MIE HOLDINGS CORPORATION
MI能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1555)

ANNOUNCEMENT
ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2021

SUMMARY OF OPERATIONAL AND FINANCIAL PERFORMANCE

	Year ended December 31,			
	2021	2020	**Change**	**% Change**
Average realized price of crude oil *(US$ per barrel)*	**64.06**	38.60	25.46	66.0%
Average realized price of natural gas *(US$ per Mscf)*	**6.63**	6.20	0.43	6.9%
Gross production of crude oil *(million barrels)*	**4.80**	4.63	0.17	3.7%
Net production of crude oil *(million barrels)*	**2.48**	2.18	0.30	13.8%
Net sales of crude oil *(million barrels)*	**2.45**	2.13	0.32	15.0%
Average daily net crude oil production*(barrels)*	**6,799**	5,944	855	14.4%
Wells drilled during the year *(Gross)*	**154**	29	125	431.0%
Revenue *(RMB'000)*	**1,017,835**	572,471	445,364	77.8%
Loss for the year *(RMB'000)*	**(338,361)**	(1,351,313)	1,012,952	–75.0%
Basic loss per share *(RMB per share)*	**(0.10)**	(0.41)	0.31	–75.6%
EBITDA *(RMB'000)*	**810,613**	(247,952)	1,058,565	N/A
Adjusted EBITDA *(RMB'000)*	**652,084**	270,994	381,090	140.6%

Successful Debt Restructuring of the Company

In 2021, MIE Holdings Corporation (the "**Company**") has been involved in extensive negotiations with creditors to restructure the Group's financial indebtedness ("**Debt Restructuring**"). As a result of such negotiations, the Company entered into the Restructuring Support Agreement ("**RSA**") with certain holders of Existing Notes and creditors of existing loans to support the Debt Restructuring.

Pursuant to the RSA, the Company applied to the Grand Court of the Cayman Islands (the "**Court**") and the Court directed that a meeting ("**Cayman Scheme Meeting**") be convened for the purposes of considering and, if thought fit, approving a scheme of arrangement with the Noteholders ("**Scheme**"). On March 17, 2022, the Cayman Scheme Meeting was held and the Scheme was approved by the Cayman Scheme creditors. On March 25, 2022, the Court made an order to sanction the Scheme ("**Scheme Sanction Order**").

Following the Scheme Sanction Order, on March 30, 2022, the Company announced that each of the conditions of the Debt Restructuring has been satisfied and/or waived, the restructuring of the Existing Notes and the existing loans became effective. The Existing Notes had been cancelled and the new notes representing USD$272,871,159 senior notes ("**New Notes**") had been issued by the Company. The New Notes had been listed on the Singapore Exchange Securities Trading Limited ("**SGX**") on March 31, 2022. Accordingly, the Company has made an application to the SGX for the withdraw of the listing of the Existing Notes. For further details, please refer to the Company's announcements dated February 23, March 18, March 28 and March 30, 2022 respectively.

As a result of the Debt Restructuring, the financial position of the Company and its subsidiaries (together, the "**Group**") will be significantly improved as summarized below:

(i) payable but unpaid ordinary interest and fees as at June 30, 2020 of approximately RMB357.1 million has been capitalised into the principal amount of respective financial indebtedness;

(ii) all accrued default interest and any ordinary interest accrued from July 1, 2020 totaling approximately RMB1,344.4 million have been waived, which will be recorded as a gain;

(iii) the Group's financial indebtedness has been reduced to approximately RMB3,884.7 million;

(iv) Defaults under Notes and loan documents have been waived. Terms of the Notes and loans have been extended to December 31, 2024, which will be automatically extended to February 29, 2028 once the conditions under the modification and supplemental agreement for the PSC regarding the Daan Oilfield in China ("**Supplemental PSC**") are satisfied;

(v) Subject to the completion of the announced sale of 40% interest of Palaeontol B.V. (the "**PBV**") and the certain related receivables, the transaction consideration of US$55.0 million will offset, on a dollar-for-dollar basis, against certain outstanding debt of the Group, which will further reduce the Group's financial indebtedness to approximately RMB3,534.0 million.

2022 Guidance

On June 4, 2020, the Group and China National Petroleum Corporation (the "**CNPC**") signed a Supplemental PSC, conditionally extending the commercial production period of Daan from December 31, 2024 to February 29, 2028 (being the PSC expiration date). Pursuant to the Supplemental PSC, the Group will continue to operate the Daan Oilfield and shall invest in and drill a minimum of 268 wells within three years after the effective date of the Supplemental PSC. As at December 31, 2021, the Group has completed the drilling of 183 new wells, and the remaining 85 new wells are expected to be completed within 2022.

Our 2022 capex and production guidance is set out in the table below.

	Interest *(%)*	Numbers of Wells *(net)*	Group Net Capex Investment *(millions of US$)*	Net production *(Note)*
China Onshore Projects (Daan, Moliqing) — Crude oil	Daan foreign contractor 100%	85	73	6,000–7,000 barrels/day
	Moliqing foreign contractor 10%	3	7	120–220 barrels/day
Group Total		**88**	**80**	**6,120–7,220 barrels/day**

