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, 2017

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, 2017 ("FY2017").

During FY2017, the oil and gas industry is showing modest recovery and oil price is increasing, the Group's average realized crude oil price was US $48.96/barrel ("bbl"), which was 33.3% higher than that in FY2016. The Group executed its Mergers and Acquisitions (M&A) strategy and made a transformational overseas acquisition, leading to a significant increase in reserves. Based on the year-end 2017 oil and gas reserves estimate prepared by independent consultants, the Group's Proved ("1P") oil and gas reserves were 256 million Barrel Oil Equivalent ("BOE", where 1 BOE = 6,000 standard cubic feet natural gas), representing 593% increase from year-end 2016. The Group's Proved +Probable ("2P") oil and gas reserves were 399 million BOE, representing 431% increase from year-end 2016. The Group's Proved +Probable + Possible ("3P") oil and gas reserves were 431 million BOE, representing 361% increase from year-end 2016. Based on the discount rate of 10%, the net present value of the Group's 2P oil and gas reserves at the end of 2017 (NPV10) was approximately US$1.965 billion, an increase of 123% compared to the US$881 million at the end of 2016.

During FY2017, the top theme for the Group remained liquidity while we optimized the asset portfolio and improved the productivity of existing assets.

On the one hand, the Group strategically acquired overseas oil and gas projects and achieved the integration of valuable assets. The Group successfully acquired the all the partnership interest of CQ Energy Partnership ("CQ Energy") at the end of September 2017. The successful acquisition of CQ Energy contributed towards a significant increase in the Group's sale scale, production, reserves and benefits and its 2P reserves were 334.5 million BOE, accounting for 83.9% of the Group's total reserves and nearly 5.21 times the reserves of other projects in the Group, as of the end of 2017. The strategic acquisition of CQ Energy has greatly enhanced the scale of the Group and achieved the Group's transformation, making the Group an international oil and gas company and enhancing the financial stability and strength of the Group, as well as expanding the geographic coverage into North America natural gas market.

On the other hand, the Group actively communicated with the capital market. Using a combination of our own resources and external support, the Group successfully repaid the senior notes issued in 2013 in principal amount of US$200 million in February 2018.In the current market environment, we also tried our best to dispose of some projects to generate liquidity for the Group needs. In alignment with the Group's strategy, we sold the entire issued share capital of Riyadh Energy Limited ("Riyadh Energy") for US$45 million in December 2017. We will continue to focus on adjusting and optimizing the Group's capital structure, especially the Group's debt structure to protect the long-term and healthy development of the Group.

In the same period, we have implemented a cost leadership strategy for mature projects of the Group, such as the Daan and Moliqing projects in China, engaged our employees to reduce costs and increase efficiency. We were able to stablize the production of old wells and delay the declining trend so as to create strong operating cash flow for the Group. In 2017, the all-in cash cost for the Daan project was US$14.51 per barrel, the overall production declining rate was controlled at 9.22% and the lifting cost and production declining levels were significantly optimized over the previous year, reflecting our disciplined operational management.

On the Group's performance, as a result of the successful acquisition of the CQ Energy (incorporated into the group's financial statements starting from the 2017 Q4), the Group's FY2017 annual oil and gas gross production increased by 43.0% to 9.44 million barrels of equivalent, and net production increased by 87.8% to 6.76 million BOE. Benefitting from the increased production and oil prices, sales revenue of the Group increased by 110.5% to RMB1.126 billion in FY2017. The adjusted EBITDA increased by 22.9%to RMB348 million.

Despite the recent recovery in oil prices, natural gas prices in Canada remain low. The Group is positive about price recovery of oil and gas but remains cautious of the challenges we are facing. The Group will continue to focus on its core areas, diligently improving cost control and productivity and maximizing strategic value and financial returns. We will continue to work hard to balance the company's business development with improving its capital structure. With the joint efforts of all the staff, we are full of confidence in the future of our Group.

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 to our shareholders, bondholders and business partners for your continued trust and support..

Mr. Zhang Ruilin
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31, **2017** *RMB'000*	2016 *RMB'000*
Continuing operations			
Revenue	*3*	**1,125,982**	534,974
Depreciation, depletion and amortisation		**(489,863)**	(363,860)
Exploration and evaluation expense		**(10,737)**	–
Taxes other than income taxes	*4*	**(14,214)**	(13,414)
Employee benefit expense		**(206,510)**	(133,291)
Purchases, services and other direct costs		**(300,435)**	(105,573)
Distribution expense		**(55,689)**	(18,172)
General and administrative expense		**(171,017)**	(67,666)
Impairment charges		**(35,524)**	(234,667)
Other (losses)/gains, net	*5*	**(652,517)**	297,849
Finance income		**49,248**	17,490
Finance costs		**(187,997)**	(403,951)
Share of (losses)/profits of investments in associates		**(63,023)**	35,682
Share of losses of investments in joint ventures		**–**	(3,382)
Loss before income tax		**(1,012,296)**	(457,981)
Income tax expense	*6*	**(87,180)**	(147,166)
Loss for the year from continuing operations		**(1,099,476)**	(605,147)
Discontinued operations			
Loss for the year from discontinued operations		**–**	(717,086)
Loss for the year		**(1,099,476)**	(1,322,233)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets		**8,168**	18,405
Share of other comprehensive income of investments in associates		**(3,758)**	2,799
Currency translation differences		**166,660**	(129,976)
Other comprehensive income/(loss) for the year, net of tax		**171,070**	(108,772)
Total comprehensive loss for the year		**(928,406)**	(1,431,005)

	Note	Year ended December 31, **2017** *RMB'000*	2016 *RMB'000*
Loss for the year attributable to:			
Owners of the Company		**(1,099,476)**	(1,322,453)
Non-controlling interests		**–**	220
		(1,099,476)	(1,322,233)
Loss for the year attributable to owners of the Company arising from:			
— Continuing operations		**(1,099,476)**	(605,367)
— Discontinued operations		**–**	(717,086)
		(1,099,476)	(1,322,453)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(928,406)**	(1,431,225)
Non-controlling interests		**–**	220
		(928,406)	(1,431,005)
Total comprehensive loss attributable to owners of the Company arising from:			
— Continuing operations		**(928,406)**	(714,139)
— Discontinued operations		**–**	(717,086)
		(928,406)	(1,431,225)
Loss per share for loss attributable to owners of the Company for the year (expressed in RMB per share)			
Basic loss per share	*7*		
— Continuing operations		**(0.39)**	(0.21)
— Discontinued operations		**–**	(0.25)
		(0.39)	(0.46)
Diluted loss per share	*7*		
— Continuing operations		**(0.39)**	(0.21)
— Discontinued operations		**–**	(0.25)
		(0.39)	(0.46)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at December 31, 2017 RMB'000	2016 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**7,719,859**	2,407,958
Intangible assets		**708,193**	8,849
Investments in associates		**182,541**	246,667
Deferred income tax assets		**334**	40,590
Available-for-sale financial assets		**67,132**	63,330
Derivative financial instrument		**25,652**	–
Prepayments, deposits and other receivables		**727,966**	820,224
Restricted cash		**43,285**	–
		9,474,962	3,587,618
Current assets			
Inventories		**16,745**	30,155
Prepayments, deposits and other receivables		**751,426**	1,131,001
Trade receivables	*9*	**407,035**	103,568
Derivative financial instruments		**342,763**	90,325
Available-for-sale financial assets		**111,228**	–
Restricted cash		**72,012**	–
Cash and cash equivalents		**132,172**	904,961
		1,833,381	2,260,010
Total assets		**11,308,343**	5,847,628
Equity			
Equity attributable to owners of the Company			
Share capital		**1,068,796**	1,068,796
Other reserves		**47,265**	(143,963)
Accumulated losses		**(1,384,495)**	(285,019)
		(268,434)	639,814
Non-controlling interests		**(27)**	(27)
Total equity		**(268,461)**	639,787

