46)	(0.59)

9. DIVIDENDS

No dividend has been paid or proposed by the Company for the year ended December 31, 2016 (2015: NIL).

10. TRADE RECEIVABLES

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
		Re-presented
		Note 2.1.1
Trade receivables:		
— PetroChina	**43,460**	56,360
— Other third parties	**8,917**	14,030
— Unbilled from PetroChina	**51,191**	20,566
	103,568	90,956
Less: impairment of trade receivables	**–**	–
Trade receivables — net	**103,568**	90,956

The fair value of trade receivables approximates their carrying amount.

The aging analysis of trade receivables were as follows:

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
		Re-presented
		Note 2.1.1
Up to 30 days	**101,771**	82,010
31–180 days	**644**	7,004
Over 180 days	**1,153**	1,942
	103,568	90,956

The Group's trade receivables have credit terms of between 30 days to 180 days. As at December 31, 2016 and 2015, there were no trade receivables past due which are impaired.

At December 31, 2016 and 2015, 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.

The carrying amounts of trade receivables are denominated in the following currencies:

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
		Re-presented
		Note 2.1.1
US$	**487**	5,046
RMB	**103,081**	84,363
KZT	**–**	1,547
	103,568	90,956

11. TRADE AND NOTES PAYABLE

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
		Re-presented
		Note 2.1.1
Trade payables	**88,360**	409,944
Less: non-current portion of trade payables	**(14,161)**	(37,329)
Current	**74,199**	372,615

The aging analysis of the trade and notes payable is as follows:

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
		Re-presented
		Note 2.1.1
Up to 6 months	**52,262**	190,178
6 months–1 year	**4,727**	152,561
1–2 years	**8,184**	51,506
2–3 years	**16,596**	9,884
Over 3 years	**6,591**	5,815
	88,360	409,944

The carrying amounts of trade and notes payable are denominated in the following currencies:

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
		Re-presented
		Note 2.1.1
RMB	**87,940**	138,091
US$	**420**	107,162
KZT	**–**	164,691
	88,360	409,944

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

12. BORROWINGS

(i) Summary of borrowings

	As at December 31, 2016 RMB'000	2015 RMB'000 Re-presented *Note 2.1.1*
Current		
— bank borrowings secured *(Note (a))*	**104,000**	529,872
Non-current		
— senior notes *(Note (b))*	**4,586,555**	4,424,247
	4,690,555	4,954,119

Note (a): The secured bank loans totalling RMB104 million is secured by the Group's right to receive its share of revenue allocated under Daan PSC.

Note (b):

	Coupon rate	Due date	As at December 31, 2016 RMB'000	2015 RMB'000
2018 Notes	6.875%	February 6, 2018	**1,363,390**	1,266,562
2019 Notes	7.5%	April 25, 2019	**3,223,165**	3,157,685
			4,586,555	4,424,247

During the year ended December 31, 2016, the Company repurchased a portion of the 2019 Notes from the open market of US$24.0 million (equivalent to RMB159.1 million) in aggregate principal amount. The purchase consideration paid was US$17.1 million (equivalent to RMB110.7 million) and a gain of US$6.3 million (equivalent to RMB41.6 million) arose by comparing the consideration paid with the unamortized carrying amount of this portion of 2019 Notes (Note 6). On August 12, 2016, the repurchased portion of the 2019 Notes has been cancelled by the Company and as at the date of cancellation, US$476.0 million (equivalent to RMB3,302.0 million) in aggregate principal amount of the 2019 Notes remains outstanding.

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

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

	Bank borrowings	**Senior Notes**	**Total**
Effective interest rate:			
As at December 31, 2016	4.79%	8.86% to 8.99%	4.79% to 8.99%
As at December 31, 2015	1.5% to 7.5%	8.47% to 8.79%	1.50% to 8.79%
Estimated fair value			
As at December 31, 2016	104,000	3,486,007	3,590,007
As at December 31, 2015	529,872	2,061,718	2,591,590

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 at 4.79% (2015: 1.5% to 7.5%) and within level 2 of the fair value hierarchy.

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

(iii) The Group's borrowings were repayable as follows:

	Bank borrowings As at December 31,		**Senior Notes As at December 31,**	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**104,000**	529,872	**–**	–
Between 1 and 2 years	**–**	–	**1,387,400**	–
Between 2 and 5 years	**–**	–	**3,302,012**	4,545,520
	104,000	529,872	**4,689,412**	4,545,520

(iv) The carrying amounts are denominated in the following currencies:

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
		Re-presented
		Note 2.1.1
RMB	**104,000**	96,100
US$	**4,586,555**	4,858,019
	4,690,555	4,954,119

13. CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
		Re-presented
		Note 2.1.1
Loss before income tax	**(457,981)**	(1,467,259)
Adjustments for:		
Gains on disposal of subsidiaries *(Note 5)*	**(526,132)**	–
Depreciation, depletion and amortization	**363,860**	520,239
Interest expenses — net *(Note 6)*	**362,603**	387,742
Provision for receivable	**252,756**	84,447
Impairment loss	**234,667**	765,014
Share of profits from investments in associates	**(35,682)**	–
Share of losses from investments in joint ventures	**3,382**	26,627
Negative goodwill on acquisition of an associate	**(29,798)**	–
Share-based payment to employees	**27,990**	22,098
Exchange loss *(Note 6)*	**23,858**	34,032
Losses on derivative financial instruments	**19,595**	–
Gains on write-off of payables *(Note 5)*	**–**	(29,387)
Others	**(14,270)**	–
Changes in working capital:		
Trade and other receivable	**(123,015)**	298,604
Trade and other payable	**65,516**	(161,413)
Inventories	**(4,607)**	63
Cash generated from operations	**162,742**	480,807

14. COMMITMENTS AND CONTINGENCIES

(a) Commitments

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

	As at December 31, **2016** *RMB'000*	2015 *RMB'000*
Authorized by the Board of Directors but not contracted for	**131,563**	598,993
Contracted but not provided for	**–**	31,377
	131,563	630,370

(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, **2016** *RMB'000*	2015 *RMB'000*
Less than 1 year	**8,846**	10,662
Within 1–2 years	**4,235**	7,680
Within 2–5 years	**472**	7,373
Over 5 years	**–**	52
	13,553	25,767

(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, 2016, 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

2016 marked a volatile year in the oil markets with oil prices hitting multi-year lows in February before rising and stabilizing above US$50/bbl as OPEC stepped in towards the end of the year with a commitment to cut production. The dramatic swings 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 FY2016 work program. In particular, lifting costs in our China oilfields dropped 12.4% to US$8.31/bbl and the production was also stabilized at a better than expected declined rate, while those of Emir Oil project in Kazakhstan decreased 38.5% to US$2.25/bbl. The Group drilled total of 2 new wells in FY2016, in line with our original guidance, while work on Emir-Oil's Central Processing Facility("CPF") completion was been deferred based on mutual agreement made between the shareholders. As of December 31, 2016, the Group operated a total of 2,610 wells, of which, 2,605 are located in China and 5 in the USA. In terms of overall overhead, the total headcount of the Group was reduced from approximately 1,700 as of year-end 2015 to 1,387 as of year-end 2016.

During 2016, the Group divested its stake in Asia Gas & Energy Ltd and a 60% stake in Palaeontol B.V. while acquiring a 37.4% stake in Journey Energy Inc. a Canada listed company and a 34% stake in PetroBroad Copower Limited ("PetroBoard"), a contractor with China National Offshore Oil Company ("CNOOC") who operates a production sharing contract in the South China Sea . Following the acquisition and divestment exercises of the Group, based on the year-end 2016 oil and gas reserves and resources estimates prepared by independent consultants, the Group's Proved+Probable ("2P") oil and gas reserves were 75.1 million BOE, representing a 45% decrease from year-end 2015. The decrease in the Group's 2P oil and gas reserves is largely attributable to the Group's asset sales.

The following table provides a recap of the Group's key operational metrics and product prices for the FY2016:

	FY2016	FY2015	% Change	2016 Guidance
Average Daily Gross Production (barrels of oil equivalent/day)	18,359	20,430	(10.1)%	
Average Daily Net Production (barrels of oil equivalent/day)	10,184	11,153	(8.7)%	
Average Daily Net Oil Production (barrels/day)	9,241	10,153	(9.0)%	9,240–10,540
Average Daily Net Gas Production (Mcf/day)	5,663	6,002	(5.6)%	6,100–7,100
Total Wells Drilled	2	3	(33.3)%	2

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 means total production from all assets of the Group

(3) Net Production means entitled production from all assets of the Group

(4) Only consider first 11 months of FY2016 for Emir-Oil since 60% of equity has been sold during November 2016.

The following table is the summary of the expenditures incurred in our exploration, development and production activities for FY2016:

	Exploration expenditures	Development expenditures	Production/ operating expenditures
		(millions of RMB)	
China Onshore Projects (Daan, Moliqing)	–	14	102
Kazakhstan (Emir-Oil)[1]	77	3	30
USA (Condor)	–	–	4
Total	77	17	136

Note:

(1) Only consider first 11 months of FY2016 for Emir-Oil since 60% of equity has been sold during November 2016.

Review of Operations by Segment

- ***China Operations***

  Oil Projects (Jilin Province: Daan, Moliqing)

  During FY2016, total gross operated production for our two China oil projects, Daan and Moliqing, decreased 12.0% to 14,031 BOPD, as compared to FY2015. Total net production allocated to the Group decreased by 12.2% to 5,872 BOPD, which is within the 2016 annual guidance range of 5,600–6,300 BOPD. In line with the decline in global crude oil prices, the average realized Daqing oil price averaged approximately US$36.73/bbl for FY2016, representing a decrease of 21.3% year-on-year, compared to US$46.65 for FY2015.