Notes: The Group's net production is affected by the proportion of production share allocated to the Group under the PSC, which is affected by oil prices. Therefore, net production will decrease as oil prices rise, and vice versa.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Revenue from contracts with customers	*3*	**1,017,835**	572,471
Depreciation, depletion and amortisation		**(263,924)**	(250,159)
Taxes other than income taxes	*4*	**(17,639)**	(6,815)
Employee benefit expenses		**(101,870)**	(101,911)
Purchases, services and other direct costs		**(262,799)**	(204,260)
Net impairment losses on financial assets		**(17,732)**	(3,740)
Reversal of/(provision for) impairment losses on assets		**183,713**	(506,748)
Other gains, net		**9,105**	3,051
Interest and other income		**17,773**	35,343
Finance costs		**(802,887)**	(845,954)
Loss before income tax		**(238,425)**	(1,308,722)
Income tax expense	*5*	**(99,936)**	(42,591)
Loss attributable to owners of the Company for the year		**(338,361)**	(1,351,313)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**55,477**	179,035
Items that will not be reclassified to profit or loss			
Change in the fair value of equity instruments at fair value through other comprehensive income		**7,925**	(32,718)
Currency translation differences		**70,398**	172,250
Other comprehensive income for the year, net of tax		**133,800**	318,567
Total comprehensive losses attributable to the owners of the Company for the year		**(204,561)**	(1,032,746)
Loss per share for loss attributable to ordinary equity holders of the Company for the year (expressed in RMB per share)			
— Basic	*6*	**(0.10)**	(0.41)
— Diluted	*6*	**(0.10)**	(0.41)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**1,573,534**	1,079,358
Intangible assets		**54,121**	58,582
Right-of-use assets		**6,215**	12,504
Deferred income tax assets		**–**	816
Financial assets at fair value through other comprehensive income		**15,498**	7,841
Prepayments, deposits and other receivables		**1,847**	361,030
Restricted cash		**17,831**	4,002
		1,669,046	1,524,133
Current assets			
Inventories		**19,466**	20,666
Prepayments, deposits and other receivables		**40,439**	31,239
Trade and notes receivables	*8*	**85,132**	51,717
Restricted cash		**63,761**	43,224
Cash and cash equivalents		**36,495**	20,353
		245,293	167,199
Assets of disposal group classified as held for sale		**350,356**	–
		595,649	167,199
Total assets		**2,264,695**	1,691,332
Equity			
Equity attributable to owners of the Company			
Share capital		**1,101,249**	1,101,249
Other reserves		**371,053**	233,266
Accumulated losses		**(5,445,007)**	(5,106,646)
Total shareholders' deficit		**(3,972,705)**	(3,772,131)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at December 31, 2021 RMB'000	2020 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities		**1,604**	4,990
Deferred income tax liabilities		**282,399**	213,320
Trade and notes payables	*9*	**120,432**	32,840
Provisions, accruals and other liabilities		**110,660**	153,723
		515,095	404,873
Current liabilities			
Trade and notes payables	*9*	**374,070**	325,561
Provisions, accruals and other liabilities		**1,665,845**	1,037,923
Lease liabilities		**4,822**	8,163
Current income tax liabilities		**19,320**	810
Borrowings	*10*	**3,597,474**	3,686,133
		5,661,531	5,058,590
Liabilities of disposal group classified as held for sale		**60,774**	–
		5,722,305	5,058,590
Total liabilities		**6,237,400**	5,463,463
Total shareholders' deficit and liabilities		**2,264,695**	1,691,332

NOTES

1. GENERAL INFORMATION

MIE Holdings Corporation (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 and its subsidiaries (together, the "Group") are principally engaged in the exploration, development, production and sale of crude oil in the People's Republic of China (the "PRC") under production sharing contracts (the "PSCs"). The Group also participates as associates in the exploration, development, production and sale of petroleum and other petroleum products located in the Republic of Kazakhstan (the "Kazakhstan").

The Group is indirectly controlled by Far East Energy Limited ("FEEL"), which owns 44.95% of the Company's shares and is also the ultimate parent company of the Group. FEEL is a limited liability company incorporated in Hong Kong and its ultimate benefit owners are Mr. Zhang Ruilin, Mr. Zhao Jiangwei and Ms. Zhao Jiangbo ("Mrs. Zhang", Mr. Zhang Ruilin's spouse).

The Company's shares have been listed on the Stock Exchange of Hong Kong Limited since December 14, 2010.

Unless otherwise stated, the financial statements are presented in Chinese Renminbi ("RMB"). These financial statements have been approved for issue by the board of directors of the Company (the "Board of Directors") on March 31, 2022.

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 ("IFRS") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, except certain financial assets measured at fair value as disclosed in the accounting policies below.

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

In recent years, the Group's performance was significantly affected by the high borrowing costs associated with general funding and re-financing activities and the volatility of the price of crude oil. During the year, the Group incurred a net loss of RMB338.4 million. As at December 31, 2021, the Group's current liabilities exceeded its current assets by RMB5,126.7 million and there was a deficit on the shareholders' funds of RMB3,972.7 million. As at the same date, the Group had total borrowings of RMB3,597.5 million, all of which were recorded under current liabilities, comprising (1) senior notes listed on the SGX for the principal amount of US$248.4 million (equivalent to approximately RMB1,583.7 million) with a contractual due date on April 12, 2022 (the "2022 Senior Notes"); and (2) secured borrowings totalling RMB2,013.8 million. As at December 31, 2021, the Group had bank balances totalling RMB118.1 million, of which RMB36.5 million was unrestricted.

On May 11, 2020, the Group did not pay the interest accrued on the 2022 Senior Notes that was due on April 12, 2020, which resulted in an event of default by the Group after the expiry of the 30-day grace period. This event of default also triggered the cross-default of all the secured borrowings of the Group as mentioned in (2) above (the "Cross-Defaulted Borrowings"). As a result, the entire balance of the principal and related outstanding interest due on the 2022 Senior Notes and the Cross-Defaulted Borrowings were classified as current liabilities from that date. In addition, all the Cross-Defaulted Borrowings were also subsequently defaulted on a stand-alone basis because of non-payment at their respective due dates. During the year, the Group paid a portion of the outstanding interest amounting to US$11.0 million (equivalent to approximately RMB71.1 million) on one of the Cross-Defaulted Borrowings and no additional borrowings were undertaken by the Group subsequent to May 11, 2020.