	Note	As at December 31, 2017 RMB'000	2016 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	*10*	**4,520,457**	4,586,555
Deferred income tax liabilities		**589,281**	66,401
Trade and notes payable	*11*	**26,529**	14,161
Provisions, accruals and other liabilities	*12*	**2,620,311**	60,809
Derivative financial instruments		**5,574**	–
Financial liabilities at fair value through profit or loss		**1,067,626**	–
		8,829,778	4,727,926
Current liabilities			
Trade and notes payable	*11*	**392,984**	74,199
Provisions, accruals and other liabilities	*12*	**718,598**	226,999
Current income tax liabilities		**97,233**	54,141
Derivative financial instruments		**9,200**	20,576
Borrowings	*10*	**1,529,011**	104,000
		2,747,026	479,915
Total liabilities		**11,576,804**	5,207,841
Total equity and liabilities		**11,308,343**	5,847,628

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, gas and other petroleum products in the People's Republic of China (the "PRC") under production sharing contract (the "PSC") and in the exploration, development and holding interests in petroleum and natural gas properties directly and through investments in other partnership holdings in oil and natural gas properties or related production infrastructure in Canada. The Group also participates as associates in the exploration, development and production of petroleum assets located in the Republic of Kazakhstan (the "Kazakhstan"), western Canada and the northern part of the South China Sea in the PRC.

On September 29, 2017, Canlin Energy Corporation ("Canlin" or the "Purchaser"), a subsidiary of the Company, completed the acquisition of all the partnership interests in the CQ Energy Canada Partnership ("CQ Energy") (the "Acquisition"). The aggregate purchase price for the Acquisition is C$699.4 million (equivalent to RMB3,735.9 million). The purchase price was paid in cash to the vendors upon completion. A goodwill of RMB724.3 million arose upon completion of the Acquisition.

The Company is a limited liability company incorporated in 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 were listed on the Stock Exchange of Hong Kong Limited ("SEHK") on December 14, 2010.

The financial statements are presented in Chinese Renminbi ("RMB") unless otherwise stated. These financial statements have been approved for issue by the board of directors of the Company (the "Board of Directors") on March 29, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 Going Concern

On December 31, 2017, the Group's current liabilities exceeded its current assets by RMB913.6million, which was mainly due to the approaching maturity of the outstanding principal plus accrued interest of the 2018 Notes in the amount of US$188.0 million (equivalent to RMB1,222.0 million). The Company has repaid the outstanding balance and accrued interests in relation to the 2018 Notes in full upon its maturity on February 6, 2018. The directors of the Company have taken measures and are confident to obtain available sources of long term funding from financial institutions in the foreseeable future. Based on their assessment, the Board of Directors of the Company is of the opinion that the Group has sufficient working capital to enable it to repay its debts as and when they fall due. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

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, 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses — amendments to IAS 12; and

- Disclosure initiative — amendments to IAS 7

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.

The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities.

(b) A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017 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 (FVTPL) 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 an impact on the Group's accounting for financial liabilities, as the new requirements affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group has 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 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 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 1 January 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 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 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. The North America segment derives its revenue from the sale of oil and natural gas in Canada, and 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 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, 2017 is as follows:

	PRC *RMB'000*	North America *RMB'000*	Corporate and others *RMB'000*	Total *RMB'000*
Segment revenue	**657,365**	**468,617**	**–**	**1,125,982**
Depreciation, depletion and amortisation	**(349,853)**	**(139,829)**	**(181)**	**(489,863)**
Exploration and evaluation expense	**–**	**(10,737)**	**–**	**(10,737)**
Taxes other than income taxes *(Note 4)*	**(3,579)**	**–**	**(10,635)**	**(14,214)**
Employee benefit expense	**(65,721)**	**(87,886)**	**(52,903)**	**(206,510)**
Purchases, services and other direct costs	**(98,398)**	**(202,037)**	**–**	**(300,435)**
Distribution expense	**(17,055)**	**(38,634)**	**–**	**(55,689)**
General and administrative expense	**(20,426)**	**(69,261)**	**(81,330)**	**(171,017)**
Impairment charges	**(2,000)**	**–**	**(33,524)**	**(35,524)**
Other (losses)/gains , net	**(78,290)**	**53,521**	**(627,748)**	**(652,517)**
Finance income	**366**	**1,284**	**47,598**	**49,248**
Finance costs	**(57,618)**	**(149,771)**	**19,392**	**(187,997)**
Share of losses of investments in associates	**–**	**(63,023)**	**–**	**(63,023)**
Loss before income tax	**(35,209)**	**(237,756)**	**(739,331)**	**(1,012,296)**
Income tax (expense)/credit	**(105,267)**	**18,303**	**(216)**	**(87,180)**
Loss for the year	**(140,476)**	**(219,453)**	**(739,547)**	**(1,099,476)**
Total assets	**1,991,778**	**7,375,871**	**1,940,694**	**11,308,343**
Total assets includes:				
Property, plant and equipment	**1,788,647**	**5,930,102**	**1,110**	**7,719,859**
Intangible assets	**3,047**	**705,146**	**–**	**708,193**
Investments in associates	**–**	**182,541**	**–**	**182,541**
Additions to non-current assets	**(617,851)**	**6,629,195**	**(99)**	**6,011,245**
Total liabilities	**1,160,834**	**6,354,276**	**4,061,694**	**11,576,804**

The segment information provided to the Board of Directors 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 amortisation	(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 losses 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)/profit for the year	(376,259)	(717,086)	22,139	(251,027)	(1,322,233)

	PRC RMB'000	North America RMB'000	Corporate and others RMB'000	Total 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

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 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.

Entity-wide information

Analysis of revenue by category

	2017	2016
	RMB'000	*RMB'000*
Sales of oil and gas	**1,077,965**	524,331
Provision of services	**48,017**	10,643
	1,125,982	534,974

For the year ended December 31, 2017, total revenue from crude oil sales in the PRC amounting to RMB652.2 million (2016: RMB519.6 million) are derived solely from PetroChina. Crude oil sales revenues from PetroChina accounted for 57.9% (2016: 97.1%) of the Group's total revenue for the year ended December 31, 2017.

4. TAXES OTHER THAN INCOME TAXES

	2017	2016
	RMB'000	*RMB'000*
PRC:		
Urban construction tax and education surcharge	**3,488**	2,839
Others	**91**	96
	3,579	2,935
Corporate and other segments:		
Withholding tax and others *(Note)*	**10,635**	10,479
	14,214	13,414

Note:

During the year, all (2017: all) withholding tax is related to interest expenses arising from the intra-group loans.