  Based on the Group's strategic scale back of capital expenditures ("Capex"), no new wells were drilled for the China oil projects in FY2016. Total net Capex relating to sidetrack horizontal wells, converting development wells to injection wells and other surface engineering incurred was US$4 million.

  Direct lifting costs for Daan and Moliqing decreased US$1.18/barrel, or 12.4%, from US$9.49/barrel for FY2015 to US$8.31/barrel for FY2016 as a result of lower transportation and staff costs costs, as well as enhanced operational efficiency and maintenance scheduling adjustments.

  EBITDA per barrel for our Northeast China projects decreased by US$9.21/barrel, or 29.1%, from US$31.66/barrel for FY2015 to US$22.45/barrel for FY2016. The decline in EBITDA per barrel was primarily due to the drop in average realized oil price, which was partially offset by the decrease in direct lifting cost.

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

  During the 11 months of 2016, gross oil production for Emir-Oil decreased to 3,328 BOPD, 2.5% lower as compared to FY2015, and below the 2016 annual guidance range of 3,600–4,200 BOPD. Gross gas production decreased 5.0% to 5,598 MSCF/day during the first 11 months of 2016, which is also below the 2016 annual guidance of 6,000–7,000 MSCF/day.

  For the first 11 months of 2016, the average realized oil price for Emir-Oil was US$34.85/barrel (FY2015: US$43.95/barrel), with export sales comprising 86% of total sales volume (FY2015: 88%). The average realized export price was US$38.39/barrel (FY2015: US$48.41/barrel) while the average realized domestic price was US$13.25/barrel (FY2015: US$12.02/barrel). Average realized gas price was US$0.78/MSCF (FY2015: US$0.95/MSCF).

The direct lifting cost for Emir-Oil decreased by US$1.41/barrel, or 38.5%, from US$3.66/barrel for FY2015 to US$2.25/barrel for the first 11 months of 2016. The decrease in lifting cost was primarily due to the operation of higher efficiency wells, reduction in administrative expenses, depreciation of Tenge and higher operational efficiencies.

EBITDA per barrel for the export sales oil of Emir-Oil increased by US$8.74/barrel, or 437%, from US$2.00/barrel for FY2015 to US$10.74/barrel for the first 11 months of 2016. The EBITDA per barrel for the domestic sales oil of Emir-Oil increased by US$9.70/barrel, or 184%, from US$(5.29)/barrel for FY2015 to US$4.42/barrel for the first 11 months of 2016. Weighted average EBITDA per barrel for Emir-Oil increased by US$9.08/barrel, or 1681%, from US$0.54/barrel for FY2015 to US$9.62/barrel for the first 11 months of 2016. The increase in EBITDA per barrel was primarily due to the decrease in taxes, distribution and administrative expense and employee compensation costs, as well as lower lifting costs.

In FY2016, Emir-Oil completed 2 exploration wells, Dolinnoe-8 and Yessen-3, as per the requirements under its exploration license. Logs of both wells indicate oil and gas shows, and plans are for these wells to be tested in 2017. Total Capex for Emir-Oil incurred in FY2016 amounted to about US$12 million, which was mainly related to the drilling of the two wells. As agreed between both shareholders, work on Emir-Oil's CPF construction has been deferred.

In January 2017, Emir-Oil and the Kazakhstan Ministry of Energy executed an agreement extending the expiration date of the Aksaz-Dolinnoe-Emir-Kariman ("ADEK") Exploration Contract by three years to January 9, 2020. Under the terms of the contract extension, Emir-Oil will have to drill 6 exploration wells. Based on incremental reserves and resources attributable to prior exploration work within the ADEK area, the Group is excited about the upside potential provided by this exploration contract extension.

- ***USA Operations (Condor) and Others***

There were no drilling activities during FY2016 in our US business. The Group's subsidiary, Condor Energy Technology LLC ("Condor"), operates 5 horizontal wells in the Niobrara project. For FY2016, the average daily operated oil and gas production was 53BOPD and 81MSCF/day, net oil and gas production was 41 BOPD and 65 MSCF/day, respectively. Average realized oil and gas price was US$37.77/barrel and US$2.30/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 2016, as conducted by independent consultants:

1. Comparing with year-end 2015, the Group total net Proved ("1P") oil and gas reserves as of year-end 2016 decreased by 28% to 37.0 million barrels of oil equivalents ("BOE"), while total net Proved + Probable ("2P") oil and gas reserves decreased 45% to 75.1 million BOE, and total net Proved + Probable + Possible ("3P") oil and gas reserves decreased 48% to 93.5 million BOE.

2. The Group's net 1P oil reserves for 2016 decreased 35% to 29.1 million barrels, while 2P net oil reserves decreased 49% to 62.1 million barrels and 3P net oil reserves decreased 51% to 78.9 million barrels respectively. The decrease in 1P net oil reserves, which is 16.02 million barrels, reflects the combined impact of the Group's 2016 total net oil production of 3.27 million barrels, plus the divestment of 60% interest in Emir-Oil, and the Group's greatly reduced drilling program in 2016 for the China oilfields and Emir-Oil.