The Group has actively negotiated with all lenders of the Cross-Defaulted Borrowings (the "Lenders") and certain key noteholders which held 72% of the outstanding 2022 Senior Notes principal amounts (the "Key Noteholders") to undertake a debt restructuring (the "Debt Restructuring Plans") of the Cross-Defaulted Borrowings and the 2022 Senior Notes. The Debt Restructuring Plans include three key stages: (I) obtaining the support from the Lenders and noteholders by entering into a restructuring support agreement (the "RSA") that sets out the revised terms of the Cross-Defaulted Borrowings and the 2022 Senior Notes (the "Stage (I)"); (II) completing the restructuring of the 2022 Senior Notes by obtaining a sanction order from the Grand Court of the Cayman Islands (the "Cayman Court") on the scheme of arrangement under the jurisdiction of the Cayman Islands (the "Cayman Scheme") (the "Stage (II)"); and (III) completing the relevant legal procedures, including the signing of relevant agreements revising the terms of the Cross-Defaulted Borrowings and the 2022 Senior Notes in accordance with the terms of the RSA ("New Finance Documents") (the "Stage (III)").

In relation to Stage (I), the Group entered into the RSA with the Lenders and Key Noteholders. On October 28, 2021, the RSA was publicly announced in order to encourage the remaining noteholders to also accede to the RSA. Following this announcement, as at December 31, 2021, the Lenders together with noteholders which held 89.59% of the 2022 Senior Notes principal amounts, have acceded to the RSA (together the "Consenting Creditors"). The Consenting Creditors have agreed in principle to the revised terms in the RSA from the effective date of the Debt Restructuring Plans as set out in Note 10.

Under the RSA, the Consenting Creditors have undertaken not to take any actions against the Group to require immediate payment of the outstanding principals or interest and the Group is required to execute the aforementioned stages to complete the Debt Restructuring Plans. Should the Group not meet these obligations, then the RSA becomes void and all amounts will become repayable immediately.

As at December 31, 2021, Stage (II) and Stage (III) of the Debt Restructuring Plans referred to above were still ongoing.

The above events and conditions indicate the existence of material uncertainties which may cast significant doubt regarding the Group's ability to continue as a going concern. In view of such circumstances, management has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern, and have taken the following measures to mitigate the liquidity pressure and to improve its cash flows:

(a) With regards to Stage (II) of the Debt Restructuring Plans, the Company obtained the sanction order of the Cayman Scheme from the Cayman Court on March 25, 2022 following a meeting held on March 17, 2022 whereby noteholders representing 96.02% of the total outstanding principal amount of the 2022 Senior Notes voted in favour of the Cayman Scheme.

    In respect of legal procedures under Stage (III) of the Debt Restructuring Plans, the New Finance Documents have been signed by relevant parties and the Company has obtained a waiver on March 14, 2022 from the Key Noteholders of the need to file a petition for the recognition of the Cayman Scheme (the "Recognition Order") in the Bankruptcy Court of New York City, the United States of America (the "NY Bankruptcy Court") before the effective date of the Debt Restructuring Plans as required under the RSA provided that the Company uses all commercially reasonable endeavours to secure such filing as soon as practicable.

    The Debt Restructuring Plans became effective on March 30, 2022 after completion of the relevant legal procedures, including the signing of the New Finance Documents and the waiver of the requirement to obtain the Recognition Order. The Company expects that the Recognition Order will be made by the NY Bankruptcy Court on or around April 12, 2022;

(b) The Group will continue drilling new wells to fulfill the requirements for a minimum number of new wells to be drilled in the Daan oilfield as agreed with CNPC within a period of three years from June 2020 in order to successfully extend the expiry date of the production sharing contract (the "PSC") with CNPC from December 31, 2024 to February 29, 2028. As a result, management expects the Group will be able to receive approval from CNPC by the end of 2022 and to improve its operation cash flows through increased production, based on the projected level of crude oil prices in the cashflow projection;

(c) On January 20, 2022, the Group announced that it has entered into a disposal agreement (the "Disposal Agreement") with a third party (the "Purchaser"), which is one of the Lenders of the Cross-Defaulted Borrowings, to dispose of the Group's 40% equity interest in an associate, PBV, together with certain related receivables (the "Disposal Assets Group"). The Disposal Assets Group had been pledged as collateral for the outstanding principal balance of HK$466.8 million (equivalent to approximately US$59.8 million) due to the Purchaser. The consideration of US$55,000,000 for this disposal will be net off against the above mentioned outstanding principal amount. The completion of this disposal is subject to the approval of the relevant governmental or regulatory bodies, other shareholders of the associate and the Company's shareholders at an extraordinary general meeting; and does not impact the execution of the Debt Restructuring Plans as stipulated in the RSA; and

(d) The Group will also continue to seek other alternative financing to finance the settlement of its existing financial obligations and future operating and capital expenditure.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from December 31, 2021. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations when they fall due within the next twelve months from December 31, 2021. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern will depend upon the following:

(i) the Company's ability to obtain the Recognition Order as soon as practicable; as well as to continuously comply with the terms and conditions of the New Finance Documents since the failure to comply may result in a new event of default, where immediate repayment of the outstanding principals and interest will be triggered;

(ii) the actual crude oil prices throughout the forecast period being in line with the projected levels included in the cashflow projections;

(iii) successfully receiving the required approval from the relevant governmental or regulatory bodies, other shareholders of the associate and the shareholders of the Company for the completion of the Disposal Agreement; and

(iv) the Group's ability to generate operating cashflows and to obtain additional sources of financing, other than those mentioned above, to finance the Group's oil exploration and production business, including capital expenditure needed to drill new wells, as well as other funding needs.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

2.1.2 New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing January 1, 2021:

- Interest Rate Benchmark Reform — Phase 2 — amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.1.3 New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. SEGMENT INFORMATION

(a) Description of segment

The chief operating decision-maker (the "CODM") has been identified as the Board of Directors and chief executive of the Company who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM considers the business performance of the Group from a geographic perspective. There is only one segment which is principally engaged in exploration, development, production and sale of oil under PSCs in the PRC.

(b) Revenue from contracts with customers

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Entity-wide information		
Analysis of revenue by category		
Timing of revenue recognition		
At a point in time		
— Sales of crude oil	**1,014,683**	570,310
— Provision of services and others	**3,152**	2,161
	1,017,835	572,471

All of the Group's revenue is derived in the PRC during the year.