5. OTHER (LOSSES)/GAINS, NET

	2017	2016
	RMB'000	*RMB'000*
Gains on disposal of a subsidiary	**46,318**	526,132
Provisions for receivable	**(730,116)**	(252,756)
Gains arising from acquisition of an associate	**–**	29,798
Gains/(losses) on financial instruments	**45,737**	(19,595)
Others	**(14,456)**	14,270
	(652,517)	297,849

6. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current income tax	**(2,867)**	115,312
Deferred income tax	**90,047**	31,854
	87,180	147,166

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.

7. LOSS 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.

	2017	2016
	RMB'000	*RMB'000*
Loss for the year attribute to owners of the company arising from:		
— Continuing operations	**(1,099,476)**	(605,367)
— Discontinued operations	**–**	(717,086)
Weighted average number of ordinary shares *(thousands)*	**2,813,638**	2,860,410
Basic loss per share		
— Continuing operations	**(0.39)**	(0.21)
— Discontinued operations	**–**	(0.25)
	(0.39)	(0.46)

(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.

	2017	2016
	RMB'000	*RMB'000*
Loss attributable to owners of the Company used to determine diluted earnings per share		
— Continuing operations	**(1,099,476)**	(605,367)
— Discontinued operations	**–**	(717,086)
Weighted average number of ordinary shares *(thousands)*	**2,813,638**	2,860,410
Weighted average number of diluted potential ordinary shares for diluted earnings per share *(thousands)*	**2,813,638**	2,860,410
Diluted loss per share		
— Continuing operations	**(0.39)**	(0.21)
— Discontinued operations	**–**	(0.25)
	(0.39)	(0.46)

8. DIVIDENDS

The directors do not propose dividend for the year (2016: Nil).

9. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables from:		
— PSC partners	**79,874**	94,651
— Third parties	**349,691**	8,917
	429,565	103,568
Less: impairment provision *(Note (c))*	**(22,530)**	–
	407,035	103,568

(a) The fair value of trade receivables approximates their carrying amount.

(b) Aging analysis

	2017	2016
	RMB'000	*RMB'000*
Up to 30 days	**195,149**	101,771
31–180 days	**190,529**	644
Over 180 days	**43,887**	1,153
	429,565	103,568

(c) Movements on impairment provision.

	2017
	RMB'000
At January 1,	
Acquisition through business combination	**22,207**
Impairment provision	**1,503**
Amounts written off	**(592)**
Exchange differences	**(588)**
At December 31	**22,530**

The Group grants credit terms of between 30 days to 180 days.

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.

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

	2017	2016
	RMB'000	*RMB'000*
US$	**258**	487
RMB	**86,273**	103,081
C$	**320,504**	–
	407,035	103,568

10. BORROWINGS

	2017	2016
	RMB'000	*RMB'000*
Current		
— Senior notes *(Note (a))*	**1,185,328**	–
— Secured bank loans *(Note (b))*	**260,045**	104,000
— Other loans *(Note (c))*	**83,638**	–
	1,529,011	104,000
Non-current		
— Senior notes *(Note (a))*	**2,034,974**	4,586,555
— Secured bank loans *(Note (b))*	**610,289**	–
— Other loans *(Note (c))*	**1,875,194**	–
	4,520,457	4,586,555
	6,049,468	4,690,555

Note:

(a) Senior Notes

	Coupon rate	Due date	2017	2016
			RMB'000	*RMB'000*
2018 Notes	6.875%	February 6, 2018	**1,185,328**	1,363,390
2019 Notes	7.5%	April 25, 2019	**2,034,974**	3,223,165
			3,220,302	4,586,555

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

During the year ended December 31, 2017, the Company repurchased a portion of the 2018 Notes and 2019 Notes pursuant to a tender offer made to its note holders. The repurchase price paid to 2018 and 2019 Notes validly tendered and accepted by the Company was US$117.6 million (equivalent to RMB791.2 million). A gain of RMB388.2 million arose by comparing the consideration paid to the carrying amount of this portion of 2018 and 2019 Notes.

On July 13, 2017, 2018 Notes and 2019 Notes repurchased by the Company were cancelled. As at the date of cancellation, US$181.7 million (equivalent to RMB1,187.4 million) and US$315.9 (equivalent to RMB2,064.3 million) in aggregate principal amount of the 2018 Notes and 2019 Notes remain outstanding.

On February 6, 2018, the Company repaid in full the 2018 Notes remain outstanding upon its maturity.

(b) Secured bank loans

On September 29, 2017, Canlin, the Purchaser, entered into a senior secured revolving facility (the "Secured Revolving Facility") agreement with a syndicate of banks in an aggregate amount of C$210.0 million (equivalent to RMB1,121.8 million) to finance the Acquisition. The credit facility consists of a C$185.0 million revolving Syndicated facility and a C$25.0 million revolving operating facility.

Subsequently, on December 29, 2017, Canlin entered into an amending agreement of the credit facility to repay the principal amount outstanding under the syndicated facility by an amount no less than C$50.0 million, and to reduce the revolving syndicate facility by C$25.0 million, on or before May 31, 2018. After such reduction, the credit facility will consist of a C$160.0 million revolving syndicated facility and C$25.0 million revolving operating facility.

The revolving period of the Secured Revolving Facility will end on September 28, 2018 and can be extended by an additional 364 days at the request of Canlin subject to the approval by the syndicate of banks. If the Secured Revolving Facility is not extended, the aggregate principal amount will convert into a one year non-revolving term loan and any remaining undrawn portion will be cancelled.

The Secured Revolving Facility provides advances by way of Canadian prime rate loans, US base rate loans, LIBOR based loans and bankers' acceptances. For the year ended December 31, 2017, Canlin drew loans bearing interest at 4.45%, being the Canadian prime rate plus applicable margins determined by Canlin's certain financial ratios when drawn down.

The Secured Revolving Facility is secured by a demand debenture of C$375.0 million providing for a first ranking security interest and floating charge over all the assets and properties of Canlin.

The Secured Revolving Facility contains standard commercial covenants for credit facilities of this nature and does not have any financial covenants. Breach of any covenant will result in default which, if not remedied within specified time, all principal and interest obligations on the Secured Revolving Facility will become due and payable immediately.

The total interest and fees on the Secured Revolving Facility was C$3.4 million (equivalent to RMB17.7 million) and charged to the consolidated income statement for the year ended December 31, 2017.