3. Decreases in reserves are partially offset by the Group's acquisition during 2016 of a 37.4% stake in Journey Energy Inc. ("Journey"), a Canadian exploration and production company. Journey has gross 1P oil and gas reserves as of year-end 2016 of 30.1 million BOE, and gross 2P oil and gas reserves of 47.8 million BOE. On this basis, the Group's net share of reserves in Journey is 11.3 million BOE for 1P oil and gas reserves and 17.9 million BOE for 2P oil and gas reserves respectively.

4. Based on the year-end 2016 reserves estimates reviewed by the independent consultants, the net present value, before tax and discounted at 10% ("NPV10"), of the Group Net 2P oil and gas reserves is approximately US$881 million, which represents a 46% decrease from the NPV10 of US$1.64 billion reported at year-end 2015. This decrease is in line with the continued low oil price environment and strategic asset sales completed by the Group.

The following were the prices used to determine the reserves and resources at the year-end of FY2015 and FY2016:

Segment	Basin	FY2015	FY2016
China — Gobi Energy/ Riyadh Energy	Songliao/Jiayi	Escalated price profile based on average price projections published by Sproule and McDaniel and Associates Consultants Ltd (January 2016) for WTI Crude (US$45/bbl for FY2016 and escalating thereafter). A US$2.55/bbl differential between Daqing and WTI was applied to this average price projection.	Escalated price profile based on price projections published by Moody's Analytics for WTI Crude. An average differential for 2016 between WTI Cushing Spot and Daqing of -$5.94 was used. The differential is assumed to remain constant in the future. Gas price for Moliqing is set by CNPC and is assumed to not be escalated.
Kazakhstan — Emir-Oil	Mangistau	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/bbl 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 2015 (US$0.85/MSCF).	Export oil at escalated price profile based on price projections published by Moody's Analytics for Brent Crude which has been estimated to be $58.00/Stock Tank Barrel in 2017. Domestic oil price reduced by VAT 12% resulting in $17.98/Stock Tank Barrel in 2017. The price is forecast to gradually increase related to Brent price. Domestic gas price $0.77/MSCF has been utilized for solution gas sales and assumed to be constant throughout the report.
US-Condor	Niobrara	Escalated price profile based on average price projections published by Sproule and McDaniel and Associates Consultants Ltd (January 2016) for WTI (US$45/bbl 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.	Escalated price profile based on price projections published by Moody's Analytics. 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. The realized price is estimated to be $48.46/Stock Tank Barrel in 2017.
Canada — Journey	Western Canadian	–	Forecast pricing used is the average of the published price forecasts for GLJ Petroleum Consultants Ltd., Sproule Associates Ltd. and McDaniel & Associates Consultants Ltd. as at December 31, 2016. It is estimated to be $55.00/Stock Tank Barrel WTI Cushing Oklahoma in 2017.

FY2017 Guidance

The following is our preliminary guidance for FY2017. The Group will closely monitor the situation and we may revise our work program as warranted in a timely fashion, based on 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.

	Interest (%)	Numbers of Wells (Gross)	Group Net Capex Investment (millions of US$)	Net Production	Comments
China Onshore Projects (Daan, Moliqing)	90%	17	$17	5,500–6,000 BOPD	• 15 wells in Daan • 2 wells in Moliqing
China Offshore Project (28/03 Block)	34%	–	–	–	
Canada (Journey Energy)	33.6%	14	–	3,394–3,528 BOED (49% liquids)	
USA (Condor)	100%	–	–	30 BOPD 50 MCFD	
Group Total		**31**	**$17**	**8,932–9,566 BOED**	

FINANCIAL RESULTS

The Group's management and shareholders approved the disposal of 60% equity interest in PBV on June 20, 2016. Emir-Oil, which is located in Kazakhstan, is the 100% wholly-owned subsidiary of PBV (collectively, the "PBV Group"). The Kazakhstan operation is recognized as a disposal group and discontinued operation as at December 31, 2016, as Emir-Oil represents the business in Kazakhstan segment, which is a major line of business of the Group. Emir-Oil's operating results from the Kazakhstan operation were recorded as a loss for the period from discontinued operations, and were not included in the results of continuing operations.

Continuing operations

Revenue

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

The Group's revenue from sales of oil and gas decreased by RMB189.2 million, or 26.5%, from RMB713.5 million for 2015 to RMB524.3 million for 2016.

This decrease was mainly due to the significant drop in crude oil prices over 2016 as well as the decrease of the Group's overall sales volumes. Average realized oil price was US$36.74 per barrel for 2016, compared to US$46.6 per barrel for 2015. The Group's total crude oil sales volume was 2.14 million barrels for 2016, compared to 2.46 million barrels for 2015.

The Group's revenue from rendering of technical services is RMB10.6 million for 2016.