For the year ended December 31, 2021, total revenue from crude oil sales in the PRC are derived solely from PetroChina Company Limited ("**PetroChina**"). Crude oil sales revenues from PetroChina accounted for 99.7% of the Group's total revenue (2020: 99.6%).

As at December 31, 2021, the non-current assets of the Group are mainly located in the PRC.

4. TAXES OTHER THAN INCOME TAXES

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
PRC:		
Petroleum special profit charge *(Note (a))*	**9,581**	–
Urban construction tax and education surcharge	**4,502**	3,016
Others	**91**	88
	14,174	3,104
Corporate and others:		
Withholding tax and others *(Note (b))*	**3,465**	3,711
	17,639	6,815

Note:

(a) According to the relevant tax rules and regulations, the proceeds from sale of crude oil in the mainland China derived by the Group is subject to petroleum special profit charge when the selling price is above US$65/barrel (2020: Nil).

(b) Withholding tax is charged based on the interest income on the shareholder's loan to an associate.

5. INCOME TAX EXPENSE

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Current income tax	**30,041**	3,074
Deferred income tax	**69,895**	39,517
	99,936	42,591

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.

6. LOSS PER SHARE

(a) Basic

	Year ended December 31,	
	2021	2020
Loss for the year attributable to owners of the Company used to determine basic loss per share *(RMB'000)*	**(338,361)**	(1,351,313)
Weighted average number of ordinary shares *(Thousands)*	**3,257,445**	3,257,428
Basic loss per share *(RMB)*	**(0.10)**	(0.41)

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

(b) Diluted

The Group made a loss during the year. The effect of share options was anti-dilutive and is excluded from the calculation of the diluted loss per share. The diluted loss per share is calculated in the same way with the basic loss per share.

7. DIVIDENDS

The Board of Directors did not propose a dividend for the year (2020: Nil).

8. TRADE RECEIVABLES

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables from:		
— PSC partner	**83,046**	50,252
— Third parties	**2,086**	1,465
	85,132	51,717
Less: loss allowance	**–**	–
	85,132	51,717

(a) Fair values

The fair value of trade receivables approximates their carrying amounts.

(b) Aging analysis

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Up to 30 days	**83,767**	50,987
Over 180 days	**1,365**	730
	85,132	51,717

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.

9. TRADE AND NOTES PAYABLES

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Trade and notes payables	**494,502**	358,401
Less:		
Non-current portion of trade and notes payables	**(120,432)**	(32,840)
Current	**374,070**	325,561

(a) Aging analysis

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Up to 6 months	**367,574**	162,972
6 months–1 year	**58,493**	34,213
1–2 years	**19,741**	100,180
2–3 years	**24,425**	39,236
Over 3 years	**24,269**	21,800
	494,502	358,401

(b) Fair values

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

10. BORROWINGS

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Current		
— 2022 Senior Notes	**1,583,686**	1,620,746
— Secured borrowings	**2,013,788**	2,065,387
	3,597,474	3,686,133

On May 11, 2020, the Group did not pay the interest accrued on the 2022 Senior Notes that was due on April 12, 2020, which resulted in an event of default by the Group after the expiry of the 30-day grace period. This event of default also triggered the cross-default of the Cross-Defaulted Borrowings of the Group. As a result, the entire balance of the principal and related outstanding interest due on the 2022 Senior Notes and the Cross-Defaulted Borrowings were classified as current liabilities from that date.

As further described in Note 2.1.1 and Note 12, the Debt Restructuring Plans became effective on March 30, 2022 and the revised terms are set out below:

- Capitalisation of the unpaid accrued interest on the Cross-Defaulted Borrowings and the 2022 Senior Notes as at June 30, 2020 into the respective principal amounts outstanding;

- Waiver of all accrued default interest and the unpaid interest on the Cross-Defaulted Borrowings and the 2022 Senior Notes from July 1, 2020 to the effective date of the Debt Restructuring Plans;

- Interest rates on the Cross-Defaulted Borrowings have been revised to either 5% or 11% per annum, depending on the agreement with the respective lender, while the 2022 Senior Notes bear no interest for the remaining term. Such interest on the Cross-Defaulted Borrowings will start to be paid once the respective principal amounts have been fully repaid;

- Repayments of principal amounts and then interest due, where applicable, on the Cross-Defaulted Borrowings and the 2022 Senior Notes are revised to monthly pre-determined amounts which vary based on actual crude oil prices in accordance with the RSA; and

- All principal amounts and interest of the Cross-Defaulted Borrowings and the 2022 Senior Notes outstanding as at December 31, 2024 will become due immediately upon that date (the "Repayment Date"), unless the Group is able to successfully extend the termination date of the PSC with CNPC. If the PSC is extended then the Repayment Date will be aligned with the last day of the extended term of the PSC.

11. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On January 20, 2022, the Group entered into the Disposal Agreement with the Purchaser, Hammer Capital Asia Limited (an independent party and also one of the lenders to the Group), for the sale (the "Disposal") of the Group's 40% equity interest in PBV which owns the entire equity interest in Emir-Oil LLP, a company registered in Kazakhstan and primarily engaged in the exploration, development, production and sale of petroleum and other petroleum products in Kazakhstan, and certain related receivables. The Disposal Assets Group had been pledged as collateral for the outstanding principal balance of HK$466.8 million (equivalent to approximately US$59.8 million) due to the Purchaser. The consideration of US$55,000,000 for the Disposal will be net off against portion of the outstanding principal amount.

The completion of this Disposal is subject to the fulfilment of certain conditions, including but not limited to, the approval of the relevant governmental or regulatory bodies, other shareholders of the associate and the Company's shareholders at an extraordinary general meeting. The Group has already in discussion and agreed certain key terms of the Disposal with the Purchaser in December 2021 and expected to complete the Disposal within one year. Accordingly, the Disposal Assets Group is classified as "disposal group classified as held for sale" as at December 31, 2021.