(c) Other loans

As of December 31, 2017, the other loans were secured as set below:

- Share charge over the entire issued share capital of Gobi held by the Group
- Pledge over the Group's right to receive its share of revenue allocated under the Daan PSC
- Share charge over certain issued share capital of certain subsidiaries of the Group used for investment holding purpose
- Share charge over certain common shares of Canlin held by the Group
- Personal guarantees provided by Mr. Zhang Ruilin, Ms. Zhao Jiangbo and Mr. Zhao Jiangwei for certain loan facilities borrowed by the Group
- Share charge over certain issued share capital in Journey held by the Group
- Share charge over certain issued share capital in PetroBroad Copower Limited ("PetroBroad") held by the Group
- Account charge over certain bank accounts of the Group to ensure the payment of interest and principal when due

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

	Secured bank loans		**Senior Notes**		**Other loans**
	2017	2016	**2017**	2016	**2017**
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***
Within 1 year	**260,045**	104,000	**1,185,328**	–	**83,638**
Between 1 and 2 years	**–**	–	**2,034,974**	1,363,390	**932,185**
Between 2 and 5 years	**610,289**	–	**–**	3,223,165	**943,009**
	870,334	104,000	**3,220,302**	4,586,555	**1,958,832**

(e) Carrying amounts are denominated in the following currencies:

	2017	2016
	RMB'000	*RMB'000*
RMB	**–**	104,000
US$	**4,780,283**	4,586,555
C$	**870,334**	–
HK$	**398,851**	–
	6,049,468	4,690,555

11. TRADE AND NOTES PAYABLE

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**419,513**	88,360
Less: non-current portion of trade payables	**(26,529)**	(14,161)
Current	**392,984**	74,199

(a) Aging analysis

	2017	2016
	RMB'000	*RMB'000*
Up to 6 months	**382,575**	52,262
6 months–1 year	**13,589**	4,727
1–2 years	**6,202**	8,184
2–3 years	**3,300**	16,596
Over 3 years	**13,847**	6,591
	419,513	88,360

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

	2017	2016
	RMB'000	*RMB'000*
RMB	**129,303**	87,940
US$	**1,305**	420
C$	**288,905**	–
	419,513	88,360

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

12. PROVISIONS, ACCRUALS AND OTHER LIABILITIES

	2017	2016
	RMB'000	*RMB'000*
Asset retirement obligations *(Note (a))*	**2,672,886**	15,757
Interest payable	**101,526**	82,477
Salary and welfare payable	**53,149**	22,810
Withholding and other tax payable	**57,532**	46,601
Advance from customers	**548**	–
Other payables *(Note (e))*	**453,268**	120,163
	3,338,909	287,808
Less: non-current portion of		
— Asset retirement obligations	**(2,567,526)**	(15,757)
— Withholding tax payable	**(52,741)**	(45,052)
— Interest payable	**(44)**	–
	(2,620,311)	(60,809)
Current	**718,598**	226,999

(a) Movements of asset retirement obligations

	2017	2016
	RMB'000	*RMB'000*
At January 1,	**15,757**	46,716
Additional provision	**206**	1,354
Acquisitions through business combination	**2,704,135**	–
Disposals of subsidiaries	**(6,065)**	(34,486)
Accretion expenses	**42,375**	2,644
Settlement of obligations	**(12,080)**	–
Exchange differences	**(71,442)**	(471)
At December 31,	**2,672,886**	15,757

(b) At December 31, 2017, included in salary and welfare payable was stock appreciation rights liabilities of RMB0.1 million (2016: RMB4.2 million) both for the Group and the Company.

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

	2017	2016
	RMB'000	*RMB'000*
RMB	**32,488**	116,306
US$	**520,687**	170,616
C$	**2,781,253**	–
HK$	**4,481**	886
	3,338,909	287,808

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

(e) Included in other payables was an amount of RMB65.3 million which was secured over certain available-for-sale financial assets held by the Group.

13. BUSINESS COMBINATION

(a) Summary of the Acquisition

On September 29, 2017, the Group acquired 100% of the partnership interests of CQ Energy for a purchase consideration of approximately C$699.4 million (equivalent to RMB3,735.9 million) from two independent vendors. The CQ Energy owns a diverse base of producing, resource and infrastructure assets located throughout Alberta, Saskatchewan and British Columbia in Canada. As a result of the acquisition, the group is expected to increase its presence in its North American segment.

The total purchase consideration was paid in cash to the vendors upon completion of the Acquisition. The purchase consideration was financed by the cash proceeds from: (1) the issuance of CPS of RMB1,067.6. million by Canlin; (2) net cash proceeds of the Secured Revolving Facility provided by a syndicate banks of RMB1,068.4 million to Canlin; (3) net cash proceeds from internal resources and other general borrowings undertaken by the Company.

Upon completion, a goodwill of RMB724.3 million arose from the acquisition, attributable to acquired customer base and the synergy expected from the integration of the Group's commercial and production resources in North America. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for CQ Energy, the fair value of assets acquired, liabilities assumed at the acquisition date.

	RMB'000
Total consideration	3,735,911
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	178,905
Property, plant and equipment	6,202,062
Current income tax liabilities	(50,641)
Deferred income tax liabilities	(581,796)
Trade and other receivables	320,753
Trade and other payables	(3,057,634)
Total identifiable net assets	3,011,649
Goodwill	724,262

There were no acquisition in the year ended December 31, 2016.

(b) Purchase consideration — cash outflow

	As at December 31, 2017 *RMB'000*
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	3,735,911
Less: Balances acquired	
Cash	(178,905)
	3,557,006

Acquisition-related costs of RMB34.0 million have been charged to general and administrative expense in the consolidated statement of comprehensive income for the year ended December 31, 2017.

The fair value of trade and other receivables is C$60.0 million (equivalent to RMB320.7 million) and includes trade receivables with a fair value of C$44.6 million (equivalent to RMB238.2 million). The gross contractual amount for trade receivables due is C$48.8 million (equivalent to RMB260.7 million), of which C$4.2 million (equivalent to RMB22.2 million) is expected to be uncollectible.

The revenue included in the consolidated statement of comprehensive income since September 29, 2017 contributed by Canlin Energy Corporation was C$89.3 million (equivalent to RMB456.4 million) and also contributed loss of C$10.7 million (equivalent to RMB55.7 million) over the same period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Overview

The world economy recovered moderately, uncertainties such as international political and economic risks increased, the Chinese economy continued to develop steadily, and the supply and demand of the global oil market began to balance in FY2017. West Texas Intermediate ("WTI") oil prices fluctuated within the range of US$42 to US$52 per barrel in the first half of 2017 ("1H2017"). With the fact of Organization of Petroleum Exporting Countries ("OPEC") reducing crude oil production, crude oil prices, the oil and gas industry and the global economy rebounded moderately in the second half of 2017 ("2H2017") and the WTI oil price stabilized at around US$60 per barrel at the end of the year. International oil prices fluctuated widely, and the average oil prices increased significantly year-on-year during the period. However, the US shale gas production and the number of drilling rigs started to rise again, bringing global oil prices uncertainties and potential fluctuations. In such a challenging macro environment, on the one hand, subject to the Group adheres to the principle of stable development as well as strengthening management, controlling costs, and improving operating efficiency, on the other hand, it continuously evaluates strategic investment opportunities globally, optimizes existing asset allocation and acquires valuable strategic assets.

During FY2017 ("Current Period"), the gas and oil operational production and net production of the Group increased sharply compared with the same period in FY2016 ("Prior Period"). The Group's oil and gas production increased by 43.0% to about 9.44 million barrels of oil equivalent ("BOE") compared with the first half of 2016 ("1H2016"). Net oil gas production increased by 87.8% to about 6.76 million BOE compared with the Prior Period. During the Current Period, our crude oil sales decreased by 26.5% to approximately 2.38 million barrels from the Prior Period, while our natural gas sales increased 13.7 times to 25,315.4 million standard cubic feet ("MMscf"). In 2H2017, the Group's acquisition of 100% of partnership interests of CQ Energy Canada Partnership ("CQ Energy") in Canada boosted the Group's oil and natural gas reserves, production capacity and revenue substantially.