- ***China***

  Revenue from our China oil fields decreased from RMB707.1 for 2015 to RMB 519.6 million for 2016. The average realized oil price was US$36.73 per barrel for 2016, compared to US$46.65 per barrel for 2015. Our sales volume was 2.12 million barrels for 2016, compared to 2.44 million barrels for 2015.

- ***North America***

  In 2016, our North America oil fields realized revenue from crude oil sales of RMB3.9 million. The average realized oil price was US$37.77 per barrel, with sales volume of 15,328 barrels. In 2015, our North America oil fields realized revenue from crude oil sales of RMB5.1 million. For 2015, the average realized oil price was US$40.68 per barrel, with sales volume of 20,085 barrels.

  Our North America operations realized revenue from gas sales of RMB0.2 million, with a realized gas price of US$2.30 per MSCF and total gas sales volume of 13,981 MSCF for 2016. In 2015, revenue from gas sales of RMB0.3 million was recorded from realized gas price of US$2.61 per MSCF and total gas sales volume of 20,124 MSCF.

Depreciation, depletion and amortization

The Group's depreciation, depletion and amortization decreased by RMB156.3 million, or 30.0%, from RMB520.2 million for 2015 to RMB363.9 million for 2016. The decrease in depreciation, depletion and amortization was mainly due to: (i) the decrease in sales and production volumes in 2016; (ii) RMB763.8 million and RMB153.3 million impairment provision for the oil and gas properties made in 2015 and in 2016 decreased the net book value and depreciable amount of the company's property, plant and equipment.

Taxes other than income taxes

The Group's taxes other than income taxes decreased by RMB9.9 million, or 42.5%, from RMB23.3 million for 2015 to RMB13.4 million for 2016. The following table summarizes taxes other than income taxes for 2016 and 2015:

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
PRC		
Urban construction tax and education surcharge	**2,839**	3,849
Others	**96**	484
	2,935	4,333
Corporate and other segment		
Withholding tax and others	**10,479**	18,998
	13,414	23,331

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 January 1, 2015. As no sales were realized at or above US$65 per barrel during 2016, no special oil levy was incurred for our China oilfields.

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 RMB10.5 million, or 7.3%, from RMB143.8 million for 2015 to RMB133.3 million for 2016. The decrease in employee compensation costs was primarily due to (i) a reduction of headcount during 2016 which caused wages, salaries and allowances to decrease by RMB4.5 million; and (ii) a decrease in stock appreciation right liabilities of RMB11.2 million as a result of lower share price at the year-end.

Purchases, services and other expenses

Our purchases, services and other expenses decreased RMB15.4 million, or 12.7%, from RMB121.0 million for 2015 to RMB105.6 million for 2016. The decrease in purchase, services and other expenses was primarily due to the decrease in production and sales during 2016.

Distribution expenses

The Group's distribution expenses decreased RMB2.3 million, or 11.2%, from RMB20.5 million in 2015 to RMB18.2 million in 2016. The decrease in distribution expenses was primarily due to the decrease in sales during 2016.

General and administrative expenses

The Group's general and administrative expenses decreased RMB31.5 million, or 31.8%, from RMB99.2 million for 2015 to RMB67.7 million for 2016. The decrease in administrative expenses was primarily due to consulting fee of RMB9.9 million, technical services fee of RMB7.6 million and legal fee of RMB4.5 million for potential project acquisition in 2015.

Impairment charges

Due to significant lower global oil prices in 2016, the Group recognized: (i) impairment charge amounting to RMB150.3 million and RMB3.0 million on the long-live assets (including mineral extractions rights) relating to assets in the PRC and North America respectively, to reflect their carrying value to the respective estimated recoverable amount calculated based on value-in-use; and (ii) an impairment charge amounting to RMB81.3 million on the investment in PetroBroad.

Other (losses)/income

The Group incurred other income of RMB297.8 million for 2016, compared to other loss of RMB47.9 million for 2015. Other income for 2016 arose primarily from: (i) gain on disposal of AGE of RMB526.1 million in July 2016; (ii) gains arising from acquisition of Journey of RMB29.8 million; (iii) provision for bad debts of RMB252.8 million due to long aging receivables and less collectibility; and (iv) losses on derivative financial instruments of RMB19.6 million. Other loss for 2015 includes mainly: (i) provision for bad debts of RMB84.4 million; (ii) gain on acquisition of Condor 20% equity interest and debt restructure between Condor , PEDEVCO Corp. and MIE Jurassic Energy Corporation of RMB29.4 million.

Finance income/(costs), net

The Group's finance income decreased by RMB2.1 million, or 10.7%, from RMB19.6 million for 2015 to RMB17.5 million for 2016.

Finance cost decreased by RMB37.4 million, or 8.5%, from RMB441.4 million for 2015 to RMB404.0 million for 2016.

Share of profit of associate

The Group holds a 34.0% interest in PetroBroad which was purchased in May 2016, 37.4% interest in Journey which was purchased in September 2016, and 40.0% in PBV (60.0% of which was sold in November 2016). These investments are accounted for as associates by the Group and our share of profit of amounted to RMB35.7 million in 2016.