At the date of initial classification as held for sale, the carrying amount of the assets and liabilities relating to the Disposal Assets Group were lower than the fair value less cost to sell as at that date. Accordingly, no loss was recognised due to remeasurement at the initial classification.

The following assets and liabilities had been classified as "disposal group classified as held for sale" as at December 31, 2021:

(a) Assets of disposal group classified as held for sale

	As at December 31, 2021 *RMB'000*
Investment in associate *(Note (i))*	–
Prepayments, deposits and other receivables *(Note (ii))*	**350,356**
	350,356

Note:

(i) As at December 31, 2021, the investment of 40% equity interest in PBV was classified as "disposal group classified as held for sale" with nil carrying value.

(ii) As at December 31, 2021, the shareholder loans due from PBV and other receivables from the other shareholders of PBV were classified as disposal group classified as held for sale with a net book value of RMB350.4 million.

(b) **Liabilities of disposal group classified as held for sale**

	As at December 31, 2021 *RMB'000*
Provisions, accruals and other liabilities	**60,774**

12. SUBSEQUENT EVENT

(a) On January 20, 2022, the Company entered into the Disposal Agreement with the Purchaser, which is one of the Lenders, to dispose of the Group's 40% interest in an associate, PBV, together with certain related receivables. This associate holds the 100% equity interest in Emir-Oil LLP. The consideration of US$55,000,000 for this disposal will be net off against the outstanding principal of a borrowing amounting to HK$466.8 million (equivalent to approximately US$59.8 million) provided by the Purchaser. The completion of this disposal is mainly subject to the approval of the relevant governmental or regulatory bodies, other shareholders of the associate and the Company's shareholders at an extraordinary general meeting.

(b) As described in Note 2.1.1, the Company obtained the sanction order of the Cayman Scheme from the Cayman Court on March 25, 2022 following a meeting held on March 17, 2022 whereby noteholders representing 96.02% of the total outstanding principal amount of the 2022 Senior Notes voted in favour of the Cayman Scheme.

The Company has obtained a waiver on March 14, 2022 from the Key Noteholders of the need to file a petition for the Recognition Order in the NY Bankruptcy Court before the effective date of the Debt Restructuring Plans as required under the RSA provided that the Company uses all commercially reasonable endeavours to secure such filing as soon as practicable.

The Debt Restructuring Plans became effective on March 30, 2022 after completion of the relevant legal procedures, including the signing of the New Finance Documents and the waiver of the requirement to obtain the Recognition Order. The Company expects that the Recognition Order will be made by the NY Bankruptcy Court on or around April 12, 2022.

Upon the Debt Restructuring Plans became effective on March 30, 2022, the effect of the revised terms of the New Finance Documents (Note 10) will be reflected in the year ending December 31, 2022.

BUSINESS REVIEW

Overview

In 2021, the COVID-19 pandemic continues to impact oil and gas demand as various restraints were imposed by most countries around the world. Nevertheless, vaccine rollouts and stimulus package are driving energy demand back. Entering 2022, due to complex historical reasons and geopolitical influences, the Russian-Ukrainian conflict broke out, triggering a global supply crisis almost immediately. There are concerns over supply disruption following the outbreak of the conflict on a already tight market. There are also concerns over the growing imbalance between demand and supply driven by recovering economic growth. In addition, the US recently announced energy sanctions on Russia, which is the world's third largest oil producer. The sanctions may lead to an unprecedented tight oil supply in 2022, which will further drive up crude prices. The Group has been adapting to the changing business environment, and implementing pandemic prevention and control measures throughout our operations. Pursuant to the PSC extension agreement entered into on June 4, 2020, the Group is required to drill 268 new wells within 3 years after June 2020. The Group increased capital expenditure and drilled new wells in a timely manner, thereby improved the oil production capacity of Daan Oilfield. As at the end of 2021, 183 of the 268 new wells required to be drilled under the Supplemental PSC were completed, constituting 68.3% of the required wells.

In 2021, both the operating and net production of oil and gas from the PRC segment increased compared to 2020. The Group's gross production of oil and gas increased by 3.7% to about 4.80 MMBOE compared to 2020. Net production of oil and gas increased by 13.8% to about 2.48 MMBOE compared to 2020. During 2021, net oil sales volume increased by 15.0% compared to 2020 to approximately 2.45 million barrels, and net natural gas sales volume increased to 2.17 MMscf.

In 2021, the average realized crude oil price of the Group from the PRC segment increased by 66.0% to US$64.06 per barrel compared to 2020, and the average realized natural gas price increased slightly to US$6.63 per Mscf. In 2021, the revenue from the PRC segment increased by 77.8% to RMB1,017.8 million compared to 2020. In 2021, loss for the year of the Group is RMB338.4 million and the respective loss per share is RMB0.10.

In 2021, EBITDA from the PRC segment increased by RMB1,047.6 million to RMB905.5 million from negative RMB142.1 million in 2020 and the respective adjusted EBITDA increased by RMB361.3 million to RMB723.9 million.

As at December 31, 2021, the Group operated a total of 2,578 wells and they are all located in China. The total headcount of the Group reduced from 1,007 as at December 31, 2020 to 1,005 as at December 31, 2021 under the effect of staff adjustment.