The average realized crude oil price of the Group increased by 33.3% to US$48.96 per barrel, with average natural gas prices rising to US$1.50 per thousand metric cubic feet ("Mscf") in Current Period. As the recovery in crude oil prices and the increase in oil and gas production brought about by the acquisition of CQ Energy, the Group's revenue of FY2017 increased by 110.5% to RMB1,126 million compared with the Prior Period. EBITDA recorded a decline of RMB676.0 million from the Prior Period to a loss of RMB383.7 million. The adjusted EBITDA increased by 22.9% to approximately RMB348.1 million in the Current Period. During the Current Period, the Group recorded a net loss of RMB1,099.5 million.

In 2H2017, the Group successfully acquired 100% of the partnership interests of CQ Energy, a Canadian oil and gas exploration and development company with a very comprehensive and mature oil and gas business, through its wholly-owned subsidiary in Canada, Canlin Energy Corporation ("Canlin Energy"). CQ Energy owns a diverse base of producing, resource and infrastructure portfolio located throughout the Western Canadian Sedimentary and Williston basins in Alberta, Saskatchewan, Manitoba, Ontario and British Columbia in Canada. Canlin Energy has an average working interest (average percentage of ownership) of 67% in the relevant asset sand properties in relation to its oil and gas reserves, which as of June 6, 2017 covered an area with gross land coverage of 3,492,600 acres (or net coverage of 2,200,814 acres). CQ Energy possesses natural gas resources producing low decline, long life asset base products and infrastructure. It has vast acreage of undeveloped land and has potential for growth. The acquisition enlarged the Group's business scope from oil production to natural gas production, acquired new profit growth points, and allowed the Group to entered the Canadian market at the same time. Based on the Company's globalization development strategy, the acquisition enhanced oil and natural gas production capacity and improved the Company's profitability and competitiveness.

Completion of the acquisition of 100% of the partnership interests of CQ Energy from the Vendors took place on September 29, 2017. Upon Closing, the partnership arrangement of CQ Energy consequently dissolved by way of operation of law due to having only one partner which being Canlin Energy. The entire business of CQ Energy was transferred to and operated by Canlin Energy.

In 2H2017, the Group disposed of the entire issued share capital of Riyadh Energy Limited ("Riyadh Energy"). The principal business activity of Riyadh Energy is oil and gas development operations in China pursuant to the Moliqing PSC. Riyadh Energy holds 90% of the participating interests in the foreign contractor's entitlement and obligations covering Moliqing block within Jilin oilfield and is the sole operator.

Following the acquisition and divestment exercises of the Group during FY2017, based on the year-end 2017 oil and gas reserves and resources estimate prepared by independent consultants, the Group's Proved +Probable ("2P") oil and gas reserves were 398.71 million BOE, representing 4.31 times increase from year-end 2016. The increase in the Group's 2P oil and gas reserves is largely attributable to the Group's acquisition of CQ Energy.

In FY2017, the Group implemented efficiency management, focused on optimizing the allocation of existing assets, implementing a cost leadership strategy, striving to reduce costs, increasing efficiency, and stabilizing the production of old wells to delay the trend of declining production. In 2017, while the oil prices were significantly higher than the Prior Period, the lifting cost remained stable. Direct lifting costs for Daan and Moliqing increased slightly by 2.0% to US$8.48 per barrel as compared to the Prior Period, As of December 31, 2017, except for over 8,500 production wells belonging to Canlin Energy, the Group operated a total of 2,369 wells, of which 2,364 were located in China and five wells were located in the United States. Taking CQ Energy acquisition and Riyadh Energy disposal into account, the total headcount of the Group increased from 1,387 as of December 31, 2016 to 1,495 as of December 31, 2017.

The following table provides a recap of the Group's key operational metrics and product prices for the FY2017:

	FY2017	FY2016	**% Change**	**2017 Guidance**
Average Daily Gross Production (BOE/day)	**64,664**	18,359	252.2%	
Average Daily Net Production (BOE/day)	**57,297**	10,184	462.6%	8,932–9,566
Average Daily Net Oil Production (barrels/day)	**9,745**	9,241	5.4%	
Average Daily Net NGL Production (barrels/day)	**1,690**	–		
Average Daily Net Gas Production (Mcf/day)	**275,170**	5,663	4,759.1%	

Notes:

(1) For reference purpose only, barrels of oil equivalent is calculated using the conversion factor of six 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) The data of China does not include the last 16 days of 2017 as the Group disposed of Moliqing on December 15, 2017.

(5) The data of Canlin Energy only include the 4th quarter of 2017 since the acquisition completed in September 2017.

The following table is the summary of the expenditures incurred in our exploration, development and production activities for FY2017:

(millions of RMB)	**Exploration expenditures**	**Development expenditures**	**Production/ operating expenditures**
China Onshore Projects (Daan, Moliqing)	–	51	292
USA (Condor)	–	–	4
Canada (Canlin Energy)	–	36	248
Total	–	87	544

Review of Operations by Segment

China Operations (Daan, Moliqing, South China Sea)

By introducing some advanced new technologies and optimizing traditional oilfield development technologies, our projects in northeastern China maintained a relatively high level of production in FY2017. During FY2017, the total gross operated production for our two China oil projects in Daan and Moliqing decreased by 9.5% to 4.65 million barrels as compared to FY2016. Total net production allocated to the Group decreased by 6.6% to 1.98 million barrels. During FY2017, the gross operated production per day decreased by 9.0% to 12,812 BOPD as compared to FY2016, and net production per day allocated to the Group decreased by 7.1% to 5,454 BOPD. With the recovery of international crude oil prices, the average oil price of Daan and Moliqing increased by 33.1% from US$36.73 per barrel in FY2016 to US$48.89 per barrel in FY2017. Based on rising oil prices, there were 15 wells drilled in Daan in FY2017, including 14 vertical wells and 1 horizontal well. Direct lifting costs for Daan and Moliqing increased by US$0.17/barrel, or 2.0%, from US$8.31/barrel for FY2016 to US$8.48/barrel for FY2017. EBITDA per barrel for Daan and Moliqing increased by US$11.93/barrel, or 53.1%, from US$22.45/barrel for FY2016 to US$34.38/barrel for FY2017. The increase in EBITDA per barrel was primarily due to the rise in average realized oil price. Considering the Group's development strategy, the Group disposed of the entire interest in the Moliqing oil project through the disposal of Riyadh Energy in the 2H2017. The free cash flow contributed by the Daan is crucial for the development and operation of the Group's other projects.

As of the end of 2017, the Group had a 34% interest in the South China Sea project. On August 11, 2017, the Ministry of Land and Resources examined and approved our South China Sea project reserve report, and we obtained the approval of the review of the Ministry of Land and Resources on November 30, 2017. At present, the block has commissioned China National Offshore Oil Corporation ("CNOOC") research institute to make the overall development plan ("ODP") and plans to complete the preparation and review of the ODP by the end of 2018. The successful exploration of this block has provided good experience for the operation of MIE in offshore oil fields.

North America Operations

- *Canada (Canlin Energy, Journey)*

  As of the end of 2017, Canlin Energy's 2P reserves were 334.5 million BOE, accounting for 83.9% of the Group's total reserves, and Canlin Energy accounted for 5.21 times the reserves of other projects in the Group. Canlin Energy was consolidated into the Group's financial statements from the fourth quarter of FY2017, and its net annual production was 4.77 million BOE, accounting for 70.5% of the Group's total annual production, Canlin Energy's production in one quarter is about 2.39 times the total annual production of the Group's other projects. The successful acquisition of Canlin Energy has greatly enhanced the scale of the Group and achieved the Group's leap-forward development, making the Group an international large-scale oil and gas company and enhancing the financial stability and strength of the Group.