Share of loss of joint ventures

The Group held a 51% interest in SGE before July 2016. This investment was accounted for as a joint venture by the Group and our share of loss of SGE decreased for the period from RMB26.6 million in 2015 to RMB3.4 million for January to July 2016. This is mainly due to lower losses incurred by SGE as SGE realized pilot gas sales in 2016.

Loss before income tax

The Group's loss before income tax was RMB458.0 million for 2016, compared to the loss before income tax of RMB1,467.3 million for 2015. This was primarily due to the cumulative effects of the above factors.

Income tax expense

The Group recorded an income tax expense of RMB147.2 million for 2016, compared to an income tax credit of RMB121.1 million for 2015. This change was primarily due to (i) the tax from the gain on disposal of Pan-China Resources Ltd. in 2014 and AGE in 2016 of RMB63.8 million and RMB54.1 million respectively; and (ii) the increase in loss before income tax in 2016. The effective tax rate for 2016 is -32% compared to an effective tax rate for 2015 of 8%.

Loss for the year from continuing operations

As a result of the foregoing, our net loss for 2016 was RMB605.1 million, compared to a net loss of RMB1,346.1 million for 2015.

Loss for the year from discontinued operations

The Group's net loss for 2016 from discontinued operations was RMB717.1 million, representing the net loss from our Kazakhstan operations, which is recognized as a disposal group and discontinued operation, compared to the net loss of RMB179.1 million for 2015. This change was primarily due to: (i) loss from disposal of 60% equity interest in PBV of RMB358.7 million; (ii) impairment of oil & gas property and intangible assets of RMB335.6 million for 2016, compared to the RMB233.9 million for 2015; and (iii) a foreign exchange gain of RMB85 million recorded in 2015 as net result of the devaluation of the Tenge.

Loss for the year

The Group's net loss for 2016 was RMB1,322.2 million, compared to the net loss of RMB1,525.3 million for 2015.

EBITDA and Adjusted EBITDA

We provide a reconciliation of EBITDA and adjusted EBITDA to profit for 2016, 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, losses from changes in fair value of derivative financial instrument, bad debt provision, geological and geophysical expense, withholding tax arising from intercompany loan, gains from investment in available for sale financial assets, gains on write-off payables, gains arising from acquisition of an associate 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, cash flow 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 from continuing operations to loss before income tax from continuing operations for the years ended December 31, 2016 and December 31, 2015:

	Year Ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Loss before income tax from continuing operations	**(457,981)**	(1,467,259)
Finance income	**(17,490)**	(19,610)
Finance costs	**403,951**	441,384
Depreciation, depletion and amortization	**363,860**	520,239
EBITDA from continuing operations	**292,340**	(525,246)
Value of employee services under stock options schemes	**27,990**	22,098
Assets impairment loss	**234,667**	765,014
Losses from changes in fair value of derivative financial instrument	**19,595**	–
Bad debt provision of receivables, advances, PPE	**252,756**	84,447
Geological and geophysical expense-Share of SGE	**1,227**	15,934
Withholding tax	**10,647**	18,781
Gains from investment in available for sale financial assets	**–**	(1,363)
Gains on write-off payables	**–**	(29,387)
Gain on disposal of subsidiary	**(526,132)**	–
Gains arising from acquisition of an associate	**(29,798)**	–
Adjusted EBITDA from continuing operations	**283,292**	350,278

The Group generated EBITDA of RMB292.3 million for 2016, compared to the RMB(525.2) million EBITDA for 2015. The increase in EBITDA in 2016 was primarily due to: (i) gain on disposal of AGE of RMB526.1 million in 2016; (ii) gains arising from acquisition of an associate of RMB29.8 million; which was offset by: (i) decrease in impairment loss for our oil & gas properties and intangible assets from RMB763.8 million for 2015 to RMB153.3 million for 2016; and (ii) decrease in share of loss of investment accounted for using the equity method from RMB26.6 million for 2015 to RMB3.4 million for 2016.

The Group's adjusted EBITDA decreased by approximately RMB67.0 million, or 19.1%, from approximately RMB350.3 million for 2015 to approximately RMB283.3 million for 2016. The decrease in adjusted EBITDA was also primarily due to the decrease in realized oil price and sales volume.