The following table provides a recap of the Group's key operational metrics for 2021:

	2021	**2020**	**% Change**
Average Daily Gross Production (BOE/day)	**13,161**	12,662	3.9%
Average Daily Net Production (BOE/day)	**6,800**	5,944	14.4%
Average Daily Net Oil Production (barrels/day)	**6,799**	5,944	14.4%
Average Daily Net Gas Production (Mscf/day)	**5.96**	5.14	16.0%

Notes:

(1) For reference purpose only, barrels of oil equivalent ("**BOE**") is calculated using a 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

The following table sets out the summary of the expenditures incurred in our exploration, development and production activities for 2021

(millions of RMB)	**Exploration expenditures**	**Development expenditures**	**Production/ operating expenditures**
China Onshore Projects (Daan, Moliqing)	–	583	230
Total	–	583	230

- **China Operations (Daan, Moliqing)**

  Through the new well drillings, optimization of water injection, well stimulation and production optimization as well as the implementation of advanced technologies such as network fracturing, Daan continue to maintain a sustained and stable crude oil production. On June 4, 2020, the amendment and supplementary agreement of the "Petroleum Development and Production Contract for Daan Oilfield in Jilin Province of the People's Republic of China" was executed in Beijing, marking the successful extension of the Daan PSC term from December 31, 2024 to February 29, 2028.

During 2021, the total gross operating oil production for Daan and Moliqing increased by 3.7% from 4.63 million barrels in 2020 to 4.80 million barrels in 2021. Total net oil production attributable to the Group increased by 13.8% from 2.18 million barrels in 2020 to 2.48 million barrels in 2021. During 2021, the gross operating oil production per day increased by 3.8% to 13,140 barrels/day ("**BOPD**") as compared to 2020, and net oil production per day attributable to the Group increased by 14.4% to 6,799 BOPD. In 2021, a drilling program of 154 directional wells was carried out in Daan. The total drilling footage was 325,434 meters and the average drilling footage for a single well was about 2,113 meters. With the continued recovery of the international crude oil prices, the average realized oil price of Daan and Moliqing increased by 66.0% from US$38.60/barrel in 2020 to US$64.06/barrel in 2021. The group timely increased the old well stimulation and the lifting cost increased by US$2.39/barrel, or 24.2%, from US$9.88/barrel for 2020 to US$12.27/barrel for 2021. Adjusted EBITDA per barrel for Daan and Moliqing increased by US$21.74, or 88.1%, from US$24.69/barrel for 2020 to US$46.43/barrel for 2021. The increased in adjusted EBITDA per barrel was primarily due to the significant increase in average realized oil price.

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

We hold an indirect 40% interest in Emir-Oil LLP in Kazakhstan. Currently, Emir-Oil LLP holds one exploration contract and six production contracts covering Aksaz, Dolinnoe, Emir, Kariman, North Kariman and Yessen oilfields. As at the end of 2021, Emir-Oil LLP had a total of 26 producing wells. The daily production of crude oil in 2021 increased by 9.6% from 1,743 BOPD in 2020 to 1,911 BOPD.

On 20 January 2022, the Company entered into a sale and purchase agreement (the "**Emir-Oil SPA**") with the Purchaser, pursuant to which (among other things) the Company has conditionally agreed to sell to the Purchaser, and the Purchaser has conditionally agreed to acquire 40% interest in PBV. The consideration to be paid by the Purchaser to the Company (on behalf of the Company and its subsidiaries) shall be US$55,000,000, which shall be netted off against the outstanding amount due by the Company to the Purchaser under the loan agreement at completion on a dollar-for-dollar basis.

Upon completion of the Emir-Oil LLP transaction, the Company will cease to directly or indirectly hold any shares or other interest in Emir-Oil LLP. For further details, please refer to the Company's announcements dated January 20, 2022.

Reserves

Summaries of the Group's 2021 year-end reserves are as follows:

1. Overall, the Group's total net Proved ("**1P**") oil, gas and natural gas liquid ("**NGL**") reserves increased by 1% to 16.43 MMBOE, total net Proved + Probable ("**2P**") oil, gas and NGL reserves decreased by 9% to 38.54 MMBOE, and total net Proved + Probable + Possible ("**3P**") oil, gas and NGL reserves decreased by 12% to 56.01 MMBOE.

2. In 2021, Company drilled 154 new wells in China (Daan field) and 4 new wells in Kazakhstan (Emir-Oil), converting part of the probable reserves into 1P reserves. The delay of the gas injection program of Emir-Oil due to COVID-19 pandemic resulted in part of the Emir-Oil secondary recovery reserves being-classified as resources (this part of resources will be re-classified as reserves after the gas injection program is carried out in 2022). The combination of production from the Daan field and Emir-Oil in 2021 resulted in a decrease of Group's net 1P oil reserves for 2021 by 0.3% to 14.57 million barrels, and a decrease of 2P net oil reserves by 9% to 32.59 million barrels and 3P net oil reserves by 13% to 46.52 million barrels.

3. Based on 2021 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$604 million, which represents a 4% increase from the reported 2020 year-end 2P NPV10 value of US$584 million.

Segment	Basin	2020	2021
China — Gobi Energy	Songliao	Escalated price profile based on price projections published by Moody's Analytics for WTI Crude. An average differential for January to December of 2020 between WTI Cushing Spot and Daqing of negative US$1.33 per barrel was used. The differential is assumed to remain constant in the future.	Escalated price profile based on price projections published by Sproule for WTI Crude. An average differential for January to December of 2021 between WTI Cushing Spot and Daqing of negative US$2.56/Barrel 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 US$41.48/Stock tank Barrel in 2021. Domestic oil price is estimated to be US$19.30/Stock tank Barrel in 2021. Domestic gas price US$0.47/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 GCA for Brent Crude which has been estimated to be US$66.09/Stock Tank Barrel in 2022. Domestic oil price is estimated to be US$24.77/Stock Tank Barrel in 2022. Domestic gas price US$0.48/MSCF has been utilized for solution gas sales and assumed to be constant throughout the report.

Note: (i) WTI — West Texas Intermediate
(ii) GCA — Gaffney, Cline & Associates

FINANCIAL RESULTS

Revenue

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

The Group's revenue generated from sales of oil and gas was entirely contributed by our China oil fields. The Group's revenue from sales of oil and gas in 2021 increased by RMB444.4 million, or 77.9%, from RMB570.3 million in 2020 to RMB1,014.7 million, primarily due to higher oil prices and higher sales volumes. The average realized oil price was US$64.06 per barrel in 2021, as compared to US$38.60 per barrel in 2020. The Group's sales volume increased by 0.32 million barrels or 15.0%, from 2.13 million barrels in 2020 to 2.45 million barrels in 2021.