Canlin Energy is an oil and gas company that prefers natural gas development. Canlin Energy has more than 11,500 oil and gas wells, of which more than 8,500 are producing wells. Daily oil and gas production was 51,811 BOE, of which natural gas and natural gas condensate accounted for about 91.8%, the crude oil accounted for about 8.2%. Daily oil production was 4,262 barrels, daily natural gas condensate production was 1,690 barrels, and daily nature gas production was 275.2 MMscf. Despite average realized gas price was only US$1.50 per Mscf in the fourth quarter 2017, considering the natural growth in global energy demand and the substitution of natural gas for coal and oil as a kind of clean energy, the Group is confident in the development of natural gas.

Canlin Energy has a high level, international and professional management team. To face the current low gas prices, Canlin Energy optimized management, improved staffing and asset allocation, downsized staff and improved efficiency, and strived to reduce lifting costs, satisfactory results were achieved in the fourth quarter of FY2017. As a large-scale oil and gas company in Canada, Canlin Energy's high-quality business management had improved the international management of the Group and improved our ability to further expand our business market in Canada. At present, the focus of the Group's business has shifted from the Chinese market to the Canadian market. The business structure, personnel composition and management methods of the Group will be more international in the future, which would be beneficial to the widening of our global footprint, development of a more balanced oil and gas business portfolio, expansion of our operational capabilities and enhancement of our profile and image as an international energy company.

Journey Energy Inc. ("Journey") planned to drill 14 wells in FY2017, with 14 wells having been completed in FY2017. Daily production increased by 14% to 9,962 barrels per day from 8,712 barrels per day in FY2016. The Group generated investment loss of RMB63.0 million in FY2017.

- *USA (Condor)*

  There were no drilling activities during FY2017 in relation to our US business. The Group's subsidiary, Condor Energy Technology LLC ("Condor"), operates 5 horizontal wells in the Niobrara project. For FY2017, the average daily operated oil and gas production was 38 BOPD and 23 Mscf per day, net oil and gas production was 29 BOPD and 18 Mscf per day, respectively. Average realized oil and gas price was US$47.44 per barrel and US$4.47 per Mscf, respectively.

Kazakhstan Operations (Emir-Oil)

With the recovery of oil prices, six production wells had been opened again in FY2017 and the total number of producing wells was 20 at the end of 2017. Daily production of crude oil decreased by 28.0% from 3,328 barrels per day in FY2016 to 2,396 barrels per day in FY2017.

Review of Reserves

The Group's net reserves evaluation for 2017 year-end shows a significant increase over 2016, primarily driven by the acquisition of CQ Energy Canada Partnership ("CQ", subsequently dissolved by operation of law due to having one partner being the Group's subsidiary, Canlin Energy Corporation or "Canlin"). Highlights of the Group's 2017 yearend reserves are as follows:

1. Overall, the Group's total net Proved ("1P") oil, gas and natural gas liquid ("NGL") reserves increased by 593% to 256 million barrels of oil equivalents ("BOE", where 1 BOE = 6,000 cubic feet gas), total net Proved + Probable ("2P") oil, gas and NGL reserves increased by 431% to 399 million BOE, and total net Proved + Probable + Possible ("3P") oil, gas and NGL reserves increased by 361% to 431 million BOE*(Note)*. The increases in these reserve categories were mainly contributed by the gas and NGL reserves of Canlin properties in the Western Canada Basin.

2. The Group's net 1P oil reserves for 2017 increased by 9% to 31.0 million barrels, while 2P net oil reserves slightly decreased by 2% to 60.0 million barrels and 3P net oil reserves increased by 11% to 86.0 million barrels respectively, reflecting the combined impact of the production of Daan Project and the divestment of Moliqing Project in Jilin Province, China, the revision on Emir-Oil's reserves for 2017 year-end in Kazakhstan and the acquisition of CQ in Canada in 3Q 2017.

3. Canlin's 1P and 2P reserves are 226 million BOE and 335 million BOE respectively for the yearend of 2017 and these reserves represent 88% and 84% of the Group's net 1P and 2P reserves on BOE basis, of which approximately 90% is natural gas and the balance crude oil and NGL. Canlin's highly proved and prolific reserve, long life assets and vast undeveloped lands provide great growth potential for the Group.

4. Based on the 2017 year-end reserves estimates reviewed by independent consultants, the Group's 2P net present value, before tax and discounted at 10% ("NPV10") is approximately US$1.965 billion, which represents 123% increase from the reported 2016 year-end 2P NPV10 value of US$881 million.

Note:

In normal practice, Canada exploration & production companies do not prepare or disclose possible reserves and Canlin and Journey follow the same approach. Accordingly, the Group's total 3P reserves only include the 2P reserves of Canlin and Journey.

The following were the prices used to determine the reserves and resources at the year-end of FY2016 and FY2017:

Segment	Basin	FY2017	FY2016
China — Gobi Energy	Songliao	Escalated price profile based on price projections published by Sproule for WTI Crude. An average differential for 2017 January–November between WTI Cushing Spot and Daqing of –$2.16 was used. The differential is assumed to remain constant in the future.	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.
Kazakhstan — Emir-Oil	Mangistau	Export oil at escalated price profile based on price projections published by GCA for Brent Crude which has been estimated to be $51.31/Stock Tank Barrel in 2018. Domestic oil price is estimated to be $13.67/Stock Tank Barrel in 2018. Domestic gas price $0.62/ MSCF has been utilized for solution gas sales and assumed to be constant throughout the report.	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 price projections published by Sproule. 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 $51.85/ Stock Tank Barrel in 2018.	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.

Segment	Basin	FY2017	FY2016
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 January 1, 2018. It is estimated to be $57.5/Stock Tank Barrel WTI Cushing Oklahoma in 2018.	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.
Canada — Canlin	Canadian	Escalated price profile based on price projections published by Sproule. Canadian Light Sweet Crude 40° API oil price is estimated to be 65.44 $Cdn/bbl in 2018. Albetra AECO-C Spot gas price is estimated to be 2.85 $Cdn/MMbtu in 2018.	

FY2018 Guidance

The following is our preliminary guidance for FY2018. The Group will closely monitor the situation and we may revise our work program as warranted in a timely manner, 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
China Onshore Projects (Daan)	90%	13	9	4,200–4,500 BOPD
— crude oil				4,200–4,500 BOPD
Canada (Canlin Energy)	100%	–	50	47,500–51,170 BOED
— crude oil		–		3,750–4,275 BOPD
— NGL				1,250–1,425 BOPD
— natural gas		–		255,000–272,820 MSCF
USA (Condor)	100%	–		27 BOPD
— crude oil				27 BOPD
Group Total		**13**	**59**	**51,727–55,697 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 provision of services.

The Group's revenue from sales of oil and gas increased by RMB553.7 million, or 105.6%, from RMB524.3 million for 2016 to RMB1,078.0 million for 2017.

This increase was mainly due to the acquisition of CQ Energy in September 2017, which contributed revenue RMB421.8 million during the three months ended December 31, 2017. There was increase in crude oil prices during the course of 2017 as well. Average realized oil price was US$48.96 per barrel for 2017, compared to US$36.74 per barrel for 2016. The Group's total crude oil sales volume was 2.38 million barrels for 2017, compared to 2.14 million barrels for 2016.