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

	Year Ended December 31, 2016			
	PRC	**North America**	**Corporate**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loss before income tax from continuing operations	**(346,756)**	**22,191**	**(133,416)**	**(457,981)**
Finance income	**(700)**	**(3,277)**	**(13,513)**	**(17,490)**
Finance costs	**24,724**	**43**	**379,184**	**403,951**
Depreciation, depletion and amortization	**360,141**	**3,258**	**461**	**363,860**
EBITDA from continuing operations	**37,409**	**22,215**	**232,716**	**292,340**
Value of employee services under stock options schemes	**4,853**	**–**	**23,137**	**27,990**
Assets impairment loss	**150,245**	**3,083**	**81,339**	**234,667**
Losses from changes in fair value of derivative financial instrument	**–**	**–**	**19,595**	**19,595**
Geological and geophysical	**–**	**–**	**1,227**	**1,227**
Withholding tax	**–**	**–**	**10,647**	**10,647**
Provision for bad debt	**136,944**	**36,029**	**79,783**	**252,756**
Gain on disposal of subsidiary	**–**	**–**	**(526,132)**	**(526,132)**
Gains arising from acquisition of an associate	**–**	**(29,798)**	**–**	**(29,798)**
Adjusted EBITDA from continuing operations	**329,451**	**31,529**	**(77,688)**	**283,292**

	Year Ended December 31, 2015			
	PRC	North America	Corporate	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loss before income tax from continuing operations	(886,531)	4,693	(585,421)	(1,467,259)
Finance income	(670)	(3,073)	(15,867)	(19,610)
Finance costs	85,950	3,414	352,020	441,384
Depreciation, depletion and amortization	514,655	5,127	457	520,239
EBITDA from continuing operations	(286,596)	10,161	(248,811)	(525,246)
Value of employee services under stock options schemes	5,388	–	16,710	22,098
Assets impairment loss	748,309	16,705	–	765,014
Bad debt provision of receivables, advances	18,926	–	65,521	84,447
Geological and geophysical expense — Share of SGE	–	–	15,934	15,934
Withholding tax	1	–	18,780	18,781
Income from bond investment	–	–	(1,363)	(1,363)
Gains on write-off payables	–	(29,387)	–	(29,387)
Adjusted EBITDA from continuing operations	486,028	(2,521)	(133,229)	350,278

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Group's primary sources of cash during 2016 were cash generated from investing activities.

In 2016, we had net cash used in operating activities of RMB370.9 million, net cash generated from investing activities of RMB1,790.7 million, net cash used in financing activities of RMB750.3 million, an exchange gain on cash and cash equivalent of RMB32.4 million, and a net increase in cash and cash equivalent of RMB669.6 million.

Cash used in/generated from operating activities

Net cash used in operating activities was RMB370.9 million in the year ended December 31, 2016. In the year ended December 31, 2016, our net cash used in operating activities included loss before income tax of RMB458.0 million adjusted for, depreciation, depletion and amortization of RMB363.9 million, net interest expenses of RMB362.6 million, provision for bad debt of RMB252.8 million, gains arising from acquisition of Journey of RMB29.8, employee share option of RMB28.0 million, share of loss from investments in associates of RMB35.7 million, exchange loss of RMB23.9 million, impairment charge of RMB234.7 million, loss on oil hedge options of RMB19.6 million, which was offset by gains on disposal of AGE of RMB526.1 million. The cash movements from changes in working capital which included increase in trade and other payables of RMB65.5 million, an increase in trade and other receivables of RMB123.0 million and an increase in inventories of RMB4.6 million, and interest paid of RMB383.0 million and income tax paid of RMB69.6 million, and net cash used in discontinued operations of RMB81.1 million.

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 RMB1,467.3 million adjusted for, depreciation, depletion and amortization of RMB520.2 million, net interest expenses of RMB387.7 million, provision for bad debt of RMB84.4 million, employee share option of RMB22.1 million, share of loss from investments in joint ventures of RMB26.6 million, exchange loss of RMB34.0 million, impairment charge of RMB765.0 million, offset by gains on write-off payables of RMB29.4 million. The cash movements from changes in working capital which included decrease in trade and other payables of RMB161.4 million, a decrease in trade and other receivables of RMB298.6 million and a decrease in inventories of RMB0.1 million, and interest paid of RMB337.9 million and income tax paid of RMB9.1 million, and net cash generated from discontinued operations of RMB192.2 million.

Cash generated from/used in investing activities

Net cash generated from investing activities in the year ended December 31, 2016 amounted to RMB1,790.7 million, as a result of receipts of proceeds from disposal of subsidiaries of RMB2,283.7 million, decrease in restricted cash of RMB462.6 million, and interest received of RMB20.2 million, which was offset by purchases of property, plant and equipment of RMB21.6 million, increase in financial assets of RMB96.4 million, loan and deposit to third parties of RMB375.0 million, contribution and loans to/acquisition of investments accounted for using equity method of RMB277.0 million, and net cash used in discontinued operations of RMB205.7 million.

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 RMB249.6 million, deposit paid to third parties of RMB48.5 million, contribution and loans to/acquisition of investments accounted for using equity method of RMB186.1 million, increase in restricted cash of RMB324.1 million, net cash outflow from discontinued operations of RMB390.1 million, offset by proceeds from disposal of RMB45.2 million, decrease in financial assets of RMB28.3 million, and interest received of RMB0.065 million.