The Group's revenue from rendering of services was RMB3.2 million for 2021.

Depreciation, depletion and amortisation

The Group's depreciation, depletion and amortisation increased by RMB13.7 million, or 5.5%, from RMB250.2 million in 2020 to RMB263.9 million in 2021. The increase in depreciation, depletion and amortisation was mainly due to: (i) the increase of net book value caused by the investment in 2021, and partially offset by (ii) the increase of reserve.

Taxes other than income taxes

The Group's taxes other than income taxes increased by RMB10.8 million, or 158.8%, from RMB6.8 million for 2020 to RMB17.6 million for 2021. The following table summarizes taxes other than income taxes for the years ended December 31, 2020 and December 31, 2021:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
PRC:		
Petroleum special profit charge	**9,581**	–
Urban construction tax and education surcharge	**4,502**	3,016
Others	**91**	88
	14,174	3,104
Corporate and others:		
Withholding tax and others	**3,465**	3,711
	17,639	6,815

PRC

With effect from January 1, 2015, the threshold price for petroleum special profit charge was revised from US$55 per barrel to US$65 per barrel by the announcement of the Ministry of Finance of the PRC. During 2021, petroleum special profit change was RMB9.6 million due to the crude oil price exceeded US$65/barrel. The realized oil price never reached US65 per barrel during 2020, hence the petroleum special profit charge was not applicable.

Corporate and others

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 were RMB101.9 million for 2021. There was no change for the employee compensation costs compared to 2020.

Purchases, services and other direct costs

Our purchases, services and other direct costs increased by RMB58.5 million, or 28.6%, from RMB204.3 million for 2020 to RMB262.8 million for 2021. The increase was primarily due to (i) the operating wells increased; and (ii) a higher percentage of the production allocated to the Group in accordance with the petroleum contract compared to 2020.

Net impairment losses on financial assets

The Group incurred net impairment losses on financial assets of RMB17.7 million in 2021, which arose primarily from the provision for impairment losses on the receivables from an associate.

Reversal of impairment loss

The Group recovered impairment charges: (i) impairment losses for oil and gas properties amounting to RMB176.9 million; (ii) impairment losses for mineral interests amounting to RMB6.8 million.

Other gains, net

The Group incurred other gains of RMB9.1 million for 2021, compared to other gains of RMB3.1 million for 2020.

Interest and other income

The Group's interest and other income decreased by RMB17.5 million, or 49.6%, from RMB35.3 million for 2020 to RMB17.8 million for 2021.

Finance costs

Finance costs decreased by RMB43.1 million, or 5.1%, from RMB846.0 million for 2020 to RMB802.9 million for 2021. The decrease was mainly due to exchange rate changes caused by RMB appreciation.

Loss before income tax

The Group's loss before income tax was RMB238.4 million for 2021, compared to the loss before income tax of RMB1,308.7 million for 2020. This was primarily due to the cumulative effects of the above factors.

Income tax expense

The Group recorded an income tax expense of RMB99.9 million in 2021, compared to an income tax expense of RMB42.6 million for 2020. The effective tax rate for 2021 is negative 42% compared to an effective tax rate in 2020 of negative 3%.

Loss for the year

The Group's net loss in 2021 was RMB338.4 million, compared to the net loss of RMB1,351.3 million in 2020.

EBITDA AND ADJUSTED EBITDA

We provide a reconciliation of EBITDA and adjusted EBITDA to losses for the current year, our most direct 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 amortisation. Adjusted EBITDA refers to EBITDA adjusted to exclude non-cash and non-recurring items such as share-based payment to employees, net impairment losses on financial assets, impairment charges, losses on changes in fair value of financial instruments, withholding tax 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 that 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 between EBITDA and adjusted EBITDA and loss before income tax for the years ended December 31, 2021 and December 31, 2020:

The Group generated EBITDA of RMB810.6 million in 2021, compared to negative RMB248.0 million in 2020. The increase in EBITDA in 2021 was primarily due to: (i) the impairments charges and losses on changes in fair value of financial instruments decreased by RMB676.4 million; and (ii) the oil and gas sales revenue increased by RMB444.4 million due to increase in oil price.

The Group's adjusted EBITDA increased by approximately RMB381.1 million, or 140.6%, from approximately RMB271.0 million in 2020 to approximately RMB652.1 million in 2021. The increase in adjusted EBITDA was primarily due to the increase of the oil and gas sales revenue due to the increase in oil price.

	Year Ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Loss before income tax	**(238,425)**	(1,308,722)
Interest and other income	**(17,773)**	(35,343)
Finance costs	**802,887**	845,954
Depreciation, depletion and amortisation	**263,924**	250,159
EBITDA	**810,613**	(247,952)
Share-based payment to employees	**3,987**	4,747
Provision for impairment losses on financial assets, net	**17,732**	3,740
(Reversal of)/provision for impairment losses on assets	**(183,713)**	506,748
Withholding tax	**3,465**	3,711
Adjusted EBITDA	**652,084**	270,994

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

	Year Ended December 31, 2021		
	PRC	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Profit/(loss) before income tax	**449,462**	**(687,887)**	**(238,425)**
Interest and other income	**(40)**	**(17,733)**	**(17,773)**
Finance costs	**195,986**	**606,901**	**802,887**
Depreciation, depletion and amortisation	**260,110**	**3,814**	**263,924**
EBITDA	**905,518**	**(94,905)**	**810,613**
Share-based payment to employees	**2,067**	**1,920**	**3,987**
Provision for impairment losses on financial assets, net	**–**	**17,732**	**17,732**
Reversal of impairment losses on assets	**(183,713)**	**–**	**(183,713)**
Withholding tax	**–**	**3,465**	**3,465**
Adjusted EBITDA	**723,872**	**(71,788)**	**652,084**

	Year Ended December 31, 2020		
	PRC	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
Loss before income tax	(643,110)	(665,612)	(1,308,722)
Interest and other income	(20)	(35,323)	(35,343)
Finance costs	257,447	588,507	845,954
Depreciation, depletion and amortisation	243,579	6,580	250,159
EBITDA	(142,104)	(105,848)	(247,952)
Share-based payment to employees	1,288	3,459	4,747
(Reversal of)/provision for impairment losses on financial assets, net	(3,389)	7,129	3,740
Provision for impairment losses on assets	506,748	–	506,748
Withholding tax	–	3,711	3,711
Adjusted EBITDA	362,543	(91,549)	270,994

LIQUIDITY AND CAPITAL RESOURCES

The Group's primary source of cash during 2021 was cash generated from operating activities.