The Group's revenue from rendering of services is RMB48.0 million for 2017.

- *PRC*

  Revenue from our China oil fields increased from RMB519.6 million for 2016 to RMB652.2 million for 2017. The average realized oil price was US$48.89 per barrel for 2017, compared to US$36.73 per barrel for 2016. Our sales volume was 1.98 million barrels for 2017, compared to 2.12 million barrels for 2016.

- *North America*

  Canada

  During the three months ended December 31, 2017, our Canada oil fields realized revenue from crude oil sales of RMB130 million. The average realized oil price was US$49.32 per barrel, with sales volume of 392,129 barrels.

  During the three months ended December 31, 2017, our Canada operations realized revenue from gas sales of RMB256 million, with a realized gas price of US$1.50 per MSCF and total gas sales volume of 25.3 BSCF for 2017.

During the three months ended December 31, 2017, our Canada operations realized revenue from NGL sales of RMB27.92 million, with a realized gas price of US$26.64 per barrel and total NGL sales volume of 155,466 barrels for 2017.

During the three months ended December 31, 2017, our Canada oil fields realized revenue from sulphur sales of RMB18.88 million, royalty income of RMB10.96 million, and other revenue (incl. processing income) of RMB21.25 million.

USA

In 2017, our America oil fields realized revenue from crude oil sales of RMB3.2 million. The average realized oil price was US$47.44 per barrel, with sales volume of 9,956 barrels. In 2016, our America oil fields realized revenue from crude oil sales of RMB3.9 million. For 2016, the average realized oil price was US$37.77 per barrel, with sales volume of 15,328 barrels.

Our America operations realized revenue from gas sales of RMB43,025, with a realized gas price of US$4.47 per MSCF and total gas sales volume of 1,428 MSCF for 2017. In 2016, revenue from gas sales of RMB0.2 million was recorded from realized gas price of US$2.30 per MSCF and total gas sales volume of 13,981 MSCF.

Depreciation, depletion and amortization

The Group's depreciation, depletion and amortization increased by RMB126.0 million, or 34.6%, from RMB363.9 million for 2016 to RMB489.9 million for 2017. The increase in depreciation, depletion and amortization was mainly due to the acquisition of CQ Energy in September 2017, which has a depreciation expense of RMB137.2 million during the three months ended December 31, 2017.

Taxes other than income taxes

The Group's taxes other than income taxes increased by RMB0.8 million, or 6%, from RMB13.4 million for 2016 to RMB14.2 million for 2017. The following table summarizes taxes other than income taxes for 2017 and 2016:

	Year ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
PRC		
Urban construction tax and education surcharge	**3,488**	2,839
Others	**91**	96
	3,579	2,935
Corporate and other segments		
Withholding tax and others	**10,635**	10,479
	14,214	13,414

PRC

The Ministry of Finance of the People's Republic of China 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 2017, no special oil levy was incurred for our China oilfields.

Corporate and other segments

Withholding Tax and others

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

Employee compensation costs

The Group's employee compensation costs increased by RMB73.2 million, or 54.9%, from RMB133.3 million for 2016 to RMB206.5 million for 2017. The increase in employee compensation costs was primarily due to acquisition of CQ Energy, which has compensation cost of RMB84.5 million during the three months ended December 31, 2017, and partially offset by the reduction of headcount during 2017.

Purchases, services and other expenses

Our purchases, services and other expenses increased by RMB194.8 million, or 184.5%, from RMB105.6 million for 2016 to RMB300.4 million for 2017. The increase was due to acquisition of CQ Energy, which had purchases, services and other expenses of RMB199.5 million during the three months ended December 31, 2017.

Distribution expenses

The Group's distribution expenses increased by RMB37.5 million, or 206%, from RMB18.2 million in 2016 to RMB55.7 million in 2017. The increase in distribution expenses was primarily due to acquisition of CQ Energy, which has distribution expenses of RMB38.6 million during the three months ended December 31, 2017.

General and administrative expenses

The Group's general and administrative expenses increased by RMB103.3 million, or 152.6%, from RMB67.7 million for 2016 to RMB171.0 million for 2017. The increase in administrative expenses was primarily due to: (i) the acquisition of CQ Energy, which had general and administrative expenses of RMB65.0 million (including transaction fee for acquiring CQ Energy of RMB16.7 million) during the three months ended December 31, 2017; (ii) the other portion of transaction fees incurred in relation to the acquisition of CQ Energy charged on the Company of RMB17.3 million.

Impairment charges

The Group recognized: (i) impairment charge amounting to RMB33.5 million on the investment in PetroBroad; (ii) impairment loss on available-for-sale financial assets amounting to RMB2 million.

Other (losses)/income

The Group incurred other loss of RMB652.5 million for 2017, compared to other income of RMB297.8 million for 2016. Other loss for 2017 arose primarily from the provision for receivables of RMB730.1 million due to long aging and lower collectability, which was offset by (i) gains on disposal of subsidiaries of RMB46.3 million; and (ii) gains on financial instruments of RMB45.7 million; Other income for 2016 includes mainly:(i) gain on disposal of a subsidiary of RMB526.1 million in July 2016; (ii) gains arising from acquisition of Journey of RMB29.8 million, which was offset by (i) provision for receivables of RMB252.8 million due to long aging and lower collectability; and (ii) losses on derivative financial instruments of RMB19.6 million.

Finance income/(costs), net

The Group's finance income increased by RMB31.7 million, or 181.1%, from RMB17.5 million for 2016 to RMB49.2 million for 2017.

Finance cost decreased by RMB216 million, or 53.5%, from RMB404.0 million for 2016 to RMB188.0 million for 2017.

Share of loss of associates

As at December 31, 2017, the Group holds a 34.0% interest in PetroBroad, 31.9% interest in Journey and 40.0% in PBV, respectively. These investments are accounted for as associates by the Group and our share of loss of amounted to RMB63.0 million in 2017.

Loss before income tax

The Group's loss before income tax was RMB1,012.3 million for 2017, compared to the loss before income tax of RMB458.0 million for 2016. This was primarily due to the cumulative effects of the above factors.

Income tax expense

The Group recorded an income tax expense of RMB87.2 million for 2017, compared to an income tax expense of RMB147.2 million for 2016. The effective tax rate for 2017 is negative 9% compared to an effective tax rate for 2016 of negative 32%.

Loss for the year from continuing operations

As a result of the foregoing, our net loss from continuing operations for 2017 was RMB1,099.5 million, compared to a net loss from continuing operations of RMB605.1 million for 2016.

Loss for the year

The Group's net loss for 2017 was RMB1,099.5 million, compared to the net loss of RMB1,322.2 million for 2016.