Cash used in/generated from financing activities

Net cash used in financing activities in the year ended December 31, 2016 amounted to RMB750.3 million primarily due to: (i) repayments of borrowings of RMB930.2 million, (ii) payments relating to share-based compensation of RMB63.7 million, (iii) payment for repurchase and cancellation of 2019 Notes RMB110.7 million, (iv) cash paid to non-controlling interest for additional interest in subsidiary of RMB103.9 million, (v) financing expenses and others of RMB33.2 million, offset by proceeds from borrowings of RMB491.5 million.

Net cash generated from financing activities in the year ended December 31, 2015 amounted to RMB298.0 million primarily due to: (i) proceeds from issuance of ordinary shares of RMB200.0 million, (ii) proceeds from borrowings of RMB512.8 million; and offset by:(i) payments relating to share-based compensation RMB28.7 million, (ii) repayments of borrowings of RMB360.1 million, (iii) financing expenses and others of RMB25.9 million.

As at December 31, 2016, the Group's bank borrowings and Senior Notes amounted to approximately RMB4,690.6 million, representing a decrease of approximately RMB263.5 million as compared to December 31, 2015. Among which, borrowings repayable within one year amounted to approximately RMB104.0 million, representing a decrease of RMB425.9 million as compared to December 31, 2015. All of the Group's bank borrowings and Senior Notes are denominated in RMB and United States Dollars. The Group's bank borrowings and Senior Notes are all at fixed interest rates. No hedging instruments are used for bank borrowings and Senior Notes.

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 from 68.2% as at December 31, 2015 to 85.5% as at December 31, 2016, principally due to a decrease in equity.

Our total borrowings to Adjusted EBITDA ratio, which is defined as total borrowings divided by Adjusted EBITDA increased from 14.14 as at December 31, 2015 to 16.56 as at December 31, 2016.

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 highly volatile international oil prices may have a significant impact on our revenue and profit. During 2016, the Group entered into oil hedge options contracts to manage its price risk.

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.

The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

CHARGES ON GROUP ASSETS

As at December 31, 2016, RMB104.0 million bank loan was secured by the Group's trade receivable of RMB84.7 million. On March 24, 2017, the Group repaid the loan in full.

PROVISION OF LOAN

On December 16, 2016, the Company entered into a loan agreement with Boston-Power, Inc.,(the "Borrower"), pursuant to which the Company agreed to grant a loan of US$30 million to the Borrower for a term of six months at an interest rate of 9% per annum. Subsequent to December 31, 2016 and up to the date of this announcement, US$30 million was drawn by the Borrower. The loan is secured by a pledge over 50% of the shareholding of an indirectly wholly-owned subsidiary of the borrower.

Details of the transaction are set out in the announcement of the Company dated December 19, 2016.

EMPLOYEES

As at December 31, 2016, the Company had 1,387 employees, with 1,371 based in China (Mainland and Hong Kong), 11 based in Kazakhstan and 5 based in USA. There have been no material changes to the information disclosed in the Annual Report 2015 in respect of the remuneration of employees, remuneration policies and staff development.

CONTINGENCIES

On August 28, 2000, MIE entered into a PSC with Sinopec for exploration and development of the Shengli oilfield in Shandong Province. In 2000, MIE began the trial-development phase of its operations at the Shengli oilfield and drilled a dry hole. The project has been suspended since the end of 2004. In April 2005, MIE requested an extension from Sinopec to restart the project at the Shengli oilfield. 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 of at least USD2 million under the PSC. MIE 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.

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended December 31, 2016 (2015: NIL).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company ("AGM") is scheduled to be held on Friday, June 30, 2017. For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Tuesday, June 27, 2017 to Friday, June 30, 2017, 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. (Hong Kong time) on Monday, June 26, 2017, being the last registration date.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's consolidated financial statements for the year ended December 31, 2016 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 December 31, 2016 as set out in the draft 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, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended December 31, 2016, the Company repurchased US$24 million in aggregate of the principal amount of the bonds listed on the Singapore Stock Exchange issued by the Company on April 25, 2014 from the open market. As of August 12, 2016, (i) the repurchased bonds that have been purchased by the Company have been cancelled by the Company; and (ii) US$476 million in aggregate of the principal amount of the bonds remain outstanding.

Save as disclosed above, during the year ended December 31, 2016, neither the Company nor its subsidiaries bought-back, sold or redeemed any other listed securities of the Company.

PROCEEDS FROM PLACING AND SUBSCRIPTION

On October 16, 2015, the Company issued 276,300,000 shares at HK$0.90 per share by way of placing and subscription. The net proceeds after deducting the relevant expenses were approximately HK$245,000,000. The use of proceeds was as follows: (i) approximately 43% was used for the repayment of bank loan; (ii) approximately 57% was used for the supplement of working capital and the general corporate purposes.

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, 2016, except for Code Provision 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, 2016. 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.cn), 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, 2016 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 30, 2017. 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 30, 2017

As at the date of this announcement, the Board comprises (1) the executive directors namely Mr. Zhang Ruilin, Mr. Zhao Jiangwei, 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 Willard Miller and Mr. Guo Yanjun.