In 2021, the Group had net cash of RMB489.9 million generated from operating activities, net cash of RMB463.8 million used in investing activities, net cash of RMB8.7 million used in financing activities, an exchange loss on cash and cash equivalent of RMB1.3 million, and a net increase in cash and cash equivalents of RMB17.4 million.

Borrowings

As at December 31, 2021, the borrowings from financial institutions and third parties amounted to approximately RMB3,597.5 million, representing a decrease of approximately RMB88.6 million as compared to December 31, 2020. All of the borrowings are repayable within one year amounted to approximately RMB3,597.5 million, representing a decrease of RMB88.6 million as compared to December 31, 2020. All of the borrowings are denominated in US dollars and Hong Kong dollars. The borrowings are all at fixed interest rates. No hedging instruments were used for 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, changed from negative 3,445.2% as at December 31, 2020 to negative 865.0% as at December 31, 2021, primarily due to the losses incurred in 2021.

Our total borrowings to adjusted EBITDA ratio, which is defined as total borrowings divided by adjusted EBITDA decreased from 13.6 as at December 31, 2020 to 5.5 as at December 31, 2021.

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 with reference to oil and gas prices in the international market, and 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.

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 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, 2021, the Group's interest in the PSCs in China, accounts receivables under the Daan PSC, a bank account, share capital of an associate and certain subsidiaries, other receivables from an associate and a third party were pledged to the secure borrowings in the aggregate amount of RMB2,013.8 million.

EMPLOYEES

As at December 31, 2021, the Company had 1,005 employees, all based in China (Mainland China and Hong Kong). There are no material changes to the information disclosed in the 2020 Annual Report in respect of the remuneration of employees, remuneration policies and staff development.

CONTINGENCIES

There were no contingent liabilities of the Group as at December 31, 2021.

SHARE OPTION SCHEME

Cancellation of Vested Options

On May 16, 2019, the Company granted, pursuant to the share option scheme adopted by the Company on November 27, 2010, which expired on November 26, 2020 (the "**2010 Scheme**") share options to certain employees of the Company (the "**2019 Grant**"). On June 25, 2021, the Company adopted a new Share Option Scheme (the "**2021 Scheme**").

An aggregate of 155,089,171 options were granted pursuant to the 2019 Grant, entitling the holders to subscribe for 155,089,171 ordinary shares of the Company of US$0.001 each (the "**Shares**"). Subsequently, 12,572,368 options under the 2019 Grant lapsed as a result of the holders' termination of their employment with the Company. The exercise prices of the outstanding options under the 2010 Scheme (the "**Existing Options**") have been consistently higher when compared with the prevailing market price of the Shares. As a result, the Existing Options could no longer serve as an effective incentive for the holders of the Existing Options (the "**Grantees**").

In view of this, the Company offered to cancel 142,516,803 Existing Options under the 2010 Scheme and considers that it is in the interest of both the Company and the Grantees to cancel such Existing Options and offer to grant new share options pursuant to the 2021 Scheme to the Grantees. No compensation is payable to them for cancellation of the Existing Options.

Grant of New Options

On June 30, 2021, the Company granted share options pursuant to the 2021 Scheme to 77 eligible participants comprising certain directors, substantial shareholders and employees of the Company to subscribe for an aggregate of 142,516,803 shares. These options have an exercise price of HKD0.044 per share and a term of 10 years from the grant date. The share options for an aggregate of 1,155,774 shares subsequently lapsed pursuant to the terms of the Scheme and the relevant option agreements as at December 31, 2021.

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended December 31, 2021 (2020: NIL).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company ("**AGM**") is scheduled to be held on Friday, June 24, 2022. For determining the entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Tuesday, June 21, 2022 to Friday, June 24, 2022, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Monday, June 20, 2022, being the last registration date.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the consolidated financial information of the Group for the year ended December 31, 2021 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, 2021 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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below paragraphs set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended December 31, 2021:

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1.1 to the consolidated financial statements, which indicates that in recent years the Group's performance was significantly affected by the high borrowing costs associated with general funding and re-financing activities and the volatility of the price of crude oil. During the year, the Group incurred a net loss of RMB338.4 million. As at December 31, 2021, the Group's current liabilities exceeded its current assets by RMB5,126.7 million and there was a deficit on the shareholders' funds of RMB3,972.7 million. As at the same date, the Group had total borrowings of RMB3,597.5 million, all of which were recorded under current liabilities.

As stated in Note 2.1.1, these events or conditions, along with other matters as set forth in Note 2.1.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, disposed of or redeemed any of the Company's listed securities for the year ended December 31, 2021.

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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the year ended December 31, 2021.

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, 2021. 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, 2021 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 24, 2022. 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 31, 2022

As at the date of this announcement, the Board comprises (1) the executive directors namely Mr. Zhang Ruilin, Mr. Zhao Jiangwei and Mr. Wong Ka Wai; (2) the non-executive directors namely Mr. Guan Hongjun and Mr. Feng Chong; and (3) the independent non-executive directors namely Mr. Mei Jianping, Mr. Liu Ying Shun, Ms. So Tsz Kwan, Mr. Guo Yanjun and Mr. Ai Min.