EBITDA AND ADJUSTED EBITDA

We provide a reconciliation of EBITDA and adjusted EBITDA to profit for 2017, 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 payment to employees, Impairment loss, provision for receivable, geological and geophysical expense, withholding tax, gains/(losses) on derivative financial instruments, gains on disposal of subsidiaries, 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, 2017 and December 31, 2016:

	Year Ended December 31,	
	2017	2016
	RMB'000	*RMB'000*
Not loss for the year from continuing operations	**(1,012,296)**	(457,981)
Finance income	**(49,248)**	(17,490)
Finance costs	**187,997**	403,951
Depreciation, depletion and amortization	**489,863**	363,860
EBITDA from continuing operations	**(383,684)**	292,340
Share-based payment to employees	**20,158**	27,990
Impairment loss	**35,524**	234,667
Provision for receivable	**730,116**	252,756
Geological and geophysical	**–**	1,227
Exploration and evaluation expense	**10,737**	–
Withholding tax	**10,633**	10,647
Gains/(losses) on derivative financial instruments	**(52,390)**	19,595
Gains on disposal of subsidiaries	**(46,318)**	(526,132)
Gains arising from acquisition of an associate	**–**	(29,798)
Others	**23,339**	–
Adjusted EBITDA from continuing operations	**348,115**	283,292

The Group generated negative EBITDA of RMB383.7 million for 2017, compared to the positive EBITDA of RMB292.3 million for 2016. The decrease in EBITDA in 2017 was primarily due to: (i) share of loss of investment accounted for using the equity method of RMB63.0 million for 2017, compared to the gain of RMB32.3 million for 2016; (ii) bad debt provision of receivables of RMB730.1 million for 2017, compared to the amount of RMB252.8 for 2016.

The Group's adjusted EBITDA increased by approximately RMB64.8 million, or 22.9%, from approximately RMB283.3 million for 2016 to approximately RMB348.1 million for 2017. The increase in adjusted EBITDA was primarily due to the acquisition of CQ Energy and the increase in oil price as well.

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

	Year Ended December 31, 2017			
	PRC	North America	Corporate and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loss before income tax from continuing operations	**(35,209)**	**(237,756)**	**(739,331)**	**(1,012,296)**
Finance income	**(366)**	**(1,284)**	**(47,598)**	**(49,248)**
Finance costs	**57,618**	**149,771**	**(19,392)**	**187,997**
Depreciation, depletion and amortization	**349,853**	**139,829**	**181**	**489,863**
EBITDA from continuing operations	**371,896**	**50,560**	**(806,140)**	**(383,684)**
Share-based payment to employees	**5,788**	**–**	**14,370**	**20,158**
Impairment loss	**2,000**	**–**	**33,524**	**35,524**
Provision for receivable	**82,798**	**1,503**	**645,815**	**730,116**
Exploration and evaluation expense	**–**	**10,737**	**–**	**10,737**
Withholding tax	**–**	**–**	**10,633**	**10,633**
Gains on disposal of subsidiaries	**–**	**–**	**(46,318)**	**(46,318)**
Gains on derivative financial instruments	**–**	**(61,677)**	**9,287**	**(52,390)**
Others	**(3,534)**	**6,652**	**20,221**	**23,339**
Adjusted EBITDA from continuing operations	**458,948**	**7,775**	**(118,608)**	**348,115**

	Year Ended December 31, 2016			
	PRC	North America	Corporate and others	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

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Group's primary sources of cash during 2017 were cash generated from financing activities.

In 2017, we had net cash generated from operating activities of RMB40.9 million, net cash used in investing activities of RMB3,959.3 million, net cash generated from financing activities of RMB3,160.8 million, an exchange loss on cash and cash equivalent of RMB15.2 million, and a net decrease in cash and cash equivalent of RMB757.6 million.

As at December 31, 2017, the Group's borrowings from the bank and third parties amounted to approximately RMB6,049.5 million, representing an increase of approximately RMB1,358.9 million as compared to December 31, 2016. Among which, borrowings repayable within one year amounted to approximately RMB1,529.0 million, representing an increase of RMB1,425.0 million as compared to December 31, 2016. All of the Group's borrowings are denominated in RMB, United States Dollars, Hong Kong Dollars and Canadian Dollars. The Group's borrowings all at fixed interest rates. No hedging instruments are used for bank borrowings.

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 85.5% as at December 31, 2016 to 104.8% as at December 31, 2017, 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 16.56 as at December 31, 2016 to 17.38 as at December 31, 2017.

Market Risks

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

Oil and gas price risk

Our realized oil and gas prices are determined by reference to oil and gas prices in the international market, changes in international oil and gas prices will have a significant impact on us. Unstable and highly volatile international oil and gas prices may have a significant impact on our revenue and profit. During 2017, the Group entered into oil and gas 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 Canada subsidiary is in Canadian dollars and all sales are in Canadian dollars. Management is not in a position to anticipate changes in the fluctuations between the Canadian dollar and RMB 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 of December 31, 2017, certain assets, comprising principally oil assets and properties in Alberta, Canada, were pledged to banks as collateral security for banking facilities with outstanding amount of RMB870.3 million. In addition, as of December 31, 2017, certain available for sale financial assets, bank accounts and shares of subsidiaries of the Group were pledged to secure borrowings in the aggregate amount of RMB1,958.8 million.

EMPLOYEES

As at December 31, 2017, the Company had 1,495 employees, with 1,089 based in China (Mainland and Hong Kong), 2 based in USA and 404 based in Canada. There have been no material changes to the information disclosed in the Annual Report 2016 in respect of the remuneration of employees, remuneration policies and staff development.

CONTINGENCIES

On August 28, 2000, MI Energy Corporation ("MI Energy") entered into a PSC with China Petrochemical Corporation ("Sinopec") for exploration and development of the Shengli oilfield in Shandong Province. In 2000, MI Energy 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, MI Energy requested an extension from Sinopec to restart the project at the Shengli oilfield. On September 27, 2006, MI Energy 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 MI Energy had not met its investment commitment of at least US$2 million under the PSC. MI Energy believed 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. On November 17, 2017, the Group completed the sale of entire issued share capital of MI Energy.

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended December 31, 2017 (2016: NIL).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company ("AGM") is scheduled to be held on Friday, May 18, 2018. For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Tuesday, May 15, 2018 to Friday, May 18, 2018, 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, May 14, 2018, 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, 2017 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, 2017 as set out in this 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 this announcement.

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

During the year ended December 31, 2017, the Company repurchased a portion of its 6.875% senior notes due 2018 and 7.5% senior notes due 2019 ("2018 Notes" and "2019 Notes") pursuant to a tender offer made to its noteholders. The repurchase price paid to 2018 and 2019 Notes validly tendered and accepted by the Company was US$117.6 million. On July 13, 2017, (i) 2018 Notes and 2019 Notes repurchased by the Company were cancelled; and (ii) US$497.6 million in aggregate principal amount of the 2018 Notes and 2019 Notes remain outstanding. Subsequently on February 6, 2018, the Company repaid the 2018 Notes that remain outstanding in full upon its maturity.

Save as disclosed above, during the year ended December 31, 2017, neither the Company nor its subsidiaries bought-back, sold or redeemed any other listed securities of the Company.

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, 2017, 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, 2017. 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, 2017 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, May 18, 2018. Notice of the AGM will be published and sent to shareholders of the Company in due course.

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

Hong Kong, March 29, 2018

As at the date of this announcement, the Board comprises (1) the executive directors namely Mr. Zhang Ruilin and Mr. Zhao Jiangwei; (2) the non-executive directors namely Ms. Xie Na and Mr. Jiao Qisen; and (3) the independent non-executive directors namely Mr. Mei Jianping, Mr. Jeffrey Willard Miller and Mr. Guo Yanjun.